



Strategic Annual Report 2020

The Indo-Pacific of Today and Tomorrow:
Transformation of the Strategic Landscape
and International Response



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Message from the President



Kenichiro Sasae
President, JIIA

In 2019, on the occasion of the 60th anniversary of its foundation, the Japan Institute of International Affairs (JIIA) published its first Strategic Annual Report and held the 1st Tokyo Global Dialogue. These activities formed part of our concerted effort to effectively communicate the results of research activities conducted at JIIA in both Japanese and English, the importance of which I have emphasized since becoming president, and they have received high praise from various quarters.

As a result, JIIA has decided to regularly issue the Strategic Annual Report and hold the Tokyo Global Dialogue, under a strategic theme worthy of particular attention each year, thereby widely disseminating its analyses of regional situations and perspectives on the future reflecting the results of its research activities in various study groups. This Strategic Annual Report 2020, under the theme “The Indo-Pacific of Today and Tomorrow: Transformation of the Strategic Landscape and International Response,” analyzes the international situation in 2020 by thematic area and region. The analysis focuses on the US-China confrontation and strategic competition that has intensified amid the global coronavirus pandemic, and on the Indo-Pacific region that is transforming into divided and contested oceans due to this confrontation. The report then briefly describes future prospects as well as the actions and roles expected of Japan in this context.

Recently, JIIA has been enhancing timely dissemination of its research results in both Japanese and English by issuing “Strategic Comments” and “Research Reports” in addition to its series of study group reports. Interested readers may refer to the documents listed at the end of this report with their URLs.

I hope you will find this report useful for enhancing your understanding of the international issues.

Overview

The Indo-Pacific of Today and Tomorrow: Transformation of the Strategic Landscape and International Response

The year 2020 was characterized by the intensification of US-China confrontation and strategic competition, which had been pointed out in the Strategic Annual Report 2019, in all areas from military and security affairs as well as dominance in advanced technologies and supply chains to narratives on coronavirus responses. Amid this confrontation, the rules-based international order faced even more severe challenges; the multilateral framework established after World War II with the United Nations at its core lost its US leadership and fell into serious dysfunction.

While the international community is struggling to cope with the rapidly expanding outbreak of the novel coronavirus, China has been moving to expand its influence through increasingly authoritarian and assertive domestic and international policies on the rule of law and territorial issues, as well as through economic initiatives such as the existing “Belt and Road Initiative” (BRI) and its responses to the pandemic. The confrontation with the United States is becoming more and more pronounced, and the Indo-Pacific region is turning itself into divided and contested oceans. In this transforming strategic environment, expressions of support for the vision of a rules-based “Free and Open Indo-Pacific” (FOIP) that Japan has been promoting for the past several years, or announcements of similar visions have followed one after the other. The year 2020 also saw significant strengthening of the cooperative framework among four countries – Japan, the United States, Australia, and India (QUAD) – together with the enhancement of bilateral cooperation between countries in this group. At the same time, progress was also made in a regional cooperation framework that includes China with the signing of the Comprehensive Economic Partnership in East Asia (RCEP).

The Strategic Annual Report 2020 looks back at major international developments since last year’s Report through the end of 2020, focusing on the transformation of the strategic environment in the Indo-Pacific region and the response of the international community.

Intensified US-China Confrontation and Strategic Competition and Their Impact

The international security system, which was built upon the US's overwhelming military power following World War II and which became a uni-polar system centered around the United States after the end of the Cold War, has been facing an immense transformation of the strategic environment in the past several years, particularly in the Indo-Pacific region. This is due to China's rapid economic, military and technological development, accompanied by China's domestic and foreign policies that have become increasingly authoritarian and assertive, as well as its economic assistance through such means as the "Belt and Road Initiative" (BRI) and the Asian Infrastructure Investment Bank (AIIB). The trade dispute between the United States and China, which had attracted world attention in 2018 and 2019, calmed down somewhat by the beginning of 2020. However, at around the same time, a new coronavirus that first emerged in China rapidly spread all over the world, causing a major outbreak that hit the United States hard. Against this backdrop, and with the presidential election in the US, the US-China confrontation intensified in 2020, covering a whole range of areas from responses to the coronavirus pandemic and related policies on international organizations, military and security affairs, advanced technology, human rights issues such as Hong Kong and the Uyghurs, to Taiwan and the South China Sea. In its criticism of China, the United States focused particularly on the communist regime.

China's military power has been growing exponentially in parallel with its economic growth, while lacking transparency. In recent years, China has been particularly strengthening its A2/AD capabilities through enhanced missile, maritime and air force capabilities, and developing its capabilities in new areas such as space and cyberspace. China's moves to unilaterally change the status quo in the East China Sea and the South China Sea are also becoming more and more apparent. Faced with this, the United States articulated a policy of attaching greater importance to this region, including the establishment of the "US Indo-Pacific Command" in 2018. In 2020, amid concerns that the US Navy's deployment capability in the Indo-Pacific might be temporarily weakened due to the coronavirus pandemic, China continued to expand its military power in the Western Pacific and conduct active military operations, including putting increased pressure on Taiwan. In response, the United States made clear its policy of confronting China by conducting "freedom of navigation" operations in the South

China Sea and other areas, undertaking military activities in and around Taiwan, including the passage of Aegis destroyers through the Taiwan Strait, and strengthening high-level relations with Taiwan. Even among moderate intellectuals in the United States, there were calls to revise the existing “strategic ambiguity” and clarify the US position through a revision of the Taiwan Relations Act. In the areas of nuclear disarmament and arms control, the transformation of the strategic landscape in the Indo-Pacific region and the intensification of the US-China great power competition, which extends to military matters as well, has led the United States to demand China’s participation in the US-Russia framework, while such bilateral arms control talks have stalled. In these circumstances, and with the expected entry into force of the Treaty on Prohibition of Nuclear Weapons (TPNW) in early 2021, the situation surrounding nuclear disarmament is becoming increasingly difficult.

The coronavirus pandemic accelerated moves to review international interdependence from the perspective of power politics. Not only was the vulnerability of electronics that form the core of the digital economy and defense infrastructure recognized, but there was also a growing sense of alarm about the use of international supply chains relying on asymmetric interdependence for diplomatic or political purposes. Concerns about the use of surveillance technology by the Chinese government also increased. Against this backdrop, moves by the US to exclude China from supply chains and R&D in various fields of advanced technologies such as digital and communications as well as China’s countermeasures thereto both intensified throughout 2020.

In 2020, Japan and China initially sought to improve their relations, but this effort stalled. Japan worked to review its security strategy, but the discussions on strengthening its self-defense capabilities including “missile elimination” capabilities did not make much progress. Japan also worked to respond to the US policy on China regarding advanced technologies and to reduce its supply chains’ excessive dependence on China. With regard to the Korean Peninsula, US-DPRK negotiations stagnated after the summit meeting in Hanoi in February 2019, and there was no positive progress in US-DPRK, North-South and Japan-ROK relations in 2020.

Impact of the Coronavirus Pandemic and Changes in the International Community's Perception of China

The coronavirus pandemic has had profound and widespread socioeconomic impacts worldwide. As a result of restrictive measures to contain the spread of infection, the world economy was simultaneously frozen in terms of both supply and demand in 2020, leading to an unprecedented economic crisis. The scale of the economic crisis surpassed that of the global financial crisis following the Lehman shock of 2008 and is comparable to the Great Depression in the 1930s. Amid this crisis, China, which had been slow in its initial responses to the coronavirus outbreak, succeeded in containing the spread of infection much more rapidly than Western countries through draconian measures to restrict the movement of people. China will be the only major country to record positive economic growth in 2020. It is conceivable that China, by quickly controlling the disease and restoring its positive economic growth, will lead the recovery of the world economy following the pandemic, making the world even more dependent on the Chinese economy. On the other hand, contradictions in its political and social systems may pose risks to economic growth in China.

Confident of the success of its governance model, China has sought to exert influence on other countries through “mask diplomacy”—assistance through the provision of masks and medical equipment—and “vaccine diplomacy”—provision of domestically-developed vaccines. At the same time, it has been also employing “wolf warrior diplomacy”, severely criticizing countries like Australia for their critical attitude toward China and taking tough measures against them. Such belligerent policies on China’s part intensified friction with the United States and Europe, and their views on China rapidly deteriorated, a decline further hastened by the implementation of the National Security Law in Hong Kong and other developments. However, in the deliberations at the UN Commission on Human Rights in June, 27 countries—mainly developed countries such as Japan and those in Europe—opposed the Hong Kong National Security Law, while 53 countries—largely developing countries—voted to support it. This revealed that China’s influence has spread widely among developing countries through its economic assistance via “mask and vaccine diplomacy” regarding the coronavirus and the existing “Belt and Road Initiative” (BRI). Thus, the development of the international situation in 2020, including coronavirus responses, intensified the “battle of narratives” over values between China and democratic countries.

Crisis of Multilateralism

Following the establishment of the Trump administration in 2017, the United States proceeded to withdraw from multilateral agreements and international organizations, stepping up its anti-multilateralist moves after 2019. The WTO's dispute settlement mechanism has been dysfunctional since the end of 2019 due to US opposition, and the organization has been without a Director-General since the summer of 2020. The US suspended its funding to the WHO in April 2020, complaining about its response to the spread of coronavirus infections, and announced its withdrawal in July. The US and Russia were also absent from the COVAX Facility, an international framework for vaccine supply led by the WHO, instead acting on their own and cooperating bilaterally. In the United Nations, the United States and China clashed over whether or not the Security Council resolution calling for a ceasefire in conflict zones should mention the WHO, delaying its adoption until July. Furthermore, the US withdrawal from the Paris Agreement, of which formal notification had been given in November of the previous year, took effect in November 2020. These developments revealed the absence of US leadership on the international stage and the serious dysfunctioning of international organizations due to the US-China confrontation in the year marking the 75th anniversary of the foundation of the United Nations and amid the coronavirus pandemic, a grave situation that requires a global response.

The Indo-Pacific of Today

In recent years, China has been pursuing an assertive policy of claiming territorial rights in the South China Sea, increasing military activities and constructing artificial islands, thereby provoking opposition from neighbors and other countries concerned. In 2020, China repeatedly conducted military exercises in the South China Sea, indicating it had no intention of refraining from active military movements, while neighboring countries struggled in their responses to the coronavirus. In June 2020, Chinese and Indian troops clashed in the Himalayan highlands, resulting in the first confirmed deaths in a border dispute between the two countries since 1975. Against the backdrop of these developments, the momentum for promoting the "Free and Open Indo-Pacific" (FOIP) vision, which Japan has been advocating since 2016, has increased since 2018, bolstered by wider support for the vision and its concrete operationalization.

In response to the expansion of China's military power, the United States has placed emphasis on security in the Indo-Pacific region and heightened its military presence. It has also made increasingly clear its support of the FOIP vision. In 2019, countries in the region pronounced their Indo-Pacific policies, as seen in the publication of the "Indo-Pacific Strategy Report" by the US Department of Defense and the announcement of the "Indo-Pacific Outlook" by the Association of Southeast Asian Nations (ASEAN). This was followed in 2020 by policy statements from countries beyond the region. In Europe, where France had already announced its own Indo-Pacific defense strategy in 2018, Germany and the Netherlands announced their respective Indo-Pacific policies in 2020. The EU defined China as a "systemic rival" for the first time in 2019, and France, Germany and the Netherlands are now leading efforts to accelerate the formulation of an EU-level strategy on the Indo-Pacific region. In December 2020, NATO released the "NATO 2030" report outlining strategic challenges for the next ten years, in which it defined China as a "full-spectrum systemic rival that poses acute challenges to open and democratic societies" and discussed the need to set up an advisory body to deliberate security issues regarding China and to take countermeasures against cyber attacks and disinformation.

The cooperation through the framework of four countries—Japan, the United States, Australia, and India (QUAD)—that started in 2007 and resumed in 2017 after an interruption led to the first Foreign Ministers' Meeting held on the sidelines of the UN General Assembly in September 2019, followed by the 2nd Foreign Ministers' Meeting in Japan in October 2020, held independently from international conferences for the first time. In this meeting, it was decided to hold future Foreign Ministers' Meetings on a regular basis. In November 2020, the four countries took part in Exercise Malabar, with Australia participating for the first time since 2007. As demonstrated by further promotion of security cooperation between India and the other three countries as well as between Japan and Australia, the cooperation among the four countries saw intensification and deepening.

In the Indo-Pacific region in 2020, a cooperation framework including China also showed new progress. The Regional Comprehensive Economic Partnership (RCEP), an agreement covering a gigantic economic zone that accounts for 30% of the world's population, GDP, and trade value, the negotiations for which had been launched in

2012 by the ASEAN+6 (Japan, China, South Korea, Australia, New Zealand, and India), was signed in November by 15 countries (excluding India) and is scheduled to enter into force in 2021.

In the Middle East at the western rim of the Indo-Pacific, the struggle for supremacy among regional powers such as Turkey, Saudi Arabia and Iran continued in Syria, Yemen, Libya and other countries where continuing civil wars were compounded by the suffering caused by the spread of the coronavirus infection. Through a series of US-brokered normalization agreements between Israel and Arab countries, the relationships among states in the Middle East have started to shift from a façade of “Israel versus the Arab”, which had in essence already collapsed, to straightforward relationships that emphasize the economy and security. The intensifying confrontation between Iran and the United States has accelerated Iran’s deviation from the nuclear agreement (JCPOA), leading to the escalation of tensions in the Gulf region.

Perspective

The change of administration in the US will be a driving force for climate change and other multilateral negotiations, international organizations, and a rules-based international order. The US’s relations with NATO and other allies are expected to be strengthened, but Japan and other US allies will be asked to increase their share of the burden at the same time. The United States and China are expected to cooperate in those areas where they share common interests, such as climate change and nuclear nonproliferation. However, as long as China continues its military expansion and its challenges to the existing international order, which are the root causes of the US-China conflict, the strategic confrontation between the United States and China will continue, and the possibility of further escalation cannot be ruled out. In the Indo-Pacific region, which will be the focus of this conflict, the division and confrontation between the United States and China in the military and security arenas are expected to become even more pronounced. Moreover, the US-China confrontation will certainly exacerbate the competitions for supremacy in advanced technology, cyberspace and space, as well as in supply chains and digital networks.

The Japan-US alliance is the cornerstone of Japan’s diplomacy and security. It is essential that Japan further strengthen its alliance with the United States, with which Japan shares the universal values of freedom and democracy. At the same time, it is also

important for Japan to review its defense capabilities and increase its efforts to stabilize East Asia. To this end, Japan and the United States should expedite their efforts to establish a mechanism for regular, systematized and comprehensive dialogue, such as a strategic dialogue with multiple perspectives. In parallel, for the prosperity and stability of the region, diplomatic efforts are also required to maintain stable and cooperative relations with neighboring China. For example, cooperation between Japan and China within international frameworks such as the RCEP can be considered.

The new US administration is expected to continue to support the vision of developing the Indo-Pacific as a region that respects the rule of law and the fundamental values of freedom and democracy. However, it is not yet clear how the new administration will promote, further deepen and expand the cooperative framework limited to Japan, Australia, and India, and how it will promote concrete cooperation with a wider range of democratic countries as previewed in the “Summit for Democracy” initiative. It is important for Japan to continue to promote the rule of law and the progress of freedom and democracy in the Indo-Pacific region, in coordination with the United States and friendly nations that share these fundamental values, and by building up multilayered cooperation with countries that support or resonate with the FOIP vision. In doing so, Japan should make effective use of cooperation with ASEAN countries and other countries within and outside the region, such as Australia, India and European countries that share the same vision, and the QUAD framework in particular.

Japan will further advance cooperation with its friends across and beyond the Indo-Pacific region who share universal values, as well as work on coronavirus and climate change issues. Japan is also expected to play a role in promoting the free trade system and strengthening the functions of global cooperative frameworks such as the G20 and G7, and to build multilayered safety valves to manage China-US relations and at least avoid a decisive conflict by addressing common issues and interests. ■

Intensifying US-China Confrontation and Destabilization of the International Order

Deteriorating US-China relations have become a premise for discussing global affairs today. A harsh view on China is now shared among bipartisan policy makers in the US, and there is no sign of easing of the confrontation between the two countries in the short term under the Biden administration following



President Trump speaks during a campaign rally in New Hampshire and Democratic Presidential candidate Biden delivers remarks at a voter mobilization event in Ohio, October 2020. (Photo by AFP/Aflo)

its inauguration in January 2021. Today's escalation of the bilateral rivalry is neither an accidental nor temporary phenomenon. In recent years, China's rapid development of economic, military, and technological capabilities, coupled with its increasingly authoritarian and assertive domestic and foreign policies, have prompted the United States to reinforce its countermeasures. This, together with the structural constraints of the two countries' politics, has led to geopolitical and structural rivalry. Other countries, including Japan, are forced to elaborate their own foreign policies under this harsh international environment where the international order is shaken by the confrontation between the two major powers.

Current Situation of US-China Confrontation

The most prominent structural factor for the US-China confrontation is the rise of China and the resulting relative decline of the United States' influence in the international community. China's gross domestic product (GDP) surpassed Japan in 2010 and is now the world's second largest economy. It has been also pushing ahead with military buildup. Since the normalization of diplomatic relations with China, the United States has effectively supported China's development through its engagement policy, with the expectation that China would be democratized if it achieved economic development. However, today's China shows that expectations have not come true. Far from democratizing itself, China has continued to increasingly strengthen its

authoritarian attitudes and become a strong competitor to the United States, while the US has been losing its relative influence in the international community. Based on this structural background, the US-China rivalry has expanded in a multi-faceted manner, making it difficult to resolve.

The year 2020 was symbolized by the COVID-19 pandemic. Since the discovery of the virus in Wuhan, China, it has spread exponentially to the rest of the world, causing serious human and economic damage to both the United States and China. The United States, suffering from the highest number of infection cases and fatalities in the world, has been criticizing China for not disclosing enough information about the disease to the international community. In September 2020, President Trump criticized China for spreading the virus throughout the world in his speech at the UN General Assembly. Conspiracy theories such as “the virus leaked from a virus laboratory in Wuhan,” or “the virus itself was artificially made” were also floating, and President Trump sympathized with those theories. On the other hand, although China was slow to respond in the initial stage of the outbreak, it decided to impose strict restrictions on people’s movement, which had huge impact temporarily on the economy and daily lives. With those policies, China succeeded in containing the spread of the infection at the relatively early stage in contrast with the Western countries that still suffer from the pandemic. Confident with the success of this Chinese governance model, China is showing more assertive attitudes. Through its “mask diplomacy” in which masks and medical equipment are provided worldwide, China tries to influence the recipient countries’ policies and public opinions. At the same time, China has been implementing its “wolf warrior diplomacy,” in which it severely criticizes countries showing critical attitudes and taking severe countermeasures against them, as in the case of Australia. It is speculated that China may develop a “vaccine diplomacy” through prioritized provision of its vaccine to the friendly countries once it succeeds in developing one. Such belligerent diplomacy has intensified friction with the United States and Europe, and had a major impact on their views on China. There is currently no prospect for cooperation between the United States and China, the two major powers, to cope with the unprecedented global pandemic.

The US-China trade friction over import tariffs which had been continuing since 2018 with imposition of countermeasures by both sides, was more or less settled at the

beginning of 2020. However, China's economic structural problems, such as protection of intellectual property rights, measures to distort trade including industrial subsidies, and national industrial policy, remain unresolved. The confrontation between the two countries has further spread beyond the purely trade area as exemplified by the confrontation over advanced technologies. For example, Huawei Technologies Inc. (Huawei), a Chinese company, one of the leading manufacturers in the development of 5G communications technology, is at the center of America's criticism. The United States restricts its semiconductor exports to Huawei and imposes restrictions on its businesses in the US due to concerns with regard to the intellectual property and security. The US-China confrontation in the field of advanced technologies extends beyond communications technology and infrastructure to artificial intelligence (AI) and space. At its core is the competition between the United States and China for hegemonic supremacy in advanced technologies worldwide, which is not limited to the private sector but also covers the national security because of China's civil-military integration policy.

In the area of traditional security, the United States has long been concerned about China's rapid military expansion. The People's Liberation Army (PLA), which was once large in size but poorly equipped and not well trained, has carried out reforms and modernization. In particular, the development of the navy has been remarkable, and it has shown a desire of maritime expansion. The Xi Jinping administration has stepped up military activities in the South China Sea and constructed artificial islands, prompting repulsion from neighboring countries. In 2020, China repeatedly conducted military exercises in the South China Sea, indicating that it had no intention of refraining from such active military operations. Also in the East China Sea, China has been making more frequent and long-lasting incursions into the maritime areas surrounding Senkaku Islands, which are Japan's territory, and this has become a major factor in increasing Japan's distrust of China. The deterioration of the security environment in East Asia is of great concern to the United States, which has enormous interests in the region. In the South China Sea, the United States has shown signs of containing China's expansion policies, including through "Freedom of Navigation Operations." However, China has not shown signs of reviewing or refraining from such policies, thus amplifying the cyclical structure of mutual distrust and confrontation between the two countries.

In 2020, China further strengthened its repressive policies toward Hong Kong and the Uyghurs, which drew criticism from the United States, Europe, Japan and other democratic countries. Conflicts over the values of human rights and democracy have been an old and new issue in US-China relations since the Tiananmen Incident in 1989. In recent years, however, China has shown increasingly authoritarian policies in its domestic affairs, which exacerbated the acuteness of the bilateral confrontation. In Hong Kong in particular, the National Security Law was enacted in June 2020, and has been strictly enforced from the early days of implementation. The Hong Kong government has arrested prominent democracy activists and journalists one after another, highlighting a serious threat to freedom of speech and political activity in Hong Kong. The Chinese government has also stepped up its intervention in Hong Kong, and the One Country Two Systems policy that has sustained Hong Kong's prosperity has lost its substance. However, in the deliberations of the UN Commission on Human Rights in June 2020, 53 countries, mainly developing countries, voted in favor of the National Security Law while 27 countries, mainly developed countries including Japan and Europe, opposed the law. This shows that China's influence has spread widely to developing countries through the "mask diplomacy" on the coronavirus infection and its existing "Belt and Road Initiative." In the Xinjiang Uyghur Autonomous Region, a large number of Muslim Uyghur ethnic minorities are being detained in concentration camps, infringing on their human rights. In November 2019, the United States passed the Hong Kong Human Rights and Democracy Act, under which the US examines whether China is observing the One Country Two Systems policy which guarantees a high degree of autonomy in Hong Kong. In June 2020, the US passed the Uyghur Human Rights Policy Act, which authorizes sanctions against Chinese authorities for the detention of Uyghurs in the Xinjiang Uyghur Autonomous Region, and has repeatedly criticized China's response to human rights issues.

Taiwan is a symbol of the "core interests" of China which upholds the "One China" principle. Against the backdrop of Chinese military exercises carried out in the Taiwan Strait, the US-Taiwan relations strengthened, which in turn led to China's stronger repulsion. In March 2018, the Taiwan Travel Act was enacted to promote mutual visits by senior officials of the United States and Taiwan. In August 2020, Secretary of Health and Human Services Azar visited Taiwan, which was the first visit by a US Cabinet member. In September 2020, Under Secretary of State Krack

visited Taiwan and met with President Tsai Ing-wen. US arms exports to Taiwan under the Taiwan Relations Act are also on the rise. China strongly opposes to this, saying it is an intervention in the internal affairs by the United States.

As seen above, the confrontation between the United States and China is now becoming a structural one, including the change in the power balance in the international community originating from the rise of China. In addition, disagreements between the two countries over the causes of the transformation of international order have intensified the conflict. From the US point of view, China's recent activities are "actions to change the status quo,"—revisionism toward the international order led by the United States since the end of World War II. On the other hand, seen from the Chinese side, the United States which is diminishing its influence as a hegemonic state looks like it is trying to contain China's legitimate development by "undue pressure." Such differences in mutual recognition and resulting mutual distrust make it difficult to ease the confrontation between the two nations.

Solidification of the US-China Confrontation Structure

What is noteworthy about the reaction to this confrontation between the United States and China is the change in perceptions of China among US policy makers. The Trump administration issued its National Security Strategy at the end of 2017 and its National Defense Strategy in early 2018, which stated its comprehensive view of China. The US National Security Strategy defined China as a force that changes the status quo, and listed China as a major US competitor for the first time alongside Russia in an official US government document. Thus, the US has changed its perception of China and its engagement policy that had been in place since the 1970s.

Against the backdrop of this change in the Trump administration's perception of China and mindful of the presidential election, a series of criticisms of China and its Communist Party rule in particular were made by senior US government officials one after another in 2020. On June 26, 2020, in a speech in Arizona entitled "The Chinese Communist Party's Ideology and Global Ambitions," National Security Adviser O'Brien stated that the Chinese Communist Party, which had inherited Marxism-Leninism, had not switched to liberalism even after achieving economic growth, and that the days of American passivity and naivety regarding the People's Republic of

China were over. On July 7, US Federal Bureau of Investigation (FBI) Director Ray gave a speech in Washington entitled “The Threat Posed by the Chinese Government and the Chinese Communist Party to the Economic and National Security of the United States” in which he criticized that China and the Chinese Communist Party were endangering not only US economic security but also US security in general by stealing intellectual property and increasing espionage activities. On July 16, Attorney General Barr stated in his address at the Gerald R. Ford Presidential Museum in Michigan on US policy toward China that he hoped the American people would be inspired to reevaluate their relationship with China as long as the rule of the Chinese Communist Party continued. On July 23, Secretary of State Pompeo delivered a speech entitled “Communist China and the Free World’s Future” at the Richard Nixon Presidential Library in California, in which he criticized China’s human rights violations led by the Chinese Communist Party, the theft of intellectual property, territorial expansion and the renunciation of international promises, stating that liberalism must triumph over communism in the international community.

Since its inauguration, China’s Xi Jinping administration has attached importance to its relationship with the United States and has been striving to build as stable a relationship as possible. On the other hand, “The Chinese Dream” and “Great Rejuvenation of the Chinese Nation” became



The Third Session of the Thirteenth National People's Congress, China, May 2020. (Photo by AP/Aflo)

the government’s slogans, and rapid military buildup continues in parallel with the economic development. China has been also making its active advances overseas, as represented by the “Belt and Road Initiative.” As a result, China’s interests overseas have grown, raising concerns among the US, Europe and Asia-Pacific countries including Japan, Australia and India about the expansion of China’s influence over key ports in the Indo-Pacific region and the infrastructure, communications and surveillance technologies in other countries. Self-consciousness that China is a great power continued to grow, and the “mask diplomacy” and “wolf warrior diplomacy” amid the coronavirus pandemic were criticized by many countries. China’s behavior in the international

community has become more oppressive than before, and the deterioration of China's relations with the United States seems inevitable. While the Trump administration rapidly shifted its position to a hard-line attitude toward China, it appears that China, in anticipation of the US presidential election in November 2020, focused on preparing for a new administration rather than irritating the bilateral relations. China expects that the Biden administration, following its inauguration in 2021, will adopt a milder, more predictable, and coherent policy toward China. Nevertheless, it is difficult for China to make concessions to the United States, and there is little room for adjustment in China's foreign policy, especially concerning its "core interests" defined unilaterally. It is also unlikely that China's foreign policy, particularly toward the US, will change dramatically. China may view the passage of time as advantageous to China in light of the medium- to long-term trends. In the meantime, China may be thinking it can get by with tactical convergence or alignment of interests.

The influence of populism should also be addressed. Looking at the societies of the United States and China, the rise of nationalism is pointed out as an important determining factor. Coupled with the development of social networking services, both governments have used nationalism with similar logic—the Trump administration since 2017 has called for "Make America Great Again" while the Xi Jinping administration since 2012 has called for "The Chinese Dream." These moves have really gained the support of society in each country and have underpinned their hard-line attitudes toward each other. Diplomacy is often said to be an extension of domestic politics, and the current situation in the two countries exemplifies it. In both countries, the governments have placed priority on appealing to the domestic political situation and public opinion, and interpreted foreign policy from the viewpoint of domestic politics. As a result, the US-China trade friction intensified.

Amid these developments, there is a growing perception in the United States that China is attempting to create a favorable situation for itself by lobbying and putting pressure on American civil society, media, industry and political circles through the Confucius Institute, which China has established at US universities and other institutions to promote and develop Chinese culture, including Chinese language education, as well as through Chinese students studying in the US and collaborators with the Chinese Communist Party. Since the spread of COVID-19, US public

opinion has become increasingly critical of China. According to a survey conducted by the Pew Research Center between June 16 and July 14, 2020, as many as 73% of Americans showed unfavorable view of China, the highest since the survey began in 2005. This percentage was 60% in 2018, 66% in 2019, and 73% in 2020 respectively, recording the worst for the three consecutive years and indicating steady worsening of American perception of China in recent years. Looked at by party lines, the percentage among Republican supporters in 2020 was 83%, up 11 percentage points from 2019, and the percentage among Democrat supporters was up 6 percentage points at 68%. Thus, the unfavorable views are increasingly spread in a bipartisan manner, leaving little room for the US government to make adjustments in its China policy. Even after the inauguration of the Biden administration in 2021, the United States is expected to continue its hard-line approach toward China, even though its approach including the manner of dialogue and crisis management may change.

With regard to populism, attention needs to be paid to the potential impact of its spread within the United States to the support of democracy worldwide. Regarding the 2020 presidential election, President Trump's campaign staff and close aides filed a series of lawsuits in several states demanding the nullification of the postal ballot widely used amid the coronavirus pandemic and ballot counting. On December 12, the Supreme Court rejected a Texas appeal to nullify the results of the four contested states. On December 14, the electoral college votes took place in which it was confirmed that Mr. Biden won 306 votes and President Trump 232. President Trump, however, did not make a concession speech, which had been the tradition of peaceful power transition. Also, some GOP members and media have repeatedly challenged the legitimacy of the election. This situation, in which the United States undermined the credibility of its own election system while it demanded that other countries hold fair elections as the keystone for democracy, could adversely affect the defense of international democracy and the American leadership for it.

Perspective

As mentioned above, the current US-China confrontation has expanded into multiple areas and become structurally fixed with the geopolitical changes. Thus, it is difficult to resolve it in the short term, with enormous political and economic impact on the international community. Then, how will this bilateral confrontation unfold in the future, and what position should Japan take?

First, the impact of the change in the US leadership needs to be considered. In the US, a change of government takes place in January 2021 from the Trump administration of the Republican Party to the Biden administration of the Democratic Party following the presidential election in November 2020. The Trump administration was characterized by its attitude of not attaching importance to policy consistency in both domestic and foreign affairs. In contrast, the Biden administration is expected to carefully coordinate the consistency and legitimacy of the policies and return to the traditional US behavior of emphasizing cooperation with its allies. However, the American hard-line stance toward China has become a bipartisan consensus among policy makers, driven by the factors such as changes in the power balance and China's military expansion, and is expected to continue from the Trump administration to the Biden administration. Compared with the Trump administration, the Biden administration will refrain from imposing economic pressures, sanctions, and provocative actions, but the administration's emphasis on human rights and democratic values may intensify the US-China confrontation in those areas.

In China, no promotion of the next generation of leaders was announced at the 5th Plenary Session of the 19th Chinese Communist Party Central Committee held in the autumn of 2020, increasing the likelihood that Xi Jinping will remain in his position in the 2022 Party Congress. Therefore, the Xi Jinping administration's foreign policy is expected to continue. However, the political situation is expected to become fluid as various preparations for the 2022 congress begin. This increases the risk of unforeseen events. In addition, as 2021 will be an important year as it marks the centennial anniversary of the founding of the CCP, China will promote the achievements of the Party and behave even more like a major power. For these reasons, it is unlikely that China will soften its foreign policy stance significantly.

In light of these situations in the US and China, the medium- and long-term outlook for US-China relations will be generally bleak. However, the Biden administration is expected to seek strategic dialogue with China in areas where the interests of the two nations coincide, such as climate change and nuclear nonproliferation. Efforts to maintain interdependence in investment and trade, that do not have a major impact on high-tech hegemony, will also continue. It may also try to cooperate with China on the

issues regarding the Korean Peninsula, particularly North Korea's nuclear and missile issues. Thus, some room for improvement remains in the bilateral relationship.

Then, what position should Japan take? First, it goes without saying that the United States is Japan's only ally and the Japan-US alliance is the cornerstone of Japanese diplomacy and security. Hence, Japan should further strengthen its alliance with the United States, which shares the universal values of freedom and democracy. At the same time, Japan should review its defense capabilities and strive to stabilize the East Asia region. In order to respond to the geopolitical changes in this region described above, the region with Japan and US at its center, together with countries and regions including Taiwan that share common values, should strive for coordination aimed at the co-existence with China and stabilization of the region, instead of destabilization as a result of the rise of China. Such coordination toward regional stability will require a multifaceted perspective, including efforts to denuclearize the Korean Peninsula, combat infectious diseases like COVID-19, efforts on climate change and establishing digital economic standards in multilateral free trade agreements like CPTPP. For these purposes, Japan and the United States should expedite the establishment of a regular, systematized, and comprehensive dialogue mechanism, such as the strategic dialogue between Japan and the United States, so that the two countries can play a central role in such multi-layered discussions and coordination.

Second, it is necessary for Japan to maintain stable and cooperative relations with China as its neighbor at the same time for the prosperity and stability of the region. Japan and China have very strong economic and cultural ties. Since the normalization of diplomatic relations, Japan has consistently supported and greatly contributed to the reconstruction and development of China. Japan has attached importance to its relations with China and called on China to participate in the international community and contribute as a more cooperative entity. Japan should continue to promote stable relations with China based on such standpoint. For example, the RCEP agreed in 2020 is an important framework for economic cooperation in Asia. Japan and China can cooperate within such an international framework. On the other hand, although Chinese President Xi Jinping has expressed his interest to participate in the CPTPP, it is important to require the same standards as other participants in high-level economic agreements like CPTPP, and to require China to conform to the international standards.

Third, based on the basic recognition that the firmly established rule of law and a free and open international order is essential for the prosperity and stability of neighboring regions and the world, Japan should continue to strive for peace and stability of the “Free and Open Indo-Pacific,” in coordination with the United States and those nations that share the fundamental values. In doing so, it is important to promote cooperation with ASEAN countries, which play an important role in the region, as well as with countries within and outside the region, such as Australia, India, and European countries, which share this vision. In particular, the QUAD framework of the four democracies of Japan, the US, Australia and India should be utilized effectively. The four countries of QUAD should work closely together in security and economy, provide leadership in the Indo-Pacific region, and contribute to regional stability and development. Cooperation with countries outside this region, such as Europe, which has close ties with the region, will also be important. At the same time, instead of excluding or opposing China, which is an important player in the region, Japan should call on China to behave responsibly according to its national power and influence, and encourage China to contribute to stability and development of the Indo-Pacific region, while keeping peace with the four countries and making effective use of existing regional multilateral cooperation frameworks such as APEC, the ARF, and the East Asia Summit.

Finally, Japan should promote cooperation with friendly countries that share universal values beyond the Indo-Pacific region, and actively work for common challenges in the international community that require multilateral cooperation, such as the COVID-19 pandemic and climate change. Japan should also play a role in strengthening the functions of such free trade frameworks as the WTO, CPTPP and RCEP, as well as global cooperative frameworks like G20 and G7. Despite the ongoing confrontation between the United States and China, by working together to address common issues within these frameworks of international and regional cooperation, it is expected that a multilayered safety valve will be built to manage the relationship between the two countries, at least to avoid a decisive confrontation. ■

Intensifying US-China Military Confrontation and Its Impact on International Arms Control

As mentioned above, the relationship between the United States and China in 2020 became harshly adversarial, which some describe as the “New Cold War.” As the military confrontation between the United States and China over Taiwan deepened, there were growing concerns



DF-17s taking part in a military parade celebrating the 70th founding anniversary of the People's Republic of China (PRC), October 1, 2019. (Photo by Xinhua/Aflo)

about the outbreak of a fourth Taiwan Strait crisis. While the global pandemic of the COVID-19 initially created difficulties for the US military to operate, the PLA continued its military operations in the Western Pacific even during the pandemic. The intensification of the US-China confrontation in the Indo-Pacific region, including in military dimensions, has also had significant implications for the debates over deterrence and nuclear arms control.

Intensifying US-China confrontation over Taiwan

With the re-election of President Tsai Ing-wen in the Taiwanese presidential election in January 2020, China increased military pressure and showed a strong determination to unify Taiwan against the United States and Taiwan. At the end of 2019, China sent its first indigenous aircraft carrier Shandong across the Taiwan Strait to threaten Taiwan's presidential election. When Taiwan's incoming vice president, Lai Ching-te, visited the United States in February, Chinese fighters, early warning aircraft, and bombers flew around Taiwan, crossing the median line of the Taiwan Strait and entering Taiwan's airspace. Furthermore, on the occasion of the inauguration ceremony of President Tsai in May, China deployed the aircraft carrier Liaoning off the east coast of Taiwan, creating a situation in which the Taiwanese military was forced to be on alert. In June, Chinese military aircraft entered Taiwan's Air Defense Identification Zone (ADIZ) nine times, probably to express dissatisfaction with Taiwan's position on the Hong Kong issue. During visits to Taiwan by Secretary of Health and Human Services Alex Azar

in August and US Under secretary of State Keith Krach in September, Chinese fighters crossed the median line of the Taiwan Strait, and the Chinese Ministry of National Defense denied the recognition of the median line. In November, Chinese aircraft flew in the ADIZ between Taiwan and the Dongsha Islands 26 days out of 30. With the only exception in 2019, Chinese military aircraft have explicitly avoided entering Taiwan's ADIZ crossing the median line of the Taiwan Strait for nearly 20 years. However, with China's frequent actions that are not bound by such tacit agreements, the possibility of unexpected accidents has increased. In March, a high-speed vessel believed to be a Chinese maritime militia collided with a Taiwan Coast Guard patrol vessel off the coast of Kinmen Islands, creating a new gray zone situation.

China conducted military exercises with unprecedented frequency and scale that seemed to threaten Taiwan. In February, the PLA conducted a large-scale amphibious exercise in the Eastern Theater. A spokesman for the theater said that the exercise was not "something that is regular" but was "a deterrent to Taiwan's independent force." In March, Chinese military aircraft conducted its first night-time exercise in waters southwest of Taiwan, demonstrating its ability to carry out operations in a harsh environment. Concurrent with the inauguration ceremony of President Tsai in May, 78 days of joint exercises were conducted in the Bohai Sea for the purpose of assault landings, island capturing, bridgehead construction, and air defense. These exercises were apparently conducted reflecting the geographical similarity between the Bohai Sea and the Taiwan Strait. In July, the Eastern and Southern Theaters simultaneously conducted exercises off the east and west coasts of Taiwan, and in August, the Eastern Theater conducted exercises in the north and south of the Taiwan Strait. In September, the PLA conducted joint naval and air exercises near the Dongsha Islands, which are within Taiwan's ADIZ. At the time of Taiwan's National Day on October 10, the PLA conducted a mobilization exercise in Guangdong and Fujian provinces, in which drones, special forces, and airborne troops participated. Thus, the PLA's activities around Taiwan have increased significantly compared to the past several years. Coupled with the qualitative changes that include formation flights using a wide variety of aircraft, night-time drills, and flights to the Taiwanese ADIZ by aircraft out of inland China, these activities heightened the threat to Taiwan. Furthermore, the increased activities of the PLA in the area east of Taiwan undermines the premise that Taiwan has to be prepared for solely an invasion over the Taiwan Strait.

The military balance between China and Taiwan is greatly favorable to China in terms of land forces, fighter aircraft, and submarines, with particularly significant differences in the submarines. The US Department of Defense considers that the PLA still lacks amphibious lift in order to carry out a large-scale landing invasion against Taiwan. However, the PLA has introduced new equipment to make up for this shortfall, such as the installation of a large missile destroyer and a second amphibious assault ship. It is also believed that hundreds of additional ground-based cruise missiles and short-range ballistic missiles have been acquired, and these additional capabilities are expected to be effective in the initial phase of the landing operation. Furthermore, the PLA continued to improve its landing capability by utilizing commercial ships and introducing rotorcrafts.

Faced with China's growing military threat, Taiwan has been improving its defense capabilities mainly by introducing asymmetric weapons such as anti-ship and air defense missiles, drones, and submarines. Throughout 2020, in accordance with the Taiwan Relations Act, the United States continued to support Taiwan's defense efforts by proactively selling unmanned aerial vehicles, large guided torpedoes, anti-ship missiles, self-propelled howitzers, anti-tank missiles, and other items for extending the operational life of the PAC-3 interceptor missiles. Taiwan began building domestic submarines in November, and such reinforcements of the Taiwanese submarine force would have the effect of offsetting China's improved landing capabilities.

The United States also strengthened its security cooperation with Taiwan in areas other than the provision of weapons. In 2019, the United States and Taiwan announced that they would establish a joint committee for the defense of Taiwan, and experts are believed to have exchanged views on such areas as special operations, army air forces, unmanned vehicles and mines. The US military also invited Taiwan to a multilateral videoconference on countermeasures against novel coronavirus infections and held a bilateral forum on cybersecurity to discuss the security risks of 5G technology. In November, a rear admiral, who serves as the Director for Intelligence in the US Indo-Pacific Command, visited Taiwan and held talks with the Taiwanese side. This was a visit by the highest ranking US military officer to Taiwan in 40 years.

The United States has frequently conducted military operations in areas around Taiwan, demonstrating its support for Taiwan, which is under military pressure from China. The US Navy's Aegis destroyers transited the Taiwan Strait more than nine times between January and September. In many cases, the timing of the passages coincided with the PLA's exercises around Taiwan. In April, the US Navy took an unusual step of crossing the median line by sailing westward to warn against China. In February, a B-52 bomber flew along the eastern coast of Taiwan, and in October, a US special operations transport aircraft flew along the median line of the Taiwan Strait. China strongly criticized this, calling it "a violation of international law." In addition, US reconnaissance planes frequently flew through the Bashi Channel and maintained alert condition.

Amid growing tensions between the United States and China over Taiwan, attention was focused on the Dongsha Islands, located in the southwest of Taiwan, as a flash point of a Taiwan Strait crisis. Taiwan has built a runway in the Dongsha Islands, but has no military presence and no civilian population. For this reason, China may assume that it would be relatively easy to conquer the Dongsha Islands militarily while avoiding US military intervention and criticism from the international community. The Dongsha Islands, located at the northern entrance of the South China Sea, could be an important strategic base for China in the area. Above all, the Chinese leadership under President Xi can demonstrate its determination to unify Taiwan both at home and abroad by invading the Dongsha Islands. Therefore, the PLA's increased activities in the sea area between Taiwan and the Dongsha Islands since the summer of 2020 was viewed as possibly preparing for an invasion of the Dongsha Islands.

Thus in 2020, the situation continued in which China referred to the unification of Taiwan and increased military pressure, while the United States responded by increasing its support for Taiwan's defense efforts. If China makes a military invasion of Taiwan, it is highly likely that the United States will intervene, leading to great losses on both sides. Therefore, China is believed to give priority to avoiding a war with the United States at this point. However, as the PLA began to ignore those factors that had previously contributed to the stability of the Taiwan Strait, such as crossing the median line of the Taiwan Strait, the possibility of an incident increased. The Dongsha Islands would remain a potential flash point of a Taiwan Strait crisis. In addition, China's implementation of the National Security Law in Hong Kong despite the international

criticism indicates that China is ready to take hard-line measures for political stability. This led to heightened concerns in the United States about possible contingencies in Taiwan and a renewed recognition of Taiwan's strategic importance. In this context, there have been calls for clarification of the US position, including a revision of the Taiwan Relations Act, as conventional strategic ambiguity cannot deter China.

Intensifying US-China Military Confrontation in the Western Pacific

In 2020, the military confrontation between the United States and China intensified in the South China Sea and throughout the Western Pacific. Despite the spread of the novel coronavirus disease in China, Beijing continued to take a hard-line stance, particularly in the South China Sea, and continued activities in line with its territorial claims. In February, a Chinese warship pointed its fire-control radar at a Philippine warship. In March, China set up a scientific research facility in the Spratly Islands, while a Chinese government vessel sank a Vietnamese fishing boat in the Paracel Islands. In April, the Chinese government established a new administrative area in the South China Sea.

In March, the coronavirus disease spread on the aircraft carrier USS Theodore Roosevelt, forcing the US Navy to suspend its operation. On the other hand, China deployed its aircraft carrier Liaoning in the Western Pacific in April and demonstrated its presence. While its aircraft carriers were unable to move in the Western Pacific, the US military dispatched expeditionary strike groups consisting of amphibious assault ships to the South China Sea, and frequently conducted freedom of navigation operations by destroyers and littoral combat ships in an attempt to prevent a power vacuum. In addition, the US military carried out Dynamic Force Employment (DFE) at full scale, and in June three carrier strike groups conducted operations in the South China Sea. In July, the US military conducted exercises with two carrier strike groups in the Philippine Sea and the South China Sea, and the PLA conducted large-scale exercises in the Yellow Sea, the East China Sea, and the South China Sea. Accordingly, an unusual situation emerged in which the United States and China conducted large-scale exercises at the same time in the South China Sea. In March, the US Air Force stopped the 16-year routine deployment of bombers to Guam and switched to DEF-based flight operations from the US mainland, resulting in more frequent flights to the Western Pacific.

In mid-July 2020, four years since the Philippines v. China arbitral award, the US government expressed its view for the first time that China's assertion on the South China Sea was illegal. At the same time, the US Navy carried out freedom of navigation operations in the South China Sea



The US nuclear-powered aircraft carrier Ronald Reagan participating in a US-Japan joint exercise, October 2020. (Photo by Mainichi Shimbun/Aflo)

and conducted large-scale exercises involving two carrier strike groups as described above. Japan, the United States, and Australia held naval exercises in the South China Sea shortly thereafter. In response, the PLA conducted live-fire exercises in the South China Sea for several weeks, including 24 hour, non-stop training by bombers and the launching of anti-ship ballistic missiles into the training area between Hainan Island and the Paracel Islands. Subsequently, the US Indo-Pacific Command confirmed that these missiles had hit on a moving target in the sea, confirming China's ability to prevent intervention.

In October, it was reported that the PLA deployed its hypersonic glide weapon, DF-17, in the coastal area. If this was true, China might have deployed a weapon that is difficult to intercept with the US missile defense system. Further expansion of China's intermediate-range missile capability will enhance Anti-Access/Area Denial (A2AD) capabilities, of which the intermediate-range missile is an important component. In addition, the National Defense Law, which the Standing Committee of the National People's Congress revised at the end of December, now stipulates that the protection of the country's "development interests" including overseas interests as reasons for military mobilization in addition to the protection of territories and sovereignty. It also defined outerspace, cyberspace, and electromagnetic spectrum as "important security domains," which indicates further enhancement of military capabilities in those domains. China's militarization, if continued, would pose a significant constraint on the military operations of the United States and its allies in the Indo-Pacific, thus significantly undermining the deterrence.

In a phone conversation in August amid rising tensions between the two countries, US and Chinese defense chiefs accused each other of escalating the situation, but also referred to the need to avoid military clashes. In December, the United States and China sought to hold a crisis management conference based on the Military Maritime Consultative Agreement (MMCA), but the United States criticized China for not participating in the online conference. In response, the Chinese side argued that the United States, by unilaterally setting the agenda and arbitrarily distorting the nature of the talks, bore the entire responsibility. US Defense Secretary Esper's planned visit to China by the end of the year failed to materialize, leaving issues on military crisis management unresolved.

Amid the growing threat from China in the Western Pacific, the US military hurried to enhance its ability to cope with China's counter-intervention capabilities. In particular, the Department of Defense acknowledged that China had 350 vessels, the largest number in the world, and in response, Secretary Esper announced a plan to increase the number of US Navy vessels from the current 293 to over 355 by 2035. It was also announced that in the future, unmanned naval vessels will be introduced, and that the number of manned and unmanned naval vessels, including light aircraft carriers, will increase to 500 by 2045. In addition, each service of the US armed forces are pursuing the concept of cross-domain operations that would improve communications in all areas, mainly using AI. The Congress passed the FY 2021 National Defense Authorization Act in the end of December including the establishment of a new fund called the Indo-Pacific Deterrence Initiative, which allocated \$2.2 billion for the procurement by the Indo-Pacific Command in order to enhance US posture vis-à-vis China in the region amid the great power competition.

Implications for Deterrence and Arms Control Issues

Transformation of the strategic environment in the Indo-Pacific region and intensifying competition between the United States and China, including in military dimensions have also had significant implications for the debate over deterrence and nuclear arms control issues.

What attracted attention in 2020 was the US "offensive" regarding the New Strategic Arms Reduction Treaty (New START). The New START is a bilateral treaty which

limits the number of deployed strategic nuclear delivery vehicles (intercontinental ballistic missiles (ICBM), submarine-launched ballistic missiles (SLBM), and strategic bombers) deployed by the US and Russia respectively to 700 and deployed strategic nuclear warheads to 1550. While how to determine the future of the treaty became a pressing issue with the approaching expiration date of February 2021, the United States argued that not only Russia but also China should participate, and that a new agreement should be explored to regulate not only strategic nuclear forces but also other nuclear weapons and their delivery vehicles. The United States also requested China's participation in the arms control talks on the extension of the New START held in June 2020, and arranged a seat with the Chinese flag. However, China refused to attend the meeting. Although Washington reiterated its call for China's participation in nuclear arms control talks, Beijing continued its refusal; Moscow reiterated its standing position that it would welcome China's participation but respect its position, and that Russia would not actively persuade China. In the end, the United States and Russia agreed to hold bilateral talks, in which they shared the view that the New START should be extended for one year. However, whereas the United States demanded that a cap should cover not only strategic nuclear weapons but also all Russian nuclear weapons with verification measures, Russia argued that while it would freeze the number of nuclear warheads along with the United States, it would refuse verification measures. Thus, an agreement on the extension could not be reached by the end of 2020.

According to an estimate by the Stockholm International Peace Research Institute (SIPRI), China possessed 320 nuclear warheads, while the United States had 5800 and Russia 6375 as of the beginning of 2020. There is still a large numerical asymmetry. In light of this difference in nuclear forces, China has justified its position by arguing that it is not yet an appropriate time for China to participate in nuclear disarmament talks, that the largest nuclear powers have special and primary responsibilities in nuclear disarmament, and that their nuclear arsenals should be further reduced drastically to create a condition for other nuclear-weapon states to join in multilateral nuclear disarmament talks. On the other hand, amid the intensifying great power competition between the United States and China, including on the military dimension, the United States is deeply concerned about China's aggressive nuclear and missile modernization, which is the only country among the five nuclear-weapon states under the Nuclear

Non-Proliferation Treaty (NPT) that has not implemented any substantive nuclear arms control measures, together with the lack of transparency of China's nuclear arsenal, referred to as the "Great Wall of Secrecy" by US Special Presidential Envoy Marshall Billingslea. In its annual China military power report released in September 2020, the US Department of Defense estimated that China possessed 100 ICBMs (90 in the previous year), 200 intermediate-range ballistic missiles (IRBM) (80 in the previous year), and more than 200 missiles (80-160 in the previous year). This led to the evaluation that "Over the next decade, China will expand and diversify its nuclear forces, likely at least doubling its nuclear warhead stockpile." With regard to strategic nuclear forces, the deployment and expansion of ICBMs equipped with multiple independently targeted re-entry vehicles (MIRV), which are capable of carrying approximately 10 nuclear warheads, and the development and future deployment of SLBMs are drawing special attention. In addition, China is estimated to possess approximately 2000 dual-capable ground-launched medium and intermediate-range ballistic missiles, including the medium-range ballistic missiles (MRBM) capable of reaching Japan, overwhelming the United States (as well as Russia), which was a party to the INF Treaty until August 2019. Should Chinese-US mutual vulnerability be undeniably established as a result of China's nuclear and missile modernization, their deterrence relationship at the strategic level may be stabilized. However, there is considerable concern that this may bring into being the so-called stability-instability paradox; that is, stability at the strategic level may encourage China to act freely and to further challenge and provoke the existing order at the theater level, leading to destabilization at this level.

Intensifying great-power and geopolitical competitions also had a significant impact on the global framework of nuclear disarmament. There was a strong concern that the NPT regime would be severely damaged if the upcoming NPT Review Conference, which had been scheduled from April to May 2020 but postponed to August 2021 due to the global pandemic of COVID-19, failed again following the previous conference in 2015 due to the severe confrontation over nuclear arms control issues between the United States on the one hand, and China and Russia on the other. In fact, it was reported that the only thing the five nuclear-weapon states could agree upon at their annual meeting held in February 2020 was their opposition to the Treaty on the Prohibition of Nuclear Weapons (TPNW).

The TPNW was adopted in 2017 as the first treaty legally banning nuclear weapons, through the initiative of non-nuclear-weapon states in cooperation with NGOs, both of which are strongly dissatisfied with the standstill and deterioration of nuclear disarmament and consider that the NPT regime alone would not be enough to pressure nuclear-weapon states to undertake nuclear disarmament. In October 2020, the number of states ratifying the treaty exceeded 50, meaning that the treaty would enter into force on January 22, 2021. At present, it is not clear what implications the TPNW will have for nuclear arms control and disarmament. Proponents of the TPNW argue that its entry into force and the increase in the number of States Parties to the Treaty would strengthen the global norm on the prohibition of nuclear weapons; increase the pressure on nuclear-armed states and their allied non-nuclear weapon states under extended nuclear deterrence, or nuclear umbrella (“nuclear-umbrella states”) to reduce their dependence on nuclear deterrence; and promote nuclear arms control and disarmament. Among them, one of the important targets for the proponents in the short term is participation of Japan and other “nuclear-umbrella states” as observers at the Conference of the States Parties to the TPNW, which is to be held within one year from its entry into force, and the signing of the treaty. However, nuclear-armed states or their allies, which consider that they cannot renounce nuclear deterrence at least at this time, are highly unlikely to accede to this treaty; nor is it likely that the entry into force of the TPNW will result in substantial nuclear arms control and disarmament, inter alia, the reduction of nuclear weapons, or US allies’ renouncement of extended nuclear deterrence. The global nuclear situation could rather be destabilized if the TPNW further widens the divide over nuclear disarmament between proponents and opponents of the treaty, or if it weakens the unifying force of the NPT, which is the cornerstone of the nuclear non-proliferation regime and the only treaty in which the five nuclear-weapon states accept the legal commitment to nuclear disarmament. A possibility cannot be denied that some countries may act in violation of their nuclear disarmament and non-proliferation obligations, by taking advantage of the reluctance of nuclear powers such as the United States and China to engage in nuclear arms control and disarmament.

Perspective

The military balance between the United States and China in the Western Pacific is becoming favorable to China, and the situation surrounding Taiwan is expected to continue to deteriorate. On the other hand, the left wing of the Democratic Party of the United

States is calling for a reduction in the defense budget and reduced involvement in overseas conflicts. The extent to which the new Biden administration will pay attention and make effort to military competition with China in the Indo-Pacific will determine regional security. Depending on these developments, the military balance between the United States and China under the new US administration may become even more favorable to China. Amid the deepening confrontation between the United States and China, it is necessary for the two countries to reestablish their crisis management mechanisms to ease military tensions and build confidence. At the same time, given that China's military power has already become a real threat to Asian countries, it is extremely important for the new US administration to promote the maintenance and enhancement of its military power in the Indo-Pacific region in line with the "Pacific Deterrence Initiative" stipulated in the FY2021 National Defense Authorization Act, which calls for the enhancement of the capabilities of US and allies forces, in order to buttress the credibility of the United States among Asian countries. In particular, if China shows signs of using military force to seize the Dongsha Islands, how it will respond will become a touchstone of the Biden administration's Asian policy.

Regarding nuclear arms control, the Biden administration is expected to be more positive about nuclear arms control than the Trump administration. However, as was the case under the Obama administration which advocated "a world without nuclear weapons," whether it can actually promote nuclear arms control depends largely on the security environment surrounding nuclear weapons. The security environment has become much more severe than at that time, and the imperative of deterrence, including nuclear deterrence, has been reaffirmed. As the basis of the deterrence relationship has shifted from a US-Russian bipolar to a multipolar one centering on the United States, China and Russia, coordination toward an agreement will become much more complicated than before while realistic nuclear arms control is necessary in order to reduce the risks posed by nuclear weapons. It is important for the United States and Russia to extend the New START, and further reduce their nuclear arsenal as a post-New START. Furthermore, China should show its part of the responsibility as an emerging great power through the implementation of substantive nuclear arms control measures, such as improving transparency (consistency of its intention and capability) and reducing its nuclear and missile arsenals. ■

The Novel Coronavirus and the New Normal of Battles over Techno-hegemony

The novel coronavirus pandemic has accelerated moves to review international interdependence from the perspective of power politics. Shocks in the low tier of supply chains caused delays and interruptions in the supply of parts and materials, hampering the stable supply of finished



A CCTV security surveillance camera monitoring people's movement during COVID-19 outbreak in Beijing, May 2020. (Photo by REUTERS/Aflo)

products. As a result, the vulnerability of the defense industry bases and electronics which are the core of the digital economy was once again recognized. The use of the supply chain for foreign and/or domestic policy purposes caused concerns. In addition, surveillance cameras and biometric technologies, which attracted attention during the novel coronavirus pandemic, highlighted the differences in values and norms between countries. Based on machine learning technologies, these technologies attracted attention as tools to promote a contactless and low-contact society, but at the same time, raised concerns that they were being used to suppress dissidents and ethnic minorities, and to maintain or strengthen authoritarian regimes at home and abroad. The novel coronavirus pandemic has not only built the logic of foreign policy and security into international economic interdependence, but also shook international relations in terms of values and norms.

Competition for Technological Superiority

Even during the novel coronavirus pandemic, the US and China are still locked in a battle for technological supremacy. This is based on a view that the superiority or inferiority of technology is directly related to the relative power relationship between nations. In October, the US government released the 'National Strategy for Critical and Emerging Technologies' in which it announced its intention to focus on technology protection and innovation in 20 technology areas including advanced computing, artificial intelligence (AI), autonomous systems, biotechnology, quantum

information science as well as semiconductors and microelectronics.

On the other hand, China is also striving for technological superiority. Although the Chinese government has refrained from exaggeratedly referring to military-civilian integration or 'Made in China 2025', it has not relaxed its pursuit of technological innovation. In October, Chinese President Xi Jinping emphasized the acquisition of international superiority in quantum technology. China's high-tech innovation-related market is increasing its presence: in July, the Semiconductor Manufacturing International Corporation (SMIC), the largest semiconductor foundry in China, achieved a listing on the Shanghai Stock Exchange 'Science and Technology Innovation Board (STAR Market)' which was opened in 2019. The era in which the US has had an overwhelming technological superiority and China has been pursuit is coming to an end, and it is argued that China is already ahead of the US in some technological fields. Looking at the number of patent applications by country, China is said to be already at the top, having overtaken the US and Japan in the fields of advanced and emerging technologies such as AI, blockchain technology, virtual reality (VR), drones and lithium-ion batteries. As the value of big data, the core of digital technology, rises dramatically, some may argue that China's political system is advantageous for technological innovation.

Networks

The battles over techno-hegemony are not limited to competition for the superiority of technology. As competing countries are interdependent, networks connecting their industrial and technological bases are sometimes used for foreign and/or domestic policy purposes. It is the weaponization of networks. The novel coronavirus pandemic has highlighted the vulnerability of cross-border supply chain networks, forcing governments to review and reorganize their supply chains. In particular, the US government's efforts to reorganize the supply chains were strongly focused on exclusion of China. In September, the US government tightened export controls on Huawei Technology and halted the supply of products manufactured using US products. Next, SMIC was added to the list of companies subject to regulation, hitting semiconductor manufacturing in China. The US government appears to be trying to drive a wedge into China's semiconductor supply chain networks.

The US government, which is strong in the fields of research and development (R&D) and semiconductor design, has also strengthened its efforts targeting the low tier of the supply chains. Amid growing criticism that Chinese researchers and students are stealing technology, information, and intellectual property in the US, the US government announced a series of measures, including banning Chinese students from entering the US, revoking their visas, and prosecuting university teachers who cooperated in the ‘Thousand Talents Plan.’ The US is also trying to limit the flow of funds. In November, President Trump banned US citizens from investing in Chinese companies considered to have close ties with the People’s Liberation Army (PLA), and in December, the US Department of Defense designated SMIC and other companies as having a connection with the PLA. These measures will prohibit US investors from investing in the designated Chinese companies, and US financial institutions will no longer be able to offer financial products that include shares of these companies. The Senate and House, with bipartisan support, also passed a bill that would allow Chinese companies to be ruled out of the US stock market. These measures seek to impose restrictions on the R&D stage, which is the low tier of the supply chains.

Furthermore, new supply chain networks reflecting security considerations are being sought. The US government, along with its allies and friends, has accelerated efforts to rebuild supply chain networks of advanced technologies and industries with built-in security considerations. A typical example is the strengthening of the supply chain between the US and Taiwan. Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC), which holds half of the global market share in semiconductor foundry and is known for its technological quality, announced in May that it would build a new chip plant in the US in response to the request of the Trump administration. In addition, the US and Taiwan held an economic dialogue in November, which called for the strengthening of their supply chains and 5G networks.

The Chinese government took counter-measures. In April, President Xi Jinping made a speech requesting to increase the dependence of the world’s supply chain on China. At the 5th General Assembly of the 19th Central Committee (5th Plenary Session) in October, the ‘Dual Circulation’ to increase the international economic cycle (external circulation) and the domestic economic cycle (internal circulation) was emphasized. This indicates the Chinese government seeks to get out of the US-centered supply-

chain network and build an independent supply chain centered on China. This is the reason why the Chinese government is concentrating on domestic production efforts through the establishment of industrial parks, use of subsidies and other industrial policy measures as well as government procurement. The announcement by SMIC of its plan to establish a new company with a Chinese government-affiliated fund in December to build a large-scale semiconductor production base in China can be understood in this context. The Chinese government is trying to ease the shock of US-led supply chain disruptions through domestic production and diversification of supply chains. In addition, China stepped up its offensive. In China, a new export control law took effect in December, and it was announced on the day after that semiconductors and quantum cryptography were listed on the export control list. At the same time, the Chinese government has made it clear that it will not hesitate to retaliate against the arbitrary policies of other countries, leading to uncertainties regarding how the export control measures will be implemented. Concerns have been raised that the Chinese government may use its export control measures to influence the supply chain for foreign and/or domestic policy purposes.

Digital networks are also a major battleground in the US-China confrontation. The current state of international interdependence, networked with digital technology, increases vulnerability against counterpart countries in cyberspace. Therefore, in the age of the Internet of Things (IoT), countries try to prevent competitors from accessing their advanced technologies and reduce their digital dependence on other countries. In addition, concerns that machine learning technology could turn big data, a collection of personal data, into tools for influence and other operations, raise security concerns about data collection. Data flow, data privacy and data security are emerging as new security challenges while the boundaries between data privacy and national security become ambiguous.

The US government has made it clear that it will exclude China from digital networks linking its allies and friends. In August, US Secretary of State Pompeo launched a 'Clean Network' program that excluded Chinese telecoms, app stores, apps, the cloud, and cables from US digital networks, and called allies and friends to participate in 'clean' digital networks. More than 30 parties are said to have already participated in the initiative. The US government, concerned about Chinese sharp power, was particularly sensitive

about collection of personal data through Chinese apps, and began to remove them. In August, the US government banned trading with TikTok, a popular video-sharing app. This was because TikTok's automatic collection of users' personal information gives the Chinese Communist Party access to information on US citizens.



US Secretary of State Mike Pompeo announced the Clean Network Initiative, August 5, 2020. (Photo by REUTERS/Aflo)

However, in September, the month after the 'Clean Network' program was announced, the Chinese government launched a 'Global Data Security Initiative' to restrain the US initiative. The Chinese government called on states to foster an open, fair and non-discriminatory business environment for mutual benefit, win-win outcomes and common development; it also requested to handle data security in a comprehensive, objective and evidence-based manner, and to maintain an open, secure and stable supply chain of global information and communication technology (ICT) products and services. The Chinese government resisted the US government's ban on digital networks and proposed alternative digital network governance. The Chinese government has lobbied a number of countries to gain support for the initiative, and Pakistan, Syria, Belarus, and Laos expressed their support. It even appears that the Chinese government has embarked on the international rulemaking of data governance.

At the same time, the Chinese government appears to be taking steps to counter the US exclusion of Chinese apps. In December, the Chinese government issued a draft guideline on collecting personal information through mobile phone apps, and immediately banned 105 apps for violating three cyber-related laws. However, the lack of details about the violations and the inclusion of US apps among those banned by the Chinese government have led some to view the move as a countermeasure to the US government's exclusion of Chinese apps. The US is no longer the only country to unilaterally control digital networks.

International Standards

One of the most notable aspects of international rulemaking is international standardization activities. International standards that promote cross-border R&D, technology transfer and trade facilitation have lock-in effects, such as path dependency, that shape future technology trajectories and market dominance, and determine the fate of nations, businesses and society. Therefore, international standardization activities reflect technical requirements, economic rationality, social norms and international power politics.

One focus is technical standards. Until now, Japan, the US and Europe have played leading roles in setting international technical standards, but today China is also showing strong interest. It appears that the Chinese government has already stepped up its international standardization activities, including the formulation of a 'China Standards 2035' to follow on the 'Made in China 2025.' In the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEO), and the International Telecommunication Union (ITU), China has been actively leading the proceedings, proposing technical standards documents, and obtaining important posts. In addition, by taking advantage of the simplicity of standards, low product prices and entry into their own domestic market, China is trying to promote cooperation in standardization with countries along the 'Belt and Road Initiative' in order to make the Chinese standard an international de facto standard. China attempts to influence the establishment of international technical standards through activities in international organizations and bilateral relations. The focus is on the areas where technological standards have not yet been established, such as IoT. As China's presence in the field of advanced industries and technologies grows, it is increasingly likely that China will control international standards in these areas. Furthermore, China's standardization efforts are having influence over international political dynamics by prompting changes in US export control policies. Since the US government placed Huawei on its export control list in May 2019, it has tightened regulations on the company. However, in June 2020, the US government decided to allow the supply of some technologies only for the purpose of contributing to the revision and development of international standards. It is believed that there were concerns that restrictions on exports to Huawei would lead to the delay of US companies in standardization activities such as 5G and result in China's advance.

The rise of China as an important player in setting technical standards may be an aspect of international power transition.

Another focus is governance standards. Much attention is being paid to areas related to the management of data generated by digital technologies that the global economy is based on. The Court of Justice of the European Union (EUJ) ruled in July that the ‘Privacy Shield’ framework, which allows American companies to transfer personal information obtained in the EU to the US, was invalid. The reason for the EUJ’s decision was that the protection of personal data under the US law was not at the level equivalent to that under the EU law. Difference between the US and Europe on the values and norms of personal data protection have caused these problems. As big data circulates among countries that have different values and social norms for personal information, institutions and mechanisms are being sought to establish and implement governance standards for the transfer, use and protection of such data.

Bringing Governments Back In

In the world of advanced technology, private companies and research institutions cannot be ignored. However, today the government’s involvement in private activities appears to be increasing as the logic of foreign policy and security comes to the forefront in supply chain reconsideration.

Big Tech companies, such as GAFA or BAT, have been seen as the drivers of innovation, but concerns that their dominance distorts market competition have motivated government intervention. In the US, lawsuits were filed against Google in October and Facebook in December for violation of the Antitrust Law. Even divestitures of Big Tech companies are sometimes discussed. In Europe, where Big Tech companies and the government have confronted each other over taxation and data collection, involvement of governments is increasing as seen in the UK, where the government established a special organization in November to monitor and regulate fair market competition among Big Tech companies. In addition, the Chinese government has announced new guidelines on the regulation of monopolistic activities by Big Tech companies and the collection of personal information through apps; the government’s control over tech companies such as Baidu, Alibaba Group and Tencent, which had been growing with the support of the government, is getting stronger. This is in line

with the view that the reduction in subsidies by the Chinese government led to the default of state-owned semiconductor giant Tsinghua Unigroup, and that pressure from the Chinese government led to Alibaba's Ant abandoning its listing on the Shanghai and Hong Kong stock exchanges.

Sometimes, various governments work together to confront Big Tech companies. In October, seven governments, five countries of Five Eyes plus Japan and India, issued a joint statement calling on tech companies to, among others, allow law enforcement authorities to access the contents of their communications. The end-to-end encryption technology that this statement took issue with means that only the parties to the communication create the encryption key. While the advantages of protecting personal information are great, it has been regarded as a problem that it is technically impossible for telecommunications carriers and government authorities to access the contents of communications. The US government has sought legal access to the contents of communications by enforcement authorities for public interest purposes such as child abuse prevention and terrorism investigations. The joint declaration reiterates the need to address illegal communications and urges tech companies to incorporate cryptographic mechanisms that allow government authorities to access communications. There is a value struggle between the protection of personal information and the public interest.

Perspective

Amid the novel coronavirus pandemic, US-China competition for technological supremacy continues, and the logic of foreign policy and security is built into the international economic interdependence. The retreat of US dominance and the rise of China extended from the relative relationships among nations to the level of networks and international rulemaking. As governments' presence in society increases, differences in values, norms and political systems among countries affect overall technology and foreign policies.

These international 'New Normals' are not unrelated to Japan. The July 'Integrated Innovation Strategy' defines AI technology and quantum technology as disruptive innovation to be strategically tackled, and promotes the world's most advanced R&D, base formation, and human resource development in these fields. Improved scrutiny

of visa issuance to foreign students and researchers, and the introduction of a secret patent system are being considered. In Japan, the development and protection of the advanced and emerging technologies are urgent issues that need to be tackled together. The Japanese government also seeks to restructure its supply chain through diversification initiatives, including the reshoring of suppliers to Japan. Further promotion of 'China plus One' and the establishment of a new supply chain network among Japan, Australia and India are emphasized. Some argue that advanced technology ecosystems should be built among democratic countries. Furthermore, Japan, which lagged behind regarding 5G, seeks to find a way in relation to the international standards for 6G, which is expected to become available in 2030. The Japanese government will focus on standardizing Japanese companies. In addition, the Japanese government has been strengthening its presence by clarifying its stance on the abuse of dominant bargaining positions by Big Tech companies.

However, these efforts by the Japanese government have not been sufficiently effective. Japan has fallen behind the US and China in R&D expenditures for advanced and emerging technologies, and its presence has declined. It has been reported that several Japanese universities have concluded academic exchange agreements with Chinese universities associated with the military and some point out that private companies are not so enthusiastic about the government's call for diversification of the supply chain. With the relative decline in technological capabilities and the limited number of key positions in international organizations, it is unclear whether Japan's standardization activities will bear fruit.

In 2020, the Japanese government took a proactive stance on economic security. In April, an economic team was established within the National Security Secretariat, and in July, the Foreign Ministry carried out organizational reform with regard to economic security. According to media reports, the Ministry of Defense and the Ministry of Education, Culture, Sports, Science and Technology are also considering organizational reforms related to economic security. Lack of personnel and experience, however, have hampered effective policy development. Attention needs to be paid to the effects of these efforts in the future. ■

Fallout of the Novel Coronavirus Pandemic and the Crisis of Multilateralism

The transnational outbreak of a novel coronavirus infection (COVID-19) brought about the greatest impact on the world affairs in 2020. The COVID-19 pandemic is a global issue that affects multiple sectors of the economy and society of each country and region, and has had a major impact on the



The outbreak of COVID-19 put French medical staff under severe strain, March 2020. (Photo by AFP/Aflo)

global economy. Furthermore, the multilateral cooperation through international organizations, which had already been in a state of dysfunction in the absence of US leadership, has fallen into a serious crisis in the year of the 75th anniversary of the creation of the United Nations.

The COVID-19 Pandemic

In December 2019, the first case of COVID-19 infection was confirmed in Wuhan City, Hubei Province, China. In January 2020, the number of new infections in China increased rapidly. By April, the infection had spread to almost all countries around the world, including countries in East Asia and Europe, the United States, Russia, India, and Brazil. The WHO issued a pandemic declaration on March 11. Enormous burden was placed on medical systems as there were no vaccine or specifically effective medicine, resulting in a large number of fatalities in April, mainly in Europe and the United States. In many countries and regions, strict measures such as lockdowns and border restrictions were implemented, and measures were taken to prevent the spread of infection by curbing economic activities. While the spread of infection slowed down in summer partly due to the effectiveness of infection prevention measures, the infection started to spread anew in the Northern Hemisphere in autumn and winter when the weather became cold and dry, leading to an increased number of new infections and deaths. As of the end of December 2020, the cumulative number

of confirmed cases stood at 81.55 million and the number of deaths exceeded 1.8 million in the world. In December, the United States and Europe approved their first vaccines. Although the situation varies depending on the countries and regions, the world as a whole cannot be expected to overcome the COVID-19 pandemic for the time being.

From mid-March through summer 2020, when the first wave peaked, many countries and regions took strict control measures to prevent the infection. These measures included canceling large-scale events, closing or limiting business hours of stores and facilities, closing schools, refraining from traveling, and keeping distance from others in public spaces. Teleworking was recommended to companies, and telecommuting using ICT tools became widespread. Restrictions on entry and exit as well as activities after entry into countries were implemented as border measures, and the movement of people was significantly restricted. Almost all countries and regions faced the dilemma that the more restrictive measures to prevent the infection were implemented, the more serious the negative impact on economic activities. Since the summer, restrictions have been gradually relaxed in order to resume economic activities as the spread of infection has calmed down. However, as the spread of infection has turned to an increasing trend, restrictions have been tightened again.

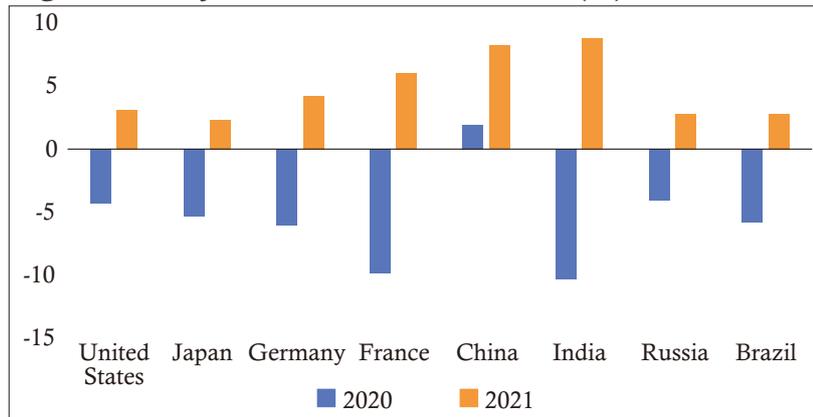
Serious Impacts on the Global Economy

Restrictive measures to contain the spread of the virus worldwide have created an unprecedented economic crisis in which the global economy is frozen from both supply and demand sides. The scale of the economic crisis surpasses that of the global financial crisis triggered by the collapse of Lehman Brothers in 2008, and is comparable to the Great Depression in the 1930s. The impact on employment is extremely serious due to the impact on the manufacturing industry brought about by supply chain disruptions and a decrease in overseas demand, as well as the damage to the service industries such as food and drink and tourism caused by disruptions in the cross-border movement of people, resulting in the increase of the unemployment rate in many countries. In response to this serious economic crisis, governments around the world have come up with large-scale emergency economic packages and various assistance measures. Compared with the Great Depression and the global financial crisis, the economic crisis caused by the pandemic has shown signs of recovery in

a short period of time because economic activities could resume while controlling the spread of infection. However, restrictions have to be repeatedly implemented in developed countries, and wide distribution of vaccines is nowhere in sight in developing countries. Thus, there is a risk that the impact on the economy may linger. In such situation, vulnerable groups of people and developing countries are the ones most affected by the economic crisis, as the effects of the crisis will increase unemployment, economic disparities, and educational disparities, which will persist for a long time. Recognizing this, it is necessary to strengthen the safety net functions in domestic economic measures as well as to enhance international cooperation.

According to the IMF, China's growth rate in 2020 is projected to be 1.9%, the only positive growth among the major economies. The forecast by the Japan Center for Economic Research, released in December, predicted that China would overtake the United States in terms of nominal GDP in 2028. This projection means that the timing of China becoming the world's largest economy would be moved forward, as China quickly gets a grip on the spread of the infections and recovers relatively quickly. A scenario is conceivable in which China will lead the recovery of the global economy in a post-COVID-19 world, thereby increasing its dependence on the Chinese economy. On the other hand, it is necessary to carefully analyze whether China, which has long relied heavily on overseas demand from developed countries, can be the sole winner amid the global economic downturn with negative growth everywhere. Over the medium to long term, China faces a number of structural problems, including the debt problem, sustainability of its economic growth relying on public finance, and the diminishing labor force due to the declining birthrate and aging population. Therefore, projecting the growth of the Chinese economy premised on the extension of current trends entails certain risks. It also needs to be mentioned that there is always a risk that the contradictions in its political and social systems may pose to the economic growth in China.

Figure 1. Projected Real Growth Rate (%)



Source: IMF

The coronavirus pandemic has prompted a review of the supply chain. While there have been cases of disruptions in the supply chain due to natural disasters in the past, risks and vulnerabilities of the supply chain were recognized anew in the face of the difficulty in obtaining medical and other essential supplies such as masks amid the pandemic, and the disruptions of the manufactured part supplies from China in the early phase. There are three aspects in reviewing the supply chain. First, Article 11 of the GATT allows temporary restrictions on exports of food and medical essential supplies. It is necessary for the governments to support domestic production and securing of important materials. The second issue is whether a supply chain that is excessively dependent on overseas production and dispersed is optimal, and the options of shortening the supply chain and returning to domestic production are being considered. The third is the acceleration of the movement of the so-called China Plus One: relocation of production bases from China to ASEAN countries due to rising labor costs in China, which had been in motion since before the COVID-19 pandemic. Vietnam and Indonesia are promising investment destinations. Developed countries' policy moves are also noteworthy. The US President-elect Joe Biden said that \$700 billion would be invested over four years to support the manufacturing industry as a measure to create jobs in the US. In Japan, as part of emergency economic packages, a subsidy program for promoting domestic investment to strengthen supply chain and overseas supply chain diversification for small and medium enterprises were implemented, to which applications far exceeded the budget limit, suggesting that potential demand is high.

The acceleration of digitization is one of the positive sides of the effect of the pandemic. With infection-control measures that restrict mobility and human contact, ICT has become an essential tool for maintaining socioeconomic activities, and digitization has rapidly advanced. In countries such as China and Singapore, thorough infection control is implemented through the use of smartphone tracking applications. For administrative support such as benefits, Germany and other countries used the Identification Number System, which enabled smooth online application and payment. Telecommuting and online meetings in the workplace, online teaching in education, online medical consultation, e-shops for drug purchase, as well as robotics and automation in production sites have been introduced or are becoming widespread rapidly in various countries. Society 5.0, which aims to achieve both economic development and solutions to issues such as the declining birthrate and aging population as well as climate change through the use of digital technology, is a key to achieving the United Nations' Sustainable Development Goals (SDGs). In the governance of international data flows, which are increasing along with the digitalization of the economy, rulemaking through regional free trade agreements such as the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the WTO has become an important issue.

Crisis of Multilateralism

The worldwide spread of the novel coronavirus created a situation that cannot be solved by any country alone, therefore requires international cooperation. On the contrary, however, the year commemorating the 75th anniversary of the creation of the United Nations witnessed the absence of global leadership and the crisis of multilateralism that had been worsening in recent years. Since the inauguration of the Trump administration, the United States had accelerated its anti-multilateralist move by implementing policies of secession from multilateral agreements and international organizations. In 2019, the US formally notified its withdrawal from the Paris Agreement on the greenhouse gas reduction. In the WTO, the dispute settlement process fell into dysfunction at the end of 2019 due to the US opposition to the appointment of a member of the Appellate Body. Furthermore, in the election process of the Director-General following the resignation of Director-General Roberto Azevedo in August 2020, the United States opposed the approval of Nigeria's Ngozi Okonjo-Iweala recommended by the selection committee. As a result, a new Director-

General has not been elected as of the end of 2020. Regarding the pandemic, President Trump has criticized China over its handling, drawing counterargument from China and leading to a blame game between the two countries. The United States strongly criticized the WHO that it was accommodating to China, suspended the payment of its contributions in April and announced its withdrawal in July. At the United Nations, Secretary General António Guterres called for an immediate ceasefire in conflict areas in March, but adoption of the Security Council resolution to the same effect was delayed until July due to a disagreement between the United States and China over whether it should include reference to the WHO. These developments at various international organizations revealed in broad daylight the absence of US leadership and the dysfunction of international organizations stemming from the confrontation between the United States and China amid the pandemic.



Director-General of the WHO Tedros attends a conference on the outbreak of COVID-19, March 2020. (Photo by AP/Aflo)

Vaccines for COVID-19 have been developed at a rapid pace. Pharmaceutical companies such as Pfizer and Moderna of the United States, and AstraZeneca of the United Kingdom have led the way to development and distribution of vaccines. Vaccination was approved and started in the United Kingdom and the United States in December. The COVAX facility, a framework for global COVID-19 vaccine supply, was launched under the leadership of the GAVI Alliance (Global Alliance for Vaccines and Immunization), CEPI (Coalition for Epidemic Preparedness Innovations), and the WHO. COVAX has two mechanisms: a framework in which high and middle income countries contribute funds to purchase vaccines for their own use; and a framework in which vaccines are supplied to developing countries through contributions from donors. Countries that participate in and contribute to COVAX will have access to the vaccines to cover up to 20% of their population. Contributions will also be used for development and manufacturing facilities. In September, the Japanese government announced its participation, and in October, Foreign Minister Motegi announced that Japan would contribute more than \$130 million to help developing countries secure vaccines. As for China, President Xi

Jinping announced in May that China would contribute \$2 billion over the next two years to respond to the pandemic, and China decided to join COVAX in October. On the other hand, the United States and Russia have not joined COVAX, symbolizing the lack of international cooperation in dealing with the coronavirus pandemic.

Perspective

COVID-19 triggered an economic crisis comparable to the Great Depression in 1930 and had serious effects on the economy and society of each country as well as the international community. In the short term, the international community should work together to contain the pandemic, recognizing that “it is impossible to solve this problem alone.” In the medium to long term, it is important to turn the crisis into an opportunity by striving to build a sustainable economy and society, and to strengthen international cooperation. There is expectation for the new US administration’s intention to play a leading role again in multilateralism, including in the area of climate change, which it attaches importance to, and to show its willingness to cooperate with its partners.

The spread of the new virus is a problem closely related to environmental problems, as it has been pointed out that one of the causes is changes in ecosystems triggered by environmental destruction which brought humans closer to viruses. In addition, the suppression of economic activities through measures to prevent infectious diseases has reduced air pollution and greenhouse gas emissions, which led to renewed awareness of the environmental impact of regular economic activities. In the economic measures of major countries and regions in response to this crisis, measures aiming at structural transformation of the economy and society and the realization of sustainable economic growth with the post-COVID-19 society have been announced, and slogans such as “green recovery” are attracting attention. There is a growing desire to build a resilient economy and society against pandemics and to contribute to solving common global challenges. Under these circumstances, there is a growing movement to become carbon neutral by 2050. The EU and China are working hard to promote renewable energy, and under the slogan of “European Green Deal,” the EU declared that it would achieve carbon neutrality by 2050, and China by 2060. Japan and South Korea have since pledged to achieve carbon neutrality by 2050. In the United States, the new Biden administration is expected to return to the Paris

Agreement and come up with a commitment to carbon neutrality by 2050 according to the election pledge, which will give impetus to the promotion of international cooperation and implementation of concrete measures to tackle the climate change challenges. ■

Europe's Shift Towards Indo-Pacific and Japan's Future Course

The intensifying US-China hegemonic competition and the worsening perception of China due to the COVID-19 pandemic have brought about a strategic change in Europe to turn its attention towards the Indo-Pacific. Several European countries have successively put in place their Indo-Pacific strategies,



European Commission President Ursula von der Leyen wears a mask after giving a statement on the outcome of the Brexit negotiations, December 2020. (Photo by REUTERS/Aflo)

and the EU is working to swiftly develop its own strategy towards this region. NATO has characterized China as a “full-spectrum systemic rival.” Against these backdrops, relations between Japan and Europe, as natural partners, have been strengthened in the areas of economic liberalization through the Economic Partnership Agreements (EPAs) with the EU and the UK, cooperation on connectivity and infrastructure developments, and security cooperation in tandem with NATO.

European Rebalance to the Indo-Pacific

An important strategic change in Europe identifiable from 2020 has been its increasing interest in the Indo-Pacific region. For a long time, Europe did not show strong interest in this region. The presence of the UK, through its Commonwealth countries, and the interests of France, with more than 90% of its Exclusive Economic Zone (EEZ) in the region, have been standing out, making the Indo-Pacific issue above all an Anglo-French issue. When Japan and the US launched their Indo-Pacific visions, the European countries remained indifferent, and the concept was rarely used at the political level.

However, such perception has clearly changed, driven by the intensification of the US-China hegemonic competition and the worsening perception of China due to the COVID-19 pandemic. As early as March 2019, the EU displayed its wariness regarding China by adopting ‘EU-China: A Strategic Outlook’ in which it labelled China as a “systemic rival promoting alternative models of governance.” The EU

also expressed its concerns about expansion of China's influence through the 'Belt and Road Initiative' (BRI), human rights abuse against ethnic minorities, and its crackdown on Hong Kong's autonomy. China's 'wolf-warrior diplomacy' and 'mask diplomacy' during the pandemic further exacerbated Europe's perception of China. According to a public opinion survey on changes in perceptions of China during the pandemic, 48% of respondents in Europe replied that their perceptions had worsened, while only 12% said they had improved. Europe's threat perceptions surrounding China have thus been reinforced during the pandemic.

Current strong interest of European countries in the Indo-Pacific is based on the recognition that the direction of this region will not only have a significant consequence on their individual interests but also on the future international order. Certainly, the economic importance of the Indo-Pacific region for Europe cannot be understated given the amounts of Europe's imports and exports passing through this region. Conflicts and disputes, including piracy on the sea lanes, are also a European security issue. However, European countries are now viewing the Indo-Pacific less from the perspective of individual interests, but as a keystone for the future of the postwar rules-based international order and multilateralism.

This change in perception has led successive European countries to release Indo-Pacific strategies. France was the first European country to adopt a strategy for the region in 2018 by revealing 'France's Defense Strategy in the Indo-Pacific.' At that time, the reaction of European countries to this move was limited. The perception of Chinese threats was not widely shared across Europe. However, as perceptions of China worsened during the pandemic, Germany adopted 'Policy Guidelines for the Indo-Pacific Region' in September 2020. Accounting for 48.5% of total EU exports to China in 2019, Germany has so far been cautious to criticize China, in marked contrast to France. The fact that Germany adopted guidelines for the 'Indo-Pacific,' a concept it avoided using up to that point, can be taken as a wake-up call for other European countries. Following Germany, in November 2020, the Netherlands released its Indo-Pacific strategy. Now Germany, France, and the Netherlands are at the center of the EU's efforts to develop a new European strategy towards the Indo-Pacific.

However, the Indo-Pacific strategy at European level is not yet clear, and there are slight differences in the strategies adopted by individual European countries. France is primarily interested in protecting its security and national interests including protection of its EEZ, and aims to strengthen its presence in the Indo-Pacific. The German guideline positions the Indo-Pacific region as “the key to shaping the international order in the 21st century.” Referring to China that “calls the rules of the international order into question,” it emphasizes the need of “closing ranks with democracies and partners with shared values in the region.” Compared to France’s security leaning, the German guideline suggests a broader spectrum of multilateral engagement, such as strengthening regional partnerships with ASEAN, promoting open markets and trade, investing in digitalization and infrastructure sustainability, and fostering inclusive cooperation. These policy divergences cannot be ignored as they suggest potential discrepancies, and an early establishment of EU-wide strategy towards the Indo-Pacific is all the more needed.

Although overall perceptions of China have worsened, the European countries have not become monolithic in their attitudes toward China. In Hungary and the Czech Republic, the increasingly authoritarian governments have not abandoned their pro-China stance. Of even greater importance is the dependence of Western European countries on China for their economy and supply chains. At the end of 2020, under the leadership of German Chancellor Merkel, the EU-China Comprehensive Agreement on Investment was hastily concluded after seven years of protracted negotiations. In the absence of indications of a resolution to the Hong Kong and Xinjiang Uyghur issues, the conclusion of the agreement has been criticized as prioritizing economic gains over human rights and values. Although the EU has attempted to draw concessions from China by requiring it to ratify the ILO conventions on forced labor, there is little cause for optimism. Under the systemic US-China rivalry, not only Japan but also Europe is faced with the dual challenge of maintaining good economic relations with China while countering those of its actions that are contrary to their interests and values.

Progress in Japan-Europe Cooperation

As Europe deems the Indo-Pacific to be a strategic cornerstone, Japan is expected to play a role as a partner. Japan and Europe have made progress in recent years

in multiple areas of cooperation, including economic liberalization through EPAs, connectivity and infrastructure development, and security and defense cooperation with NATO.

Strengthening cooperation with Europe was one of the key priorities of Japan's diplomacy during Prime Minister Abe's tenure of seven years and eight months, and his commitment yielded steady results. In February 2019, the Japan-EU EPA and Strategic Partnership Agreement (SPA) came into force. In September 2019, the Partnership on Sustainable Connectivity and Quality Infrastructure was also signed between Japan and the EU. As early as 2018 through the 'Strategy for EU-Asia Connectivity,' the EU displayed its commitment to promoting sustainable and rules-based connectivity, which resonates with Japan's idea of 'quality infrastructure investment.' Such convergence of the principles and values between Japan and Europe was heightened to the level of partnership through this agreement. The new Prime Minister Yoshihide Suga, who took office in September 2020, seeks to promote the 'Free and Open Indo-Pacific' (FOIP) vision and strengthen Japan-EU cooperation. Suga repeatedly referred to FOIP in his telephone conversations with German Chancellor Merkel, President of the European Council Michel, and UK Prime Minister Johnson. In October 2020, Foreign Minister Motegi visited France and Portugal, and in November, he reaffirmed the importance of Japan-EU cooperation to the realization of FOIP during a Japan-EU Foreign Ministers' telephone call with High Representative Borrell.

Japan-NATO cooperation has also been strengthened. Japan-NATO cooperation has been centered on cooperation with France and the UK, the two countries with maritime capabilities in the Indo-Pacific. However, since the adoption of a Joint Political Declaration between Japan and NATO in 2013 and the approval of the Individual Partnership and Cooperation Program (IPCP) in the following year, their practical and operational cooperation has steadily progressed. In June 2020, Japan and NATO made its latest revision of IPCP, which included: the addition of 'human security' to the priority areas for cooperation; reference to the Indo-Pacific; and the deepening of consultation on the East Asian security situation. Behind the progress of Japan-NATO cooperation is a considerable change in NATO's perception towards China. In the London Declaration adopted in December 2019, NATO announced the

need to address China's rise along with Russia's threat, stating that "[w]e recognise China's growing influence and international policies present both opportunities and challenges that we need to address together as an Alliance." Furthermore, in December 2020, NATO launched 'NATO 2030: United for a New Era,' a report outlining the strategic challenges for the Alliance over the next 10 years. In this report, China is characterized as a "full-spectrum systemic rival" that poses "acute challenges to open and democratic societies." The recommendations of this report include the establishment of a consultative body to discuss NATO's security interests vis-à-vis China and the development of countermeasures against cyber-attacks and disinformation.

The relations with the UK in the post-Brexit era are also important in considering the future relations between Japan and Europe. The UK formally left the EU in January 2020, and it then spent about a year in a transition period. However, the negotiations on the terms of its exit from the bloc were difficult and protracted, with especially heavily divisions on governance, state aid and competition, and fisheries. The text of a deal was only agreed on December 24, 2020, and thus the situation in which the UK would crash out of the bloc without arrangements was avoided. However, due to the lateness of the deal and the resulting lack of wide dissemination of the text and terms, major disruption in areas such as customs clearance and quarantine measures is foreseeable. As the four-and-a-half-year drama of the 'Brexit' comes to a close, Prime Minister Johnson has emphasized its achievement by trumpeting UK's "recaptured sovereignty." Yet, when looking at Northern Ireland, which is dissatisfied with its effective decoupling from the British mainland, and Scotland, which has a strong pro-EU stance and a mounting sense of independence, the prospects of the 'United' Kingdom cannot be said to be especially bright. It is thus important to follow how the UK, now a third-country as regards the EU, develops its engagement with the EU and the world.

While the UK-EU relationship has been in turmoil, the UK-Japan relationship has been deepened. In October 2020, Japan and the UK signed a Comprehensive Economic Partnership Agreement (CEPA). While CEPA is, for the most part, a replacement to Japan-EU EPA, it also contains enhanced provisions on tariffs, financial services and e-commerce regulations. This agreement is also considered to be a stepping-stone to

the UK acceding to The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). On the security front, too, Japan and the UK have strengthened their cooperation through joint military exercises. As part of its Global Britain strategy, the UK plans to dispatch its aircraft carrier HMS Queen Elizabeth to the Indo-Pacific and remain in the West Pacific including the area close to Japan in 2021.

Future Course of Japan-Europe Cooperation in the Indo-Pacific

In a globally connected strategic environment, Japan and Europe, as ‘natural partners’ who share the same principles, should take a more proactive role in shaping the global order. Japan-Europe cooperation in the Indo-Pacific is linked not only to a regional challenge of maintaining order in East-Asia but also to the global challenge of defending the rules-based international order and free trade. Future cooperation between Japan and Europe will need to give further substance to the conceptual agreements and frameworks that have been built up so far and provide a free and open rules-based order as a global public good.

Connectivity and sustainable development are the first areas where Japan and Europe can further cooperate in the Indo-Pacific. The concept of ‘quality infrastructure investment,’ led by Japan, has won widespread support at G7 and G20 summits and is encapsulated in the connectivity partnership between Japan and the EU. This concept is expected to play an important role in rebuilding the supply chains disrupted by the COVID-19 crisis. The EU has expressed concerns about China’s aggressive implementation of its BRI and resulting debt trap, as well as its growing influence over Central and Eastern European countries, as these may promote authoritarianism and potentially undermine European unity. Japan and Europe should put forward the idea of quality infrastructure and sustainable connectivity as an alternative to the BRI and promote a wide range of projects throughout the Western Balkans, Eastern Europe, Central Asia, Indo-Pacific, and Africa.



European Council President Charles Michel speaks during a news conference following an EU-Japan videoconference summit, May 2020. (Photo by REUTERS/Aflo)

Sustainable development is one of today's global agenda. President of the European Commission von der Leyen has made the European Green Deal her top policy priority. The 'Next Generation EU,' a massive recovery fund agreed on in July 2020 after a marathon meeting, also emphasizes the importance of green investment together with cyber and digital transformation. Now, Prime Minister Suga pledged to achieve carbon neutrality by 2050, and the US is transitioning to the Biden administration that has also set the goal of zero-emissions by 2050. In this context it is of great importance to promote high-quality infrastructure investments and raise the regulatory standards.

Such development cooperation should be implemented jointly in pursuit of multilateralism. Japan should seek positive synergies among existing multilateral frameworks such as the CPTPP, the Regional Comprehensive Economic Partnership for East Asia (RCEP), and EPAs with the EU and the UK. France and Germany's Indo-Pacific strategies underscore the importance of cooperation with ASEAN and The Quadrilateral Security Dialogue (QUAD). High Representative Borrell commented positively on RCEP, saying that "it is a sign of the members' commitment to rules-based trade and investment in the era of unilateral reward and retaliation." He also commented that "Europeans should be proactive in the Indo-Pacific and have a position towards China that is firm but also open," citing Japan as an exemplar of such a position.

In addition to such economic and social cooperation, it is also important to develop security cooperation in tandem with NATO. While continuing joint training and personnel dispatches with the UK, France, and other partner countries is important, more concrete Japan-NATO cooperation in the Indo-Pacific needs to take place. NATO and Japan are expected to play a proactive role not only in defending freedom of navigation and maritime security, but also in expanding intelligence collection and joint research on cyber-attacks and disinformation. In December 2020, German Defense Minister Kramp-Karrenbauer announced a plan to dispatch the country's naval frigate to the Indo-Pacific for joint exercises with the Self-Defense Forces and the armed forces of countries in the region. Along with voicing Germany's wariness of China, she stressed a potential role for NATO in the Indo-Pacific and an expectation for cooperation with the Biden administration. Whether this can be regarded as a strategic change by Germany or not, opportunities for multilateral cooperation in the Indo-Pacific are certainly expanding.

Japan and Europe should take a joint leadership in promoting their shared agendas in coordination with the US and other partner countries that hold common principles and values. Japan and Europe should become rule-makers rather than rule-takers, and they can only exert real influence if they work together, not alone. Seeking liberal cooperation through rules, Japan and the EU should work together as strategic partners to create the necessary order to further shared economic and security interests, and encourage cooperation to solve global issues. The time has come for Japan and the EU to take full advantage of each other's strategic values. ■

Russia in 2020 amid the Coronavirus Pandemic

2020 was the year of the coronavirus pandemic for Russia. As of the end of December 2020, the number of novel coronavirus infection cases in Russia stood at 3,159,297, the fourth highest number in the world, with 57,019 deaths. The number of new cases per day exceeded 20,000 since mid-November, with the death toll hovering around 500 to 600. The second wave since October is raging in Russia. The pandemic had a major impact on Russia's economy, politics and diplomacy in 2020.



President Vladimir Putin gives a televised speech on the coronavirus outbreak, April 2020. (Photo by Alexander NEMENOV/AFP)

Impact of the Coronavirus Pandemic on the Russian Economy

It was at the end of January 2020 that an infection case of the novel coronavirus was confirmed for the first time in Russia. As the first infected person was a student from China, the Russian government immediately restricted travel to and from China, and in early February brought Russian citizens who were staying in Wuhan back home. These measures have largely prevented the spread in Russia of the novel coronavirus originating in China, the first epicenter of the disease. Until mid-March, only a small number of people were infected in Russia. However, the spread of the coronavirus in Russia appears to have occurred via Europe. People who had returned from Italy, France and Austria, where a high number of coronavirus infection cases had already been confirmed in early March, were found to have been infected. Since mid-March, Russia restricted access to/from Europe and the United States, but in late March, the infection began to spread in Russia, mainly in Moscow.

In response, Moscow became the first city in the country to impose stringent measures such as restrictions on outings and businesses. President Putin decided to designate the period from March 30 to May 11 as “non-working days.” In addition, Prime Minister Mishustin urged local governments to adopt similar restrictions as in

Moscow, which resulted in the shutting down of all facilities other than the public institutions, hospitals and pharmacies, as well as shops for essential commodities across the country. In parallel with these strict measures called “self-isolation,” the government provided relief measures such as income compensation and various allowances, interest rate subsidies for small and medium-sized enterprises, and tax and debt moratorium (although their scale was smaller than those in the developed Western countries).

Regarding the impact of the coronavirus pandemic on the Russian economy, it is difficult to grasp the overall picture as the second wave started in the autumn of 2020. However, it can be said that the impact of the first wave was less severe than that in the West. According to the IMF’s “World Economic Outlook (October 2020),” Russia’s real GDP growth rate in 2020 was projected to be minus 4.1%, which would represent less damage than minus 4.3% for the US and minus 8.3% in the Eurozone. Although there were external shocks such as a temporary plunge of crude oil prices amid the worsening coronavirus situation in various parts of the world, the effects of the relief measures described above as well as the gradual release of the lockdown since May that led to the resumption of economic activities may have mitigated the economic damage, at least in the first half of 2020. In addition, the economic structure of Russia, where contribution of the service industry and related sectors to the GDP is lower compared to other developed countries, also mitigated the negative impact of the lockdown on the overall economy. However, since the second quarter, the unemployment rate has rapidly worsened and the real disposable income has decreased. Thus, the negative impact of the coronavirus pandemic at the micro level is considered to be significant.

In the fiscal aspect of the government, the damage caused by the pandemic has been within the controllable range. The fiscal balance is expected to fall into the red because oil and gas revenues, which account for nearly half of the total revenues, have declined due to falling crude oil prices, while expenditures for the coronavirus-related measures have increased. However, the level of outstanding government debt is low due to the steady fiscal management to date, and the government has ample funds in the “National Wealth Fund,” which is a fiscal buffer. Therefore, the government is unlikely to go bankrupt immediately. Since October, crude oil prices have been stable at about 39 to 40 dollars per barrel, contributing to the fiscal stability.

Generally speaking, the Russian economy was severely damaged by the coronavirus pandemic, but its impact was not uniform. Industries directly affected by the lockdown, such as the commercial and service industries, experienced significant negative growth, while other industries experienced positive growth — the situation varies greatly depending on the industry sector. The rapid growth of new businesses using the Internet, which does not involve the movement or contact of people, also indicates the unexpected strength of the Russian economy.

Influence of the Coronavirus Pandemic on Russian Politics and Diplomacy

The spread of the novel coronavirus has also greatly affected the politics of Russia. In his Annual Presidential Address to the Federal Assembly in January, President Putin proposed constitutional amendments, but the referendum for this purpose was postponed from the originally planned date of April 22 to July 1. In addition, the Putin administration postponed the World War II Victory Parade, upon which special importance was placed to confirm the historical memory for the unification of the people, from May 9 to June 24. The parade in 2020, the year marking the 75th anniversary of the victory of the war, was conducted with the participation of troops from 17 countries, including China and India as well as former Soviet republics, that marched through the Red Square. Originally, leaders from Japan and other countries had been expected to be invited, but due to the pandemic, participation at the head of state level was limited to seven countries including Serbia and former Soviet republics such as Belarus, Kazakhstan, Uzbekistan, Tajikistan, and Moldova.

While those important domestic political events were held with postponement, international conferences and events in which foreign participants were expected were promptly cancelled. In recent years, Russia has hosted several international forums, including the Russian Investment Forum in Sochi (mid-February), the Krasnoyarsk Economic Forum (late March), the St. Petersburg International Economic Forum (early June), and the Eastern Economic Forum (early September), but they were all cancelled in 2020. In particular, the Eastern Economic Forum had been attended by the heads of government from many Asian countries and is thus regarded as an important opportunity to demonstrate Russia's presence in the Asia-Pacific region. The cancellation of this forum due to the pandemic has stalled Russia's Asia-Pacific strategy, albeit by force majeure.

The outbreak of the novel coronavirus infection in Russia appears to have contributed to the overall stagnation of its diplomatic activities. The Nagorno-Karabakh conflict between Armenia and Azerbaijan, which rekindled at the end of September this year, took place while Russia was occupied coping with the coronavirus problem. An attack against Armenia, a member of the Collective Security Treaty Organization (CSTO) led by Russia, would oblige Russia to participate in the war, but Moscow took a neutral position early on, stating it would not support Armenia unless there was a fight on the Armenian mainland. Armenia, which could not receive substantial support from Russia, was completely defeated by Azerbaijan, which had high morale over recovering its lost territory and enjoyed full support from Turkey. This conflict resulted in a ceasefire agreement under the leadership of Russia, which enabled the dispatch of Russian troops as peacekeepers to Azerbaijan, a territory where Russian troops had not been stationed. In this sense, it may have been beneficial to Russian diplomacy. On the other hand, the first two ceasefire agreements were immediately breached, which gave the impression that Russia's influence had declined. In addition, there seems to be no conspicuous involvement of Russia in the political turmoil in neighboring Belarus, as it is merely standing by, possibly because Russia is not willing to make enemies of Belarus citizens who are fundamentally friendly to Russia.

Even in the midst of the coronavirus pandemic that restricts the international movement of people, Russia is trying to strengthen its influence in its own way. For example, Russia offered medical assistance to European countries and the United States in February and March this year, when the infection situation in Russia was not yet severe. In addition, by providing the Russian coronavirus vaccine "Sputnik V," the first vaccine approved in the world in August, and the second vaccine "EpiVacCorona" approved in October, Russia is conducting its "vaccine diplomacy." Phase III clinical trials of "Sputnik V" will also be conducted in friendly nations such as Belarus, India, Venezuela, Egypt, Brazil, and the UAE; its local production is planned in China, India, South Korea, and Brazil. Moreover, inquiries about "Sputnik V" have been made by more than 30 countries, including Mexico, Indonesia, the Philippines, India, Saudi Arabia, and the UAE. President Putin himself has been conducting promotion of Russian vaccines at the top level, stating at the G20 meeting held in November that "Russia is prepared to provide vaccines to countries in need."

However, there is certain criticism about Russia's attitude. One is the hasty development of vaccines. Doubts about the safety of vaccines linger as their approval preceded the final results of clinical trials. Another aspect is that Russia does not participate in the COVAX facility, an international framework led by WHO to provide vaccines to developing countries. While expressing certain appreciation to the role of COVAX, Russia refused to participate, saying that Russia, which had its own vaccine, did not need or intend to buy foreign vaccines.



Sputnik V is the world's first vaccine against COVID-19 registered by the Russian Government, August 2020. (Photo by Dmitry KURAKIN/Russia's Health Ministry/AFP)

Perspective

In the US presidential election in November 2020, Democratic presidential candidate Biden defeated the incumbent President Trump, but Russia does not seem to welcome the inauguration of a new president. According to a Russian expert, Russia is considered to be number one enemy among US political elites, both Republican and Democrat (Biden himself referred to Russia as the “biggest threat” when he was Vice President). Therefore, while the change of US administration is expected to lead to progress in nuclear disarmament talks, confrontation between the United States and Russia is rather expected to intensify over issues such as the Middle East including Syria, Ukraine, and human rights in Russia — the relationship between the United States and Russia is not expected to improve dramatically. During the four years of Trump's presidency, Russia also learned that American diplomacy was not heavily influenced by the personality of the president. President Trump may have been pro-Russian, but his administration tightened economic sanctions against Russia, and the United States broke away from the INF and Open Skies treaties.

Thus, even with the inauguration of the Biden administration, the strained relations between the United States and Russia are expected to continue for the time being, and this could cast a dark shadow on the future of Japan-Russia relations. Since the start of the second administration of Prime Minister Shinzo Abe in 2012, Japan-

Russia relations have generally been moving toward closer relations, despite a cooling period following the Ukrainian crisis in 2014. The “Eight-Point Cooperation Plan” of the Abe administration was in response to Russia’s “Pivot to the East” policy, which is aimed at strengthening its relations with countries in the Asia-Pacific region; great improvement in Japan-Russia relations was therefore expected. In addition to fulfilling Japan’s long-cherished ambition of resolving the Northern Territories issue and concluding a peace treaty with Russia, which has remained unresolved for more than 70 years since the end of World War II, Japan attached importance on the strengthening of its cooperative relationship with Russia from the perspective of restraining China, which has gained political and economic power in the international arena in recent years. Even after the annexation of Crimea, there was speculation that Russia, which had no choice but to lean toward China amid Western sanctions, might place importance on Japan as a balancer against China. However, such “expectation” of the Japanese side shrank rapidly because of the “zero answer” on the Northern Territories issue by the Russian side. The constitutional revision in July 2020 that made it illegal for Russia to engage in speech and action related to the cession of its territory, and Russia’s moves to strengthen the deployment of missiles on the Northern Territories, have dampened the prospect of a resolution of the territorial issue between Japan and Russia.

Changes in the strategic environment surrounding Japan and Russia are also forcing a review of the relationship between the two countries. As the confrontation between the United States and Russia intensifies, Russia is increasingly approaching China to counter the United States. In November 2019, President Putin called China an “ally” at an international conference held in Sochi, and announced that he had been supporting China’s development of an early warning system for ballistic missiles. It is probably true that Russia placed certain expectations on Japan, which could act as a balancer toward China, depending on how China acted. However, now that the US-China confrontation has become unavoidable and there is no prospect of fundamental improvement in the US-Russia relations, Russia seems to have given priority to its relations with China in order to keep the United States in check; thus, the pursuit of a balancer against China seems to have receded. As the strategic environment changes drastically, Japan-Russia relations may appear secondary for Russia. Russia’s hard-line stance toward the Northern Territories issue can be seen as an indication of

such views. Public opinion in Japan has also turned a stern eye on Russia's moves, and is increasing its distrust of Russia. Amid the changing strategic environment surrounding the Asia-Pacific region and the growing public distrust of Russia, the Japanese government will be pressed to make difficult responses. ■

The Middle East: Coronavirus Pandemic, US Withdrawal, Normalization of Diplomatic Relations, and Rivalry for Regional Supremacy

In 2020, the Middle East was hit by an outbreak of the coronavirus disease like other countries, during which the instability and vulnerability of the region became apparent. Against the backdrop of a multilayered “power vacuum” in the region, the struggle for supremacy by



A delegation from the United Arab Emirates and Bahrain visited the Judaism's holiest prayer site in Jerusalem's old city, December 14, 2020. (Photo by REUTERS/Ammar Awad)

regional powers such as Turkey, Saudi Arabia, and Iran has continued in countries like Syria, Yemen and Libya that have entered a state of civil war since the “Arab Spring.” Relations between Israel and Arab countries were normalized one after another since the summer through the intermediary of the Trump administration in the United States; the state-to-state relations in the Middle East started to change drastically from the façade of “Israel versus the Arab,” which had already collapsed in reality, to the straightforward one that emphasizes the economy and security. After the assassination of General Soleimani of the Revolutionary Guard Corps in January and the assassination of Dr. Fakhrizadeh, a key figure in the nuclear development program in November, Iran has accelerated its confrontation with the United States and its deviation from the nuclear agreement (JCPOA). Meanwhile, the United States responded by stepping up sanctions against Iran and dispatching an aircraft carrier to the Strait of Hormuz, leading to further escalation of tensions in the region.

Consequences of the Coronavirus Pandemic

The spread of the coronavirus in 2020 exacerbated the region's serious refugee problem and economic recession. Following the first report of infection in Iran in late February, the damage has spread throughout the region. Although the spread was temporarily contained, the second wave began in June after the end of Ramadan and the third wave continued unabated since September. According to Johns Hopkins University in the United States, Iran (approximately 1.22 million cumulative infection cases and

55 thousand deaths) was the most seriously affected country in the region at the end of December, followed by Iraq, Turkey, Saudi Arabia, and Israel. In Israel, the number of infection cases exceeded 8,000 per day at one time, but in November the number of both infection cases and deaths went down to zero. The infection situation in the Palestinian Gaza Strip, Syria, and Yemen, which have faced humanitarian crises since before the pandemic, is not known accurately. In late July, the Islamic pilgrimage (Hajji) was scheduled to begin. But in order to prevent the spread of the coronavirus, restrictions on entry into Saudi Arabia were imposed for the first time since its foundation in 1932. The number of pilgrims, more than 2 million from all over the world every year, was limited to 1,000 from within the country.

The coronavirus pandemic, which caused contraction in global economic activity and decline in demand, dealt a severe blow to the economy of the Gulf states and the region as a whole through the plunge in oil prices. At the beginning of March, when the spread of the coronavirus began to escalate, the talks between the OPEC and non-OPEC oil-producing countries in Vienna over the coordinated reduction of oil production broke down, leading to a fierce price war between Saudi Arabia and Russia. On April 20, the crude oil futures price at the New York Mercantile Exchange fell to below minus \$40 a barrel, which meant that sellers of crude oil had to pay their buyers for the first time in the history. The oil-producing countries in the Gulf were forced to drastically reduce their production, thus facing a fiscal crisis. The plight of foreign workers that support the Gulf economy, whose number is said to be about 35 million, including human rights issues such as sudden dismissal and abandonment in front of embassies, in addition to the risk of infection, was widely reported. While dependent on foreign workers, the unemployment rate among young people in the oil-producing countries in the Gulf has been chronically high, with job insecurity due to the stagnation in tourism, aviation and the related industries. Further instability is expected in the region following the anti-government protests in various parts of the region since the “Second Arab Spring” in 2019. A large-scale blast in the Port of Beirut in Lebanon in August revealed the poor governance of its government. It was reported that 192 persons died and homes of up to 300 thousand people were destroyed because of a large amount of ammonium nitrate stored and left in the port for six years. The government resigned en masse to take responsibility in the face of the escalation of public protests, but concerns remained about a food crisis due to the

large-scale destruction of infrastructure, disruption of distribution networks, and the destruction of the largest wheat silo in the Port of Beirut.

Changing Power Balance in the Region

In 2020, the Middle East saw shifts in the power balance amid the multilayered “power vacuum” reflecting the change of US policy toward the region along with the US-China confrontation.

First is the US withdrawal from Afghanistan and Iraq. Since the 9.11 attacks in 2001, US forces have been stationed in Afghanistan for a period of 19 years. In February 2020, however, the US and the Taliban agreed on the withdrawal of US forces and release of Taliban prisoners. In May, about 2,000 prisoners were released, and the United States announced that it would halve its 5,000 soldiers stationed in Afghanistan by mid-January 2021. With regard to Iraq, the United States dispatched its troops with multinational forces since the invasion in 2003. In early January, the United States assassinated General Soleimani, Commander of the Iranian Revolutionary Guard Corps, in Iraq by air strikes “to prevent an imminent attack against the United States.” Following this assassination, the Iraqi parliament passed a law on the withdrawal of US forces from Iraq, heightening tensions. The US government announced that it would reduce the number of its troops from 5,200 to 3,000 by September and halve the number by mid-January 2021.

The Trump administration has made clear its pro-Israel stance, including the relocation of its embassy to Jerusalem announced in May 2018, and has been working to improve relations between Arab countries and Israel by offering up-front economic incentives. In 2020, the United Arab Emirates (UAE) and Bahrain normalized relations on September 15, and Sudan on October 23, and Morocco on December 4, respectively, with Israel. In addition to strengthening economic relations, deals existed in each case: strengthening of its position in the region for Israel, high level surveillance technology of Israel and purchase of F-35 fighters from the US for the UAE; lifting of the US economic sanctions for Sudan; and US approval of its sovereignty over Western Sahara for Morocco. Although Saudi Arabia, a major regional power, maintained its support to the policy for “the establishment of the state of Palestine,” it has allowed Israeli aircraft to fly over its territory. It was also reported in late November that Israeli Prime Minister

Netanyahu visited the country. Thus, it is believed that Saudi Arabia is working on improving its relations with Israel. The UAE claimed that its agreement with Israel had halted Israel's annexation of the West Bank, but Israel continued the occupation and expanded its settlements despite international condemnation, further complicating the stalled Middle East peace negotiations. Following Mr. Biden's victory in the US presidential election in November, activities to demonstrate the achievements before the change of US administration continued, including the expansion of settlements by Israel and the visit by the US Secretary of State to the Golan Heights.

On the other hand, the confrontation between the United States and Iran continued to escalate. The Trump administration declared US withdrawal from the JCPOA in May 2018 and gradually strengthened its own sanctions against Iran. Following the



A protest in Tehran on Saturday, November 28, 2020, against the assassination of Mohsen Fakhrizadeh, Iran's top nuclear scientist. (Photo by Arash Khamooshi/The New York Times)

assassination of General Soleimani by US forces in January, the Trump administration declared re-imposition of UN sanctions against Iran in September, before the deadline for the end of the arms embargo on Iran based on the JCPOA, and strengthened its own sanctions at the end of October before the presidential election and thereafter. Iran, on the other hand, has taken steps that gradually exceeded the limits on its nuclear activities stipulated in the JCPOA. In November, Dr. Fakhrizadeh, a key figure in Iran's nuclear program, was assassinated in broad daylight in Iran. Iran accused Israel of the assassination, and in response to the killing, the Iranian Parliament passed a new law requiring the intensification of uranium enrichment activities, including enrichment up to 20%, and suspension of the provisional application of the Additional Protocol to the Safeguards Agreement, which would be a further departure from the JCPOA. Thus, Iran significantly raised the hurdle for negotiations with the United States ahead of the inauguration of Biden administration in the US in January 2021.

The moves of Russia and China in the Middle East are also noteworthy. Against the backdrop of the strengthening of US containment policy against Iran, such as the

withdrawal from the JCPOA and economic sanctions under the Trump administration, China is now Iran's largest trading partner, and there have been reports of Western concerns that Iran might purchase a large amount of weapons from China following the lifting of the arms embargo. In December, Russia and Sudan agreed to establish a Russian naval base on the Red Sea coast, a move that would mark Russia's return to Africa since the end of the Cold War. In addition, the US government decided to impose sanctions against the defense industry of Turkey, a NATO member, regarding Turkey's project to introduce the Russian-made surface-to-air missile (SAM) S400 despite the opposition of the United States. This also draws attention to Russia's increasing influence.

While almost 10 years have passed since the first "Arab Spring," civil wars in Syria, Yemen and Libya have turned into proxy wars involving major regional powers (Iran, Turkey, Saudi Arabia, etc.), Europe, the United States and Russia, creating protracted chaos and leading to many internally displaced persons and refugees. Following the spread of the "Second Arab Spring" in 2019, the Bouteflika's administration in Algeria, which had lasted for 20 years, and the Bashir's administration in Sudan, which had lasted for 30 years, collapsed in April of the same year, followed by confusion in both countries. The situation continues to be unstable in the "Horn of Africa" region, such as northern Ethiopia, where the airstrike was carried out under the direction of the Nobel Peace Prize laureate, Prime Minister Abiy. Since the United States, France, and China have bases in Djibouti along the Red Sea coast, instability in the region could affect maritime security. Japan also maintained its Self-Defense Forces presence in the Gulf of Aden off the coast of Somalia in eastern Africa for the anti-piracy missions.

Tension has been mounting in the Strait of Hormuz, a key point in maritime traffic routes (sea lanes), reflecting the confrontation between Iran on one hand and the United States and oil-producing nations in the Gulf on the other. In May 2020, Iran demonstrated the strengthening of its military capability by introducing more than 100 vessels equipped with missiles and destroying an imitation US aircraft carrier. In November, the United States sent the nuclear-powered aircraft carrier Nimitz to the Strait of Hormuz, although it denied any direct connection with the assassination of Dr. Fakhrizadeh. Following the attacks on tankers in the Strait of Hormuz in May and June 2019, Japan has been dispatching Maritime Self-Defense Force escort vessels and "P3C" patrol aircraft to the neighboring sea zones since October of the same year

for the purpose of information gathering. In December 2020, the period of dispatch was extended by one year. At the same time, in consideration of its relationship with Iran, Japan has not joined the US-led coalition of the willing to protect ships. Japan has been striving to serve as a mediator between the United States and Iran, and it will be important to continue this effort in the future.

Perspective

It is vital for Japan to contribute to the stability of the Middle East region by continuing and developing its initiatives based on the trust built up in the region through its interactions, such as trade, investment, development assistance, and people-to-people exchanges. For example, in the midst of the increasingly difficult Palestinian issue in the wake of the normalization of diplomatic relations between Israel and some Arab countries, Japan, based on its history of contributing to Palestine in various fields including humanitarian assistance, human resource development and agricultural development, and the confidence thus gained from both Palestine and Israel, could play a role in encouraging the Israeli government to return to peace negotiations together with other members of the international community. Japan has also maintained friendly relations with major powers in the region such as Iran, Saudi Arabia, and Turkey respectively, and can play an active diplomatic role in alleviating conflicts among these countries.

Finally, Afghanistan, which had been in turmoil since the invasion by the Soviet Union during the Cold War and by the United States after the 9.11 attacks, entered a new phase in 2020 with the withdrawal of US forces. Since the Tokyo Conference on assistance to Afghanistan in 2002, Japan has been playing a substantial role as one of the major donor countries together with the EU, the UK, and the United States and providing a wide range of assistance to Afghanistan including on political processes, infrastructure development, agriculture and culture. The 2020 Afghanistan Conference was held in November with the participation of 66 countries and 32 international organizations. Japan pledged its commitment to disburse 720 million yen (approximately \$6.9 million) for the period 2021 to 2024. Other donor countries attached conditions to their assistance or reduced the amount of disbursement to prevent corruption. With consideration of those concerns, it will be necessary for Japan to continue its support to realize the stabilization of Afghanistan. ■

Impact of the US-China confrontation on Japan and Northeast Asia

In 2020, Japan and China initially sought to improve their relations, but this movement stalled. Japan also worked with the United States to improve the situation in which its supply chain is overly dependent on China, but the review of its national security strategy did not make enough progress. Meanwhile on the Korean Peninsula, confrontations at the local level developed in anticipation of the US presidential election.



The commissioning ceremony of China's first Type 055 guided-missile destroyer, January 12, 2020. (Photo by Li Tang/Xinhua)

China's maritime expansion and its impact on Japan-China relations

In 2020, China stepped up its provocative actions around the Senkaku Islands. Between April and August 2020, Chinese government vessels sailed in the contiguous zone for 111 consecutive days, reflecting the increasing size of Chinese government vessels and the improved maneuvering skills of the crew. In addition, although the frequency of intrusions into Japanese territorial waters remained largely stable, there were moves to pursue Japanese fishing boats within the territorial waters in May, July and October. Amid the rising tensions in the East China Sea, Gen. Kevin Schneider, commander of US Forces, Japan, affirmed the US support for Japan, and in his telephone conversation with Prime Minister Yoshihide Suga in November, President-elect Joe Biden confirmed that the Senkaku Islands are subject to Article 5 of the Japan-US Security Treaty. When Chinese Foreign Minister Wang Yi visited Japan in November, he justified the pursuit of Japanese fishing boats, saying that "unidentified Japanese fishing boats" frequently entered sensitive waters around the Senkaku Islands. As Beijing is expected to enact a China Coast Guard Law in 2021, which would set the rules of engagement, the chances for unintended accidents between Chinese government vessels and Japanese fishing boats and between the China Coast Guard and the Japan Coast Guard would increase.

The PLA activities continued to require vigilance in not only the East China Sea, but also the waters surrounding Japan, including the Philippine Sea and the Sea of Japan, as evidenced by the aircraft carrier Liaoning heading from the East China Sea to the South China Sea in April and a submarine believed to be Chinese in the contiguous zone of Amami-Oshima in June. In addition, although the activities of Chinese military aircraft decreased slightly from the previous year, the number of flights by intelligence-gathering aircraft, including the new Y-9, increased more than that of fighter aircraft, and it is possible that China analyzed the impact of the spread of the novel coronavirus on Japan's defense posture.

In 2020, as tensions between Japan and China over territory continued and the US-China confrontation intensified, there were initial moves between Japan and China to improve relations, but these moves stalled. Japan-China relations were supposed to have entered a "Sino-Japanese new era" when Chinese President Xi Jinping was slated to visit Japan as a state guest in the spring of 2020. However, faced with the spread of the novel coronavirus, Japan and China agreed in March to reschedule President Xi's state visit to Japan, which had been planned for around April, in order to prioritize the prevention of the spread of the disease. Behind this was growing opposition within the Liberal Democratic Party to provide a state guest status to President Xi unless the situations improved regarding the intrusions by Chinese government vessels into Japanese territorial waters around the Senkaku Islands and the human rights violations in China. After China enacted the "Hong Kong National Security Law" in June, calls within the Liberal Democratic Party for an "abort" of Xi's visit as state guest increased again. In the first telephone talks between Prime Minister Yoshihide Suga and Chinese President Xi in September, there was no mention of a state visit to Japan, amid growing calls to postpone the visit on the Japanese side.

As the COVID-19 pandemic showed the vulnerability of supply chains depending on China, the Japanese government decided to provide subsidies to companies that move their production bases to Japan or third party countries such as those in Southeast Asia. As both the United States and China are tightening their export controls, this effectively encourages the withdrawal of Japanese companies, which are at high risk or paying a high price for their dependence on China. The Japanese government also announced that it would keep in step with the Trump administration's "clean

network” plan to exclude Chinese companies deemed unreliable in five key areas, such as telecommunications network, apps and cloud services, though it wouldn’t specifically exclude Chinese companies. In addition, the Japanese government decided to replace its current drones with new, more secure models, effectively excluding Chinese drones. In addition, amid growing international criticism of China’s human rights violations, cross-party parliamentarians moved to enact legislation similar to the US “Magnitsky law” that would allow sanctions to be applied to individuals and organizations involved in human rights violations.

Tension on the Korean Peninsula Grows under a “Localised” Standoff

On July 10, 2020, North Korea announced in a statement by Kim Yo-jong, First Deputy Director of the Central Committee of the Workers’ Party of Korea, that it would shift the framework of US-DPRK negotiations from “Denuclearization and lifting of sanctions” to “Withdrawal of US hostile policies and resumption of negotiations” to “Overwrite” the economic hardship that was revealed at the US-DPRK summit meeting in Hanoi in February 2019, thus making a further retreat in its stance on the US-DPRK negotiations. This move was supposedly aimed at strengthening the DPRK’s bargaining power in anticipation of the next US administration, while using the preventive measures against COVID-19 epidemics including the border closure and the disaster recovery effort as an opportunity to tighten the internal controls. At the same time, moves to strengthen its nuclear capability have become more prominent, and on the anniversary of the party’s founding in October, a large missile believed to be an untested new ICBM was unveiled for the first time. North Korea concentrated its harsh criticism on South Korea’s stance as a mediator between the US and North Korea, and they moved to blow up the Inter-Korean Joint Liaison Office in Kaesong in June. North Korea seems to be trying to create a favorable environment for its negotiations with the United States while keeping the confrontation at a local level through the sharing of roles between the “pacificatory” Kim Jong-un, chairman of the ruling WPK and the “belligerent” Kim Yo-jong, his younger sister.



DPRK’s new ICBM (untested) unveiled during the military parade marking the 75th anniversary of WPK, October 10, 2020. (Photo by KCNA/UPI/Aflo)

The short-range ballistic missile tests conducted in 2020 on four occasions can also be interpreted as an attempt to improve the offensive capability against the South Korean and US forces in Korea, while disguising a “self-restraint” stance on the surface. Against this backdrop, no positive progress was realized in US-DPRK, North-South and Japan-North Korea relations throughout 2020.

In terms of Japan-ROK relations, the differences between Japan, which regards the issues of forced labor and comfort women as a breach of the 1965 regime that defined the bilateral relationship after the restoration of diplomatic relations, and South Korea, which interprets these issues from the perspective of “victim-centrism” and “universal human rights” were not bridged throughout 2020. In particular, South Korea’s domestic procedures in progress to convert the Japanese corporate assets distrained for compensation for victims into cash are remaining matters of concern in that the issue could spread again into other areas including security. In addition, there is a sense of fatigue in Japan over the situation in South Korea, where relations with Japan are discussed in the context of its domestic politics, and no momentum to support positive improvement in the bilateral relations occurred.

Meandering Review of Japan’s Security Strategy

Amid the growing threat from missiles to Japan, it was suddenly announced in June that the introduction of the Aegis Ashore ground-based interceptor system to Yamaguchi and Aomori prefectures, which the Japanese government had been promoting, would be suspended because it would be difficult to control the boosters of the interceptors and drop them inside the Self-Defense Force’s facilities. Prime Minister Shinzo Abe expressed his intention to review the national security strategy by the end of the year and present an alternative plan in the review. The review was expected to focus on strengthening missile defense, introducing offensive strike capabilities, and ensuring economic security in the post-COVID-19 era. However, with Prime Minister Abe’s announcement of his resignation, the trend toward the review of the national security strategy declined rapidly, and the discussion was divided into the following specific issues: consideration of alternatives to Aegis Ashore; the pros and cons of the introduction of “missile elimination” capabilities; and strengthening the resilience of the supply chains.

As there is no ground-based alternative to the Aegis Ashore, an alternative of the deployment at sea was considered. After reviewing the plans to mount the Aegis system on oil rigs or commercial ships, the government decided to introduce two additional Aegis-equipped ships, but the cost of introducing the Aegis ships is expected to be about 100 billion yen higher than the cost of installing the Aegis Ashore. Originally, the introduction of the Aegis Ashore was expected to realize 24/7 response to North Korean ballistic missiles, which would enable Aegis destroyers, which had been responding to ballistic missiles, to respond to China's maritime expansion. Therefore, the alternative of increasing the number of Aegis ships is not considered an appropriate solution in terms of cost or operation. With regard to the capability of "missile elimination," while the introduction of this capability faced the issue of difficulty in detecting North Korea's mobile launchers in advance and the question of whether the limited concept of a counterforce was appropriate in the first place, the decision was shelved without clearly and openly laying out the issue as part of the efforts to gain sufficient public support. As postwar Japan has never possessed a "missile elimination" or its own counterstrike capability, it would not be realistic to rush to the conclusion in half a year. It is necessary to hold in-depth discussions in the context of Japan's security strategy, including the Japan-US alliance, to gain the understanding of the Japanese people.

Perspective

The new US administration of Joe Biden has stressed the importance of alliances and called for coordination among democracies to force China to change its behavior. While he has referred to his commitment to the defense of Japan, Biden will likely call on Japan to strengthen its self-defense capabilities and to act with restraint to ensure that unforeseen events in the Senkaku Islands do not escalate into armed conflict. In addition, the emphasis on the alliance also means that the United States would demand a greater share of the burden. Therefore, Japan should respond to this request by reviewing its security strategy and strengthening its self-defense capability. The Biden camp sees competition between the United States and China in terms of economics and technology, and will continue to ask its allies for cooperation in efforts to reduce dependence on China in the supply chain.

As for the situation on the Korean Peninsula, the Biden administration may try to mediate between Japan and South Korea in order to restore security cooperation among Japan, the United States, and South Korea. However, depending on the manner of mediation, tensions may arise in the US relations with both Japan and South Korea. As for the denuclearization of North Korea, the Biden administration is reluctant to engage in direct summit-level negotiations like the Trump administration, and there is a possibility that North Korea will simultaneously pursue seemingly contradictory policies of provocation and peace offensive again. In pursuing a “gradual denuclearization,” the US administration will need to avoid a situation in which it would proceed unintentionally to arms control negotiations that would lead to the de facto preservation of the DPRK’s nuclear weapons and nuclear-capable missiles. Such a situation would oblige a serious reexamination concerning the modality of US extended deterrence and Japan’s own defense capability. ■

Simultaneous Development of Confrontation and Cooperation in the Indo-Pacific

In 2020, as the countries of the region struggled to deal with the coronavirus pandemic, China pursued more authoritarian and assertive domestic and foreign policies on the rule of law and territorial issues, and the US opposition to such moves became more pronounced. Under these



Foreign ministers from Japan, the US, Australia and India attend the meeting at the prime minister's office in Tokyo, Japan, October 2020. (Photo by REUTERS/Aflo)

circumstances, as explained above, the vision of rules-based “Free and Open Indo-Pacific” (FOIP), which Japan has been advocating for several years, is spreading both within and outside the region. In the same year, the border dispute between China and India escalated into conflict between the two militaries. Against this background, the activities of the cooperative framework among the four countries of Japan, the United States, Australia, and India (QUAD) became markedly intensive, and individual cooperation among the four countries participating in this framework was also strengthened. Concurrently, progress was also made in the regional cooperation framework involving China, with the signing of the Regional Comprehensive Economic Partnership (RCEP).

Free and Open Indo-Pacific (FOIP)

At TICAD VI held in Kenya in 2016, then Prime Minister Abe launched the “Free and Open Indo-Pacific” (FOIP). Since then, the United States, based on the shared recognition with Japan that the prosperity of the Indo-Pacific region to date is built upon “freedom” and “openness,” has expressed its policy to promote multilateral diplomacy as well as diplomacy with its allies and partners under its own Indo-Pacific Strategy, which aimed at further promoting such prosperity. Australia and India have also adopted similar concepts to “Free and Open Indo-Pacific” in their security policies in recent years. From 2019 to 2020, support for this vision further expanded, and the moves to operationalize the vision also accelerated.

At the ASEAN Summit held in June 2019, the “ASEAN Outlook on the Indo-Pacific (AOIP)” which focused on ASEAN Centrality was adopted as a policy document. ASEAN Centrality aims to promote regional cooperation and economic integration while protecting the interests of ASEAN, by leading regional integration and cooperation efforts with ASEAN at its core in the regional frameworks in Asia.

As noted above, European countries are also increasingly interested in the Indo-Pacific strategy, with Germany and the Netherlands announcing their respective policies in 2020 following the policy from France in 2018. In Japan, Prime Minister Suga, who took office in September, continued the FOIP policy and confirmed cooperation towards the realization of FOIP in Vietnam and Indonesia, the countries he visited in his first overseas trip as Prime Minister.

Development of Cooperation among the Four Countries of Japan, the United States, Australia, and India (QUAD)

An important basis for realizing the FOIP is cooperation among the four countries of Japan, the United States, Australia, and India (QUAD). The four-nation framework for security cooperation, which emphasizes the values of freedom and democracy as well as the rules-based international order, was proposed by the first Abe administration in 2007 but its activities were subsequently suspended. It was resumed in 2017 under the second Abe administration. Following the cooperation through director-general level meetings, a meeting at foreign ministerial-level was held for the first time in September 2019 when the foreign ministers of the four countries gathered at the United Nations General Assembly. In October 2020, the second foreign ministers’ meeting was hosted by Japan, with the visit of ministers from the US, Australia and India amid the pandemic; the first such meeting held apart from the framework of international conferences. The US Secretary of State Pompeo visited Japan to attend the QUAD foreign ministers’ meeting despite canceling other parts of his planned trip to East Asia in the wake of President Trump’s coronavirus infection, indicating the importance the United States placed upon this framework. In addition to discussions on measures to deal with the issues with the new coronavirus in the Indo-Pacific region and the formulation of international rules, an agreement was reached to hold foreign ministers’ meetings on an annual basis. This regularization of the ministerial meetings represents a major step forward in strengthening the QUAD framework.

The 2020 Malabar exercise, which was held with the participation of the four countries, also showed the strengthening of security cooperation among them. For the past five years, Australia continued to request its participation in the Malabar exercises conducted by Japan, the United States, and India. But India, due to its consideration of China and to maintain a balance between the United States and China, coupled with the frictions in Australia-India relations, had been refusing Australian participation. In 2020, however, as the relations between China and India deteriorated over the border disputes, Australia was allowed to participate in the exercise in November for the first time since 2007, during which antisubmarine and anti-aircraft warfare exercises were conducted.

China-India Border Conflict and the Strengthening of Security and Defense Cooperation by India

In June 2020, Chinese and Indian troops clashed in the Himalayan Galwan Valley. The Indian death toll was reported to be 20, and it was said that China also suffered fatalities, though their number was not disclosed. This was the first time since 1975 that the border conflict between India and China led to confirmed deaths. While the two governments took some time to grasp the situation, the Chinese side initially made rather restrained reporting of the clash in China. This indicates that China did not wish to escalate the situation with India, a member of both the QUAD and the China-led Shanghai Cooperation Organization. On the other hand, public opinion in India grew critical of China, and in response, China gradually took a hard-line stance against India both at home and abroad. The two countries made efforts to ease tensions by holding foreign and defense ministers' meetings on the occasion of the Shanghai Cooperation Organization and other fora, but there is little prospect of concrete steps toward reducing tensions or resolving the conflict, except for an agreement to discuss the withdrawal by both sides and to maintain communication. The two countries have deployed tens of thousands of troops in the disputed areas and the possibility of further incidents cannot be excluded. In addition to the coronavirus pandemic, this conflict led to a hardening of India's public opinion towards China. Thus, it is believed that this incident prompted India to commit itself more actively to the QUAD framework and defense cooperation as seen above, and to quickly accelerate its bilateral defense cooperation with Japan, the United States, and Australia respectively, as described below.

Japan, the United States, Australia and India have concluded various agreements to strengthen their security cooperation. India had been skeptical about building relations with Japan, the US and Australia in diplomacy and defense, as it was keen to maintain a balance between Western countries and developing countries based on its long-held tradition since the Non-Aligned Movement. But it became more active in security and defense cooperation in 2020 due to the circumstances described above, and the defense cooperation between India and the other three countries made significant progress. On June 4, 2020, India held a 2 + 2 meeting with Australia in New Delhi and concluded a Mutual Logistics Support Agreement (MLSA) and a “comprehensive strategic partnership.” In recent years, India had continuously and significantly enhanced its “Special Strategic and Global Partnership” with Japan under the Abe administration, and on September 9, 2020, India concluded the Acquisition and Cross-Servicing Agreement (ACSA) with Japan. These agreements improve interoperability by enabling the mutual provision of food, fuel, ammunition, transport, and medical care needed for humanitarian and international disaster relief operations including the United Nations peacekeeping operations (PKO). On October 27, the US-India 2 + 2 meeting was held in New Delhi, in which the “Basic Exchange and Cooperation Agreement for Geo-Spatial Cooperation (BECA)” was concluded, which enables the provision of satellite images and other information. As a result, it is expected that the provision of satellite information from the United States will enable India to obtain a more accurate picture of the state of conflict between China and India in eastern Ladakh. They also agreed that the United States would export fighters, antisubmarine helicopters, anti-aircraft missiles for cruise missile interception, unmanned maritime patrol aircraft and Terminal High Altitude Area Defense (THAAD) to India.

China’s Hard-line Stance, Deepening of Japan-Australia Relations and ASEAN’s Response

In 2020, China reacted angrily to Australia’s request for an investigation on the source of the novel coronavirus and its severe criticism on the implementation of the Hong Kong “National Security Law.” As a retaliatory measure, China raised tariffs on Australian products such as wine and substantially restricted imports of coal and other commodities, significantly worsening the relations between Australia and China. Against this backdrop, Australian Prime Minister Morrison visited Japan

in November despite the need for voluntary self-isolation after returning to Australia due to the pandemic. Prime Minister Suga told him that “Japan and Australia are special strategic partners, and the importance of the partnership keeps increasing.” At the summit, the two leaders confirmed that Japan and Australia, as “special strategic partners” sharing fundamental values and strategic interests, would cooperate toward the realization of the FOIP. In order to take Japan-Australia security and defense cooperation to the next level, the two countries also announced a broad framework agreement on a “Japan-Australia Reciprocal Access Agreement (RAA)” to facilitate joint operations and exercises between the Self-Defense Forces and the Australian military. Moreover, the joint statement issued by Defence Minister Kishi and Australian Defence Minister Reynolds included the enhancement of bilateral exercises and joint operations including aerial refueling, and deepening of their joint research and technical cooperation in the fields of underwater acoustics and unmanned aircraft. Furthermore, arrangements are being worked out to apply the “Asset Protection,” which is currently applied to the United States on the basis of Article 95-2 of the Self-Defense Forces Act, to the Australian Defence Force, thereby enhancing interoperability.

In recent years, China has been building military bases in the South China Sea: anti-ship cruise missiles and surface-to-air missiles have been deployed on seven artificial islands which are now inhabited by military personnel, construction personnel and facility operators. In 2020, as countries in the region struggled to cope with the pandemic, China continued its activities to push its claims in the South China Sea more aggressively. In January, Chinese Coast Guard vessels entered Indonesia’s Exclusive Economic Zone (EEZ) with fishing boats. In response, Indonesia deployed its fleets and other defenses, and in July, conducted large-scale military exercises in the surrounding waters, leading to heightened tensions. In February, Chinese naval vessels pointed lasers at Philippine naval vessels in the Spratly Islands and in August they took a provocative act of a radar lock-on. In April, a Chinese surveillance ship collided with a Vietnamese fishing boat. In March, China also built new research facilities on Fiery Cross and Subi Reefs, and announced the establishment of new administrative districts and organizations on the artificial islands in pursuit of creating *fait accompli* from legal aspect. In response, ASEAN declared that they had “serious concerns” about China’s land reclamation in the South China Sea in its

Statement by the Chairman of the Summit in June. Moreover, in the joint declaration of the ASEAN Defence Ministers' Meeting held in December, ASEAN included language emphasizing the respect for international law and freedom of navigation and overflight in the South China Sea for the first time in the last seven years. Thus, ASEAN, which had not previously expressed clear concerns to China's actions, increased their anxieties over China's hard-line stance and moved to publicly express such anxieties.

RCEP Agreement and China's Expression of Interest in TPP

In 2020, new progress was also made with the cooperation framework including China in the Indo-Pacific. In November, the Regional Comprehensive Economic Partnership (RCEP) was signed by 15 countries excluding India, and its entry into force is expected in 2021. RCEP is a regional Free Trade Agreement (FTA), the negotiations for which began in November 2012 between ASEAN + 6 (Japan, China, South Korea, Australia, New Zealand, and India). After eight years of negotiations, RCEP was signed by all countries except India. Upon its entry into force, RCEP will cover a huge economic zone that accounts for 30% of the world's population, GDP and total trade. RCEP has great significance to FOIP which aims to contribute to regional peace, stability and prosperity and to promote cooperation in both economic and security aspects by ensuring a rules-based international order in the fast-growing Asian and African regions with great potential. In addition, RCEP creates new FTAs between Japan, China and South Korea, which had no existing FTAs. However, RCEP also left a major challenge in that India, a strategically important partner for Japan, did not join the agreement. India's return to RCEP is important to further promote economic partnerships in the Indo-Pacific region, and RCEP has made special institutional arrangements for this. The India-China relationship and the domestic political and economic reforms in India have had a major impact on India's position, but it is necessary to urge India to participate through continuous consultations.

Chinese President Xi Jinping said in his speech at the Asia-Pacific Economic Cooperation (APEC) summit in November that China would "actively consider" joining TPP. In fact, however, the standards required by TPP regarding the level of liberalization, state-owned enterprises, labor, and other provisions prohibiting unfair

trade practices are very high for China to meet. Unless China renounces its rights as a developing country and boldly promotes domestic structural reforms, it will be extremely difficult for China to immediately participate in TPP. Although the intent of this statement is not clear, there are various possibilities behind his expression of interest in TPP where the United States is absent.



15 Asian nations signed the RCEP Agreement, November 2020. (Photo by AP/Aflo)

Perspective

The QUAD framework and the cooperation among four participating countries made rapid progress in 2020. Following the regularization of the Foreign Ministers' Meeting, the challenge will be to further expand and deepen the cooperation among the four countries, including through holding a summit meeting and operationalization of cooperation in the security field. On the other hand, with the inauguration of the new Biden administration, it remains unclear how the US will promote the cooperation framework limited to the three countries of Japan, Australia and India, and how it will promote cooperation with a larger number of democratic countries, such as the idea of holding a "Democracy Summit." At the same time, it will certainly continue to provide unwavering general support to the vision of developing the Indo-Pacific as a region that respects law and order and the fundamental values of freedom and democracy. Against this backdrop, Japan should continue to promote the rule of law and the development of freedom and democracy in the Indo-Pacific region, not only by advancing a specific framework such as the QUAD as a core component of the FOIP vision, but also by building up multilayered cooperation with countries within and outside the Indo-Pacific region that have expressed their support for or even mild resonance with this vision. Continued support for maritime capacity building and high-quality infrastructure exports to ASEAN and African countries will also contribute to the stability and development of the Indo-Pacific region. ■



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(Titles as of the end of December 2020)

Leaders of the Ongoing Research Projects (FY2020-2022)

- A. Japan's rule-making strategy in a transition period of international order: China's rise and renewed cooperation among Japan, the US, and Europe.
 - I. China in a "new era" and transformation of the international order
Akio TAKAHARA, Professor, University of Tokyo
 - II. Vacillating international order and future of American global leadership
Toshihiro NAKAYAMA, Professor, Keio University
 - III. Japan-Europe cooperation in the context of US-China hegemonic competition
Ken ENDO, Professor, Hokkaido University

- B. Japan's security in an era of great power competition
 - I. The Japan-US alliance in an era of great power competition
Satoru MORI, Professor, Hosei University
 - II. The Korean peninsula and the future of the peninsular order in an "era of great power competition"
Masao OKONOGI, Professor Emeritus, Keio University
 - III. Russia in an era of great power competition
Nobuo SHIMOTOMAI, Distinguished Professor, Kanagawa University,
Professor Emeritus, Hosei University

- C. Competition and cooperation in a transforming international order: Recommendations for Japanese foreign policy to rebuild global governance
 - I. Economic-Security Linkages
Keisuke IIDA, Professor, University of Tokyo
Security and Emerging Technologies
Kazuto SUZUKI, Professor, University of Tokyo
 - II. Global Issues
Kiyotaka AKASAKA, Former Under-Secretary-General for Communications and Public Information,
United Nations
 - III. The Middle East and Africa
Ryoji TATEYAMA, Professor Emeritus, National Defense Academy

- D. Beyond US-China relations: and Indo-Pacific strategy for Japan as a "cornerstone state" in building a free and open regional order
Tsutomu KIKUCHI, Professor, Aoyama Gakuin University

Summaries of Research Projects (FY2019) and Outcomes (in Japanese)

A. The Resilience of the “Open Liberal International Order”: The Situations of the US, China and Europe, and their Impacts

A-1: The Trump Administration’s Foreign Policy and Japan-US Relations

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A-2: China’s Foreign Policy and Other Countries’ China Policies

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B. Bottom-up Review of Security Policy

B-1: Bottom-up Review (Security Research)

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C-1: World Economy

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C-2: Global Risk

Subgroup (1) Analysis of Current Situation in the Middle East and Energy Issues

Subgroup (2) Analysis of Populism and Demographic Shift (Immigrant and Refugee) Issues

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D-1: Rule of Law in the Indo-Pacific: Japan’s foreign policy for enhancing global public goods

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