

# **Japan-US Kanazawa Conference**

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**Kanazawa City, Japan  
November 22-25, 2013**



## Preface

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### **Japan-US Kanazawa Conference: “A Changing World and the Japan-US Alliance”**

Exchange between Japanese and US scholars and experts of the younger generation is weaker than ever, overshadowing the Japan-US alliance recently. At this juncture our project invited to Kanazawa young researchers and practitioners (under 40 years of age) from Japan, the US and other countries who will shoulder responsibility for the future of the Asia-Pacific region to have them engage in focused discussions in a closed meeting while gaining some exposure to Japanese history and culture.

Although most of the participants were young researchers from Japan and the US, their counterparts from South Korea, ASEAN countries and Australia, which share strategic interests with the Japan-US alliance, were also invited to take part in discussions from the perspective of the Asia-Pacific as a whole. A secondary objective was to foster a common awareness of issues among participants staying under the same roof and to develop a network for research on policy measures centered on the Japan-US alliance but spanning the entire Asia-Pacific region.

With the overarching theme of the Conference being “the Japan-US alliance as a future public good,” we posed ambitious questions/discussion points on the three topics below, had the young researchers offer presentations along the lines of these questions/points, and organized intensive discussions among all the participants.

1. Assessment of the strategic environment in the Asia-Pacific region (the outlook for China’s situation, constraining factors within countries, and relations between countries)
2. Economic security, the Japan-US alliance and partner countries in the Asia-Pacific region
3. Changing security domains, the Japan-US alliance and partner countries in the Asia-Pacific region

Senior experts were also invited to the Conference to make keynote speeches and comment as mentors on the reports by young researchers to augment the discussions among the young participants.

This pamphlet has been compiled to provide an overview of the Conference and, in accordance with Chatham House Rules, speakers have not been identified. All of the views expressed herein are those of the individual participants and do not necessarily represent the views of the organizations with which they are affiliated. Nevertheless, we believe that readers will ascertain for themselves the nature of the unfettered discussions and interactions among the young researchers and other participants.

This project was implemented by the Japan Institute of International Affairs with the cooperation of the University of Pennsylvania’s Think Tanks and Civil Societies Program (TTCSCP). We would like to take this opportunity to express our heartfelt thanks to the Japan Foundation for its assistance in organizing this Conference as well as to the Ishikawa Prefectural Government and other organizations for their tremendous support in holding the event in Kanazawa.

We very much hope that this project, as well as this pamphlet, will prove of some small help in strengthening the Japan-US alliance and Japan’s foreign relations in general.

March 2014

NOGAMI Yoshiji  
President  
The Japan Institute of International Affairs

# Contents

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<b>Preface .....</b>	<b>1</b>
<b>Contents .....</b>	<b>2</b>
<b>Program.....</b>	<b>3</b>
<b>LIST OF PARTICIPANTS .....</b>	<b>7</b>
<b>Japan-US Kanazawa Conference (Summary) .....</b>	<b>9</b>
Opening Remarks .....	9
Session 1 Assessment of the Strategic Environment in the Asia-Pacific Region .....	9
Session 1 (a) China's Future Outlook .....	9
Session 1(b) Various States' Domestic Constraints and Inter-state Relations .....	13
Session 2 Economic Security and the Japan-US Alliance and Its Partners in the Asia-Pacific Region .	16
Dinner Keynote Speaker : Dr. Thomas Fingar .....	19
Session 3 The Changing Security Domain and the Japan-US Alliance and Its Partners in the Asia-Pacific Region .....	20
Session 4 Wrap-up.....	24
Closing Remarks .....	25

# Program

## Japan-US Kanazawa Conference, Agenda

November 22-25, 2013

*The Japan Institute of International Affairs (JIIA)*

Venue: Garden Room, 2F Shiinoki Cultural Complex,  
Kanazawa City, Ishikawa Prefecture, Japan

### 0. Friday, November 22<sup>nd</sup>, 2013

14:00-16:00 Excursion to the city of Kanazawa (optional)

18:00- Welcome Dinner

Hosted by Governor Masanori Tanimoto (The governor of Ishikawa Prefecture)

\* *Chatham House Rule*

### I. Saturday, November 23<sup>rd</sup>, 2013

Venue: Garden Room, 2F Shiinoki Cultural Complex

9 : 00 Opening Remarks

**Amb. Yoshiji NOGAMI**

President, The Japan Institute of International Affairs (JIIA)

#### Session 1

#### Assessment of the Strategic Environment in the Asia-Pacific Region (overview)

- In this session, participants are expected to discuss the prospects for the strategic environment in the Asia-Pacific region looking out to about 2025, bearing in mind the change of administration in China (the most important variable in the strategic environment) in 2012. The discussions will focus on (a) the developments in China as well as in its foreign policies, and (b) the present state of domestic politics and economy of the US, as well as other states in the region, in the context of addressing these developments. The session will be divided into two parts to correspond to each of these foci.
- In examining the above developments, participants are expected to discuss China's economic and domestic political outlook and how this will be translated in the country's external actions. For this purpose, three questions are posed– Is China a revisionist power, is China failing to take off, and lastly, will China be a responsible partner (and if so, what will its foreign policy look like)?
- Participants are then expected to discuss the domestic constraining factors in each country (other than China), looking at demographics, economic growth, fiscal circumstances, and their interactions. The focus of this discussion will be the question: how will these factors influence the country's external actions? (e.g. encouraging or limiting external commitments)
- Based on these discussions, participants are expected to determine how best to assess the strategic environment in the Asia-Pacific region looking out to 2025. The assessments made in this session will be carried forward into the discussions on the roles of the Japan-US alliance in Sessions 2 and 3.

**9:10-10:30      Session 1 (a)**

**China's Future Outlook**

- Discussion topic (a): Outlook for China (the Xi Jinping administration and beyond)  
This sub-session will begin with presentations 15 minutes or so in length by three young participants (from Japan, the US and an ASEAN country. These will be followed by comments from a discussant (about 5 to 10 minutes) and then by discussions involving other participants.

**10:30-11:00      Coffee Break**

**11:00-12:30      Session 1(b)**

**Various States' Domestic Constraints and Inter-state Relations**

- Discussion topic (b): Domestic constraining factors as well as strategic environment in the Asia-Pacific region
- This sub-session will begin with presentations 15 minutes or so in length by three participants (from Japan, the US and South Korea). These will be followed by comments from a discussant (about 5 to 10 minutes) and then by discussions involving other participants. Taking into consideration the discussions on topic 1(a) and the constraining factors in each country, participants are expected to examine the prospects for the strategic environment in the Asia-Pacific out to 2025.

**13:00-14:00      Lunch**

**14:30-16:30      Session 2**

**Economic Security and the Japan-US Alliance and Its Partners in the Asia-Pacific Region**

**[Session overview]**

- Economic strength is the source of a nation's power, including its military power, and the discussions in this session will focus in particular on the question of ensuring stable energy supply.
- Economic security, especially stable energy supply, is a precondition for the proper functioning of the Japan-US alliance. At the same time, energy can either be an object of "zero-sum" competition among major powers, given China's explosive demand for energy, or an object upon which "common interests" among these powers can be expanded. Such "common interests" can also encompass how to address such global issues as climate change.
- Keeping in mind the above-mentioned duality of economic security, participants are to identify in this session the specific issues confronting the Japan-US alliance and its partners in the Asia-Pacific region out to around 2025.

- In doing so, the question posed is: how will the course of technological advancement (including shale gas development), the future outlook of climate change, the role of nuclear energy, and the accompanying geopolitics change in 2025?
- Participants will then discuss actions that both Japan and the US should take in future with regard to the above, as well as approaches to cooperation on a regional scale.
- This sub-session will begin with three presentations 15 minutes or so in length by three young participants (from Japan, the US and ASEAN). These will be followed by comments from two discussants (about 5 to 10 minutes) and then by discussions involving other participants.

<b>19:00-21:00</b>	<b><i>Dinner</i></b>
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▫ Keynote speaker:

**Dr. Thomas FINGAR**

Oksenberg-Rohlen Distinguished Fellow, Stanford University

Former Chairman (until 2008), the National Intelligence Council (NIC)

## II. Sunday, November 24<sup>th</sup>, 2013

<b>10:00-12:30</b>	<b>Session 3</b>
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### *The Changing Security Domain and the Japan-US Alliance and Its Partners in the Asia-Pacific Region*

#### [Session overview]

- Utilizing the assessment of the strategic environment of the Asia-Pacific in Session 1 and taking into account changes in the security domain attributable to technological progress, participants will seek to identify the specific security issues (threats) confronting the Japan-US alliance and its partners in the Asia-Pacific region out to about 2025.
- The focal point of the discussion will be the following questions: what changes will take place in the domains of cyberspace as well as outer space, and how will these changes influence the tactics and strategies pertinent to these domains?
- Upon identifying these security issues, discussions will be further focused on another question: what are the appropriate actions to be taken not only by Japan and the US but also by cooperative frameworks encompassing other partners?
- This sub-session will begin with presentations 15 minutes or so in length by three young participants (from, for example, Japan, the US, and Australia). These will be followed by comments from two discussants (about 5 to 10 minutes) and then by discussions.

**12:30-14:00**      **Session 4**

**Working Lunch / Wrap-up**

**[Session overview]**

- This session will feature a wrap-up of the discussions from Sessions 1-3 by three young participants (from Japan, the US and other partner countries) (about 5 minutes each) that will cover points on which participants' views converged or differed. Participants are encouraged to discuss matters to be incorporated into policy recommendations.
- A 50 minutes break period prior to Session 4 will allow participants to divide up into small groups (Japan, the US, and South Korea/Australia/ASEAN countries) to engage in preparatory discussions.

**Concluding Remarks: Amb. Yoshiji NOGAMI, President, JIIA**

**15:00-17:00**      ***JIIA-Ishikawa Open Forum***

**Venue: Ootori room (3F) at ANA Crown Plaza Hotel KANAZAWA**

- Keynote Speaker:  
**Amb. Yoshiji NOGAMI**  
President, The Japan Institute of International Affairs (JIIA)
- Panel Moderator:  
**Prof. Toshihiro NAKAYAMA**  
Professor, Aoyama Gakuin University  
Adjunct Fellow, The Japan Institute of International Affairs (JIIA)
- Panel Discussion:  
**Mr. Ian EASTON**  
Research Fellow, The Project 2049 Institute  
Former Visiting Research Fellow, The Japan Institute of International Affairs (JIIA)  
**Dr. Junya NISHINO**  
Associate Professor, Keio University  
**Dr. Christopher LEN**  
Fellow, Energy Studies Institute, National University of Singapore  
**Dr. Adam SEGAL**  
Senior Fellow, China Studies, The Council on Foreign Relations (CFR)

**III. Monday, November 25<sup>th</sup>, 2013**

**10:00-10:45**      ***Visiting to the Ministry of Foreign Affairs (MOFA) and Discussion @Tokyo***

**12:00-12:45**      ***Lunch***



## LIST OF PARTICIPANTS

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**AKIYAMA, Nobumasa (JPN)**

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**SEGAL, Adam (USA)**

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**SMITH, Joel (USA)**

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(Alphabetical Order Based on Last Names)

# **Japan-US Kanazawa Conference (Summary)**

**Kanazawa City, Japan**

**November 22-25, 2013**

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## **Opening Remarks**

### **Ambassador Yoshiji NOGAMI**

Much has happened in the two years since the first Japan-US Kanazawa Conference, with rapid changes in the political security landscape in the Asian region. The mood in Japan has improved significantly, but unless the regional security landscape improves, we cannot be too optimistic. In this meeting, vibrant and meaningful discussions are anticipated in attempting to grasp the regional security, political and economic situation.

### **Session 1**

#### **Assessment of the Strategic Environment in the Asia-Pacific Region**

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#### **Session 1 (a) China's Future Outlook**

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##### **Moderator 1**

Since the previous conference there have been significant changes in China. Many analyses have already been made, which form the basis for discussion. We will also focus on the present state of domestic politics and economy of the US, as well as domestic constraining factors and demographics of each country.

##### **Speaker 1: China's Prospects in 2025: Implications for the Strategic Environment in the Asia-Pacific Region**

The current world order, established in large part by the US in the wake of World War II, is based on free and fair trade, democratic institutions, rule of law, and principles such as human rights. China sees this world order as an existential threat, but its revisionism extends beyond the ideological into the territorial and political realm. However, China is also attempting to revise the rule of law, international norms pertaining to cyberspace and outer space, and universal values. China is therefore revisionist in a multitude of realms.

Whether China is failing to take off is much less clear. It is clear that China's economy is deeply unhealthy, with corruption, high levels of pollution, and hundreds of riots per day across the country. While it is possible that China could continue to grow despite the domestic problems and social implications of its growth model, it is unlikely to sustain the growth rates seen in recent decades. Of course, China could equally collapse or stagnate.

The question of whether China could become a cooperative, responsible power depends upon changes among the leadership. At present the outlook is bleak. It is likely to be a bully in the region, but insecure due to domestic problems. It could be destabilized by domestic politics and split into multiple countries, or could become a military heavy pseudo-democracy, with

elections but no strong democratic institutions. An alternative outcome is that it could follow the pattern set by Taiwan, and gradually become a democracy in a top-down fashion. This is the only pathway that will truly lead China to greatness as a superpower. However there is no indication that Beijing has any intention to go down that path.

The implications for regional security are mixed. The negative implication is that security competition will probably intensify as China's military capabilities increase. At the same time, the US, Japan and others will go to great lengths to balance against China. Based on this, barring disaster, the region is expected to continue to be peaceful and prosperous through 2025.

### **Speaker 2: The Reality Behind the “Rise of China”**

The instability in China is reaching a disturbing level. Without examining the worsening social disorder, it is impossible to come up with a realistic scenario for China's future. Aspects such as military spending might create an image of China as a rising power, but other aspects such as the GINI index and riots sweeping the country each year portray a state at the brink of meltdown.

In the early 1990s the Chinese Communist Party (CCP) faced a crisis both domestically and internationally. However, the developed countries interest in rebuilding relations with China gave the CCP the opportunity to strengthen its position, luring the business community into China using cheap labor and becoming the factory of the world, at the expense of labor rights and social welfare for the Chinese workers. Many major companies in China are owned by CCP members, and frustration and riots have soared since the 1990s. To tackle this problem, the government launched a number of reforms since 2006 without success, and the world economic slowdown after 2008 impacted exports from China, sending the number of “collective incidents” to 200,000 by 2012. This crisis forced the CCP to take a tougher stance, raising tensions in the region. The new leader, Xi Jinping, lacks the same degree of support as his predecessors and the outlook is pessimistic for solving these problems.

### **Speaker 3: Outlook for China: Assessment and Implication**

China's goal is to reestablish itself as the Middle Kingdom or the world by 2049, the 100<sup>th</sup> anniversary of the PRC. Its military expenditure is likely to catch up with the US by this point, but technology differences will maintain a gap in capabilities between the two. China is focused especially on its navy, looked to expand China's sea strength. However, China has many internal problems to overcome, including the widening income gap, emissions, and corruption. The future of China does not depend solely on China itself. Much will depend on whether the US is successful in its response to China, or whether the US makes concessions to China, in which case its neighbors may suffer. Most of the countries in the region will rely on the US while trying not to jeopardize their relationship with China.

### **Discussant 1**

By 2049, China will be very different to 2025, due to demography and other elements. Common concerns regarding China's future include domestic instability, militarization, and the outlook for democracy. In discussions, the US tends to prioritize the future order of the region rather than current security issues, which could result in tensions between Japan and

the US. South Korea tends to have a relatively optimistic view of the future regarding China.

One question is how negotiations can be conducted with China regarding missile forces. There is also the question of when China will face domestic instability that is beyond their control. Regarding the future of ASEAN, there are questions of whether ASEAN can depend on the future commitment of the US to the region and whether ASEAN can be truly integrated.

### **Speaker 1**

Regarding China in 2049, the hope is that the CCP will no longer be in power and China will be a true democracy. Regarding China's missiles, there is no good defense besides attack, which is why they are so destabilizing. The only solution is an arms control treaty, but this requires leverage that does not exist today. One way to gain leverage is for Japan to develop its own missiles, and more research is required on the topic.

### **Speaker 2**

China is already in a serious crisis, with hundreds of riots and demonstrations every day. The budget on internal security has surpassed the budget of national defense, and as long as PLA generals do not switch sides the domestic situation will be contained. Also the CCP is still supported by business from the international community.

### **Speaker 3**

ASEAN enjoys economic grants from China without any other choice. In terms of rebalancing, the US can work together with allies in the region that have close links to ASEAN.

### **Participant 1**

Susan Rice's speech at Georgetown sounded neutral toward the issues in the Asia region, and mixed messages from the US put the region in a difficult position.

Regarding the leadership of Xi Jinping, most in Japan stress the instability of his leadership, whereas in the US he is seen as a strong leader with his own voice. The Southeast Asian reaction to China's rise is often a dual dependency strategy, keeping China and the US equidistant, in contrast to Japan which takes the side of the US. In this regard, what is the opinion of Japan's pivot to Southeast Asia?

### **Participant 2**

Some of the Chinese public seem to want to return to the Mao Zedong era, while others seek a more democratic society, so in which direction will China move? Regarding Susan Rice's speech, is there any relation to the speech of Xi Jinping in which he mentioned a mutually beneficial relationship with neighboring countries, which might indicate a more moderate approach?

### **Participant 3**

It is inconceivable that China would have made the progress that it has over the last 35 years had the Carter administration not decided to make China a stronger partner in the anti-Soviet struggle by giving it entry into the free-world system. A lack of understanding of this system leads to fanciful projections of the future of China, that it can choose the elements that suit it. Participation cannot be partial – it comes with interdependence. It is not possible to stop

development on the political side and expect the economic and social side to continue to develop. The future of China in the international system does not depend only on China, but on all countries, and we need to make sure we move China in the right direction.

#### **Participant 4**

In order to stop supporting the current political system in China, what preparations need to be made, not just in terms of trade, but also in terms of China holding a massive amount of US debt, and is it feasible?

#### **Participant 5**

Will the CCP still exist one decade from now, or will Xi Jinping turn out to be the Chinese Gorbachev?

#### **Participant 6**

Regarding leverage for negotiations through short distance missiles deployed in Japan, this is an example of a classic security dilemma. Would a trilateral relationship with Russia perhaps be helpful?

#### **Participant 7**

Is China an aggressive dragon that wants the region for itself, or is it simply a hungry panda that is eating a lot and accidentally stepping on people's toes? How do we integrate China into the system to keep the region stable and open for everyone?

#### **Participant 8**

The process of how US policy announcements are prepared is not understood, seeming to be event driven of late, raising the question of what is going on.

#### **Speaker 1**

The US has been very passive on the Asia-Pacific region, which makes for bad policy. While China should not be called a great power, the US-China relationship is so important that we need to accommodate China. What matters is what can be gained from the relationship. Regarding missiles, there is no good solution to the problem, but further discussion is required, and policy needs to be based on facts and data.

#### **Speaker 2**

In contrast to the changing leaders in Japan, since Xi Jinping can be expected to be there for five years, allowing negotiation and a sense of stability. In terms of the direction China might go in, intellectuals talk about democratization and the rule of law, but without stable foundations these reforms cannot be carried out. However, a move toward Mao Zedong would be very risky for the CCP.

China wants to maintain a peaceful stance toward the international community, but will continue to build its military in order to feel secure. Much work has been done to bring China into the free-world system, with an expectation that economic development will lead to democratization, but Xi Jinping is thought to be under the influence of anti-reformists, so now would be a good time to prepare for the worst. Nobody expected the collapse of the USSR, and we have to keep in mind that when things change it happens drastically.

## **Session 1(b)**

### **Various States' Domestic Constraints and Inter-state Relations**

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#### **Speaker 4**

Lingering historical and territorial issues have negatively impacted Japan-ROK relations, and political leaders on both sides have sometimes hindered diplomatic cooperation. While Japan suffered two decades of political and economic stagnation, South Korea experienced a growing presence in the international community, resulting in a reevaluation of its relationship with Japan. The rise of China as a power has also reduced South Korea's interest in its relationship with Japan. Divergence of approach with regard to North Korea issues have also negatively affected relations.

In terms of judicial affairs, decisions have been in South Korea made that undermine the postwar settlement of the comfort women issue established in the 1965 treaty between Japan and South Korea, and there is growing frustration that South Korea has been ignoring Japan's efforts to settle the historical issue.

Bilateral efforts must be made to contribute to regional peace and prosperity, and US-Japan-ROK trilateral cooperation must be enhanced. Past agreements and statements on historical understanding should be reviewed and respected. Tokyo and Seoul should also make efforts to achieve a common vision of a common regional future.

Japan is motivated to improve security cooperation with Seoul due to uncertainties regarding North Korea and China, but Seoul does not share Japan's fears about China, and looks to improve relations with China as it is inevitable to deal with the North Korean nuclear issue. One way to reduce tension is to develop stronger Japan-Korea-China trilateral cooperation. There is a trilateral secretariat office in Seoul, but the expected summit meeting between the three sides has been postponed by China.

The Abe Administration is trying to improve relations with the US to realize its security agenda, and South Korea also needs the commitment of the US to realize the stable transfer of control. However, both Japan and South Korea have some concerns over the financial difficulties in the US.

#### **Speaker 5**

Two factors that will shape the strategic environment in the Asia-Pacific region over the next decade are whether China continues its strong economic growth and increases in defense spending, and whether the US can reconcile its strategic rebalance with its budgetary constraints. China could by 2025 be able to hold at risk major operating bases in the first and second island chains. The US has plans to increase its military capabilities in areas related to the rebalance, but all of these plans are potentially at risk due to budget cuts.

The best case is a world in which China's economic growth slows down, limiting its military expenditure, while the US is able to successfully rebalance to the region. The worst case is one where China's growth continues, and the US is unable to sustain the pivot. Other outcomes include a power balance in the region, or even a power vacuum.

### **Speaker 6**

As China's influence rises, many think that China will overtake the US as an economic power, but because of domestic constraints they are not yet quite there. The biggest issue in the Korean Peninsula is the nuclear issue. In response to the emergence of China's A2AD capabilities in the region, the US is trying to strengthen its capabilities in the region. China sees the TPP as an attempt by the US to set regional economic rules in light of East Asia cooperation. Meanwhile China is trying to complete the Regional Comprehensive Economic Partnership (RCEP) by 2015 to create a unified market in the region.

Domestic thinking in South Korea is mainly ideologically driven. A new paradigm for South Korea is to accept the others as they are. It may not solve every problem, but a peace treaty between the two Koreas would provide a good foundation for a more constructive and peaceful relationship with other neighboring countries.

### **Discussant 2**

The Japan-Korea diplomatic tensions frustrate and perplex Washington, but there is long-term optimism due to the convergence of interests and values. Most countries in the region seem to think that other countries need them more and have more significant domestic problems.

The Asia rebalance was envisioned as multifaceted interaction and investment in the region of which the military component was only one part, but this requires very good coordination.

We all face political and economic challenges at home, and if we do not deal with those challenges we lose the ability to fund and invest in necessary social infrastructure, and this can affect the ability to act effectively abroad.

### **Discussant 3**

The current political dysfunctionality of the US system is concerning. However, in the case of cuts to the military aspects of the Asia rebalance, can the rebalance still be considered successful in terms of development and economic cooperation aspects? Also, what are some of the domestic constraints in Japan and Korea for TPP?

### **Speaker 5**

The Asia rebalance is a grand strategy, but the fundamental driver of it is the military challenge posed by China's rise, and therefore there cannot really be a successful Asia rebalance without a substantial military rebalance.

### **Speaker 4**

Regarding the TPP, there is no real constraint in Japan other than the problem of the agricultural sector. For many South Koreans trade agreements are a tool to maximize exports, whereas Japan sees the TPP and trade agreements as an important rule setting tool.

### **Speaker 6**

There was initially some resistance in South Korea toward signing the FTA with the US, and it took some time for the government to prepare to tackle the issues, but there should not be any serious problem with the TPP.



**Participant 9**

A recent opinion poll showed that 83% of the US population think that the President should prioritize domestic affairs over foreign affairs. In the past it was almost evenly balanced. The US economy is doing better than most economies, but why is this fact not shared by the people? Regarding the TPP, wrapping it up as soon as possible is important not to lose the momentum. Regarding relations between South Korea and Japan, a retreat was held for South and Japanese journalists, following which several articles were written by the South Korean journalists stating that there must be some improvement in the situation.

**Participant 10**

We keep on hearing a mixed messages about the pivot. What we see is a menu of what should be done, but not a prioritization of issues. Politics always plays a role, so it can be confusing and worrisome sometimes.

**Participant 5**

South Korea should learn from Japan's recent mistake of suggesting establishing equidistance between China and the US, as South Korea is also under US nuclear deterrence.

**Participant 2**

What is the Korean perception of the Chinese role to establish and maintain open and liberal free trade?

**Participant 6**

What was the impact in Korea of the Japan-US 2+2 agreement in October 2013?

**Participant 3**

It is the role of politics to establish priorities, not leave things up to public opinion.

Regarding the strength of the US, it is important to focus on real numbers. On a per capita basis the US has a bigger economy than in 1979. Meanwhile China is about to enter the middle income trap.

**Discussant 1**

What is the worst case scenario in case of a regional power vacuum?

What will be the game changer for the relationship with South Korea with regard to historical perceptions?

**Speaker 4**

President Park and Prime Minister Abe must address the issue without the US. However, at this moment there is no exit visible.

**Speaker 5**

The four outcomes presented may be oversimplified. However, the power vacuum is an area that deserves more thought in the future. Regarding the pivot, the public diplomacy has been badly handled.

### **Speaker 6**

The priority is gradually switching to TPP, as South Korea considers that if Japan joins but South Korea does not it would leave it at a disadvantage.

## **Session 2 Economic Security and the Japan-US Alliance and Its Partners in the Asia-Pacific Region**

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### **Moderator 2**

Japan is still dependent on oil from the Middle East, and therefore we are concerned with how to maintain stabilization of the market. Shale gas is also important to be considered. China requires more energy per GDP, and therefore cooperation on efficiency could reduce the pressure on energy demand.

### **Speaker 7: Shale Gas and the U.S.-Japan Alliance**

Until a few years ago US expected to be dependent upon imports, but the discovery of shale gas has changed this, and the US could be world's largest LNG exporter by 2020.

Asia has the fastest growing economies and energy demands are expected to continue to grow rapidly. Japan is the largest LNG importer, and combined with South Korea and Taiwan accounts for over 50% of LNG imports.

The rise of the US as an LNG exporter provides opportunities to strengthen the alliance. However, there are a number of scenarios in which demand for LNG will decline, leading to lower prices.

### **Moderator 2**

Do you think that the US might reduce its commitment to security in the Middle East as the US becomes an energy self-sufficient nation?

### **Speaker 8: Economic Security and the Energy Industry**

For the foreseeable future securing fossil fuels will still be crucial in terms of economic security, but investment in renewable energy is also important in the long run. The Great East Japan Earthquake changed the environment drastically. The stopping of nuclear energy increased import costs, but the trust of the public has been lost and therefore restarting nuclear plants is difficult. In the renewable energy sector, better international cooperation could help to overcome the instability in the sector. Offshore wind power has huge potential.

### **Speaker 9: The Quest for Unconventional Gas in Asia: Lessons and Implications from the US Shale Gas Revolution**

Unconventional gas is seen as a clean and cheaper alternative to coal. However, shale gas has a very high land impact, and requires drilling a lot of wells. A flexible approach needs to be taken to planning and exploitation. Key factors for US shale gas development are favorable geology with abundant geological data, land access, owners having rights to resources, regulation at the State level, and open access to pipelines. In Asia, many countries have the resources and can buy technology, but the biggest barrier is the necessary infrastructure and agencies.

**Discussant 4**

Some see political risk associated with US energy exports, where there is high domestic demand and US politics can afford to debate how much to export, so how can Asian consumers be persuaded that the US can be a reliable partner?

To what extent has the government energy mix been taken into account by trading conglomerates in their strategies? How will market deregulation will affect business planning in upstream investments?

The role of breakthrough technologies should not be underestimated in supporting the social license question. If China can unlock shale gas resources, do you think China would use it to advance specific geopolitical objectives, and would they be successful?

**Discussant 5**

Why is the future importance of Alaska not discussed? Japan could potentially switch LNG purchases from the Middle East to the US. If the US achieves energy independence, what would this do for cooperation? What would be the effect on relations with the Middle East?

**Speaker 7**

Oil is traded on the global market, and disruptions on the oil market would disrupt US economic interests. Isolating itself from the energy market would have huge ramifications, and is not in its interests. Regarding the Middle East, the US is looking to fix the Middle East Peace Process, and move on. Regarding Alaska, there is not a lot of movement to advance business interests there.

**Speaker 8**

The basic understanding is that the Japanese government will restart Japan's nuclear power plants in 2-3 years. However, the trading conglomerates can very easily to adapt to any future.

**Speaker 9**

Industry has made a lot of progress in terms of technology. Putting in place the institutions is one thing, but only if it can be enforced. One of the core principles of Chinese thinking is self-sufficiency, and the Turkmenistan gas pipeline does not make economic sense but does contribute to its self-sufficiency. If China can take care of its own problems then the world will be a more secure place.

The question of the US losing interest in the Middle East due to its energy self-sufficiency is whether China would fill in the role as the protector of the seas, but at present China does not want to take on the responsibility as it has its own problems to deal with.

**Speaker 7**

China is thinking about operations far from its coastline, as evidenced by its participation in the Gulf of Aden.

Regarding China's shale gas reserves it would be a huge contributor to relaxing global supply as well as bringing climate advantages.

**Participant 10**

Chinese shale gas might be a game changer in one sense, but as the price of coal is now decreasing due to the supply of US shale gas, the cost of investment in shale gas is not justifiable, so China will likely use coal instead. However, reliance on coal will have environmental impacts, which is a serious question in China. Even if China does exploit shale gas, it is likely to fail to take steps to protect the environment in doing so. Therefore what can be done to incentivize the Chinese government to better regulate environmental protection?

**Moderator 2**

Do you agree that in China's investment priorities conventional natural gas supply is higher than shale gas?

**Participant 11**

While the US might be less likely to get involved in wars in the Middle East, there is interest in protecting sea lanes and the flow of oil.

What is the potential for Japan-Korea collaboration on development of natural gas infrastructure for bridging the gap between the two countries?

**Participant 12**

Is the stopping of nuclear energy in Japan a negative in terms of energy security and should it be trying to bring it back, and how would this be achieved?

**Participant 13**

The question of how the Japan-US nuclear agreement will play out and how South Korea will be affected must be thought out. Prime Minister Abe recently visited Turkey to back a Japan-French cooperation project on nuclear power. Developing countries will develop nuclear power plants, and in the worst scenario those plants will be operated by Russia and China, which is closely related to hard security issues.

**Speaker 7**

Regarding shale in China, it used to be very expensive in the US, and has only become economical in recent years, and there are political reasons for China to move away from coal, including closing coal power plants near to cities.

**Speaker 9**

The price of coal is decreasing, but China needs all kinds of energy. If it finds an alternative at an acceptable rate it would be happy to switch, because the environmental issue is a growing problem in China. Regarding nuclear energy there was a lot of expectation as a cleaner cheaper fuel, but many governments now do not want to talk about it. It is a perception issue. The problem is that there has not yet been full closure on the Fukushima issue, even though it has been over two years.

**Participant 14**

China is doing everything it can to secure energy. Coal can be relatively clean using the latest technologies, and this is an area in which Japan can cooperate with China.

### **Participant 15**

Currently most of the LNG natural gas contracts are based on oil prices, however this has become a problem due to high oil prices. On nuclear, the US and Japan still have potential for cooperation including in decontamination and decommissioning experience, as well as the business model, but there are outstanding political problems. In contrast, Russia, France and China can offer a full Build, Own, and Operate (BOO) model. However, many countries choose a package based on avoiding overdependence on one country.

### **Participant 3**

There are links between all of the issues discussed here. One of the biggest impediments to sharing shale gas technologies with China is their track record on intellectual property. Another issue for shale gas is availability of water. Greater availability of shale gas in the US will depress energy prices, which will change the cost of shipping, which in turn changes the calculations for global production and supply chains. The expansion of nuclear power has two dimensions, potential for proliferation and safe operation of plants. There has been some discussion on the creation of a center of excellence on nuclear safety in China.

### **Moderator 2**

The current situation of the center of excellence is not at all good in terms of cooperation on the Chinese side. We may need to further consider the best energy mix in global terms, both in terms of energy types and origins of supply.

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## **Dinner Keynote Speaker**

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### **Dr. Thomas FINGAR**

Global Trends began in 1996, to develop a strategic vision each four years and improve awareness of larger trends. In 2008 and 2012 Global Trends identified certain mega-trends, including energy security, access to clean water, food, urbanization, demographic change, and the waning efficacy of global institutions. The institutions built after World War II served the world well, but are inadequate for the new global challenges, which require cooperation, and a shared recognition of the nature of the problems, challenges, and opportunities. Many countries are not prepared to commit effort and resources to these challenges until they believe that the US and China are not going to derail things by failing to agree. There are also impediments to collaboration in this region because too many people look backward instead of forward. This region is a region of superlatives, the most dynamic and most consequential, but also one of the least institutionalized or organized areas of the globe. Without proper architecture the current problems will remain. Markets are good for trade, financial flows, and economic integration, but not for security arrangements. Bilateral alliance arrangements are useful when they are the only instrument available. But simply continuing what was done in the past will not be good enough for the future.

The strategic environment in Northeast Asia has been changed since the demise of the Soviet Union. Bringing China into the US-led system to manage the Soviet Union created the conditions that led to China's rise to become a fragile juggernaut. However, its fragility is

less important than the perception. China has achieved the second largest GDP in the world through having the largest population in the world, and a rapidly growing workforce. However, it is also stronger militarily. Even though China claims that its military rise is peaceful, the neighbors in the region consider it prudent to hedge, which creates a dynamic of security dilemmas. Also, North Korea has nuclear weapons, which changed the way others in the region deal with nuclear issues and Korean issues. The most frustrating change in the environment is tensions between Japan and South Korea, and between Japan and China, which make it difficult to work on global issues.

Perceiving the US as being in decline or losing interest in the region, and that China has displaced the US as the leading trade partner of every economy in Asia, ignores the fact that intermediate products made in China are still going to the same end destinations. Addressing these kinds of misperceptions is important.

Looking forward, prosperity and urbanization will bring real food and water problems. Economies will require more energy. Competition will increase, creating friction in the system. These challenges will not fix themselves. We need new inclusive arrangements. Relying on legacy arrangements leaves everyone aligned against China. If we do not get China inside the circle in a collective security and economic arrangement, such as TPP, the Chinese will feel alienated and build up strategic capacity, causing an escalating spiral of reactions. We need to build a rule-based open and liberal international order that all can access. This will not be easy. Just getting started will be enormously difficult.

The goal of a world free of nuclear weapons was endorsed by President Obama. This created some unease in South Korea about maintaining deterrence in the region, but there are still a lot of warheads. There are also now advanced conventional weapons, and nuclear and conventional warheads that can be mounted on the same missile, which cannot be correctly accounted for under current systems. These issues should be discussed not just between alliance partners but including the Chinese in the conversation. We also have to address the North Korea problem. It is easier to tackle the problems among partners, so the door must be open, and we should be pushing for China to come into the TPP.

### **Session 3**

#### **The Changing Security Domain and the Japan-US Alliance and Its Partners in the Asia-Pacific Region**

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#### **Moderator 3**

Today's session will discuss the new security issues, cyber and space, which are all features of a connected world, which is changing our understanding of the domain of the concept of security itself.

#### **Speaker 10: Japan's Changing Space Policy and Space Security Cooperation in the Asia-Pacific Region**

The focus of Japan's space policy has shifted from research and development to utilization, with a regional Quasi-Zenith Satellite System (QZSS) for GPS and a disaster prevention satellite network. Increased use of space means increased dependence on the utilization of

space, which can be a vulnerability. Bilateral cooperation on space security is progressing between the US and its allies, while regional multilateral cooperation has much room to grow. Outreach activities are essential in this regard. China is developing various space capabilities, but could be a potential partner in sustaining the space environment. Meanwhile, North Korea is rarely dependent on space but capable of destroying satellites, and therefore represents an asymmetrical threat in space.

**Speaker 11: Space security issues/threats confronting Japan-US alliance and its partners in the Asia-Pacific region out to about 2025**

Space is critical for daily needs, but is threatened by congestion, competition, and vulnerabilities. Looking forward to 2025, additional crowding or debris in low-Earth orbit (LEO) could make it more dangerous or expensive to operate there, and pressure on the radiofrequency spectrum may increase. China's planned lunar program could change the security dynamic with regard to space, and China is starting to use its capabilities as a soft power tool with emerging nations. Active debris removal (ADR) and on orbit servicing could help to alleviate many problems, but also come with security concerns. The potential for space tourism to take off could also affect the space environment. There is interest in the US in using constellations of small satellites for increased resilience and affordability. Proliferation of anti-satellite (ASAT) weapons testing and space-based weapons programs raise concerns about the impact on regional stability.

Work has been done to introduce normative voluntary mechanisms to address sustainability and security challenges, and negotiations are underway for a code of conduct as well as best practices. These issues cannot be solved without international cooperation, in which the Japan-US alliance can play a leading role.

**Speaker 12**

According to the UN, in 2011, 33 states included cyber warfare in their military planning and organization, rising to 46 in 2012. It is difficult to attribute the source of cyber-attacks, and confidence and transparency are the best means to manage the build up from offensive cyber capabilities. The US and Russia recently signed an agreement to share threat information, with a cyber-hotline between them. ASEAN and the ARF have a long history of examining cyber security issues. The Sixth Japan-ASEAN Information Security Policy Meeting was recently held aimed at strengthening regional collaboration and security, and the Australian government is also active in the region. One of the key issues is protection of critical infrastructure, most of which is owned by private industry. Control systems directly connected to the Internet constitute a potential vulnerability. Cybercrime is inherently cross-border in nature, and responses from some countries take years. The UN recently released a consensus report on the applicability of international law to cyberspace, including the endorsement of both Russia and China. Dialogue should be continued toward establishing rules and norms related to cyber espionage.

### **Speaker 13: US-Japan cooperation in Cyberspace**

The larger forces shaping cyberspace are the convergence of social media, mobility, and the cloud, massive amounts of data being generated, users still to come online in failed states, and the Internet of Things. Espionage, both industrial as well as military and political, represents a major threat, as is the use of cyber-attacks in other conflicts. Low cost of entry and empowerment of individuals is also a risk.

The US tends to focus on cyber security, referring to networks and infrastructure, whereas the Chinese and Russians refer to information security, including content. China seems to think that cyber is low cost, covert, and that it has a deterrent capability, but it is not clear where the decisions on cyber are being made, which creates instability.

The US is focused on cyber in defense, including private companies' cyber security, but there is debate about who should be in charge. The US has been reaching out for cooperation on cyber defense and cyber information sharing.

At present, the chances for misperception in a regional conflict are high as there is no common understanding of thresholds, which are important issues for discussion.

### **Discussant 6**

Space and cyber are often considered together, as the two issues differ from traditional security concepts in not having physical territory. Barriers to entry are higher for space, but are reducing all the time. Given the vulnerability of satellites, technologies are frequently developed to interrupt operations.

How can new players who do not share the concept of securing the space environment be engaged regarding the issue of congestion of space, and how can transparency be improved?

Does Japan's use of space increase its vulnerability? Considering the value of space for countries such as North Korea is different, how can they be pressured to ensure that nothing happens? As China also depends on space there is a de facto deterrence, but since the US has taken the decision to have no channel of communication with China on space, how can the space governance be improved?

### **Discussant 7**

The report of the third UN Group of Governmental Experts (GGE) addressed the application of existing international laws and regulations to cyberspace, and last month in Seoul there was also a conference on cyberspace where international security was discussed.

What are confidence building measures (CBMs) in cyberspace, and what can be done to stop cyber-weapons? Also, regarding intelligence sharing between the US and Japan, what information is available for sharing? Who is responsible for critical infrastructure protection such as undersea cables and other communications devices?

### **Speaker 10**

It is true that Japan would increase its vulnerability through use of space, and the Ministry of Defense included several related items in its budget request this year such as study of



protection of satellite communications systems. The US conducts regular tabletop exercises on cyber and space security issues, so it might be a good idea for Japan to join the US in these activities. Regarding North Korea and Iran, space situation awareness (SSA) is a key to verify and respond to their activities. The US has tried to raise the agenda of space security in strategic dialogues with China, but it is difficult to include participants on the Chinese side who work on space issues.

#### **Speaker 11**

Regarding engaging new players entering the space game, there needs to be outreach, especially on the part of the advanced spacefaring nations. There are a lot of capacity building exercises through the Asia-Pacific Regional Space Agency Forum (APRSAP). Current international law says that countries are responsible for any of the activities that are conducted under their jurisdiction, so it is the responsibility of national governments to be managing, licensing and regulating the space activities which are undertaken within their country.

A lot of transparency and confidence-building measures (TCBMs) are concerned with information sharing about space programs, and the strengthening decentralization of SSA capabilities to complement and verify those of the US military.

In terms of dialogue with China, Congress blocking government agencies from talking with China is at odds with the National Space Policy, causing confusion for China, and there is a lot of fear-mongering and misinformation influencing policy in the US.

#### **Speaker 12**

Regarding CBMs in cyberspace, there is quite good bilateral cooperation and sharing between existing allies, but building upon it with China is difficult because they cannot provide a point of contact.

The protection of undersea cables is a big issue for Australia, as its undersea cables all pass through two points.

#### **Speaker 13**

Regarding transparency on networks, a whole range of private actors have exposed and revealed cyber-attacks. It is therefore important to have private companies involved in discussions.

#### **Speaker 1**

On the space issue, how would maritime domain awareness work in the context of the alliance? Regarding ASAT tests, is there a place for non-kinetic ASATs within the alliance context?

#### **Participant 2**

In the worst case scenario, is there a fallback plan if all satellite systems are damaged affecting guidance of missile systems, or a fallback plan in the cyber domain?

#### **Speaker 5**

There has been discussion about the US increasing its reliance on counter-C4ISR capabilities, but what does that mean for the US-Japan alliance?

**Participant 16**

Regarding submarine cables, there is a research project underway at the National University of Singapore, which identified that submarine cables are protected under UNCLOS, but this in itself is insufficient.

**Participant 17**

Since 2009 there were DDOS attacks in South Korea on banks and media organizations. The South Korean government blamed and condemned North Korea, but is it really possible to trace the perpetrator?

**Speaker 11**

In terms of maritime domain awareness, space-based maritime security will use a combination of optical telescopes, synthetic aperture radar, and satellite-based AIS. The US and Japan could cooperate to combine data to give a more complete picture. There is also room for cooperation with China, who are also interested in maritime security, such as tracking illegal fishing. On non-kinetic ASATs, temporary reversible interference with satellites is tempting, but have potential for destabilization and escalation.

**Speaker 10**

Japan is unlikely to withdraw from space, as it has a long history of use of space for defense purposes. Now the expected operational area is shifting from North to South, there must be increased dependence on space systems.

**Speaker 13**

Attribution is never completely persuasive, but can be highly suggestive. Regarding the attacks on South Korea, over time they did manage to track command and control systems back to Northern China which seems to have been played from North Korea, and certain types of code were employed that were used in concurrent attacks seeming to come from North Korea or Chinese hackers. However, the relationship between the state and the hackers is not very transparent. Based on benefit from the attacks, North Korea seems the most likely.

**Session 4  
Wrap-up**

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**Speaker 9**

There is growing anxiety about China's behavior as it rises. It is hoped that there could be a collective security and economic arrangement between the US, Japan, and China, involving the Asian countries, keeping the region open to everyone. The US rebalance to Asia is welcomed, but there are doubts about the capacity to follow through due to budget cuts. Regarding China, economic interests must be balanced with the collective security interests of the region, which could generate tensions. There is a convergence of overlapping interests in the South China Sea, which could be a potential flashpoint, requiring CBMs. On cyber and space security, it is hoped that a common framework can be created.

### **Discussant 1**

There are many common concerns, including wanting to see a stable and open international system in the region, rather than strong rivalries. There are also concerns over US budget cuts, political dysfunction, and commitment to the region. There is some difference in the perception of China, as Japan tends to focus more on the short-term threat, while the US focuses more on the long-term architecture. Many perspectives are shared between Japan, South Korea and Australia, although there is some difference in the view of the regional order between Japan and South Korea. A healthy Japan-South Korea relationship is vital to the region, which is one of the biggest concerns.

### **Speaker 5**

The overriding theme of the discussions was the increased complexity of the region. A major theme was China as a rapidly rising but internal fragile power, and its uncertain military strength, partly due to the changing nature of military conflict, including the domains of cyber and space. The domestic dysfunction in each country was also highlighted as a barrier to moving forward. Energy security issues and uncertainties add another layer of complexity. North Korea has traditionally been the politically correct threat around which Japan and the US built their joint strategy, but now China is arguably the bigger concern, though less politically correct and more controversial to plan for. There is a consensus on the need for closer and more equitable cooperation between Japan and the US in the security sphere, but it is not yet clear in exactly what form or how this can be achieved. There is both good news and bad news, but the good news outweighs the bad.

### **Moderator 4**

Meetings like this are key to building collaboration across diverse interests. They are essential in terms of complexity and the asymmetrical advantages that China has in not being bound by the international regimes and the rule of law, and the coherency of their policy. China is amassing an overwhelming intellectual force as part of both soft and hard power at every level that is astounding, including investment in think-tanks. India is also a huge force whose effects must not be ignored. A key dimension to be considered is the advantage of exploiting divisions in this region and within the alliance with very sophisticated strategy. Those are implications that all countries present here need to work together closely on.

## **Closing Remarks**

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### **Ambassador Yoshiji NOGAMI**

A number of issues could not be addressed due to the limitations of time, and we will try to cover as many of them as possible next time we meet. The Chinese onslaught of think-tank activities is well noted – the current Japanese administration is also very serious about strengthening think-tanks. One important point that was not discussed is North Korea, but the EU3+3 has just made an agreement with Iran which may influence the North Korean situation. During Foreign Minister Kishida's visit to Tehran, key subjects were the relationship between Iran and North Korea, and also maritime security. With regard to

China's ADIZ, it should be noted that even with a reduced budget, the US can play an important role in sending a strong signal. Another area not really discussed was economic architecture. Political security and economic security are tightly intertwined, and so economic architecture must be taken up in a future meeting.

We look forward to strengthening this dialogue and having meaningful discussions again next year.