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THE IMPACT OF THE US-CHINA CONFRONTATION ON THE WORLD

Toshiya Tsugami

- In addition to the US-China trade war, the Chinese economy faces serious domestic problems, including balance sheet adjustments after the investment bubble and structural discrimination against private companies. The government's strong grip on the economy will hold it up for the time being, but maintaining growth in old-fashioned ways will make the future even more difficult.
- The United States is engaged in two wars against China: a trade war and a high-tech cold war. This will destroy the international order that the United States has been building and maintaining, and will harm the national interests of the United States.
- It is wrong to justify China's industrial policy with "other countries are also doing it" because of China's incomparable economic power. Now that China has become a major power, it should graduate from the traditional mentality of "catch-up". If the Chinese government continues to lead the country with this mentality, it will be seen as an accomplice that accelerated the collapse of the international order.

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Since US National Security Adviser Henry Kissinger visited China and President Richard Nixon announced his visit to China in 1971, the major challenge for Japan's foreign policy has been responding to the risk of Japan being sidelined by the United States and China as they coordinate important policies over Japan's head.

In 1971, the United States and China reached a sweeping reconciliation without consulting Japan, and the two countries formed a strategic partnership under the Clinton administration. In the early days of the Obama administration, there were rumors of a US-China G2.

But those days are over. As the confrontation between the United States and China deepens in future, the biggest challenge for Japan will be adopting a unified policy and maintaining cooperation with China. For two reasons, this will be a more difficult challenge for Japan than responding to joint actions between the United States and China that exclude Japan.

First, the more Japan takes a stance consistent with the United States in its China policy, the more Japan must be prepared for a situation in which relations between Japan and China become strained and tense. Second, as China becomes more powerful, the negative impact of a conflict between Japan and China will increase and not decrease.

Nevertheless, I would like to argue that Japan's national interest lies in working closely with the United States and encouraging China to act responsibly, and that this will also contribute to the stability of the world order. The question is whether Japan will take the same stance as the United States on "what and where" in its China strategy. In this regard, Japan needs to make more cool-headed judgments on issues arising during a "period of conflict" than when relations between the United States and China were in good shape. While it is important for Japan and the United States to unite in urging China to act responsibly, unnecessarily provoking China could needlessly heighten tensions.

In considering the answer to this question, I think the current confrontation between the United States and China should be divided into three aspects. For two of them, Japan should follow the same course as the United States, but for one, the need is not so great.

The first aspect of the confrontation between the United States and China is the “tariff war”. Trump is trying to persuade China to buy more US farm products and goods. As we shall see, while some of Trump’s aides are trying to correct China’s unfair practices by imposing sanctions, Trump appears to be focusing on reducing the trade deficit with China in the run-up to next year’s US presidential election. It is true that China’s market is closed, but imposing high tariffs on all imports from China does not seem sustainable and risks spreading protectionism around the world. Japan cannot support Trump’s tariff war with China and should keep its distance.


However, Japan needs to cooperate with the United States in dealing with the remaining two issues: the dual struggles between the United States and China for hegemony in high-tech and geopolitics.

The US is trying to exclude Huawei and other Chinese tech giants from critical infrastructure such as 5G, citing security risks in the race for high-tech supremacy. The US government has tightened restrictions on Chinese investment in the high-tech sector. The US government is also pressing China to correct its practice of forcing foreign companies to transfer technology to China, and to abandon its “Made in China 2025” strategy that uses state subsidies to foster high-tech industries. It is only natural that Japan cooperates with the United States on these issues. Specifically, China needs to work with the United States to strengthen regulations and oversight over Chinese companies’ entry into 5G infrastructure and high-tech fields. It would also be desirable for Japan, the United States and European countries to work together with China to rectify the situation regarding the forced transfer of high technology and the “Made in China 2025” plan in accordance with World Trade Organization (WTO) rules. If the current WTO rules are not sufficient to convince China to act, then Japan, the United States and Europe should take the lead in reforming the WTO system.

In the geopolitical struggle for supremacy, China is using its military and economic power to expand its sphere of influence in the Indo-Pacific. The United States is trying to counter China’s moves to build military bases in the South China Sea and establish strategic locations in the Indo-Pacific as part of its “Belt & Road” Initiative.

Geopolitically, China dominating the Indo-Pacific region would be as bad for a democratic country as would China exercising hegemony in high-tech. For a democracy, it would be like living in a world where oxygen is scarce and the air hard to breathe. To prevent this from happening, Japan should cooperate with India, Australia and some Southeast Asian countries to deepen ties with the United States. For example, it will be necessary to identify plans for the construction of seaports and undersea cables in strategically important countries and jointly support their construction.

However, if Japan pursues such a course, Japan-China relations will be strained. As long as Japan sides with the United States in the context of strategic competition between the US and China, it will unfortunately be difficult to avoid such a development. However, it would not benefit either nation for tensions between Japan and China to escalate and spill over into the military realm. To prevent this from happening, Japan must also speed up efforts to strengthen the “earthquake-resistant structure” between the two countries, including the establishment of a military hotline, the strengthening of military dialogue and regular visits by top leaders.

On the economic front, it is important to deepen cooperation that benefits both countries. With China facing a rapidly aging population and a declining birthrate, it is urgent to improve its medical and pension systems. Japan has a lot of experience in this area and it is a promising area for cooperation. 

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