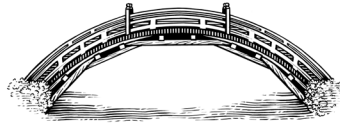


ESSAY SERIES ≈ A U.S.-JAPAN PARTNERSHIP FOR A NEW ERA

# Recasting U.S.-Japan Ties in a New Era of Economic Security

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**KEYWORDS:** U.S.-JAPAN RELATIONS; ECONOMIC SECURITY; TRADE; CHINA

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## EXECUTIVE SUMMARY

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This essay examines the evolution of U.S.-Japan economic relations from competition for global markets to cooperation in staving off the threats confronting the rules-based economic order by focusing on the challenges both countries face from China's weaponization of economic dominance.

### MAIN ARGUMENT

Once the biggest thorn to bilateral relations, trade is no longer the obstacle between Japan and the U.S. that it once was. Instead, shared economic interests not only are bringing Tokyo and Washington together more closely but the two countries are leading the way to coordinate efforts to protect the rules-based liberal economic order and stave off economic coercion from China. But Japan and the U.S. need the support of other countries in Asia, Europe, and beyond to develop an economic security framework that protects the critical technologies of this new economic era and prevents abuse of economic influence. Tokyo's ability to reach across the Indo-Pacific and establish trust in building an economic architecture with new rules of engagement is leading to more equalized relations between Japan and the U.S. and a larger voice for Japan in regional affairs.

### POLICY IMPLICATIONS

- A baseline understanding between Japan and the U.S. regarding what constitutes economic security and what the threats are to protecting growth has been made clear. A slew of bilateral and multilateral initiatives has ensued as a result, but there is significant overlap among them. If the partnerships are to be effective, efforts should be consolidated and streamlined.
- Japan's more realist approach to dealing with the China challenge, whereby values-based diplomacy does not supersede efforts to focus on common interests and shared challenges, resonates in the Indo-Pacific. If the U.S. continues to look to Japan's political and economic leadership, the prospects for engaging more successfully with Southeast Asian states will improve.
- Protecting technologies and cooperation in technology innovation is vital for defense purposes as well as for economic expansion. At the same time, the global economy continues to face significant challenges from the disruptions caused by the Covid-19 pandemic and rising geopolitical risks. A focus on conventional economic concerns, including growth prospects and market access, cannot be sidelined if there is to be effective cooperation between industrialized nations and the global South.

The convergence of economic interests and security concerns is causing a seismic shift in the regional order of the Indo-Pacific and, at the same time, reshaping relations between Japan and the United States. In contrast to security relations between the two countries, which have been close but inherently unequal because of the United States' unshakeable dominance and role as a security guarantor across Asia, Tokyo and Washington are more equally and mutually dependent in confronting economic challenges facing the region. Yet economic competition is no longer the biggest thorn to bilateral relations that it once was.

Though they are the world's largest and third-largest economies, respectively, it has become clear that the United States and Japan need assistance pushing back against the economic coercion and market-disrupting approaches to growth that China is pursuing. Maintaining economic competitiveness while decreasing dependence on China has meant that Japan and the United States must further lean on one another and seek like-minded partners to help confront Beijing. At the same time, the changing nature of economic power itself, as it becomes increasingly defined by technological advancement, has made it imperative both to develop new rules of international engagement and to engage in new partnerships that promote cooperation in the developing technologies that are critical for economic growth and defense.

Tokyo and Washington share similar assessments of the geoeconomic risks facing the Indo-Pacific region and the blurring of economic and security interests. To that end, there are several ways for the partners to engage in further dialogue on their shared economic security interests. Nevertheless, reconciling shared geoeconomic perspectives of the threats facing regional growth and the need for economic cooperation with the need for profitability and satisfying domestic interests raises questions. Progress in bilateral cooperation is not always straightforward.

This essay discusses Japan's and the United States' shared assessments of the blurring lines between economic and security interests in the Indo-Pacific, how both states are managing this new economic environment, and challenges they face in doing so. It is organized as follows:

∞ pp. 228–30 argue that trade now offers a foundation for cooperation between Japan and the United States and with other like-minded states, and that Japan's role as a bridge builder between the United States and Asia is likely to increase. The new Indo-Pacific Framework (IPEF) is one such cooperative effort, although it faces obstacles getting off the ground.

- ≈ pp. 231–33 examine the geoeconomic threat China poses to the international order and how Japan and the United States are responding to this challenge.
- ≈ pp. 233–34 address Tokyo’s prioritization of an economic security strategy, which can strengthen Japan’s facilitator role between the United States and Asian countries.
- ≈ pp. 234–35 describe recent joint initiatives undertaken by the administrations of Japanese prime minister Fumio Kishida and U.S. president Joe Biden to develop a joint strategy to counterbalance China’s economic influence.
- ≈ pp. 236–37 analyze challenges that Japan and the United States must confront as they work together toward reinforcing the liberal international order, particularly the tension between fostering economic security through interventionist trade policy and meeting domestic economic needs.
- ≈ pp. 237–38 offer a conclusion.

#### TRADE IS NO LONGER A HURDLE BUT AN IMPETUS FOR COOPERATION

There are several certainties in the current status of U.S.-Japan economic relations, not least the fact that trade is no longer the source of conflict and rivalry that it once was. Rather, trade has become a means for economic diplomacy and an opportunity to expand the network of like-minded partners across the Indo-Pacific, especially given that a more comprehensive economic union in the region is unlikely.

That has certainly been Tokyo’s assessment of trade relations. Soon after becoming prime minister for the second time in 2013, Shinzo Abe announced Japan’s formal application to join the Trans-Pacific Partnership (TPP) agreement. In declaring Japan’s intent to become a member of the most ambitious trade deal to date, Abe outlined the apparent economic merits of joining a high-standards agreement. But more significantly, he emphasized the strategic value of the pact in securing Japan’s longer-term economic competitiveness and ensuring the country’s relevance amid the rapidly changing realities of the 21st century.<sup>1</sup>

Over the past decade, traditional sources of trade conflict, such as market access and tariff reductions, have decreased in significance for advanced economies in particular. As such, while Tokyo may have established itself as a

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<sup>1</sup> “Press Conference by Prime Minister Shinzo Abe,” Prime Minister of Japan and His Cabinet, March 15, 2013. ≈ [https://japan.kantei.go.jp/96\\_abe/statement/201303/15kaiken\\_e.html](https://japan.kantei.go.jp/96_abe/statement/201303/15kaiken_e.html).

key player—perhaps even the leader—in promoting fair trade and multilateral frameworks, it is no longer enough for Japan to be the regional economic leader Abe had envisioned ten years ago. The upside, of course, is that when it comes to bilateral relations between Japan and the United States, there is a growing convergence, at least at first blush, about economic interests as they intertwine ever more closely with security concerns.

In Tokyo's eyes, the IPEF launched by the Biden administration has become a case study in promoting economic security couched in the language of trade.<sup>2</sup> Ever since the Trump administration withdrew from the TPP in 2017, Japan has consistently called for the United States to join the agreement's successor, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), to strengthen the regional economic architecture, which in turn would further the trade pact's standing as an economic counterbalance to China's growing influence.

Biden announced the launch of the IPEF from Tokyo in May 2022—the first major economic strategy for the region from his administration.<sup>3</sup> The framework outlines four pillars focused on digital trade, energy sustainability, supply chain resilience, and anti-corruption. The advantage of the IPEF is that it does not require congressional approval, so whatever commitments are made can be adopted quickly without political maneuvering.<sup>4</sup> However, the IPEF faces headwinds. For one, the fourteen involved countries agreed in May to “launch the process” for considering the IPEF, rather than declaring outright that they would join the framework.<sup>5</sup> The IPEF is unlikely to quickly induce a wide range of countries at various stages of development to follow common guidelines on critical issues such as technology supply chain cooperation. For example, though the IPEF identifies several key issues that fall outside the auspices of the CPTPP—most notably, supply chain resilience and digital trade—the possibility of either of those issues making any significant practical headway any time soon under the IPEF is not high. Moreover, with Japan and the United States already in talks to further supply chain resiliency, the two countries are likely to find it

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<sup>2</sup> Author's conversations with Japanese government officials, 2022.

<sup>3</sup> “Fact Sheet: In Asia, President Biden and a Dozen Indo-Pacific Partners Launch the Indo-Pacific Economic Framework for Prosperity,” White House, Press Release, May 23, 2022 ~ <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/23/fact-sheet-in-asia-president-biden-and-a-dozen-indo-pacific-partners-launch-the-indo-pacific-economic-framework-for-prosperity>.

<sup>4</sup> Brock R. Williams, Rachel F. Fefer, and Mark E. Manyin, “Biden Administration Plans for an Indo-Pacific Economic Framework,” Congressional Research Service, CRS Insight, IN11814, February 25, 2022 ~ <https://crsreports.congress.gov/product/pdf/IN/IN11814>.

<sup>5</sup> “Statement on Indo-Pacific Economic Framework for Prosperity,” White House, Press Release, May 23, 2022 ~ <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/23/statement-on-indo-pacific-economic-framework-for-prosperity>.

easier to focus on specific, targeted concerns through their bilateral economic dialogue rather than trying to seek a consensus among all countries that sign onto the deal.

The actual economic significance of the IPEF in the longer term is thus still questionable, even as it addresses critical issues regarding economic security. That India is willing to consider joining the U.S.-led framework despite rejecting the Regional Comprehensive Economic Partnership (RCEP) agreement that New Delhi was instrumental in shaping gives pause about how potential members are viewing the depth of the latest network effort to bring regional partners together in a common economic grouping. It is unlikely that the Modi government would have been swayed to participate in the IPEF if it had determined the framework could jeopardize India's domestic industries. This in turn leads to the question of just how much the IPEF will be able to accomplish.

One of the most noteworthy developments of the IPEF, however, has been Japan's expanding role as a bridge builder. Though the framework is an initiative of the Biden administration, success in gaining the participation of seven members of the ten Association of Southeast Asian Nations (ASEAN) was made possible with Tokyo's commitment to encourage participation. Despite the IPEF not offering market access to the United States, Japan played an important role in ensuring an unexpectedly large number of countries to consider the launch of the framework. This recruitment success is testimony to Japan's growing influence and reputation as a regional stabilizer, which has been developing since the Abe administration.

Nevertheless, Japan's leadership on promoting trade multilateralism is largely a role that Tokyo has fallen into as a result of U.S. retreat rather than a deliberate strategy, at least initially. Granted, expectations for Tokyo to step up even further are increasing, especially given its success in expanding the CPTPP and bringing that agreement to fruition. Wariness persists about whether there is bipartisan appetite in the United States to remain a committed Pacific power and continue supporting existing frameworks and principles beyond the Biden administration. This state of affairs only increases the role that Japan would play in keeping the region together in the face of emerging risks.

Japan's deftness in responding to the needs of partner countries in the Indo-Pacific while ensuring that Washington continues to focus on the region regardless of domestic party politics is especially needed in confronting overarching concerns such as rising competition and conflict with China. Such concern about China is leading to both a reassessment of economic policies to ensure continued growth and a reimagining of partnerships in light of the new economic security risks.



## CONFRONTING THE CHINA THREAT

There is a great deal of circumspection globally about shifts in the geopolitical realities of the region and China's moves to destabilize the existing economic systems that have been critical for the prosperity of Asia. Following their latest summit meetings, the G-7 and NATO publicly stated their concerns about the threat China poses to the international order, which Japan and the United States have also voiced repeatedly in recent years.<sup>6</sup> Gone are expectations that Beijing will align with the prevailing regional order and rules of economic engagement; Beijing's strategy now is to leverage greater global dependence on Chinese goods and capital.

Japan was one of the first countries to be confronted with Chinese economic coercion. China's decision to ban the export of rare earths to Japan in 2010 in retaliation over a fishing trawler dispute made Tokyo aware of just how dependent the country had become on importing materials critical for key technologies from China. Since then, other countries also have experienced Beijing's strategy to weaponize global dependence on Chinese producers and markets. South Korea, for example, faced China's wrath after Seoul announced its decision in 2016 to deploy the U.S. Terminal High Altitude Area Defense missile system on its soil. China viewed this deployment as a threat to its security and in turn responded with an array of informal economic sanctions, ranging from boycotting South Korean goods to restricting travel, which pummeled the South Korean economy.<sup>7</sup> More recently, Australia met with Chinese economic coercion and a rapid downward spiral of bilateral relations when Canberra called for an international inquiry into the origins of Covid-19 and Beijing responded by imposing sanctions on Australian commodities and products.<sup>8</sup>

Yet weaponization of its economic influence is now backfiring for Beijing. By taking punitive actions against governments that have "wronged" China, Beijing has fostered greater unity among industrialized nations interested in confronting China's violations of the rules of international law, including

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<sup>6</sup> "G7 Leaders' Communiqué," European Council, Press Release, June 28, 2022, 16–17  <https://www.consilium.europa.eu/en/press/press-releases/2022/06/28/g7-leaders-communication>; and "Madrid Summit Declaration," NATO, Press Release, June 29, 2022  [https://www.nato.int/cps/en/natohq/official\\_texts\\_196951.htm](https://www.nato.int/cps/en/natohq/official_texts_196951.htm).

<sup>7</sup> Victoria Kim, "When China and U.S. Spar, It's South Korea That Gets Punched," *Los Angeles Times*, November 20, 2022  <https://www.latimes.com/world-nation/story/2020-11-19/south-korea-china-beijing-economy-thaad-missile-interceptor>.

<sup>8</sup> See "Timeline: The Downward Spiral of China-Australia Relations," *Geopolitical Monitor*, January 23, 2022  <https://www.geopoliticalmonitor.com/timeline-the-downward-spiral-of-china-australia-relations>.

growing calls for a concerted, coordinated effort to push back. Even as the world's largest and third-largest economies, respectively, the United States and Japan recognize that they cannot stave off Chinese malfeasance and threats on their own. Tokyo and Washington under the Biden administration are well aware that they are stronger together and more effective in garnering support from other like-minded countries, especially among Western democracies.<sup>9</sup>

Within the Indo-Pacific, however, there is a more nuanced approach to dealing with the China challenge, given both the overwhelming importance of trade relations with Beijing and the broad security threat that China poses as Asia's regional hegemon. At the same time, there is a growing trend for countries to second-guess and self-censor actions that may antagonize China. Japan actually straddles both camps—it finds itself in line with the United States and Europe in pressing for a more assertive stance against China but is also well aware of the needs of the so-called middle powers of the Indo-Pacific that have benefited from U.S. rules and commitments in the past yet often see as much to be gained from China in the future. In the case of IPEF membership, for instance, Tokyo was particularly sensitive to the fact that had Taiwan been included as a member, it would have kept most ASEAN countries away, given that being part of a deal that includes Taiwan would risk backlash from China.<sup>10</sup> The need to balance competition and economic relations with China, and to ensure the development of a network of partners and allies, is taking on greater urgency, especially for economic security.

Certainly, the disruptions caused by the Covid-19 pandemic and Russia's invasion of Ukraine have made all too obvious some inherent weaknesses in the global economy. The need to wean off dependence on China for critical supplies was already evident before the arrival of Covid-19, but the pandemic made that necessity more obvious. Beijing, too, is increasingly aware of China's own need to become resilient to international pressure. The leadership's pursuit of a dual circulation strategy has assumed a higher priority, as China looks to become more self-sufficient economically, on the one hand, and to

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<sup>9</sup> See, for example, Ju-min Park and David Brunnstrom, "Japan and U.S. Vow More Defence Cooperation to Counter Chinese Threat," Reuters, January 7, 2022 ≈ <https://www.reuters.com/world/asia-pacific/us-japan-launch-new-defense-research-development-agreement-2022-01-06>; and David Dolan and Yukiko Toyoda, "U.S. and Japan Pursue Commercial Diplomacy to Counter China, Envoy to Tokyo Says," Reuters, August 1, 2022 ≈ <https://www.reuters.com/world/us-japan-pursue-commercial-diplomacy-counter-china-envoy-tokyo-says-2022-08-01>.

<sup>10</sup> Author's conversations with Japanese government officials.



further the dependence of emerging markets and the global South on Chinese technology and economic networks, on the other.<sup>11</sup>


For Japan and the United States, longer-term resilience means not only decreasing dependence on China but also developing their own network for technology cooperation and supply chain management that is independent of China and thus free from its economic coercion. As seen in the bywords being used by officials such as “nearshoring” and “friendshoring,” the need for trust among partner governments is more important than ever.

### SUPPORT FOR TOKYO’S ECONOMIC SECURITY STRATEGY

Far from being perceived as a threat to regional security, Japan’s efforts to meet the China challenge, such as boosting protection of critical technologies, working more closely with like-minded countries, and increasing its defense capabilities, have been largely welcomed by the United States. Indeed, the Kishida administration’s appointment of an economic security minister, former finance ministry official Takayuki Kobayashi, in October 2021 was lauded as a step forward to address long-standing U.S. concerns regarding Japan’s approach to technology and data security. In early May 2022, Japan moved forward with new economic security legislation, which was approved by the Diet. The goal of the legislation is to prepare Japan to meet the shifting realities and threats of the Indo-Pacific region by focusing on four key areas: securing supply chains, bolstering the security of strategic infrastructure, promoting innovation and development of key technologies that contribute to security, and enhancing the patent system to ensure that critical technologies are protected.<sup>12</sup>

Critics have argued that Tokyo should have focused first and foremost on developing a broader national defense strategy, which is expected to be released by the end of the year, and then drafted economic security legislation as part of that defense roadmap. But the fact that economic security has taken precedence is an indication of how Tokyo views its future in a volatile region: not only is a strong economy vital, but the blurring of economic and security concerns is redefining the role that advanced technologies and the private sector play in furthering national interests.

<sup>11</sup> “Dual Circulation: Opportunities in China’s New Paradigm,” Black Rock  <https://www.blackrock.com/uk/professionals/solutions/china-dual-circulation>.

<sup>12</sup> “Japan Diet Passes Economic Security Bill amid Russia, China Worries,” *Kyodo News*, May 11, 2022  <https://english.kyodonews.net/news/2022/05/0cf3d98ac761-japan-diet-passes-economic-security-bill-amid-russia-china-worries.html>.

With the risks plainer of depending excessively on China and countries that could weaponize their economic advantage, the United States and Japan recognize the need for developing technology spheres that are less dependent on, if not completely independent of, China. The production of semiconductors, critical minerals, advanced batteries, and pharmaceuticals among dependably friendly states is an interest shared by Washington and Tokyo, given that those key industries will increasingly define power in the Indo-Pacific and beyond. Both governments also see the opportunity to cooperate to establish rules in critical sectors that are observed by like-minded countries in Europe and in Asia. Given Japan's recent successes in acting as a bridge builder to bring governments together under a common economic agenda, Washington will be relying more on Tokyo to take on that role and expand areas of technology cooperation and alignment of economic interests down the line.

The challenge, though, as will be discussed in more detail later in the essay, is balancing the need to decrease dependence on China and promote greater technological compatibility among trusted partner countries with the need to ensure innovation as well as profitability in the private sector.

#### NO LACK OF OPPORTUNITIES TO DISCUSS SHARED CONCERNS

For now, Japan and the United States find themselves in a similar position when it comes to economic security. The once-bitter economic rivals are no longer as focused on market access or on tariff reductions as they were in decades past. The appetite in Tokyo and Washington to coordinate efforts in meeting the new challenges of economic security is apparent with the emergence of an array of bilateral and multilateral mechanisms.

In April 2021, following the first summit meeting between President Biden and then prime minister Yoshihide Suga, the two governments launched the Competitiveness and Resilience (CoRe) Partnership, which has set the tone for joint work on economic security since the Covid-19 pandemic. Key goals are to advance innovation, strengthen competitiveness, support global health and pandemic readiness, and combat the climate crisis, all while enhancing people-to-people ties between the two countries.<sup>13</sup> The CoRe Partnership has developed into a framework for cooperation on specific

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<sup>13</sup> "U.S.-Japan Competitiveness and Resilience (CoRe) Partnership," White House, Fact Sheet, April 16, 2021 ≈ <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/16/fact-sheet-u-s-japan-competitiveness-and-resilience-core-partnership>.

technology interests, providing a roadmap for the two sides to work together on digital security and advancing 5G networks through Open Radio Access Network (O-RAN) technology. Moreover, the partnership is expanding to other relationships across the Indo-Pacific, including with the Pacific Islands, most notably through investments in underwater telecommunications cables. For example, the United States, Japan, and Australia are jointly funding the construction of an undersea cable to boost internet access in Nauru, Kiribati, and the Federated States of Micronesia. This project comes at a time when competition with China is heating up to build cables and develop internet infrastructure for developing countries.<sup>14</sup> Biden's meeting with Kishida in May 2022 highlighted progress in the CoRe Partnership and the role it plays in cybersecurity as well as in critical infrastructure resilience.<sup>15</sup>

The CoRe Partnership has led to the formation of the Japan-U.S. Commercial and Industrial Partnership (JUCIP), which brings together the U.S. Commerce Department and Japan's Ministry of Economy, Trade and Industry to promote investment and cooperation between the two countries' private sectors on advanced technologies, most notably semiconductors and telecommunications networks. Together, CoRe and JUCIP have provided the foundation for the U.S.-Japan Economic Policy Consultative Committee, an economic 2+2 dialogue between the U.S. secretaries of state and commerce and their Japanese counterparts in the Ministry of Foreign Affairs and Ministry of Economy, Trade and Industry that combines diplomacy, security, and the economy. The committee's July 2022 meeting addressed shared issues such as supply chain resilience, the digital economy, and export controls as well as countering economic coercion and dealing with the structural challenges posed by the threat of an increasingly aggressive China.<sup>16</sup>

There is no shortage of ways for the two countries to engage in in-depth discussion on issues of mutual concern regarding economic security. Nevertheless, the proliferation of mechanisms to promote the exchange of views has not always led to greater reassurance about either competing with China or providing greater economic stability.

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<sup>14</sup> "U.S., Australia and Japan to Fund Undersea Cable in the Pacific," Reuters, December 11, 2021 ~ <https://www.voanews.com/a/us-australia-and-japan-to-fund-undersea-cable-in-the-pacific/6350792.html>.

<sup>15</sup> "U.S.-Japan Competitiveness and Resilience (CoRe) Partnership."

<sup>16</sup> "Japan-U.S. Economic Policy Consultative Committee Meeting (the Economic '2+2')." Ministry of Foreign Affairs (Japan), July 29, 2022 ~ [https://www.mofa.go.jp/na/na2/us/page6e\\_000296.html](https://www.mofa.go.jp/na/na2/us/page6e_000296.html).

RECONCILING DOMESTIC GROWTH AND  
FOREIGN POLICY OBJECTIVES

It is clear in the current international environment that economic security is national security. Without resilience to economic disruption, protection of the industrial base, and innovation of new technologies, the prospects for growth and stability are jeopardized. Moreover, the United States and Japan are hardly alone in reaching this conclusion. China has likewise stepped up its own efforts toward domestic resilience, including through its dual circulation strategy.

Rather than simply responding to China's economic strategy, the United States and Japan are beginning to go on the offense and develop their own strategy to counterbalance Beijing's dual circulation approach. There are, however, several challenges facing bilateral cooperation as the two countries look to move forward on their shared assessment of the risks.

For one, the divide between the two countries on how they assess the China threat still persists. Indeed, it is precisely because Tokyo has a more pragmatic approach to dealing with Beijing that Japan is more adept at playing a bridge builder. This role is especially important as Tokyo helps Washington boost relations with key ASEAN nations at the same time as the Southeast Asian states navigate how to work with China as the region's established economic hegemon and a military presence. The prospect of being cut off entirely from the Chinese technology sphere is neither easy nor desired within the Indo-Pacific.

Another challenge is the risk posed by the United States itself: its commitment to the economic frameworks that it has proposed. While the Biden administration has put forward the IPEF as a means to rally regional support for its economic security vision—one that would unite the region's like-minded partners—whether the framework will be supported or further developed by Biden's successor remains up in the air. There is still a wariness for many countries in negotiating with the United States after Washington failed to sign on to the TPP when a new administration took office even though the United States had been the driving force for the deal.

The proliferation of mechanisms and initiatives for economic security issues can be a liability as well. Too many options and venues for collaboration can at times lead to shallow cooperation and to governments spreading themselves thin instead of deepening and focusing their efforts. It is clear that both Tokyo and Washington are prioritizing economic security to meet the shifts in the Indo-Pacific's geoeconomic landscape, and the broad scope of issues at stake requires a far larger number of interest groups to be involved.

Beyond defining the challenges and economic security threats ahead, however, there has been a lack of clarity on how a roadmap for a way forward should look. As the economic and security realities of the Indo-Pacific and beyond evolve rapidly, the time may have come to streamline structures and mechanisms that are more about adhering to tradition than addressing the needs of the future.

Additionally, there are questions about collaborations based on trust. If the goal of economic security initiatives is to strengthen trust and technological interoperability between countries, then the United States and Japan must be more proactive in engaging with potential partners specifically on economic security issues, even at the current conceptualization stage, to ensure these states' buy-in and commitment down the line.

Another challenge is addressing domestic economic needs while focusing on security risks posed by the shifts in the Indo-Pacific. To be sure, compatibility and interoperability of technologies will be a prerequisite for economic advancement moving forward. At the same time, the prominence of technology should also jump-start innovation and development of new opportunities for growth. The fear, however, is that, rather than lead to new channels for economic expansion, an excessive focus on economic security will encourage protectionism and support companies that are not competitive. The risk of a new protectionist industrial policy emerging is significant as governments identify sectors deemed critical for economic security. Such a policy in turn could be leveraged by companies that are not necessarily competitive without subsidies and would claim to need taxpayers' support in the name of national interest. The risks of this interventionist industrial policy also include focusing government funding too narrowly and investing in technologies that could become regressive or obsolete. In short, there is a fine line in balancing the need to promote economic security while encouraging domestic innovation and risk-taking at the same time.

## CONCLUSION

The economic and geopolitical threats posed to the international order by the rise of China provide an unprecedented opportunity for Japan and the United States to work together to develop new economic and diplomatic frameworks. The priority, of course, will be to decrease dependence on Beijing and develop an economic system that can withstand economic coercion from authoritarian regimes. At the same time, the focus on economic security also provides an impetus to invest in new critical technologies and commit

resources to spur innovation. This focus can further the role of technology in bringing like-minded nations in the Indo-Pacific together. Currently, both Tokyo and Washington are in alignment in their assessments of the economic and security risks facing the world's most economically dynamic region. Amid wariness about aggression by China, this is clearly an opportunity for the world's largest and third-largest economies to lead the way in developing an economic framework that would decrease vulnerabilities to economic coercion by China or others. Still, the United States and Japan must go beyond rhetoric and do more than share a common risk assessment. Their goal should be to develop a roadmap that increases economic resilience across the Indo-Pacific without stifling innovation and that accommodates the competition that is critical for longer-term growth. ◆