



A SHIFTING POWER BALANCE IN THE INDO-PACIFIC: VIEWS FROM TOKYO AND MOSCOW

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SPEAKERS:

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Gabuev. My name is Alex Gabuev, I'm a senior fellow at the Carnegie Moscow Center and chairing the Russia in the Asia-Pacific Program, and today I'm delighted to have a guest, an old friend, Professor Akio Takahara, who is with Tokyo University, one of the leading scholars of China and many other issues in Japan, and around the world, I would add. I'm very glad to have you at least on screen here, Akio. There is a tradition for us exchanging notes every year, this is the second consecutive year where we are unable to do that in person, but the modern technology gives us a great opportunity to do that online, with many participants in Russia, Japan and around the world.

There are some people who are taking part in this as a webinar, so they are joining us through Zoom. They can switch to a Russian interpretation as well, and they can pose question using all the now familiar Zoom features. There are people who watch us on YouTube, and we will chat for roughly 40 minutes, and then we'll leave about 20 minutes for Q&A, and we will take questions from the floor. There are two ways to ask questions: One is to go on Twitter and tag CarnegieRU and pose your question, and the other option is to use YouTube chat. So, without further ado, Akio, let's jump in.

I think that the big event over the last week has been the Anchorage summit between senior US and Chinese officials, the first face-to-face contact between the two major superpowers. I think that we see a major narrative departure this time around with team Biden, when so much verbal focus is really on China. I think that China's rise has been taken account of by many previous administrations, we've seen them in the strategic documents by George W. Bush, Obama, definitely Trump, but for the first time we see China as the overarching priority, at least country-wise, of US foreign policy. And I think that my first question: As a kind of major ally, what does Japan make of it, what do you make of it? Is that that China has changed over the last decade that it's impossible to ignore, or are there some domestic fundamental drivers at home in the United States that are driving this change and renewed focus on great power competition with China?

Takahara. I would say that the United States is deeply concerned, especially around security matters, because of the increasing military capabilities of China. The US is feeling this threat that their primacy in military affairs is being eroded. That's one reason why they are focusing so much on China. And secondly, through both inducement and coercion, I would say, China is increasing its influence all over the world. And this, of course, is of deep concern for Washington. And thirdly, yes, perhaps domestic factor comes in also. Now that there is such anti-China sentiments running high in the whole of the United States, they would have to look at this domestic audience when they deal with China. So, all these reasons, I think, are driving Washington to be most concerned about China.

Gabuev. I agree with you, and I think that we can agree that there are significant domestic reasons for the US to be focused on China. But notably China's behavior has also changed radically over the course of the last 10 years. I think that there is a school of thought in global China-watching community that says, "It's about Xi Jinping. It's all because of this guy. Like, he is to blame. Before him, China was kind of trying to be normal, well-behaved, a part of if not the international legal order, but definitely was playing by the rules, but this guy came and everything has changed." I would disagree, but let's discuss it. What's your take? Why China is

behaving differently, and how much really different that is from what we've seen under Hu Jintao and Jiang?

Takahara. Looking at China's behavior, I'm reminded of this anecdote about Zhou Enlai, in the 1970s, meeting an American delegation of young American China scholars. And Zhou Enlai asked one young lady in the delegation, "Do you think China will ever become hegemonistic?" And the young woman answered, "No, sir. China will never become hegemonistic." And Zhou Enlai replied and said, "Well, you never know." But then he continued, saying that if China became hegemonistic, you have to oppose it, and you have to oppose it with the Chinese people and say that Zhou Enlai was also against it.

And this apparently is a true story, and I don't think Zhou Enlai was joking. So he understood that once a country becomes powerful, it tends to be aggressive, it tends to use its power if not checked and balanced. So, with the growing military might, with the growing comprehensive national power, China is exerting, wielding its power. I think that's the basic factor. So it didn't start with Xi Jinping, but there is Xi Jinping's personal character put into it. I think that we can count that as one factor. But also let's remind ourselves of another thing, that is the basic lack of legitimacy to rule on the part of the Chinese Communist Party. So, Xi Jinping has been saying recently that "Mao Zedong made the Chinese stand up, Deng Xiaoping made the Chinese rich, and I'm going to make China powerful." That's the way he thinks that he can legitimize his rule.

So, all these factors play in, play out in China's behavior that we see in recent years.

Gabuev. I agree with you, and I think that if you look at the many issues that Americans and others are worried about, like what about China's rising military might, I think that the double digits started with Deng Xiaoping, definitely post-Tiananmen, and like the aircraft carrier, a lot of programs to modernize PLA are not produced by Xi Jinping, but actually started in 80s and definitely were reinvigorated in the 90s. Same with the theft of technology, same with attempts to move up the value chain and become a really innovative, industrialized economy. So, a lot of these policies have been inherited by Xi Jinping, and it's probably just the sheer size and the magnitude of China challenge that it became too large to be ignored.

My metaphor for this is like it's a dragon, which wears a panda suit and tries to pretend and entertain the guests at the shopping mall that it's a huge panda. But every time he moves around, this panda suit reveals his real identity, because he opens his mouth and there is fire and stuff. So when China tries to behave as a large developing country, not that many countries around buy that, because, well, it's truly a superpower, and that's particularly felt in the neighborhood.

Do you think, like, what is the end game? Does the Chinese leadership has a vision? I understand your point on making China strong and rich, like "fuqian", but how do we measure that? When will China say, "Okay, it's enough, we are now powerful, we are happy with our current status in the international regional system"?

Takahara. I'd very much like to hear your views on this, but I don't think they have a very clear goal, very clear target, but rather it's vague. I think, if I may put it this way, they want to be like the United States. They want to be powerful, they want to be rich, they want to be

respected and loved. They want Hollywood if they could. So, you know, that kind of an image of a superpower.

I don't think China is a superpower yet. It's a superpower candidate, perhaps, an only superpower candidate in the world, and the United States is the only superpower that we have. So I think China wants to have that status and the respect from other nations. What do you think?

Gabuev. I think I agree. I don't think that the pronouncements that have been made about the "community of common destiny" are really terms that have some detailed agenda that is hidden from us, and it's just us, stupid foreigners, that cannot understand or cannot penetrate the deep thinking. I think that the Chinese leadership is pragmatic enough to understand that the future is very unpredictable, and it's just unnecessary and useless to chart a detailed metrics of your success by 2049.

I think my example is, Deng Xiaoping pledged that Chinese will have a well-off society, like "xiaokang shehui", around the centennial of the founding of Communist Party. And it's very unclear, it's an old term from Confucius scripts, "xiaokang shehui", which is not kind of the overall harmony in the world, "datong", but something smaller, more material. And this year, Xi Jinping basically picked up just one criteria, elimination of absolute poverty, and said, "This is the criteria, in a way, for xiaokang shehui." So, he doesn't use that rhetoric, but he says, "This is what we've achieved. This is what we achieved because of all of the works of my predecessors, but definitely because of me in power." So he cherry-picked one of the criteria and then basically said, "That's how the goal has been achieved."

So, when they say "the great rejuvenation of the Chinese nation by 2049," the centennial of founding of the PRC, I don't think that they have a clear metrics of, like, 20 aircraft carriers and then 300 Chinese companies in Fortune 500 list. All of this is still vague and unpredictable. But the trend line is there, and I think that I agree with you that they want to be United States, in a way.

Their problem is that the US is dominating the international system through some rules. They are not universally applied, definitely the US has the right to violate some of these rules, because it's the most powerful country, but there is an underlying system which is the Bretton Woods financial system, there is the WTO, there is the UN, so there are a lot of institutions of the post World War II world that are anchored in the US power. I don't think that China has anything like this systemic view that has a view of China-led globalization that's different to the US. What do you think? I think that it wants to become a very strong player, it wants to write the rules to its favors, but it definitely doesn't have this kind of globalistic view that all the countries should come together under Chinese leadership because they will be attracted to the vision of values projected by China. Because I think that they are also realistic enough to understand that Chinese values are not necessarily very attractive to all of the outsiders, or barbarians.

Takahara. Yes, I think you are right. In the book "The China Dream", which was written before Xi Jinping took this slogan up, this author, the professor at the Defense University, talks about Chinese values becoming the values of the world. But it's just a dream, and it's not going to take place, it's very vague, and it's not something that will build the institutions. We don't have any image of a China-centered world in which Chinese rules are set and followed, because China itself is not ruled by law and by institutions, but it's what I call a world in which order is

supported by the outstanding power of the Chinese Communist Party, so it's Pax Communista, as it were. And what some Chinese people are envisaging now, this Pax Sinica to emerge, it's just an extension of Pax Communista. And I don't think people can agree with that. We would rather live in a world in which there is rule of law, there is room for smaller nations to have their say. And China hasn't proven yet that a China-centered world is a world like that.

Gabuev. Yes, Xi Jinping has promised to lock the system and the power of the party in the cage of the rules and the law, I think that's the metaphor that he used, but so far I think that his vision and promise is a far cry from what we are seeing in reality. But then, if China is probably unable to supplant and replace the US as the leader which is not only the most powerful country by the size of its economy, by the quality of its science and education, by the sheer military power, but as a visionary leader of institution, not always in line with its own promise, but at least being kind of the visionary leader that also develops and brings values that are attractive to others – I don't think that China really, beyond prosperity and other issues, has formulated values that would appeal to many other nations, and I think that this rallying cry for sovereignty and non-interference into affairs of others really creates a place that is far more isolated from each other, like they don't connect through values that American universalism really preaches – but if that's the case, why are China's neighbors fretting so much? They will not be integrated into kind of China-led universe, Chinese Communist Party will not write the rules, it's just going to be a big power. So is it about Chinese coercion, is it about territorial disputes? What is driving the Chinese neighbors so anxious about China's rise?

Takahara. As we've been discussing, if China is a country that wields its power to its full, as much power as they have, that in itself is quite worrisome, isn't it? We are not sure how China is going to use its power once it's grown even bigger. And that is of concern not only of Japan, but also in Russia, I do believe, and in all the neighbors surrounding China. Although, now that China is so powerful, not many countries can actually say it aloud. And Japan is one of the rare countries now, who can actually point this out to our neighbor friend. I mean, China is our competitor in certain ways, but we cooperate with China, and we are friends with China in many other ways. So we say what we think is right for them and for us, but China cannot take it, as you can see from their response to the joint statement of the Japan–US two-plus-two meeting that took place about a week ago.

Gabuev. What are Japanese worries, if we try to not quantify but make them really precise? When travel was still possible back then, in a different era, all of the time I came to Tokyo and spoke to your senior officials, I think that the bottom line at some point was that Japan would never accept a China-centered security architecture and geo-economic regional architecture in Asia, or in East Asia. I think that most of the officials have not been really thinking about China as swapping the US in the global power balance, but they were more concerned about China becoming the center of gravity in Asia and the center of security arrangements. So, what does it mean?

Takahara. First, I don't think that's going to happen anyway. But if that was to happen, that would certainly be of concern to us all in the region, if China hasn't changed by then. If China is China as it is today, as I mentioned, not abiding by international rules – look at what's happening in the South China Sea, look at what they are doing in the East China Sea, trying to change the status quo by physical force, by sending their coast guard vessels. Last year, the

Chinese coast guard vessels were in the contiguous zones around the Senkaku Islands for 333 days. Almost every day they come and exert pressure on us. Japan will not buckle, but... So, we think it's a waste of fuel and waste of money, waste of resources, but that's what they are doing. So if they keep on doing these things, certainly security is the major concern, as I mentioned, not only of the United States but also of all the neighbors around China.

Gabuev. I think that we saw this visit of Jake Sullivan and Tony Blinken, the new secretary of state; the head of Pentagon is on his regional tour, and it's pretty symbolic that the first high-profile visits are to Asia, this time around. I think that the new structure in the forest of wild animals that have many abbreviations is Quad. That's the kind of the new animal that's very popular in the Asian forest. It was born about a decade ago, or more than a decade ago, on more kind of expert, technical level, and now we had a full Quad summit. What do you make of it? And what is the role that Japan sees and utility of this instrument?

Gabuev. I think anytime anywhere if there is a rise of power, people will be worried and think about mechanisms for check and balance, checking and balancing this rising power. So in that context Quad is welcomed not only by those four nations, but by other nations in the region. And that is quite natural, that is quite understandable. But the problem is, that could sort of promote this security dilemma kind of a situation: The Chinese side may get more concerned about their security, and it will trigger this vicious circle, as it were.

At the same time, we need more dialogue, more conversations with the Chinese side, and try to manage this competition. I think the Chinese emphasize that we need to manage the competition, I think it's their right, you know, both sides, or China side and all the others, have understood that the game is competition and cooperation at the same time. So, one important task therefore is how to control and manage the competition between us. And we need a lot of conversation between China in order to achieve that.

Gabuev. How do you think the territorial disputes play into that? Because, if you think about the metrics or why China isn't happy about the current power balance, is partly because it has these contested territories – Senkakus, South China Sea, and Taiwan obviously. So, once it's solved, do you think that China's security expansionism will stop, or what's going to happen?

Takahara. No, I don't think it's going to stop, even if the so-called territorial issues are all gone. Yes, territorial problems are a factor, but China won't stop there. Why do they have to increase the defense budget by 6.8 percent while they are having this COVID issue in China? It's not because of territorial issues, it's not only because of Taiwan, but it's for a broader context, the competition, contest that's happening in the broader context. So that's going to continue.

Gabuev. Okay. I remind everyone that there is an option to put questions, because we're gonna be talking for 15 more minutes and then jump into a Q&A. Those who are taking part in this conversation as a webinar can type their questions in the Zoom chat. Those who are watching us on YouTube can either use Twitter, tagging CarnegieRU, or use a YouTube chat function.

Okay, but with military balance, do you think that... China has an advantage of geography, because it doesn't have the kind of global force posture the way US has, all of its resources are concentrated in one spot. And over time, as China builds its military muscles, it

looks like it's going to prevail or dominate in this region in terms of sheer ability to concentrate force and challenge the balance of power. Is there an effective way to address that, even if you pull the resources of Quad together?

Takahara. Well, I'm no security expert, but China's advantage could also... I mean, they also have disadvantages too, don't they? The border is so long. They have so many neighbors. So it's not only the maritime front that they have to take care of, but also the inland area. The security issues from their point of view is very real. They have this issue with India, with Vietnam. So, I think it has both dimensions. That's one point.

And secondly, China does not have any allies. Right? And that's been China's policy, and apparently they are going to continue with this policy. So, all the other countries, whoever wants to balance China, they will go for developing the alliance networks. And China in itself, because it's the country with the largest population in the world, it's rising so rapidly, up to now, and however, its disadvantage, another disadvantage, is that it has no friends, it has no allies, which is very different from things on our side.

Gabuev. Okay, let's move away from security to the economics a little bit. I think that we saw that when Barack Obama's administration was unsuccessful in joining TPP, that the US enabled to create, Japan stepped in a leadership role and finished the business of creating the TPP even without the US. And now it's perhaps the most qualitative, advanced trade agreement in the world, with very high standards, bringing together some like-minded nations. And yes, there is some grace period for all of the applications to be enforced on all the member states, but that's definitely the most advanced trade grouping that is looked upon as the future.

And it's interesting that Trump withdrew from the TPP, but it looks like the Biden administration will be unable to bring the US back, because the domestic context has significantly changed: There is a very fierce opposition on part of the Trump base, the unions are against it, and even within the Democratic Party the left wing is much more powerful, and in his Foreign Affairs piece Biden said that before relaunching any of the trade negotiations, his team will build back and build better, which means some kind of borrowing import substitution techniques, or bringing back some of the value chains, like we've seen that for early executive orders.

And then it looks like China has stepped in, and both with the framing of the Regional Comprehensive Economic Partnership and announcement that it's open to join TPP, and even start expert-level negotiations, China is well positioned to actually succeed and join that – in some future, because obviously it needs to take a very painful structural reform in order to meet TPP criteria.

What's your view, and what's the view in Japan? If China knocks on TPP doors, in all of its seriousness, and says, "Hey, we are actually ready to really take the painful reforms and qualify," will TPP let China in? Will it try to keep it outside, inventing whatever reasons for not letting China in? And what will it mean for the kind of trades and geo-economic balance of power in the Indo-Pacific?

Takahara. There could be some people in Japan who will be anxious and suspicious, and they may hesitate to welcome China, but I think the great majority of the business circle... well,

not the great majority, almost everybody in the business circle will welcome them wholeheartedly. If the Chinese can clear the hurdle – because, as you mentioned, it's going to be difficult for them to implement all the reforms that are necessary, you know, we've been watching the US–China negotiations over these issues, about the state-owned enterprises and so on, and the Chinese have not really tackled the core of the issue of the state-owned enterprises – if they can do it, that's welcome, I think, not only to the TPP members, but to everybody. So, I think, at the end of the day, Japan would welcome China and encourage China to implement the reforms, which will be of benefit not only to the Chinese themselves, but also to the rest of the world. Including the United States, probably. But at the same time, of course, we would welcome the United States coming back to the TPP. Russia joining TPP would be fantastic. So, that would be the attitude of the Japanese, that's my guess.

Gabuev. Yeah, unfortunately, I don't think that the TPP or free trade agenda is very much on the Russian leadership's mind. We are basically, as an exporter... We have a pretty robust and vibrant economy domestically, although it doesn't grow and there are huge market distortions in favor of the state, but Russian economy domestically is much more diversified, as opposed to Russia's role as exporter. And as exporter we go with commodities, mostly oil and gas, but also metals, fertilizers, and then some manufacturing products, mostly weapons, that will be not covered by either TPP or RCEP, we don't have FTA with ASEAN, which is a prerequisite for entering into talks about joining RCEP, and then we also have the Eurasian Economic Union that now controls the authority to start negotiations in free-trade zone of goods. And then Russia, Belarus and other five members have very different geographies of their trade, and very different interests. So, Russia will have to probably pressure its own allies and partners in order to start such kind of negotiations. So it's, unfortunately, way off.

Although, I agree with you, probably the hydrocarbon age, the end of the hydrocarbon age as we know it, is over horizon, but it's already visible – 10-20 years, and then the oil and gas will not be as important commodities for the global economy and for the global energy mix, and then Russia will have to do something else to keep its economy vibrant. There are multiple items that Russia can export to the global markets, but for that you need to join really advanced trade bloc and meet the standards. And unless you start doing that now, it's very hard to foresee how Russia will be able to do that in 10-years time frame.

But for China my impression has always been that there are two opposing schools of thought. There is a lot of kind of residual trust in the SOE system, there are a lot of vested interests, of course, tied to it, with powerful families, with the leadership of SOEs, who say that “this has served our country so well, we've built all of these national champions, we just shouldn't relinquish this control over the economy from the grip of the Communist Party, and the SOEs are really contributing a lot to our revival and becoming a strong and powerful state.”

And another school of thought which says, basically, “If the state gives control over ownership to the market, and remains a very strong, efficient regulator, we will be far better off, because we will have much less corruption, much more domestic competition, and arrive at a more vibrant and stable economy.” And I think that people from the Zhu Rongji school of thought always believe that entering this kind of global trade negotiations or institutional framework that will impose some demands on the Chinese economy is actually a very good stimulus for China to reform itself. So, WTO accession was seen as this kind of booster for

domestic reform, and my sense is that many people from that school of thought, including probably Vice Prime Minister Liu He, and some other people around Xi Jinping, would argue that entering into TPP could help deliver on the promises of the 2013 Third Plenum communiqué, which envisaged deep structural reform, but unfortunately this reform promise hasn't been delivered.

We have one of the questions that relates to this part of the conversation, whether you foresee that at some point Japan will try to decouple from the Chinese economy the way America is trying to decouple now. And I think that to rephrase the question, we see that both largest economies are simultaneously engaged in an effort to bring back the value chain and concentrate it on its soil, or soil of its allies in case of the US. So, the most recent executive order of President Biden, to seek and explore the vulnerabilities of supply chain, and bring back some of the critical elements of that, China is not mentioned, but definitely there is an overarching push to reduce its dependence of critical technology and materials on China is there. And both countries are pursuing that simultaneously, import substitution crisis very much the backbone and the nerve of the 14th five-year plan.

So, with that, the theory goes, the global supply chain and the standards will be increasingly balkanized, and countries will have to choose. And companies will have to choose, obviously. So some companies try to create two separate systems, one targeting the China-centered part of the global economy, the other targeting the US-center part of the global economy, but do you envisage Japan facing this choice? And if that's the choice, what will be Japan's options and policies?

Takahara. That would be up to the policies in Washington and Beijing, because no entrepreneur would want to build these two systems at the same time, that would be so inefficient. So we would rather maintain the value chains that exist now. And as former Vice President Pence mentioned in the second speech that he gave on China in 2019, the US even under the Trump administration was not aiming for complete decoupling with the Chinese economy. The American Chamber of Commerce in Shanghai conducted a public survey last summer, and the answer was that 92 percent of the American firms in China do not want to leave the Chinese market. That's very natural, isn't it? If you can make a lot of money in China, why would you want to leave?

But when it comes to security-related technologies, that's another matter. And the demarcation line between what's safe and what's not is very murky now, isn't it? So, a lot of the companies are worried that maybe one day, tomorrow, or next week, their business will be affected by the new sanctions that come out of Washington or from Beijing. So, that concern is always here, ever since the Trump administration's embarked on this series of economic sanctions on China. But I think the hope is that we won't have to worry too much about decoupling, but, as I mentioned, the competition will intensify on one side, and there could be more technology-related businesses that get affected by these moves.

Gabuev. We are starting to receive some questions, and I see that there is a lot of interest in the concept of Free and Open Indo-Pacific, which has become the buzzword, I see a lot of verbal attacks on the concept by the Chinese officials and the Russian officials. The declassified Indo-Pacific strategy of the Trump era, declassified in the early days of this year by Matthew

Pottinger and his boss, for whatever reasons they did that, I think added to the talking points of both Beijing and Moscow saying that Free and Open Indo-Pacific is basically about containing China, it's an anti-China strategy. And here there is a question that, judging by the recent statements of Prime Minister Suga and Foreign Minister Motegi, Japan is going to become more assertive towards China. And the question is whether that's tied to a belief that team Biden will be much more hawkish and focused on China, and that Japan's vision of Free and Open Indo-Pacific will be more aligned with an American vision of Free and Open Indo-Pacific, which is basically mostly about China.

Takahara. When the Japanese are assertive towards China, we are always assertive in a defensive way. We want to defend the status quo. We don't want China to use physical force to change what we have been enjoying in the past – how many years? – 70-something years.

And about the Free and Open Indo-Pacific, please note that there are two aspects of it. It's just like the Belt and Road Initiative having two aspects. One is the strategic aspect of it. It's there, because there is a competition. But also there is a cooperation side of the Free and Open Indo-Pacific, as much as there is the cooperation side of the Belt and Road Initiative. So it's not an exclusive kind of a framework. And you may have noticed that the Japanese version of the Free and Open Indo-Pacific emphasizes the cooperation aspect. So we don't call it the strategy anymore. It's the vision. The Americans, I think, still call it the strategy, and they are emphasizing on that aspect. But you if you look at it carefully, you find that the Chinese leaders have never criticized the Japanese version of the Free and Open Indo-Pacific. So, there is still a possibility of the Belt and Road Initiative and the Free and Open Indo-Pacific coexisting and sharing some projects.

I tend to liken the Belt and Road Initiative to a constellation in the sky. You know, constellations are just concepts. They don't exist. What exists are the stars. The stars are tangible, they are real, they are the projects. So if we can find a project that we can do together, in a third country, that would be a part of our constellation, which is the Free and Open Indo-Pacific, as well as their part of their constellation, which is the Belt and Road Initiative, so I still have hope that we can concentrate on the cooperation side and do something together with the Chinese.

I'm now acting as director of the JICA, the Japan International Cooperation Agency, Ogata Sadako Institute for Peace and Development. And I'm always looking for doing something together with the Chinese. It could be in Africa, it could be in Southeast Asia, but don't forget that aspect, that side of our regional initiatives, both in Japan and in China.

Gabuev. Do you expect any conversions between the Japanese view and the American views? Because I think that I totally agree with you, there was a lot of fretting about Belt and Road around the world, and particularly in the United States. What Japan really did is coming up with something that is an alternative, but also a supplement, the Partnership for Quality Infrastructure. And I think that the message was that, hey, there is really an infrastructure gap in Asia, and we want to fill that gap, and even China's resources are not sufficient to fully close that gap; so here are resources, and here are some standards associated with availability of that resources on part of the Japanese government. And I think that has contributed a lot to the kind of the healthy way of competition which helps to improve the overall state of physical

infrastructure in Asia. So, do you expect team Biden being receptive to that kind of vision and putting money on the table to compete in a healthy way and probably seek some cooperation with China if needed?

Takahara. We could sense some signal when the Quad leaders summit took place. Because the Quad summit didn't talk about military affairs, it talked all about cooperation. So, the United States side has also realized that it's not only about competition. There is cooperation that we need to pursue. Not only bilaterally with China, but we can do things together with China in the regional context.

Gabuev. I see a question from Sergey Radchenko that's super interesting. So, as an historian he is re-reading records of Nakasone's talks with the Chinese leaders in 1984, and "Hu Yaobang and Zhao Ziyang emphasized Japan's central role in China's modernization and promised that China would remain forever grateful for it." So, the question is whether Japan back then, in late 70s and 80s, has misunderstood the direction of China's rise.

Takahara. We should have a long-term perspective on the history of ourselves, of China. And I still believe that China will change. The main argument in the US these days is that China is not going to change, so we have to take a hard-line attitude, policy, towards China and pressure them. Well, pressuring them on certain issues is alright, but I still think that China will change. I mean, the question is... Let's ask ourselves: Hasn't China changed in the past 40 years? Yes, of course, China has changed. The Chinese have changed very much. Well, then what about Xi Jinping? Xi Jinping is going the other way, that's true, but history is a zigzag, isn't it? Xi Jinping is there tightening the party's grip on society because he is worried. He is worried that further modernization will relativize the power of the Chinese Communist Party even more. That's why he's tightening up his control over society. But what's going to happen after Xi? What's going to happen to the transition of power? What's going to happen after the economic downturn of China continues? And it will. And all these questions make us think that China is going to change, in the future.

Gabuev. Okay. Finally we see some Russia–China questions arriving. I think that, obviously, we started this conversation a couple of years back, about the strengthening and deepening of Russia–China partnership; I think, back after Crimea, Ukraine, and Western sanctions, there was this very agitated and visible, highly publicized pivot of Russia towards the East, definitely anchored in deeper strategic relationship with China, that was mocked, written off, ridiculed by bulk of the Western analytical community. Like, people said that there is not much there, that Russia is too afraid, that there is a lot of asymmetry, Russia will never accept the status of a junior partner. And yet we see that over the course of the last seven years the risks that people have talked about didn't materialize, the countries still find their division of labor in Central Asia, although China is definitely becoming more powerful, moving more into the security and domestic politics of the region, not just being an economic actor but also behaving like a security and political actor, increasingly so, but that doesn't cause a big rupture between the two. And then the economic ties are strengthening, and we see a lot of convergence that's obviously built on the kind of joint opposition to the US hegemonism, to use the Sino-Russian term, but also is driven by some structural underlying factors. Is Japan worried about that? Does it figure in Japan's strategic calculations? And what is the strategy to address that?

And I think that the follow-up question: There was a strategy under Abe, it looks like. So, Abe wanted to improve relationship with Russia not only because the decades-old territorial issue, but because of the changing balance of power in Asia, a rising China, and his idea that Russia will need to be more neutral and not fall into China's embrace. So, that informed his Russia policy a lot. Could that change with arrival of team Biden in the US and arrival of team Suga in Tokyo?

Takahara. I think the basic position of ours, the reasons why we want to improve relations with Russia, hasn't changed, they are always there, all sorts of reasons are there, but we also understand the political and economic rationale for Russia and China to get close to each other. And we don't think that those rationale, the reasons why you approach each other, is going to go away in the near future. But at the same time we do understand deep concerns that exist in Russia in particular, I think, about a rise in China. And therefore, as a lot of the experts say here, your relations will develop, but to a certain extent, and that they will not be trustful relationship in the foreseeable future. That's the general understanding that I think many Japanese have about Russia-China relations.

Gabuev. But do you think that it's possible to discuss the Asia dimension of the America's Russia policy with the new team? It's interesting that the US is increasingly seeing Russia as a factor in its global competition with China. It's notable that the Russia portfolio will be overseen at the NSC by Kurt Campbell, the Asia czar. So, Russia and Central Asia are more viewed as part of the balance of powers in the Asia-Pacific rather than solely kind of power in Europe. So, is there a way to discuss all of those issues and arrive at a more coordinated approach that doesn't enforce and stimulate Sino-Russian rapprochement?

Takahara. My personal hope would be that Russia will use Japan, Russia will improve relations with Tokyo as one step towards improving relations with Washington.

Gabuev. Okay. We see a lot of questions on some particular conflicts in the Asia-Pacific. And then there is a renewed discussion about the future of Taiwan. And we see a school of thought that started under Trump, and now still pretty visible in the US debate on strategic security, that Xi wants to accomplish a lot of stuff on his watch, and probably the return of Taiwan is one of them. So, if China doesn't go for an all-out military assault on the island, it's definitely preparing for that, and the buildup of the PLA Navy is figuring that scenario in. So, what will be Japan's stance? And first of all, how much you give currency to that argument that China really is having this kind of invasion option on the table? How realistic is that?

Takahara. I don't really know whether it's on the table, but some people have it under the table, ready, you know. So there are adventurers in China, there are people who become overconfident, and "now we have gotten rid of the Hong Kong issue, Hong Kong is finished, next is Taiwan." And that kind of an attitude does exist among some circles in Beijing. So there is reason to be worried about that. But whether that is something very seriously considered by Xi Jinping at this moment, I have doubts. Because there are a lot more important issues that he has to deal with, including the economic issues that I touched upon. And I don't think he will feel this impulse for taking that risk. Because it's going to be a very risky business if he really made a military assault on Taiwan. People will die, a lot of people will die. And how can he justify that? He cannot justify it by saying that "I'm going to have some achievement during my tenure." So,

unless there is some very big incidents, I mean, move on the part of Taiwan, I don't think he'll be able to find any justification for moving on to the island. That's the sense that I feel.

But the United States is very much concerned about Taiwan now, and coming up with all sorts of measures to deter any adventure on the part of the PLA. But by doing those things, the tension will go up. So it's a very... What's the word? A very difficult situation. We have to be very careful, both sides, or everyone, should be very prudent in his actions around Taiwan.

Gabuev. What about Senkakus? How do you read the position of the new administration and it's stated position that it's committed to the alliance, but also that it doesn't take sides in territorial disputes? Where will Biden sit?

Takahara. I think Biden understands Japan's concerns, a rising concern, I should say, because the pressure is mounting. The Chinese are increasing the boats that they send to Senkaku. So they are playing this game, the Sun Tzu "Art of Warfare", right? They want to win without actually fighting, so they are mounting pressure, hoping that the other side will buckle. But we are not going to give in, so, just the tension will go up, and we'll be more worried, and our alliance with the US is going to be closer. That's the likely result of China's increasing pressure.

Gabuev. Let's switch to India for a second. What's your reading of the reasons why China has stepped up pressure and launched this recent conflict? According to the Chinese narrative, it's definitely India that is to blame, but I think that if you try to zoom out, it looks like the overarching logic for China would be to settle the border with India in Himalayas – which doesn't have that much strategic importance, unless you really want to go to war over a bunch of rocks that do have strategic importance only if you want to go to war with India – and then make India a more friendly, dormant neighbor, participate in India's economic development, make a deal that you are the big provider of infrastructure and development that's also helping you to keep your people in China busy while manufacturing a lot of infrastructure for the Indian market. And it looked like, three years ago, during this six long hours conversation between Modi and Xi, that that's exactly the direction that both leaders want to take. Now it made a U-turn, and judging by my conversation with Indian colleagues, the anti-China consensus is thickening significantly there. So, why did China do that? What's the overarching logic there?

Takahara. I don't have a clear answer to that, because I have no knowledge of policy-making process in Beijing, but you know, last year was the biggest... In 2020, Xi Jinping was facing the biggest predicament in his tenure as the top leader, with COVID-19 hitting China very badly. So there could have been an element of diversionary diplomacy, you know, diverting people's attention to external conflicts. Of course, the Indians and the Vietnamese are always worried about that. And when it happened last year, many Indians must have thought that here they come. Because of the domestic problems that they have.

Gabuev. Got you. We probably have only two minutes left. There is a question on China's high-tech drive to become the leading innovative power, and whether Japan sees that as an opportunity for Japan to be integrated into some value chains, or there is a challenge because it could lead to erosion of Japan's position as one of the most innovative countries in Asia.

Takahara. If there is innovation that we can make use of, why not? A lot of the Japanese firms are moving their labs to China, so we can make use of their talent there. But as we've been discussing, if it's in the militarily sensitive areas, that's another thing. And there must be a lot that we can cooperate, we are still having Chinese students come over to our universities, so I'm not too pessimistic about our collaboration in the technology field.

Gabuev. Well, with that, I think that we need to stop. We could go on and on, I know that for a fact, that happened before. Thank you so much, Professor Takahara, and I hope that we can reconnect at some not too distant point in the future, and hopefully in person.

Takahara. Absolutely.

Gabuev. Thank you so much, everyone, for joining us today. Please stay safe.

Takahara. Thank you. Do svidanya.