

## JIIA Strategic Comments(No.2):

### The Strategic Significance of US Vice President Pence's Address

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More than a month has passed since US Vice President Mike Pence delivered an address on the US' China policy at the Hudson Institute on October 4, 2018. During the period, a variety of discussions have taken place both in and out of the US on the significance of this speech. Some argue that this should not be taken as a sign of major change in a long-term US policy toward China, as winning concessions from another party through hardline rhetoric is a tactic typically employed by President Trump and his inner circle. Others see it as a harbinger of a new Cold War between the US and China on par with George Kennan's X Article that helped set off the US-USSR Cold War.

One clear thing is that this speech reflects a perspective now widely shared in the US – the US has heretofore followed a policy of strategic engagement in the expectation that involving China in the international community and supporting its economic development would ultimately turn China into a democratic, free and open country and a “responsible stakeholder” in the existing international order, but the Xi Jinping administration's push to become a major military power and to alter the international order and establish economic hegemony run entirely counter to this expectation, leaving the US no choice but to reconsider its strategic engagement policy – and it should be seen as setting the basic tone for US strategy vis-à-vis China over the medium to long term.

Japan is the US' largest ally in the Asia-Pacific region, but its geopolitical status also mandates that it maintain communication and build stable relations with its enormous neighbor, China. The content of this speech, therefore, can be said as full of suggestions for Japan.

Let's take a look at the key talking points presented in the speech.

#### (Security)

*“China wants nothing less than to push the United States of America from the Western Pacific and attempt to prevent us from coming to the aid of our allies...Chinese ships routinely patrol around the Senkaku Islands, which are administered by Japan...[In the South China Sea] Beijing has deployed advanced anti-ship and anti-air missiles atop an archipelago of military bases constructed on artificial islands.”*

As noted elsewhere in Pence's speech, China has continued to build military bases in the South China Sea despite President Xi's reassurances at the September 2015 US-China summit meeting that China

would not militarize the area, and US security officials on both sides of the political aisle now regard China's military expansionism as a clear-cut threat.

The Trump administration has devised measures to comprehensively expand the US' military capabilities, including the modernization of its nuclear forces, the development of next-generation military equipment such as fighters, bombers and aircraft carriers, and the expansion of capabilities in outer space and cyberspace. China alongside Russia has now become the principal focus of these efforts.

Japan is more directly impacted by China's military expansionism, faced with constant incursions of official Chinese vessels in the vicinity of the Senkaku Islands and compelled to scramble fighters more than 500 times a year to intercept Chinese aircraft approaching Japanese airspace as well as to monitor Chinese vessels repeatedly passing near Japanese territorial waters. Given that the US has responsibilities as an ally for Japan's defense, any change in the US' perception of military threat China imposes would have extremely important consequences for Japan. In managing relations with its powerful neighbors, the principle of "neighbors should not become a threat to each other" will remain important as a norm as was mentioned during Prime Minister Abe's recent visit to China. However, no matter how political and economic relations with China develop in future, Japan will need to ensure its own security by maintaining a united front with the US in checking China's expansionism and attempts to change the status quo.

### **(Trade)**

*"...while Beijing still pays lip service to "reform and opening,"...the Chinese Communist Party has also used an arsenal of policies inconsistent with free and fair trade, including tariffs, quotas, currency manipulation, forced technology transfer, intellectual property theft, and industrial subsidies doled out like candy, to name a few."*

*"Now, through the "Made in China 2025" plan, the Communist Party has set its sights on controlling 90% of the world's most advanced industries, including robotics, biotechnology, and artificial intelligence."*

When considering the current economic frictions between the US and China, two aspects merit particular attention: (1) the "tariff war" comprising the Trump administration's characteristic negotiating tactic of unilaterally raising tariffs and China's retaliatory measures, and (2) the fight for hegemony over cutting-edge technologies. The tariff war seems to be unsustainable over a long period in view of the current economic interdependence between the US and China, and the two countries will likely seek out common ground in future US-China talks (steps in this direction could be taken as early as the end of this month at the US-China summit meeting to be held during the G20 Summit). As for the latter, however, there will likely be a protracted struggle for hegemony, or a "competition for pre-eminence", between the two countries until China change its economic policy in line with international rules and is no longer deemed a threat by the US. In fact, the US has recently imposed restrictions on exports of software and other technologies by US companies to JHICC, like ZTE regarded as a core company in the "Made in China 2025" plan.

What is Japan to do in such circumstances? As noted in the Pence speech, there arise following China's rise, a set of issues that no longer can be covered under the existing international rules, such as forced technology transfer, intellectual property theft, and industrial subsidies. To address these issues, 21st-century-type rules, multilateral not bilateral, must urgently be formulated. With the US skeptical of multilateralism, as demonstrated in its withdrawal from the TPP, Japan needs to take the initiative in this regard. In this connection, the agreement at the US-Japan-EU Trilateral Trade Minister Meeting in September that the three parties would seek a joint proposal on systemic reforms to reporting obligations under the WTO Subsidies Agreement is noteworthy in that it both addresses issues involving China and ensures US commitment to a multilateral framework. The three parties also agreed to explore more broad-reaching WTO reforms, as well as to consider creating international rules covering problems in non-market economies such as forced technology transfers and excessive state interference in the economy. In doing so, governments should also seek out private-sector cooperation to supplement official talks by having think tanks in their respective countries provide input.

**(Foreign aid/debt diplomacy)**

*"China uses so-called "debt diplomacy" to expand its influence. Today, that country is offering hundreds of billions of dollars in infrastructure loans to governments from Asia to Africa to Europe to even Latin America. Yet the terms of those loans are opaque at best, and the benefits flow overwhelmingly to Beijing...Beijing is also corrupting some nations' politics by providing direct support to parties and candidates who promise to accommodate China's strategic objectives..."*

China has swept through the market for infrastructure building in Asian and African countries over the past 20 years. This is largely because China's infrastructure investments have appeared more attractive to recipient countries from being larger in scale and having shorter approval periods than the assistance and investment offered by Western countries that are constrained by international rules. In reality, many criticisms have been raised against investment from China: opaqueness of investment approval process that tends to foster political corruption often by providing direct benefits to the political leaders of recipient countries, unfavorable loan conditions including high interest rates and short grace periods, and the lack of contribution to the local economies as investment is often conditional on the use of Chinese laborers. The international community has yet to fashion an effective response to these issues.

The establishment of the AIIB and the launch of the Belt & Road Initiative in the past few years has made it clear that Chinese economic aid and investment is intended as a tool for establishing a sphere of influence across a broad area stretching from Southeast and Central Asia to Africa, and the cases have emerged of the sovereignty of small countries in Southeast Asia, the Indian Ocean and the Pacific Ocean being threatened. In the US, both the public and private sectors now have come to stress the importance of a free and open Indo-Pacific region.

The Indo-Pacific Initiative is said to have originated in the "Confluence of the Two Seas" (the Pacific and

Indian oceans) concept presented by Prime Minister Abe in 2007, since which time it has been fleshed out in various ways. Japan have played a leading role in this, including the promotion of a quadrilateral (“Quad”) consultation framework among Japan, the US, Australia and India. Japan has also looked to partner with other countries in making high-quality infrastructure investments in the Indo-Pacific region, and the US has started taking concrete measures in order to step up its investments in emerging countries to compete against China’s move, including consolidation of the Overseas Private Investment Corporation (OPIC) and the Development Credit Authority (DCA) of the United States Agency for International Development (USAID) into the new US Development Finance Corporation (USDFC).

The proposal on Japan-China business cooperation projects in third countries made by Prime Minister Abe during his visit to China in late October, should not be interpreted as Japan’s declaration to participate in the Belt & Road Initiative. Rather, it should be seen as Japan’s initiative to encourage China to improve its investment behavior by implementing projects with China in line with international standards that would serve the interests of the recipient countries.

In addition to such individual projects, consideration might also be given to an unconventional approach of setting international standards for investment by encouraging recipient countries, for example ASEAN, to establish norms for transparency, economic performance, etc., applicable to all investor countries in the ASEAN region, including China.

#### **(Human rights/fundamental freedoms)**

*“Today, China has built an unparalleled surveillance state, and it’s growing more expansive and intrusive – often with the help of U.S. technology...And when it comes to religious freedom, a new wave of persecution is crashing down on Chinese Christians, Buddhists, and Muslims...”*

#### **(Chinese propaganda/interference)**

*“The Chinese Communist Party is rewarding or coercing American businesses, movie studios, universities, think tanks, scholars, journalists, and local, state, and federal officials. Worst of all, China has initiated an unprecedented effort to influence American public opinion, the 2018 elections, and the environment leading into the 2020 presidential elections...”*

The Trump administration’s foreign policy is generally seen as prioritizing practical benefits like trade, with little interest in human rights issues or fundamental freedoms in other countries. However, with respect to China at least, the Trump administration has sent a stronger message than did the Obama administration, which refrained from any strong criticism of China despite the Democratic Party’s traditional emphasis on human rights diplomacy. Some suggested that this is a reflection of Vice President Pence’s own personal views that stress religious values. But underpinning this stance is the perspective, as Pence noted in his speech, that China’s oppressive methods go beyond domestic human rights issues and extend into its external relations with the rest of the world, and that this has adversely impacted US national interests.

It was from this underlying perspective that Pence’s speech points to Chinese propaganda and

interference within the US as having a more direct adverse impact on the US. Various quarters targeted by Chinese efforts had long recognized this problem but had been hesitant to voice complaints for fear of losing profits or being subjected to coercion. The fact that this point has finally been raised in the most vocal manner indicates that people in the US leadership positions have come to believe China's propaganda and interference have reached a level that can no longer be ignored, and this is of great significance. It is now widely shared view in the US that Chinese propaganda and interference in the US exceeds the bounds of public diplomacy, and frequent reference is made to the concept of "sharp power" in explaining how authoritarian countries such as China use a diversity of means to manipulate public opinion in the US.

This problem is not one that confronts the US alone. It has been pointed out that China has engaged in propaganda and interference vis-à-vis Japan both inside and outside the country in such areas as on the "history issues". Japan must always keep this in mind, whether or not it chooses to bring up the problem with China directly.

In connection with this, it is worth noting that, during his recent visit to China, Prime Minister Abe reportedly told Premier Li Keqiang that Japan was watching with attention the human rights situation within China, particularly the treatment of the Uighurs in mind.

#### **(Future policies)**

*"We will continue to stand strong for our security and our economy, even as we hope for improved relations with Beijing...we're building new and stronger bonds with nations that share our values...we want a constructive relationship with Beijing...America is reaching out our hand to China...But we will not relent until our relationship with China is grounded in fairness, reciprocity, and respect for sovereignty."*

As mentioned at the beginning, Pence's speech can be seen as constituting a historical turning point that brings to a close the US' traditional "strategic engagement policy." But does this mean the advent of a "containment policy" such as that employed during the US-USSR Cold War? On this point, most of opinion leaders in the US sound negative. They argue that a containment policy would not be feasible, as present-day China, unlike the Soviet Union of the 1950s, is not isolated completely from the international community, with the US itself being in a relationship of economic interdependence with China due to the progress of economic globalization, while some others are talking about "decoupling" in order to reduce economic interdependence.

Then what policies will the US likely take toward China? As outlined in the Pence speech, while making effort to maintain and enhance its own strength, the US will pursue a policy of "strategic competition" by which the US will keep pressurizing China to change its behavior until China does in fact mend its ways.

What actions should Japan take in the meanwhile? As also touched on in the beginning, it is quite natural for Japan, that is in need to build stable relations with neighboring China, to at times adopt approaches

differing from those of the US on specific issues. However In terms of overall direction, Japan must remain mindful of the US policies. More concretely, on security issues Japan should maintain and reinforce its stance of not tolerating China's military expansionism, and in other realms play a leading role in creating international standards and rules to regulate problematic behavior by China.

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