Japan’s New Economic Statecraft

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Japan has been on a run for the last eight years. Former Prime Minister Abe Shinzo, whose two terms in office in 2006–07 and 2012–20 made him the country’s longest-serving prime minister, vowed to reinvigorate Japan after two decades of stagnation, and he made important progress. While he was applauded for his diplomatic activism and for revamping the national security bureaucracy, little attention has been paid to the rise of economic statecraft during his tenure within Japan’s foreign policy and national security calculus, a policy and focus that continues in the Suga administration.

This new emphasis is poorly understood both within Japan and among its diplomatic partners. It has the potential, however, to be as, if not more, important and impactful than Abe’s other changes. It prepares Japan for 21st-century challenges created by the emergence of the digital economy as well as the opportunities and vulnerabilities that are part of ubiquitous and instantaneous connectivity and the great power competition between liberal and illiberal systems that defines this era. And it closely aligns Tokyo and Washington to maximize their capabilities in this struggle.
This article first identifies three factors that have contributed to Japan’s economic statecraft awakening. Second, we outline the restructuring of the Japanese policymaking system that has occurred and explain how these changes are driven by politicians, not the bureaucracy. Third, we provide a framework for understanding these policies by putting them into three categories: fundamentals, defensive measures, and proactive measures. Finally, we offer policy recommendations on how Japan can further increase its economic security with additional policies for each of the categories.

Drivers of Tokyo’s Economic Statecraft

Three factors drive Tokyo’s greater attention to economic statecraft. First is the change in the nature of advanced technologies. Second is the Free and Open Indo-Pacific (FOIP) concept that frames Japan’s foreign policy. Third, and most important, is China’s rise and its increasingly aggressive policies.

Changing Nature of Advanced Technologies

The nature of technology has changed such that the phrase “dual-use technology” now sounds arcane. Many advanced technologies have some sort of military application—or may, even if we don’t recognize it yet—rendering all emerging technology potentially “dual-use” in nature. Many Japanese companies that never considered their business or R&D to have national security implications have begun to realize that this is no longer the case. For instance, the drone swarm technology that allowed 1,824 drones to create the shape of the Earth during the opening ceremony of the Tokyo 2020 Olympic Games can be used by UAVs for combat. There are many other examples, such as 3D printing, biotechnology, or artificial intelligence, that are being researched by Japanese companies that don’t fully realize the technology’s military potential.

“Free and Open Indo-Pacific” Guides Strategy

The geopolitical framework shaping Japan’s economic statecraft is the concept of the Free and Open Indo-Pacific (FOIP). While “economic statecraft” or “economic security” are not explicitly used in discussions of this approach, they are embedded in thinking behind FOIP. Japan is deeply committed to this framework, first articulated by Prime Minister Abe in a 2007 speech to India’s Lok Sabha during his first term in office. In that address, Abe emphasized the respect for democracy that linked Japan and India and insisted that democracy, along with the security of sea lanes, was a cornerstone of regional peace and prosperity.
While he did not call out China by name in the speech, it was plainly the nonde-
mocratic threat to those sea lines of communication that prompted Abe’s remarks.

Abe updated that vision in a 2016 speech to African governments at the Sixth
Tokyo International Conference on African Development (TICAD VI), but its
core components—an expanded geographic space that links the Pacific and
Indian oceans, the promotion of connectivity, and the rule of law—were
unchanged.\(^2\) Japan has been gratified to see other governments, such as the
United States, Australia, India, ASEAN, and major countries from Europe,
adopt its Indo-Pacific framework.\(^3\) Tokyo has been especially pleased to see the
United States recognize the fundamental challenge that China poses to the
regional order and the embrace of FOIP.

The Japanese government worked hard to promote the acceptance of the FOIP
framework even as various countries co-opted the phrase. This resulted in a slight
shift in Tokyo’s messaging: Japanese diplomats blunted its sharper edges—for
example, initially downgrading it from a “strategy” to a “vision” and eventually
even dropping the noun entirely—to diminish opposition among Southeast
Asian governments.\(^4\) There was an uproar in the Japanese policy community fol-
lowing Prime Minister Suga Yoshihide’s use of the phrase “peace and prosperous
Indo-Pacific” at the ASEAN summit in November 2020, which resulted in a
sharp exchange in a hearing at the Committee on Foreign Affairs at the House
of Representatives.\(^5\) His decision to quickly abandon that modification and
revert to the familiar “free and open Indo-Pacific” phrase shows the government’s
commitment to this framework. This is a considerable diplomatic investment
that obliges Japan to walk a tightrope: it must be flexible enough to encourage
other countries to embrace the concept in their particular way without being
so amorphous as to render the strategy meaningless.

**China’s Economy: From Enticing to Threatening**

FOIP, along with Tokyo’s economic statecraft, is intended to address a range of
Chinese misbehaviors, from the hard security challenge posed by Beijing’s terrri-
torial disputes with its neighbors, to the attempt to rewrite regional rules evid-
denced by its island building in the South China Sea, to the attempt to
expand its influence through the multitrillion-dollar Belt and Road Initiative
(BRI), which will be used to change international rules and institutions in
ways that favor Chinese interests.

China’s presence and geopolitical heft cannot be wished away. It is a geo-
ographical neighbor—with which Tokyo has a territorial dispute—as well as a his-
torical rival for regional leadership and a driver of the Japanese economy (a
consideration for every country in the Indo-Pacific region). Japan has interna-
lized this bifurcation for decades, attempting to engage Beijing and moderate
its behavior while simultaneously recognizing that China will not change its

culture or nature and will continue to seek regional pre-eminence.\textsuperscript{6} Tokyo backs a US strategy that confronts Chinese attempts to revise the status quo and supports the great power competition that frames the US National Security Strategy in the Trump and Biden administrations. Most recently, Indo-Pacific Combatant Commander Admiral John Aquilino met with Prime Minister Suga in June 2021, and they both agreed to strongly oppose Chinese unilateral attempts to alter the status quo.\textsuperscript{7}

At the same time, Japan’s economic relationship with China looms large in the minds of Japanese decision-makers. China overtook the United States as the largest purchaser of Japanese exports in 2002.\textsuperscript{8} Moreover, preliminary findings by the Inter-Parliamentary Alliance on China (IPAC) show that, using the Henry Jackson Society Strategic Dependency Index, Japan has “strategic dependence” on China for over 700 imported goods, one of the highest numbers among industrialized countries.\textsuperscript{9} This alarms strategists in Tokyo (and elsewhere) who fear that it gives China leverage over Japan—influence that Beijing used in 2010 when, angered over the arrest of a Chinese fishing boat captain caught by the Coast Guard for fishing in waters near the Senkaku Islands, cut off exports of rare earth materials essential to the production of high-tech products. While the United States regained its position as Japan’s largest export destination in 2019, China remains Japan’s number one trading partner, a position it has held since 2007.\textsuperscript{10} China has also been critically important for the Japanese tourism sector, vying with South Korea for the most annual visitors to Japan.\textsuperscript{11}

These competing structural interests—security concerns pushing Tokyo to take a harder line as economic factors prioritize cooperation—have made it progressively more difficult for Japan to forge a consistent and coherent China strategy as China’s behavior became increasingly aggressive. This lack of a coherent strategy reflects divergent views of China within the ruling Liberal Democratic Party (LDP). Significantly, Secretary General Nikai Toshihiro, a party powerbroker who is close to Prime Minister Suga, favors the softer line. He has opposed various measures that would have been tough on China. Nikai reportedly vigorously opposed the LDP’s resolution calling for the cancellation of Xi Jinping’s state visit to Japan in 2020 following passage of the Hong Kong National Security Law.\textsuperscript{12} On the other side of the spectrum is Amari Akira, former Ministry of Economics, Trade, and Industry (METI) minister who is a member of the “3As” along with former Prime Minister Abe and Deputy Prime Minister Aso Taro. Amari has promoted various economic security measures

Japan has “strategic dependence” on China for over 700 imported goods
that inevitably clash with Chinese interests. These splits are replicated throughout the bureaucracy, with debates occurring in the Ministry of Foreign Affairs (MOFA), METI, and the National Security Secretariat (NSS) attached to the Prime Minister’s Office.

Despite a lack of clear direction, the Japanese government has slowly adopted policies that address concerns about China. In traditional security, the Abe administration modernized Japan’s national security state in its first years, consolidating leadership in the Prime Minister’s Office, increasing resources, and loosening restraints on international security engagement. Abe produced the first-ever National Security Strategy in 2013, created the National Security Secretariat (NSS), reinterpreted Article 9 of the Constitution to allow Japan to exercise the right of collective self-defense in 2014, and pushed his vision of a reinvigorated Japan that would be more assertive on the international stage. Most of those efforts focused on national security as traditionally defined, particularly the operation and use of Japan’s Self-Defense Forces.

A Fundamental Shift to New Security Concerns

In recent years, Japan, like the United States, has awakened to other dimensions of the national security challenge, particularly those that address economic security and high technology. For Tokyo, the most important response was establishing its Economic Division at the NSS, which operates in the Prime Minister’s Office. Previously, there were six NSS divisions—general affairs, intelligence, strategy planning, and three policy planning divisions (one each for a different region)—but none focused on economic statecraft. The preparatory office of the Economic Division was set up with a limited number of personnel in October 2019 to create a seventh division that focuses on economic statecraft and emerging technologies. The division has since grown to a staff of about 20 people following its launch in April 2020, which makes it the largest of the seven NSS units. The FY2021 budget request by the Cabinet Secretariat includes a further increase of four full-time staff at the NSS, all of whom would work in the Economic Division.

The division is providing direction to and coordination throughout the Japanese government, especially divisions that focus on technology and economic security that were recently set up in ministries to accommodate the NSS restructuring. They include the Emerging Security Challenges Division, later renamed the Economic Security Policy Division, at MOFA; the Economic Security Division at METI; and various new positions including the Economic Security Information Planning Officer post at the Ministry of Defense, which will be set up in FY2021.
A similar development is underway in the intelligence community. The Second Foreign Affairs Division of the Public Security Bureau at the Tokyo Metropolitan Police Department used to focus on both China and North Korea. In the first restructuring in almost two decades, the division has been split in two as of April 2021. The new Second Division will not only focus on China, but it will also get an increase in personnel. This change is reportedly prompted by the need to strengthen responses to China’s increasing intelligence-gathering activities, industrial espionage, and other means of illicit technology transfer of high-tech and emerging technologies.\(^1\)\(^4\) The Public Security Intelligence Agency (PSIA) is also creating a new Project Team on economic security issues such as technology and data transfers since February 2021.

This restructuring process has largely been led by politicians, not the bureaucracy. The bureaucratic reorganization had been fast-paced and significant when it began a few years ago, but COVID-19 and political struggles over China policy have slowed down the overall process. The Strategic Headquarters on the Creation of a New International Order—a grandiose title for a function within the LDP Policy Research Council, which is tasked with creating policies and drafting legislation for the LDP—last December published “Recommendations toward Developing Japan’s ‘Economic Security Strategy.’”\(^1\)\(^5\) It includes 16 policies related to economic security such as diversifying and increasing resilience of supply chains, fostering innovation and maintaining technological advantage, and strengthening food security, in addition to many of the initiatives mentioned above.

This awakening among politicians to the importance of economic security is not limited to the LDP. A nonpartisan parliamentary group with members from all major parties (except Komeito, part of the ruling coalition, and the Japan Communist Party) called the Japan Parliamentary Alliance on China (JPAC) was established as a counterpart to the multinational Interparliamentary Alliance on China (IPAC) in July 2020. JPAC has been pushing for the creation of new tools to deal with challenges posed by China, many of which concern economic statecraft. One of their primary initiatives is to create a Japanese version of the Magnitsky Act, which will give the Japanese government a tool to invoke economic sanctions against egregious human rights violations around the world.\(^1\)\(^6\)

The range and intent of these changes have defused complaints that increasing the weight of economic factors in Japanese decision-making is a way to go easier on China. Initially, there was some resistance to the expansion of the NSS, as

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\(^1\) Akira Igata and Brad Glosserman
ministries traditionally associated with national security—Defense and Foreign Affairs—feared a loss of influence or a reordering of priorities. Critics charged that the move would downplay concerns about Chinese behavior to protect business ties; they pointed to the government’s reluctance to postpone Xi Jinping’s scheduled April 2020 visit, the first state visit to Japan by a Chinese president since 2008, as proof. These criticisms have dissipated, and relevant ministries have created their own economic security functions. This shift was partly facilitated by the COVID-19 pandemic, which has made apparent the need for government coordination on economic security issues. In fact, the reorganization is designed to get a better fix on economic threats to Japanese security and fashion a whole-of-government response—not provide excuses to ignore them.

**Japan’s Defensive Economic Statecraft Initiatives**

A priority of Japan’s defensive measures has been preventing technological transfers through people, products, investments, and cyber means. However, it has also engaged in other defensive measures such as reducing dependence on China, limiting foreign land acquisition, and protecting data. The private sector has also begun to follow the government’s lead and address these concerns.

**Preventing Technology Transfers**

Japan’s 2019 Diplomatic Bluebook highlighted the increasing complexity of inter-state competition and the growing role of technologies in determining international status and standing. Japanese officials and analysts have become increasingly alarmed about China’s efforts to acquire technology by any means—both legal and illegal—and Beijing’s Military-Civil Fusion program. Elevated to a national military strategy by President Xi Jinping, this program is systematically reorganizing the country’s science and technology enterprise to ensure that innovations advance both economic and military development. The scope and significance of various Chinese initiatives to acquire technology have forced responses in Tokyo, Washington, and other like-minded capitals.

Japan is responding in a variety of ways. At the political level, in May 2020 the LDP Research Commission on Intellectual Property Strategy of the Policy Research Council recommended a variety of ways to address foreign transfers...
of technology, including reexamination of the visa screening mechanism for foreign students and researchers as well as creation of a qualification system for those working on critical technologies.\textsuperscript{18}

At the bureaucratic level, the Public Security Intelligence Agency (PSIA) created a “Special Webpage for Economic Security” dedicated to providing information on increasing risks of technology and data transfers through videos, handbooks, and news updates for companies, universities, and research institutions.\textsuperscript{19} The Cabinet Office has put forward new policy measures to prevent the transfer of technology, such as requesting researchers to disclose both domestic and foreign funding when applying for government grants and assisting universities and research institutions to improve risk management of their researchers at the Integrated Innovation Strategy Promotion Council.\textsuperscript{20} METI created guidance for Japanese universities to develop policies to control the use and export of nuclear, radar, and other high-level technologies with military uses.

Japan has also intensified scrutiny of investments to stem the outflow of technology. Last year, Tokyo responded to concerns triggered by rising levels of Chinese investment by revising the Foreign Exchange and Foreign Trade Act. The law is designed to ensure that the government can assess investments that threaten national security by lowering the threshold for regulatory approval for foreign investments from ten percent of a company’s shares to one percent.\textsuperscript{21} For companies operating in strategically sensitive industries such as defense, cyber security, and telecommunications, the new regulations require scrutiny of investments that impact corporate governance. Share purchases that exceed one percent of a company’s total voting rights are subject to the law, as are investments that give foreign investors say over the appointment of directors or proposals to sell certain operations.

Japan has also increased cybersecurity efforts to prevent illicit transfers of technology. Cybersecurity regulations are being strengthened to better protect data and prevent hacks: nearly 100 entities, such as the Government Pension Investment Fund and the Japan Atomic Energy Agency, and designated corporations, such as the Japan Pension Service, will be covered.

Reducing Dependence on China

The Japanese government has also begun to reduce the country’s economic dependence on China, without identifying the country by name, with efforts being led by METI. This concern crystallized in the wake of the 2010 rare earths cutoff, an incident that spurred METI to action. It responded with a mix of policies—finding alternative supplier countries, promoting recycling, and funding research for reducing usage or substituting other materials—that
have reduced Japan’s dependence on China from over 80 percent to less than 60 percent in the last decade.²²

METI has also worked to reduce reliance through supply chain diversification and reshoring. Japan has led efforts to create a Supply Chain Resilience Initiative (SCRI), a trilateral grouping with Australia and India to share best practices on supply chain resilience and host events to provide opportunities that could lead to supply chain diversification.²³ It has given government grants on “diversifying supply chains to Southeast Asia.”²⁴ Furthermore, METI has created a “Semiconductor and Digital Industry Strategy” that includes increasing semiconductor supply chain resiliency by building domestic production capacity.²⁵

Limiting Foreign Land Acquisition
Another important change is scrutiny of foreign land acquisition. The Japanese government for years has discussed creating a law that restricts acquisition of land relevant to national security by foreign entities. This conversation began in 2013 after reports of land acquisitions near Self-Defense Forces facilities and critical infrastructure such as airports that were considered by many, including the LDP, to be problematic.²⁶ No progress was made due to concerns from civil society that this law would restrict people’s privacy and property rights. In June 2021, however, Prime Minister Suga successfully passed legislation that allows the government to collect information on ownership and use of land from various ministries and municipalities to give them a better understanding of the problem.²⁷ This is a small but important step toward including sensitive real estate as targets of the new investment screening mechanism, since the Japanese government had until now lacked the ability to even gather facts on ownership of land close to facilities with security implications.

Private Sector Follows the Government’s Lead
Japan’s business sector is beginning to accommodate this new mentality as well. Japanese companies with global reach have been setting up corporate divisions to better incorporate economic security developments into their planning. Most notable is Mitsubishi Electric, which announced in September 2020 the creation of the “Corporate Economic Security Division” in charge of “researching and analyzing the rapidly changing economic security policies and legal systems of countries worldwide.”²⁸ Furthermore, Keizai Doyukai, the Japan Association of Corporate Executives, published a report advocating for establishing a robust economic security in April 2021.²⁹ An institute that trains business personnel on economic security issues—the Economic Security Management Agency—was established in June 2021.³⁰
The private sector has followed the Japanese government’s lead in telecommunications, too. The government banned the use of high-risk vendors in government telecommunications networks and provided incentives for developing secure networks and supporting a “made in Japan” alliance for 5G network infrastructure, equipment, and base stations. Taking cues from the government, Japanese telecom companies have decided not to choose Huawei as a partner for their 5G infrastructure.

Japan’s Proactive Economic Statecraft Initiatives

Japanese diplomacy is often characterized as reactive and passive. However, Japan has recently been much more proactive in the conduct of its foreign policy—and this has been true in the area of economic statecraft as well.

Japan has been taking a proactive role in international rule-making to enhance Japan’s economic security. Abe’s promotion of FOIP is one manifestation of this. He visited over 80 different countries and regions during his second administration. It is unlikely that Suga can maintain that pace, but he will continue to champion international engagement and institution-building, echoing Abe’s insistence that Japan must be a rule maker, not a rule taker.

Critical to advancing the FOIP framework is exploiting opportunities created by the drive to connect that is one of the most powerful forces in the region. Japan has worked closely with ASEAN since the Master Plan on ASEAN Connectivity was announced at the 17th ASEAN Summit in October 2010 to do just that. At the 2019 Japan-ASEAN summit, Prime Minister Abe and his regional counterparts agreed on an approach “connecting the connectivities” that would find synergies among the many initiatives of recent years. The joint statement released at the summit emphasized the use of best practices to ensure sustainable infrastructure development and highlighted the promotion of digital connectivity in general and smart cities (discussed further below) in particular.

When Japan was chair of the G20 in 2019, Abe used the Osaka summit to push a new framework for digital commerce, another increasingly central element of economic statecraft. The Data Free Flow with Trust (DFFT) initiative launched at Osaka is one expression of the Japanese government’s intent to be a rule maker and is part of the drive to shape regional infrastructure by setting standards for those projects. Tokyo, Washington, and Canberra have joined together in the
Blue Dot Network—an initiative to promote quality infrastructure investment by identifying and putting their stamp of approval on quality infrastructure projects in the region. While the initiative has languished since its launch in 2019, it has assumed new vigor in the summer of 2021 after the G7 summit endorsed the project.\(^3^3\)

Suga has built on Abe’s resuscitation of the Trans-Pacific Partnership as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and concluded Asia’s other major trade deal, the Regional Comprehensive Economic Partnership (RCEP). A critical test of Suga’s ability to continue Abe’s legacy and keep Japan at the forefront of international rulemaking will be whether Tokyo seeks to expand the CPTPP—enticing the Biden administration to reconsider US participation and help other like-minded nations become members.

**Moving Further Forward**

Japan has laid the foundation for more forward-leaning economic statecraft and made some successful first steps. Plainly, more should be done. Tokyo should consider the following policies in each of the three categories: strengthening fundamentals, defensive measures, and proactive measures.

**Stronger Fundamentals**

Strengthening the “fundamentals” of economic statecraft—i.e., creating a clear strategic vision, establishing an effective bureaucratic system to implement policies, and having a vibrant economy—is critical for Japan.

*Create an Economic Security Strategy*

A coherent set of policies can only be implemented with a clear strategy. Japan should create an Economic Security Strategy that prioritizes long-term goals and identifies the tools to achieve them. Signs are promising. There have been talks of either creating a full-fledged “Economic Security Strategy” document or including “economic security” as one of three thematic pillars along with “missile defense” and “international rule-making in the post-COVID environment” in Japan’s new National Security Strategy, which is currently under revision.\(^3^4\)

*Strengthen Economic Security Divisions*

While the creation of various economic security divisions across the government has helped, they aren’t enough. Some of the new sections have shown their limits, with many personnel holding concurrent posts and thus not able to focus solely on economic security issues and the heads of these divisions changing quickly. These new bureaucratic divisions need a clarified mandate, increased
personnel, and investments in training to function at a higher capacity. This will give them the ability to step up engagement with their foreign counterparts to increase intelligence sharing and strengthen further cooperation on defensive and proactive economic statecraft.

**Foster Economic Recovery and Innovation**
Economic recovery after the COVID-19 outbreak and fostering innovation more generally are critical. Economic statecraft can only be effective when a country’s economy is strong. Japan should prioritize economic recovery from COVID-19 and foster an environment that encourages innovation to maintain its technological competitiveness for long-term growth.

**Embrace Smart Cities**
Smart cities are another potential boost to a stuttering economy. Smart cities build in information and communication technologies (ICT) to enhance the quality and performance of urban services such as energy, transportation, and utilities to promote efficiency and convenience as well as reduce resource consumption, wastage, and overall costs. Smart cities will transform the way we live, and governments around the world are setting up pilot projects to influence the way they develop and evolve. The standards that govern smart cities—such as how data will be protected and what restrictions are placed on government surveillance—will have profound implications for the way we live. It is estimated that the global smart city market will be worth about US$189.5 billion by 2023, doubling in size in just five years.

The intelligent infrastructure that girds smart cities should be another Japanese priority. The Abe administration first articulated its plans in 2015 with the Fifth Science and Technology Basic Plan. This document identified Society 5.0 as the next phase of human existence—a “world-leading super smart society” that would embrace digital transformation enabled by AI, the Internet of Things (IoT), and blockchain technologies. (Other thinkers and governments have similar plans, often referred to as the “Fourth Industrial Revolution.”) There are over 200 smart-city projects underway across Japan to prepare the country for the wrenching adjustments engendered by an aging, shrinking population—Japan is already the “grayest” nation in the world.

Japan has been working with ASEAN governments to promote their development since 2018. (The United States also launched its smart cities partnership...
with ASEAN in 2018). In 2019, Yokohama hosted the first ASEAN-Japan Smart Cities Network High Level Meeting, which developed plans for cashless payments systems, traffic congestion, and disease surveillance, to name a few of the offerings. The “Super City Initiative” that was adopted in October 2018 and the amendment to the National Strategic Special Zones Law that passed the Diet in May 2020 should make it easier for Japanese cities to embed new technologies in their city planning. Those experiences give Japan an advantage in regional and global efforts to disseminate these models.

**Defensive Economic Statecraft**

China has proven too ready to use economic coercion by exploiting economic dependence. Reducing dependence on supply chains, imports, exports, tourism, and foreign students will weaken Chinese leverage. Democratic countries should assess the extent of their reliance on China in various fields, identify and implement ways to reduce long-term strategic dependence on China, and incentivize the private sector and the public to do so. One effective way to cooperate multilaterally is to compare the list of import and export dependence on China. For instance, if New Zealand depends on China for milk exports and Japan depends on China for milk imports, Japan can buy milk from New Zealand to reduce both countries’ reliance on China.

**Proactive Economic Statecraft**

Japan can take at least three measures to be even more proactive in its economic statecraft.

*Strengthen Japan-US cooperation in economic security*

The United States is the most important ally and partner of Japan. As economic security issues become increasingly central to bilateral discussions, they should not be secondary agenda items. A regular bilateral discussion at the ministerial level analogous to the Japan-US Security Consultative Committee that focuses on economic security—a Japan-US Economic Security Consultative Committee (ESCC)—should be held to share intelligence on economic security issues, seek areas of potential cooperation, and push for multilateral coordination. Equally important are working-level dialogues to make the ESCC happen—regularized meetings that will be held between foreign policy, economic, and intelligence agencies to deepen the alliance.

*Establish an Economic Security Version of the Shangri-La Dialogue*

There are several major multilateral fora focusing on traditional security issues, such as the Shangri-La Dialogue and the Munich Security Conference, but none focus on economic security issues. An annual regional conference that
gathers key policymakers from countries in the Indo-Pacific (and other like-minded countries) tasked with the economic security-related portfolio would connect key individuals, identify issues, and forge solutions.

**Develop Deterrent Economic Statecraft Capabilities**

While many countries are economically dependent on China, China is also dependent on the rest of the world. Japan should work with like-minded countries to identify those areas—supply chains, imports, exports, tourism, and foreign students—for which China needs foreign support or supplies. An example is the most advanced semiconductor manufacturing equipment, for which three countries—Japan, the United States, and the Netherlands—hold the majority of the market. China imports over US$2 trillion of goods annually. It may not be dependent on a single country for certain strategic products, but there are baskets of products that China is dependent on when multiple like-minded countries are bundled together. A strategy that identifies Chinese vulnerabilities and warns of potential countermeasures in the event of Chinese misbehavior could help deter Beijing from resorting to coercive economic statecraft.

**The Way Ahead**

Understanding the importance of Japan’s new economic statecraft is vitally important as US-China competition continues. Every Japanese government of the postwar era has grasped the necessity of stable, productive, and forward-looking relations with regional governments. This imperative has become more pressing with the rise of China and intensified competition with Beijing for regional leadership. Finding the right balance between security concerns and economic factors—like most of the items identified above—will take close coordination with the international community. Japan’s embrace of national economic statecraft creates a rich menu of options and opportunities. Prime Minister Abe laid the foundation for that project during his tenure in office; Suga Yoshihide and his eventual successors will promote, develop, and refine the project as well.

**Notes**

2. Shinzo Abe, “Address by Prime Minister Shinzo Abe at the Opening Session of the Sixth Tokyo International Conference on African Development (TICAD VI),” August 27,


12. “Nikai saido, jimin no ‘shuu shuseki rainichi chuusi’ ketsugian ni mouhanpatsu: ‘Matta’ no kanousei mo [Nikai’s Side Is Vigorously Opposing the Resolution by LDP Requesting for “Cancellation of Xi Jinping’s Visit to Japan”: A Possibility of a “Halt”],” Mainichi Shimbun, July 3, 2021, https://mainichi.jp/articles/20200703/k00/00m/010/331000c. The visit has not materialized for a variety of reasons.

13. For a good overview of Amari Akira’s initiatives, see “Nikai-shi vs. Amari-shi, giren de hibana: doujikaisai, shozoku giinn ‘fumie’ [Mr. Nikai and Mr. Amari Exchange Fireworks over Diet Members’ Groups: Members Are Forced to Make a “Choice” over Events Held...”


38. For further details on Japan-U.S. cooperation in economic security, see Akira Igata and Brad Glosserman, “Japan Is Indispensable Again: The Need for Economic Security Is