



NPI and KAS Co-host Special Seminar on February 20, 2024 Keynote Speech by NPI Chairman Aso Taro “Economic Security: A German Perspective” (Summary)

Aso Taro

Chairman
Nakasone Peace Institute

In the “National Security Strategy” announced in October 2022, the United States positioned China as the only competitor with both the intention to reshape the international order and capacity to do it and placed the highest priority on countering China not only militarily and diplomatically but also economically. Based on this context, economic security is also often discussed in terms of “U.S. versus China.”

However, if the focus of this U.S.-China rivalry is on whether or not to defend the “existing rules-based international order” and a “free, open, prosperous, and secure world,” then, of course, nations other than the United States and China cannot afford to remain indifferent.

If we look at the world today, it is divided into three categories: authoritarian states like China and Russia, countries like Japan where freedom and democracy are fundamental values, and the so-called Global South.

In this context, the coordination among democracies, which are in fact a minority, as well as their coordination and cooperation with the Global South, is an important issue in the pursuit of global stability and prosperity.

From Japan’s point of view, it is essential to coordinate and cooperate not only with the U.S. but also with the EU and Germany, which leads the EU.

In June 2023, the EU published its first “European Economic Security Strategy” as a common framework to ensure economic security.

With proportionality and accuracy as fundamental principles, the framework will promote strengthening the economic infrastructure and competitiveness, increase defenses against risk, and work with the widest possible range of countries to address common concerns and interests.

In addition, in October 2023, the EU formally adopted a regulation known as the Anti-Coercion Instrument (ACI), which allows for countermeasures against “economic coercion” by countries outside the EU region against the EU and its member states.

In Germany, as well, the government formulated and announced its first-ever policy toward China in July 2023. Referring to China’s attempts to reconstruct the existing rules-based international order

and to achieve its political objectives in the international community through the use of economic power, we understand that the policy clearly states that China has changed and that Germany needs to change its approach and change its course.

Whether in the EU or in Germany, the common basic perspective on economic security is not “decoupling,” which means division, but “derisking,” which means risk reduction or risk avoidance.

This is not just a play on words or a paraphrase.

Although the derisking strategy is sometimes understood as the antithesis of harmful policies such as the economic blocs of the past, its specific policy content is basically a combination of “industrial policies to strengthen strategic industries,” “establishment of secure and resilient supply chains,” and “regulations to prevent increased security risks due to technology outflows.” The derisking strategy can be said to be formulated through policy coordination with allies and like-minded countries and by expanding the number of partners with whom to coordinate and cooperate to increase effectiveness.

This basic policy of derisking that emerged from Europe was shared at the G7 Hiroshima Summit in May 2023.

These developments mean that coordination and cooperation among allies and like-minded countries, and outreach to the Global South, are of increasing importance.

In particular, Japan and Germany are both G7 members, and in terms of trade, Germany is Japan’s largest trading partner in the EU, while Japan is Germany’s second largest trading partner in Asia.

According to the International Monetary Fund (IMF), Japan was overtaken by Germany in gross domestic product (GDP) size in FY2023, partly due to recent exchange rate problems, but in any case, the two countries have the third and fourth largest GDPs in the world.

As major powers, the two countries must take on the responsibility of promoting coordination to ensure stability and prosperity for the world as a whole. In the face of the international political and economic reality that we cannot proceed with a free economy alone, I think it is fair to say that how the two countries coordinate with each other in terms of economic security is of great importance to the international community overall.

Well, year 2024 is a year of elections. I am not talking about Japan. The U.S. presidential election will be held in November 2024.

As the world’s number one economy, the United States, whether led by the Democratic Party or Republican Party, is united on its policy toward China.

However, it is undeniable that the extent to which the government will push forward not only its policy toward China but also its broader economic security policies will depend on the outcome of the election.

Already, various assertions are being heard during the election campaign, as you may be aware. Some of them are surprising while others may cause concern due to their potential serious repercussions.

However, from the basic standpoint of derisking in terms of economic security, it is obvious that our coordination, cooperation, and partnership among allies and like-minded countries, including



with the United States, are extremely important and must not be allowed to be disrupted.

I believe that there may come a time in the future when Japan will need to play a coordinating role among allies and like-minded countries in collaboration with the EU and Germany, which leads the EU.

From this perspective as well, I also consider it important for Japan and Germany, as major powers that share the same values, to collaborate and cooperate.