



## Between the “China Dream” and the “Pacific Alliance”: Japanese Strategy in an Age of US–China Rivalry

Shiraishi Takashi, Chancellor, Prefectural University of Kumamoto

US–China rivalry, the “new” Cold War, strategic competition... people have given it many names. Yet it is evident that the intensification of US–China rivalry is bringing considerable changes to the international relations of Asia and the world. How did it turn out like this? What is happening? How is it different from the Cold War? What does it mean for Japan?

### The Larger Context of World History

Let us start by checking a few aspects of the larger context of world history. The first is the rise of emerging countries. Entering the twenty-first century, emerging countries’ share of the world economy has grown while that of developed countries has contracted. Globalization has facilitated significant growth of emerging countries and these emerging countries see the twenty-first century as their time. However, their income per capita is no more than a fraction of that of developed countries, and their people want to enjoy a life of plenty. As a result, they increasingly assert themselves internationally, but the politics become unstable when the domestic economy stagnates. By contrast, in developed countries the rich saw their incomes grow, while those below lower middle class saw almost



Shiraishi Takashi, Chancellor,  
Prefectural University of  
Kumamoto

no growth. Inward-looking nationalism has emerged in the United States and some parts of Europe, and this is the reason for the birth of anti-globalism coupled with anti-migrant nationalism.

Secondly, most emerging countries are in Asia. The growth of China is especially remarkable as Chinese GDP made up 16% of the world economy in 2018. Japan’s share was 6% that same year. The shares of the Association of South East Asian Nations (ASEAN) and India were 3.3% and 3.2%, respectively, but both the ASEAN and India will likely surpass Japan at some point in the 2020s. If the economy expands, government revenue also increases and military spending grows. If we count US military spending as 100, Chinese spending soared from 4 to 39 between 1988 and 2018. Indian military spending also exceeded Japanese by 2015.

Thirdly, there is science and technology, and especially the development of basic science and advanced emerging technologies. These are “emerging” technologies. While technologies are used by someone for some purpose, emerging technologies are characterized by not knowing who will use them for what, meaning that their end user and end use are undetermined. However, the United States, Europe, and China all know that basic science and advanced emerging technologies are key to security and industry, so they are making big investments in this area.

## China's Great Power Nationalism

The US–China rivalry is taking place within this larger context of world history. Since the 1980s, China has accepted American dominance, choosing economic development within the US-led order. This continued also after the Tiananmen Square massacre and the end of the Cold War. Deng Xiaoping's "hide capacities and bide time" is symbolic of this strategic choice. China showed remarkable development. It joined the World Trade Organization (WTO) in 2001, became the world's largest foreign currency holder in 2008, the world's largest trading nation in 2009, and the world's second biggest economic power in 2010, overtaking Japan. It was around this time that China started asserting itself. With China's rise to economic prominence and the attendant growth in self-confidence of its people, the great power nationalism of "China is greater than any other country" was accepted as a matter of course. This changed with the global financial crisis in 2008.

China is on the rise. The United States is in decline. Now is the time to realize the "China Dream." This judgment is widespread among the Chinese ruling elite. In 2009, amid the global financial crisis, President Hu Jintao revised Deng's "hide capacities, bide time" policy to that of "uphold 'hide capacities, bide time,' but proactively do whatever you can."

Xi Jinping was elected as General Secretary of the Communist Party of China and Chair of the Central Military Commission in 2012 and appointed President of the People's Republic of China and Chair of the Central Military Commission in 2013. He concentrated decision-making powers in his own hands, made the realization of the "China Dream" his mission, and added two new elements to the diplomacy. One was "new international relationships" and the other was "major-country diplomacy with Chinese characteristics."

In June 2013, Xi Jinping met with US President Barack Obama and suggested a "new type of major country relations" between the United States and China. This was based on the three principles of avoiding conflict and opposition, a win-win relationship, and mutual respect for core interests. President Obama did not agree.

The intentions behind the "major-country diplomacy with Chinese characteristics" can be sensed in Xi Jinping's statements about "periphery diplomacy." At a symposium on "periphery diplomacy" in October 2013, Xi Jinping said that China aims for "peaceful development" and promotes friendly neighborly relations through economic cooperation, but will neither "abandon legitimate interests" nor "sacrifice national core interests." The One Belt One Road Initiative (OBOR, a term the Chinese continue to use in their language, despite switching to "Belt and Road Initiative" in English) was framed as peripheral diplomacy. OBOR has a number of aims. However, it basically means that China will do internationally what has been done domestically so far. China has achieved economic growth through investments and especially infrastructure-centered public investments. This was carried out by state-owned enterprises. The same will happen abroad. This is what OBOR is. In this sense, OBOR actually has the strategic meaning of "Sinicization" that expands beyond Chinese borders, aiming to solidify relations with "peripheral countries" through infrastructure development and other forms of economic cooperation as well as build "favorable external conditions" for translating economic power into political power. The prospect of Asian countries taking responsibility for Asian security was envisioned on this basis. This is the "New

Asian Security Concept for New Progress in Security Cooperation” announced by Xi Jinping at the Conference on Interaction and Confidence-Building Measures in Asia (CICA) in May 2014.

Seen from this perspective, China under Xi Jinping clearly intends to change the status quo in China’s favor. Yet, even so, China’s ruling elite still seemed to think China could get a “free ride” on the US-centered international system. American diplomacy and security policy aim to preserve the status quo in America’s favor. George Shultz, US Secretary of State under President Ronald Reagan, once said that diplomacy is like “gardening.” The layout of the garden is set. It just has to be tended. However, China wants to change the garden’s layout. This has become evident. Moreover, China will create conflict with other countries if its relative weight in the global economy increases and it only pursues its own interests without regard for the circumstances of other countries. China wants a “free ride” on the international financial and free-trade systems while devoting 2% of its annual GDP to the military and unilaterally imposing its will by force in issues of territory and sovereignty, all in the name of “core interests.” China also does as it wishes in cyberspace and other areas where global governance is not yet in place. Considering this, it would be surprising if China avoids friction with other countries. This has become clear since 2008.

## **Changes in American Policy on China**

We may likewise understand changes in American policy on China from this perspective. Since the Tiananmen Incident, American policy on China has had its turns and twists, but it finally settled with “engaging and hedging” in the second term of the William Clinton presidency. In 1997, Samuel Berger, US National Security Advisor, said the following about the basic idea behind the policy.

“The Chinese political revolution never happened. This was made clear by the Tiananmen Incident. [...] As communist ideology loses its persuasiveness and diplomacy fails to materialize in China, it is very possible that they will head toward great power nationalism. [...] It would greatly benefit the United States if China were to emerge as a stable and open great power, a great power that accepts political pluralism and abides by international codes of conduct, and a great power that cooperates with us to build a stable international order. [...] We have to engage [with China].” (“Remarks by Samuel Berger Assistant to the President for National Security Affairs,” 1997)

The meaning of “engaging and hedging” is to engage with China so that it abides by international codes of conduct and cooperates with the United States as well as to keep China from approaching great power nationalism. If so, it is only natural that American policymakers would adjust the extent to which they engage or “hedge” depending on the situation. In 2009, the Barack Obama administration leaned toward engagement. Yet in 2010, Hillary Clinton, US Secretary of State, announced that the United States and China cannot become the G2 to manage the world, and sharply criticized China’s actions in the South China Sea at the ASEAN Regional Forum (ARF). In a 2010 speech, President Obama confirmed engagement with China but also announced that the United States would maintain its military presence in the Asia-Pacific and strengthen political partnerships. At the 2012 Defense Strategic Guidance, the US Department of Defense identified the Asia-Pacific as a security strategy priority, announcing that the naval-fleet distribution between the Pacific and the Atlantic, which previously had been 50:50, would change to Pacific 60 : Atlantic 40 by 2020. This was “rebalancing.”

In other words, up until 2012, American policy on China was supposed to have been “engaging and hedging,” but it was already tilting to hedging. Even so, China under Xi Jinping pushed forward to realize the “China Dream.” At the National Congress of the Communist Party of China in October 2017 and the National People’s Congress in March 2018, Xi Jinping announced that China under the party’s leadership would accelerate “building a great modern socialist country” and “building the people’s forces into world-class” domestically, while internationally actively promoting the building of the “Belt and Road” and participating in reforming and building a global governance system. China’s ambition to become a “strong nation” and gain hegemony was evident. Moreover, the constitutional amendment in March 2018 removed the clause which banned three consecutive terms for the president and vice president.

The Donald Trump administration cemented the shift in American policy on China. The National Security Strategy (NSS) announced by the United States in December 2017 determined that “China seeks to displace the United States in the Indo-Pacific region, expand the reaches of its state-driven economic model, and reorder the region in its favor” as well as that China aims to impose its will on neighboring countries, limit sovereignty, and become the regional leader by investing in infrastructure, expanding trade, amplifying military power, building and militarizing artificial islands in the South China Sea, and issuing military threats.

Next, Vice President Michael Pence gave a comprehensive speech about this China policy in October 2018.

“America had hoped that economic liberalization would bring China into a greater partnership with us and with the world. Instead, China has chosen economic aggression, which has in turn emboldened its growing military. Nor, as we had hoped, has Beijing moved toward greater freedom for its own people.” After saying this, the vice president harshly criticized China’s trade barrier, forced technology transfer, intellectual property theft, “Made in China 2025,” “military–civil fusion” (large-scale diversion of civil technologies for military use), unilateral attempt at changing the situation around the Senkaku Islands and South China Sea, creation of an advanced surveillance state, “Belt and Road Initiative” and “debt-trap diplomacy,” interventions in US politics, and so forth.

This deepened the US–China conflict.

## **The US–China Trade War and Advanced Emerging Technology**

So, what is happening? This is well-known. The United States shares a “free and open” Indo-Pacific strategy with Japan, Australia, India, and others, and reorganized its US Pacific Command headquarters in Hawaii into the US Indo-Pacific Command headquarters. No change has happened to the “rebalancing” that started under the Obama administration. Since the Americans had signaled that they cannot accept China’s building and militarization of artificial islands in the South China Sea, they implemented the “Freedom of Navigation Operation (FONOP)” for the first time in fifteen years and it has become more frequent.

The trade war has come to a ceasefire with the agreement in December last year. With it, the fourth round of 110-billion-dollar tariffs from September last year were lowered from 15% to 7.5%, while the 160-billion-dollar 15% addition planned for December was canceled. Instead, China

agreed to buy a large volume of American products. This was the best outcome for President Trump who had publicly pledged to “raise tariffs on Chinese products and eliminate the Chinese trade deficit.”

However, this is difficult to accomplish. According to a high-ranking American government official, China expanded imports of American agricultural products from 24 billion in 2017 to 40 billion dollars, promising to increase imports of agricultural products, industrial goods and services by 200 billion dollars over a two-year period. American exports to China were 190 billion dollars in 2017, so it would be nearly impossible to realize an increase by that amount in two years. If China fails to fulfill the agreement, the United States will probably reinstate the punitive tariffs. The first three rounds of tariffs on Chinese products, worth 250 billion dollars, are still in place. No agreement has been reached about Chinese industrial subsidies.

Another important aspect of the US–China conflict is advanced emerging technology. The United States has decided to make big investments into semiconductors, electronic materials, AI, quantum research, and so forth, designating fourteen technological areas for stricter regulations. They also adopted three big policies for the sake of reinforcing the security management of technologies.

The first is reinforced management of investments in the United States, strengthening the power of the Committee on Foreign Investment in the United States (CFIUS) and adding restrictions to investments that facilitate access to sensitive technologies, important infrastructure, sensitive personal information, and other forms of secret technologies and information. The second is the addition of Chinese companies to the Entity List. If a company is added to the list due to concerns relating to diplomacy or security policy, the permission of the Department of Commerce will be needed to supply the company with products, software, and technologies, and applications are generally declined. There has been a rapid increase in Chinese companies added to the list, including Huawei, Sugon (major developer of supercomputers), China Aerospace Science and Industry Corporation (space development company), and Jinhua Integrated Circuit Company (semiconductors). The third is enhanced supervision of Chinese human resource recruitment programs, as seen in the case of the Harvard University researcher arrested for reporting falsely about cooperation with a Chinese research institution.

## **Toward the Creation of a Sino-centric System**

So, what is the Chinese response? They avoid direct confrontation while strengthening their position where possible. Their basic stance seems to be to compromise where they can and bide their time, all the while probing the limits to see what they can get away with.

They did compromise when it came to trade. Even if they are unable to fulfill their promises, they can buy time. They have “set aside” the territorial issue in the South China Sea for the time being and are refraining from building and militarizing artificial islands in the Scarborough Shoal, which is effectively controlled by China. Moreover, although they agreed with the Philippines to speed up joint development of marine resources in the South China Sea, they also dispatched an ocean research vessel to obstruct Vietnam’s resource development in cooperation with foreign

companies. That is, they are working to establish effective control over the South China Sea by driving a wedge between Vietnam and the Philippines, while choosing areas in which it is difficult for the United States to intervene.

OBOR is going ahead. According to the statement of the BRI Summit 2019, China has directly invested more than 90 billion dollars into BRI-related projects and loaned as much as 440 billion dollars. Of course, among the more than 2,000 ongoing projects, there are those that are going well and those that are not, as well as those that are criticized internationally and those that have to be revised. Nonetheless, ever since Vice President Pence's criticism of "debt-trap diplomacy," China has become more flexible with regard to the revision of projects. Expenses for the East Coast Rail Link (ECRL) project in Malaysia have been compressed to two-thirds and the project investment into the Kyaukphyu deep-sea port project in Myanmar has also decreased from 7 billion to 1 billion dollars.

China is increasingly building its own China-centric world in terms of data circulation and communications. No agreement has been reached on data circulation systems between Japan, the United States and Europe, but even so, there are bigger differences in the way Japan, the United States and Europe think and the way China does. At the same time, there are many emerging countries that share the Chinese view. As regards the next-generation communications standard "5G," the United States, Japan and Australia have all decided to shut out Huawei. However, in the world as a whole, few countries have opted to do the same. European countries are moving toward introducing some Huawei communications facilities. With the exception of Vietnam, Southeast Asian countries are also likely to introduce Huawei communications facilities. Moreover, China will finish the Global Positioning System (GPS) "BeiDou" in 2020 and start providing advanced positioning services. Chinese companies are also increasingly laying undersea cables. If such systems are introduced in developing and emerging countries, it is quite possible that a somewhat autonomous China-centric system will be built alongside the US-centered world.

China is building this China-centric system in parallel with their "self-reliance" in science, technology, industry and military. This is what we see in the large investments into next-generation information and communications technology, machine tools and robots, and new materials, the resource commitment to next-generation artificial intelligence, quantum science, and technology development, and the "military-civil fusion."

There was an overhanging threat of thermonuclear war in the Cold War between the United States and the Soviet Union. There was almost no economic dependence between east and west. Justified by the goal of realization of "a life of plenty and freedom," the United States took on the Soviet Union with a "containment" strategy of building "Pax Americana" and a "Free World" on the foundation of a liberal and international economic order by way of democracy and a market economy at home and overwhelming American military power abroad.

At present, the risk of thermonuclear war between the United States and China is extremely small. China has been integrated into the liberal economic system while protecting its party-state system and socialist market economy (where about 40% is controlled by state-owned companies). "Containment" cannot be a strategy against China, even as it has become difficult for China to get a "free ride" on the liberal and international economic system.

However, this does not mean that China will discard the justification of building a “moderately prosperous society” and suspend the increasing sophistication of the party-state system toward creating an advanced surveillance state. It also will not cease to build a sphere of influence in developing and emerging countries. The issue is how deeply the world will be split by the intensifying rivalry between the United States and China as well as how that process will unfold.

### **Comparison with “Germany in Europe”**

Now, how is Japan’s position different in the age of US–China conflict from what it was during the Cold War? Helpful here is a comparison between “Japan in Asia” and “Germany in Europe.”

The post-Cold War era, meaning the thirty years after the fall of the Berlin Wall, has been rather comfortable for Germany. Germany suffered a horrible defeat in the Second World War, was divided into east and west, and was at the forefront of the Cold War. West Germany ensured its security by becoming a member of NATO, sealed away German nationalism on the basis of the Europeanism of “We are Europeans,” became a partner of France, and promoted European integration. Germany’s security and prosperity was built on that foundation.

However, thirty years after the end of the Cold War, Europe’s international relations have changed a great deal. Germany was unified. The Russian threat is small compared to the Soviet one. Moreover, the eastward expansion of NATO has created an expansive buffer between Germany and Russia. At the end of the Cold War, the German (West German in 1989) national defense budget was 2.7% of GDP, but it had shrunk to 1.2% in 2018.

European integration has also been beneficial for Germany. The EU was formed in 1993 and the Euro was introduced in 2002. In 2018, Japan’s GDP was 5 trillion dollars and Germany’s 4 trillion dollars, Japan’s population 130 million and Germany’s 80 million, so the two countries are more or less on a par in terms of population and economy. Yet while Japan’s current account balance was 2.6% of GDP on average in the 2009–2018 period, it was 7.1% for Germany. Normally, a positive current account balance of this size would increase the exchange rate, expand national finances, and reduce the surplus. Yet this has not happened for Germany, thanks to the Euro. The government maintains healthy finances as the German current account balance surplus compensates for the deficits of other EU members.

This situation is not desirable for the United States or EU countries other than Germany. This is why the United States urges more defense spending, the European Central Bank maintains quantitative easing (QE), and neighbors call for German fiscal stimulus. Yet the German people, who benefited from NATO’s security umbrella and the EU’s integrated market, wonder why they have to do all of that. The national will to support NATO and the EU, which are the cornerstones of German peace and prosperity, is weakening.

So, what about Japan? Japan was defeated in the Second World War. Yet, Japan was not divided. It also did not find itself at the forefront of the Cold War. In the era of decolonization and nationalism in the region, there was no basis for a collective security organization like NATO in Asia, nor was there any desire for economic integration. However, there was a big shift in the tacit “social contract” between the state and the people in Japan (and in Germany) after the end of the war. In America, the state promises the people “a life of plenty and freedom.” China promises “a

life of plenty and security.” Yet neither country hesitates to use their might as a great power. Japan has discarded its great-power ambitions. Meanwhile, the Japanese state promised its people “a life of plenty, freedom, and security.” During the Cold War, Japan relied on the Japan–U.S. Alliance and high economic growth to ensure the prosperity, freedom and security of many Japanese. The Cold War era was a rather comfortable time for Japan.

During those thirty years, Asian international relations have also undergone big changes. Since the Cold War era, the East Asian countries have devoted themselves to economic development. As a result, by the 1990s, regional economic development took place from Japan and South Korea, via the Chinese coastal regions, Taiwan, and Hong Kong, to Southeast Asia, and expanding transnational regional production networks with Japanese and other companies as drivers led to de facto regional economic integration. This rapid economic development is one of the reasons why the region came to be seen as a region and called “East Asia.”

However, following the East Asian economic crisis in 1997–1998 and China joining the WTO in 2001, China emerged as “the world’s factory.” The triangular trade system that had hitherto been made up of Japan, the rest of Asia (including China), and the United States (and Europe) was transformed into a new triangular trade system made up of China, the rest of Asia (including Japan), the United States (and Europe). Moreover, the regional production networks expanded further, free trade agreements (FTAs) were concluded, and there was de facto and institutional economic integration.

As a result, entering the twenty-first century, there is a structural tension between the East Asian security system, on the one hand, and the regional trade system, on the other hand. While China is economically integrated into the East Asian and world economy, it exists outside the United States-led regional security system. This is where the tension comes from. This tension will only increase as China rises and asserts itself. The US-led security hub-and-spokes system remains a foundation for regional security. Yet this is no longer acceptable to China. The intensification of US–China rivalry will increase the pressure on revising regional production networks and transform the trade system. Unlike the Cold War era, Japan now stands at the “forefront” of the US–China contest arena. Yet compared to the Cold War era, Japan has much fewer resources, relatively speaking.

## **The Keys to Japanese Peace and Prosperity**

So, what is Japan doing? What should it be doing? The keys to Japanese security and prosperity are (1) Indo-Pacific peace, stability, and prosperity, (2) maintaining the liberal economic order, and (3) maintaining competitiveness in science and technology, especially basic science and emerging technologies.

The Indo-Pacific refers to the Pacific and Indian Ocean. It is the expansive region connected by these two oceans. This region is increasingly becoming the center of the world economy. It also is the stage of the US–China conflict. So, how to ensure the peace, stability and prosperity of this region?

China is trying to make the East China Sea and the South China Sea its “inland sea” as well as integrate Taiwan. It is trying to reach the Indian Ocean from Yunnan Province by crossing Myanmar and from the Xinjiang Uygur Autonomous Region by crossing Pakistan.

This is why it is important to maintain the balance of power. Since the Second World War, the security of Asia has been sustained by a hub-and-spokes system of bilateral security treaties and military bases agreements centering on the United States, with Japan, South Korea, Australia and others. The Japan–US Alliance was the basis of this. Yet this hub-and-spokes security system is no longer sufficient. The United States is changing the deployment of its military assets between the Pacific and the Atlantic from 50:50 to 60:40, putting more emphasis on the Pacific. Japan also has no choice but to strengthen its defenses, deepen the alliance with the United States, and partner with Australia, India and ASEAN countries. In the process, Japan is promoting the transformation of the hub-and-spokes security system into a networked security system.

Self-help is important. In 2018, the government decided on the new National Defense Program Outline. It espoused the creation of a networked “Multi-domain Defense Force” that combines capabilities in all areas, including ground, maritime, air, space, cyber, and electromagnetic-spectrum. Promotion of this will likely require more interoperability with the United States (and Australia) as well as cooperation in the defense industry and technologies. Moreover, the intelligence-sharing in the “Five Eyes” five-country network that also includes the United States, the UK, Australia, Canada and New Zealand is supposed to be developed, but that requires an improved system for managing classified information. Japan enhancing cooperation with the United States and American allies and partners in these fields will also help transform the hub-and-spokes system. To realize a “free and open” Indo-Pacific, the stability and prosperity of the countries that make up the backbone of the region (Taiwan, Vietnam, Philippines, Indonesia, Singapore, Malaysia, Sri Lanka, India, etc.) is also important. Economic growth and improved living standards for the people in these countries account are crucial to the political stability of these countries. As a result, the people of these countries expect their lives (and those of their children) to improve even more. If their expectations are dashed, politics will become unstable. In this sense, cooperation in infrastructure development, trade investment promotion, and human resource development will remain important.

Moreover, considering that the continued development of production networks is key to regional growth, it is not desirable that supply chains are excessively decoupled due to intensifying conflict between the United States and China. There will likely be more decoupling in semiconductors, “5G” and other advanced and emerging technology fields that are key to security and prosperity. Yet in a world of general-purpose items and technologies, we also should cooperate with China according to the principles of freedom, rule of law and the market economy.

Another challenge is maintaining the liberal and international economic order. As shown by Japan’s trade statistics, entering the twenty-first century, the shares of China, Hong Kong and the ASEAN have increased while those of the United States and the EU have decreased. Nonetheless, Japanese exports in 2018 were distributed as 24% to China and Hong Kong, 19% to the United States, 16% to the ASEAN and 11% to the EU. In light of this, the importance of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, known as TPP11) and the Japan–EU Economic Partnership Agreement is evident. It is important for the United States to one day join the TPP based on the US–Japan trade agreement and to consider a Regional Comprehensive Economic Partnership (RCEP) even if India opts out.

Yet another challenge is increasing competitiveness in basic-science research and advanced emerging technology. The government is moving to enhance the security management of sensitive technologies. In 2019, a new division tasked with economic policy was set up in the National Security Secretariat (NSS) and the Foreign Exchange and Foreign Trade Control Law (FEFTA) was revised. However, there still remains a variety of things to do. Japan no longer has the resources to compete with the United States and China in all areas of science and technology. To promote scientific and technological cooperation with the US and American allies, Japan needs a system for monitoring who conducts what kind of research and development, especially in highly sensitive fields, and where they are being conducted. It is only then that the government and the industries can share sensitive and critical technology information and foreign capital invested in Japan can be managed appropriately. Focused resource commitment is also needed for the “cultivation” of the basic sciences and advanced emerging basic technology.

### **A Crisis Calls for Leadership**

Entering the twenty-first century, emerging countries have been on the rise and the Asian era has arrived, with China moving to create its own sphere of influence. The US–China rivalry is taking place in this world historical context. The conflict touches on trade, geopolitics, science and technology, and data circulation and communications, but at its core, it is about what kind of society the state promises its people. The US-China rivalry is often framed in terms of trade-offs between the American “life of plenty and freedom” and the Chinese “life of plenty and security.” Intensifying competition between the United States and China will likely strengthen the US-led “Pacific” alliance and transform the trade system. There will probably also be increased decoupling in some fields of emerging technology as well as data circulation and communications. Japan is already moving in that direction.

In lieu of a conclusion, I want to raise two points.

Firstly, like some countries in Europe, Japan has realized a “life of plenty, freedom, and security.” The biggest challenge is how to preserve this tacit contract, which is predicated on the maintenance of peace, stability and prosperity of a “free and open” Indo-Pacific, the liberal economic order, and competitiveness in science and technology, especially in the field of basic sciences and emerging technologies.

Secondly, Japan should be prepared for the “unknown unknowns,” to use US Secretary of Defense (under George W. Bush) Donald Rumsfeld’s phrase. Some ten years after the global financial crisis, it appears that the spread of COVID-19 has sparked a new global crisis. For now (as of March 2020) we still do not know how the coronavirus crisis will translate into a political and economic crisis. Yet, generally speaking, countries unable to deal with this crisis properly will likely lose much of people’s trust in the government. If the economic crisis grows as supply chains are disrupted, domestic and global consumption stagnates, market conditions deteriorate, and debt crises occur, this will also lead to political instability, especially in Asia, where there are still high hopes and expectations of a life of plenty. How do we respond to this crisis? Political leadership matters. The world’s political and economic system will change depending on how leaders and countries respond.

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**SHIRAISHI Takashi, Ph.D.**  
**Chancellor, Prefectural University of Kumamoto**

Born in 1950. Graduated from University of Tokyo and earned his Ph.D. in history from Cornell University. He has served as professor for the Center for Southeast Asian Studies (CSEAS) of Kyoto University, president of the National Graduate Institute for Policy Studies (GRIPS) and president of the Institute of Developing Economies (IDE) of the Japan External Trade Organization (JETRO). He was an executive member of the Cabinet Office's Council for Science and Technology Policy. His publications include *Teikoku to sono genkai* (Empire and Its Limits) and *Beyond Japan: The Dynamics of East Asian Regionalism* (co-edited with Peter J. Katzenstein), *Umi no Teikoku* (Naval Empire; won the Yomiuri-Yoshino Sakuzo Prize) and *Indonnesia–Kokka to Seiji* (Indonesia: Government and Politics; won the Suntory Prize for Social Sciences and Humanities).

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