

Japan's Geoeconomic Strategy: Legislative and Security Architecture

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Introduction

Contemporary conduct of international relations is fiercely dominated by a geoeconomic strategy. Geoeconomic strategy can be understood as an umbrella for the strategic use of economic instruments to advance national interests and shape beneficial geopolitical outcomes. Though the term 'Geoeconomic Strategy' was originally coined by Edward Luttwak¹ after the Cold War, the strategy has become a key element of current statecraft amid the weakening of international organisations, such as the Bretton Woods system. With the operationalisation of this geoeconomic strategy, countries are now actively focusing on global financial systems, industrial/trade laws, and asymmetric commercial dependencies to reshape the international balance of power.²

In recent times, Japan's measures to become a proactive architect of economic security represent its response to global economic disturbances and exposed supply chain vulnerabilities. This article, then, examines Japan's stance towards its geoeconomic strategy as a fundamental re-conceptualisation of economic interdependence with security interests – seen as a national strategy – articulated through legislative and security architecture.

In the aftermath of the Second World War, Japan's approach to international economic relations rested heavily on the foundational premise that its economic security and supply chains were secured through its participation in multilateral trading organisations. However, with the weakening of the Bretton Woods Institutions and the rise of protectionist trade policies, Japan shifted towards adopting a grand geoeconomic strategy. And through this contemporary geoeconomic strategy, Japan is pushing for a normative architecture to govern the global flow of goods and safeguard its national prosperity and security.

This new approach by Japan to its geoeconomic strategy is highly significant, as it constitutes a coherent, still-evolving, though well-suited, grand-strategy for navigating the structural economic pressures and constraints amid the United States (US)-China rivalry. In that vein, Japan's geoeconomic strategy offers valuable lessons for India by demonstrating how economic openness can be balanced with national security through resilience, technological competitiveness, and institutional safeguards, without resorting to economic decoupling.

Determinants of Japan's Geoeconomic Strategy

Japan's structural dependence on the stability of global supply chains for its domestic needs is the fundamental driver of Japan's geoeconomic strategy. Japan's food and energy supply channels rely heavily on open shipping lanes. Statistically, Japan's food self-sufficiency is 38 per cent, and its energy self-sufficiency presents a more dipping figure of a mere 12 per cent. These figures represent Japan as a country structurally

dependent on the stability of global supply chains.³ The Sino-American strategic competition further exacerbated Japan's vulnerabilities. Other factors include the COVID-19 pandemic's supply chain disruptions, Russia's invasion of Ukraine, and the Hormuz crisis. However, it must be noted that these dependencies were manageable as long as the World Trade Organization (WTO) and other global forums remained functional.

Regardless, any disruption to maritime chokepoints poses an immediate threat to Japan's domestic stability. This vulnerability explains Japan's pioneering move to enact the Economic Security Promotion Act (ESPA) laws.

In fact, this weaponisation of economic interdependence has fundamentally altered Japan's strategic calculus. Japan's geoeconomic strategy also has a regional security element. It includes China's military rise, activities around the Senkaku Islands, Taiwan Strait tensions, and North Korea's missile program. As a result, Japan regards economic resilience as a vital element of its national security and overall national power.

Japan's response to the weaponisation of economic interdependence presents a unique case. It bears a different characteristic, distinct from the American or Chinese strategies, neither massive economic decoupling nor the passive accommodation of China's economic postures. Professor Kazuto Suzuki, in his interview 'Japan's Approach to Economic Security amid Global Challenges', explains Japan's geoeconomic approach as focused on defensive resilience, building strategic autonomy, and crafting Japan's indispensability in the new-age statecraft.⁴ Pointing out Japan's geoeconomic strategy as a distinctively Japanese approach to 'Geoeconomics', he explains it as the study of how nations wield the economy as a weapon and the power this architecture confers.⁵

The Legislative Architecture: The Economic Security Promotion Act

The Economic Security Promotion Act (ESPA) in 2022 is the legislative centrepiece of Japan's geoeconomic strategy. The Cabinet Office of Japan has noted ESPA as a legislative framework to safeguard the country's economy against geopolitical coercion and supply-chain vulnerabilities.⁶ Subsequently, Prime Minister Sanae Takaichi facilitated an amendment to the ESPA Act in 2025.

The revised ESPA Act encompasses five core operational objectives. The 'First' is supporting the overseas operations of Japanese companies in strategic sectors such as shipbuilding and telecommunications. The amendment also revises the rules governing the Japan Bank for International Cooperation (JBIC), thus allowing it to make subordinated investments to de-risk global operations for Japanese companies. The 'Second' objective of ESPA is to enhance data protection. Japan has recognised data as a central battleground for national security and has called for stricter controls to prevent sensitive data leakage, particularly biological, genomic, and cyber data, through revisions to the ESPA Act.⁷

The 'Third' objective of ESPA is to ensure Supply Chain Resilience in Services and Undersea Cables. The original 2022 law focused solely on physical goods, such as semiconductors; however, the revision expands this to include services that are crucial to a stable supply chain. This structural update covers vulnerable maritime architecture, directly integrating the physical protection and maintenance of undersea fibre-optic cable networks under the law's protective umbrella. The 'fourth' and the 'fifth' objectives are expanding the designation of critical infrastructure sectors to include healthcare and establishing a dedicated economic security think tank under the National Security Secretariat, respectively.⁸

ESPA signifies a shift from Japan's post-WW2 belief that economic interdependence ensures stability. Through the legislative architecture of ESPA, Japan recognises that supply chains, technology, data, and infrastructure can be exploited in geopolitical competition; thus, this Act embeds economic security as a permanent component of Japan's national security strategy. Also, the amended ESPA reflects a detailed sectoral assessment of Japan's vulnerability rather than just marking an ideological shift.⁹ The ESPA approach has also been reiterated by Shiro Armstrong of the Research Institute of Economy, Trade and Industry (RIETI). RIETI characterises Japan's policy for insurance or de-risking, though, as expensive but necessary hedges against economic vulnerabilities.¹⁰

Strategic Autonomy and Indispensability

Japan's geoeconomic strategy is designed on the principles of 'Strategic Autonomy' and 'Strategic Indispensability', and is foundational to Japan's economic philosophy.¹¹ However, in contrast to the domestic ESPA's granular approach, the broader Japanese economic philosophy focuses on identifying specific choke points in global supply chains. The 'strategic autonomy and indispensability' model of Japan's geoeconomic strategy focuses on making Japanese technological capabilities irreplaceable by controlling specific chokepoints, while simultaneously reducing reliance on any single foreign actor.¹²

Japan's semiconductor strategy perfectly reflects strategic indispensability and autonomy. Instead of attempting to replicate Taiwan's semiconductor manufacturing capabilities, Japan has focused its investment on advanced raw materials and production equipment. Japanese firms command a great share of the global market in critical segments, including silicon wafers (over 50 per cent), photoresists (50 per cent), and semiconductor coaters/developers (around 88 per cent).¹³ This is in coherence with Japan's supply chain security. Professor Suzuki explains it as the best approach for goods that depend on a global division of labour in Japan, as it allows Japan to become indispensable by controlling a choke point and specialising in areas of international competitiveness.¹⁴

This approach provides significant leverage, minimises costs and competition with larger economies, and strengthens its position within allied technological and economic networks. It is noteworthy that strategic autonomy and indispensability also

command Japan's economic model for artificial intelligence and quantum computing. In the domain of artificial intelligence, which the US and China dominate, Japan aims to develop sufficient autonomous capabilities to avoid technological vassalage. In the domain of quantum computing, Japan sees an opportunity to establish strategic indispensability by advancing research ahead of commercialisation.¹⁵

Lessons for India

Japan's geoeconomic strategy offers several lessons for India. First, economic security requires a dedicated legislative and institutional framework rather than fragmented sectoral policies. Second, strategic autonomy can be enhanced not merely through self-reliance but by achieving indispensability in critical technologies and supply chains. Third, resilient supply chains require close coordination between government, industry, academia, and financial institutions. Finally, economic security should be viewed as a component of national security planning rather than solely an economic policy concern. India's initiatives in semiconductors, critical minerals, digital infrastructure, and defence manufacturing could benefit from a similarly integrated approach that combines resilience, innovation, and strategic competitiveness.

Conclusion: Japan's Distinctive Geoeconomic Model

Japan's economic security strategy represents an evolving economic response to the contemporary structural pressures of a multipolar, technologically contested, and institutionally fragile international order. The recent amendment and extension of ESPA establishes Japan's geoeconomic strategy as a blend of philosophy, strategy and key concerns.

Philosophically, Japan's geoeconomic strategy integrates defensive and offensive economic calculations, such as supply chain diversification, critical infrastructure protection, and technology controls. The principles of strategic autonomy and indispensability govern Japan's geoeconomic apparatus.

Japan's economic strategy, rooted in its legislative and philosophical architecture of autonomy and independence, is a marker of Japan's consequential strategic choice to remain open and integrated while building institutional and technological buffers to sustain open trade in an era of systemic competition. It highlights that economic security involves not only mitigating vulnerabilities but also generating strategic advantages through innovation, institutional strength, and control of critical technologies.

Also, there are significant concerns about Japan's geoeconomic grand strategy. The first is the costs: diversification, stockpiling, and subsidies will be expensive over time; second, the Japanese strategy provides no guarantee that it will make the Japanese economy more resilient; and third, the strategy may redistribute economic risks and vulnerabilities.

Endnotes

¹ Luttwak, Edward N. 'From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce'. *The National Interest*, no. 20 (Summer 1990): 17–23.

² Ibid.

³ Shiro Armstrong, "Economic Security in Japan: Evolution, Context and Emerging Questions", RIETI Discussion Paper Series 24-E-083 (Tokyo: Research Institute of Economy, Trade and Industry, Dec 2024),

⁴ Kazuto Suzuki, "Japan's Approach to Economic Security amid Global Challenges", *World Geostrategic Insights*, 09 Dec 2025, <https://www.wgi.world/japans-approach-to-economic-security-amid-global-challenges/>.

⁵ Ibid.

⁶ Economic Security Promotion Act, Act No. 43 of 18 May 2022, Cabinet Office (Japan), japaneselawtranslation.go.jp.

⁷ Act for the Partial Amendment of the Economic Security Promotion Act, Act No. of 2025, Cabinet Office (Japan).

⁸ Act for the Partial Amendment of the Economic Security Promotion Act, Act No. of 2025, Cabinet Office (Japan).

⁹ Suzuki, "Japan's Approach to Economic Security amid Global Challenges".

¹⁰ Armstrong, "Economic Security in Japan".

¹¹ Suzuki, "Japan's Approach to Economic Security amid Global Challenges".

¹² Suzuki, "Japan's Approach to Economic Security amid Global Challenges".

¹³ Mireya Solís, *Japan's Pragmatic Economic Diplomacy: Navigating US-China Rivalry*, Brookings Institution Report (Washington, DC: Brookings Institution, June 2024), brookings.edu.

¹⁴ Suzuki, "Economic Security in the Era of US-China Rivalry".

¹⁵ Suzuki, "Japan's Approach to Economic Security amid Global Challenges".

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