

How Can We Avoid Mounting Geopolitical Risks?

By Masakazu Toyoda

In the early 1990s, after the fall of the Berlin Wall marked the end of an era of confrontation between the United States and the Soviet Union, Francis Fukuyama wrote in his book *The End of History and the Last Man* that “history has ended because democracy has fully proved its legitimacy and triumphed over other ideologies.” Thirty years later the confrontation between the US and China has become more serious day by day, “a confrontation between democracy and totalitarianism” that goes beyond mere trade friction. In this context, in addition to the emergence of countries with increasing totalitarian tendencies, there is a resurgence of nationalism in many democratic countries. Has history resumed?

The US and China are increasing their influence on neighboring countries with a momentum that could divide the world in two. The administration of President Joe Biden is working to strengthen cooperation with its allies in Europe and Asia – the “Quad” meeting with the Indo-Pacific region in mind and the “AUKUS” cooperation involving Australia and the United Kingdom being examples. On the other hand, the Xi Jinping administration is bolstering its military presence in the South China Sea and East China Sea, and in line with its “One Belt, One Road” initiative is trying to strengthen relations with Central and South Asian countries, the Middle East, and even Africa, using economic support as a lever.

This situation is complicated by the confrontation between Russia and the West that began with the invasion of Ukraine, by North Korea’s repeated missile tests, and by Iran’s possible plans to acquire nuclear weapons. The relationship between democracy-oriented Taiwan and China is in a state of flux, and if China were to invade Taiwan a war between the US and China would be inevitable. Some experts say this could happen within as little as five years.

The conflict between China and Taiwan, as well as between the US and China, has also complicated the formation of the international economic system. A good example is related to membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). After China applied for membership of the CPTPP, Taiwan followed suit. China argued that Taiwan was not eligible for membership and discouraged countries from supporting it. After President Donald Trump withdrew the US from the Trans-Pacific Partnership (TPP), American administrations, including Biden’s, have been focusing on domestic politics for a while, but the US at least wants to prevent China from joining the CPTPP and is putting pressure on other member countries.

In this context, many countries and corporations around the world are perplexed by growing geopolitical risks. For many Asian countries, both the US and China are important, and they cannot choose one over the other. The same is true for international corporations. What can Japan do? I hope that this issue of *Japan SPOTLIGHT* will suggest some answers. There are several responses that are becoming the basis for a consensus.

First, militarily, Japan needs to strengthen its deterrence capabilities. Japan has renounced war under Article 9 of its Constitution, but does have the right to defend itself. Japan’s defense budget is limited to 1% of GDP, but it may now be necessary to go beyond this limitation. There are many who say Japan should deter countries that attack it with the capability to attack enemy bases. This could be an important policy for the new government of Prime Minister Fumio Kishida to tackle. Although there is a confrontation between the US and China, neither side should launch a war. But there is a danger of an accidental collision, and this is why communication is so important. Japan should work to facilitate communication between the two countries in addition to deepening its own communication with them.

Secondly, what about the international economic system? It is important to strengthen a rules-oriented approach, and it is natural to implement existing rules, such as through the WTO and various FTAs. For example, when it comes to accession to the CPTPP, it is difficult for large countries to make exceptions that are allowed for small countries. In addition to reviewing domestic laws and regulations, it is important to verify whether they are being implemented. In areas where rules do not exist, we must spare no effort in forging a new consensus at venues such as the G20 and APEC.

Why are geopolitical risks increasing? It probably stems from the fact that the US is perceived to have abandoned its role as the world’s policeman and that *Pax Americana* has ceased to exist in earnest. That’s not all bad, as it is also a sign that more countries are growing up. Japan is a strong ally of the US and neighbor of China. It now needs to play a role in bridging the gap between the US and China and to contribute to the avoidance of geopolitical risks.

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