

US-Japan Economic Security Policy Implications

An aerial photograph of a large port facility at dusk. The foreground and middle ground are dominated by hundreds of colorful shipping containers (red, blue, green, white) stacked in neat rows on a paved area. In the background, a large cargo ship is docked at a pier, with several yellow gantry cranes positioned along the dock. The city skyline is visible in the distance under a dark, twilight sky.

Photo courtesy: Travel mania / Shutterstock

With the emergence of economic security as a concept in recent years, the US-Japan alliance has entered what is arguably its closest era as both countries increasingly link economics and traditional hard power conceptions of national security. The United States and Japan should continue to emphasize economic security to address shared challenges in the Indo-Pacific driven by a rising China and global risks, such as pandemics and climate change.

The following section details the policy implications contained in each essay:

“Testing the Bond of Shared Economic Security Interests”

Shihoko Goto and Lucas Myers

- The United States and Japan should cooperate in the development of next generation technologies. As predominantly market economies facing an increasingly state interventionist opponent, both countries should foster public-private collaboration. Additionally, the United States and Japan should identify key areas of competitive advantage and leverage the relationship to make mutually beneficial improvements.
- Following success in kickstarting the derisking process for semiconductor supply chains, the alliance’s focus should move to target derisking supply chains for critical minerals, including rare earths, cobalt, and nickel.
- Southeast Asia will be the key region for economic competition with China. Japan has historically been the partner of choice for Southeast Asian countries, while the United States remains the foremost security provider. Considering limits to US economic outreach, primarily on trade, the alliance should leverage its comparative advantages to jointly compete with China in the region.
- US and Japanese visions for economic security envision building upon and improving the post-war economic order. In the Indo-Pacific, the United States and Japan have a real opportunity to leverage their pre-existing relationships, investments, and policy initiatives to jointly engage in order building.

“Evolving US Economic Strategic Approaches to China”

Walter Hudson

- Regardless of whether it adopts a “small yard, high fence” or an “industrial strategy” strategic approach, US economic strategy should be flexible, pragmatic, and adaptable.
- US economic strategy will reflect the vicissitudes of each institution and administration, and it may change or evolve over time depending upon political conditions and the international environment. A strategy is rarely fixed.
- The United States should be cognizant of tensions within its current narratives on US economic strategy. Movements toward a robust “industrial strategy” may strike many observers that the administration is shifting away from its promise to “return to order” toward a more nationalized and even transactional economic modality.
- The convergence of economic interest and national security concerns has not been seen for several decades in the United States. This shift in thinking will have profound implications for how US policymakers approach domestic policy, and how they develop foreign strategy with long-established allies including Japan as well as with authoritarian regimes.

“How Japan Defines Economic Security”

Jun Osawa

- The United States and Japan are increasingly aligned on the need to compete with China in the realm of economic security. For Tokyo, this represents a seismic shift in thinking and embrace of national security considerations. Although challenges remain, both countries should rest assured that they can rely upon each other to secure their economies from China.
- The United States and Japan should strengthen cooperation in the field of cyber defense to protect our key technologies, which are the source of our national strength.

- Both countries should cooperate to protect critical infrastructure, which is the foundation of national security and economic activities, from Chinese cyberattacks.
- Washington and Tokyo should work together to reduce vulnerability to disruption of strategic goods and supply chains.

“Supply Chain Resilience and the Innovation Challenge”

Yasuyuki Todo

- Economic security requires balancing national security needs and economic growth across a wide variety of governments, private sector actors, and stakeholders. Securing supply chains will require Tokyo and Washington to look both at home and abroad.
- Japan and the United States should leverage multilateral frameworks (for example, the G7, IPEF, and SCRI) to invest in friendshoring to diversify supply chains and offset dependence upon China.
- “Knowledge friendshoring” can enhance international research collaboration and accelerate the development of technologies crucial for maintaining a competitive edge.