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Japan caught in the U.S.-China geoeconomic crossfire

The era of cost-free peace and strategic ambiguity has ended



The U.S. Navy aircraft carrier USS Carl Vinson leads Japanese destroyers JS Ashigara (left) and JS Samidare during a transit of the Philippine Sea on April 26, 2017. Tokyo fears growing uncertainty as rivalry between Washington and Beijing deepens. | U.S. NAVY / VIA REUTERS

BY STEPHEN R. NAGY
CONTRIBUTING WRITER

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U.S. President Donald Trump insists “nothing’s changed” in Washington’s policy toward Taiwan. But as Jesse Johnson reported in this newspaper, America’s commander in chief recently questioned whether U.S. forces should “travel 9,500 miles to fight a war” and described a \$14 billion arms package for Taipei as “a very

good negotiating chip” in dealings with Chinese leader Xi Jinping — remarks that underscore a widening gap between official policy and strategic reality.

As geopolitical currents shift, that gap has become a defining concern for policymakers in Tokyo. For years, Japanese defense planners focused on high-intensity contingencies, especially the possibility of a sudden amphibious invasion of Taiwan. But as the global order hardens into a U.S.-China bipolar system, Japan faces a different, more insidious challenge.

Its most pressing vulnerability is not outright war. It is a gradual squeeze — a scenario in which Chinese sub-threshold coercion intersects with the transactional foreign policy of the second Trump administration, leaving Japan economically constrained and strategically exposed.

This is the stark bipolar reality described by scholars such as Jennifer Lind. China has matured into a full-spectrum superpower, with economic and military capabilities rivaling or exceeding those of the Soviet Union at its Cold War peak. In response, the United States’ November 2025 National Security Strategy pivots sharply toward an “America First” posture, expecting allies to shoulder far greater responsibility for their own defense.

Washington has pushed defense spending targets as high as 5% of gross domestic product while signaling a willingness to negotiate bilaterally with Beijing to avoid costly entanglements.

For Japan, this creates a precarious environment. More than 80% of its energy imports — and much of its trade — passes through waters around Taiwan and the South China Sea. Beijing understands it does not need missile strikes to neutralize Japan. It can instead employ sub-threshold tactics to disrupt these lifelines while remaining below the threshold that would trigger a U.S. military response.

Chinese military thinking helps explain this approach. The 1999 People's Liberation Army treatise "Unrestricted Warfare," once dismissed in the West, now appears prescient. Its authors argued future conflicts would be decided through a blend of military, economic, cyber and informational tools. That concept has since been operationalized through the Chinese Communist Party's "Three Warfares" strategy — public opinion, psychological and legal warfare — now extending into the cognitive domain.

Taiwan remains Beijing's central objective, but its approach has evolved. Chinese leaders recognize the risks of a full-scale invasion. Public opinion reflects that caution: Polling from the Carter Center and Emory University shows only 32% of respondents support a full invasion, while 81% back limited military actions, such as seizing the offshore Kinmen and Matsu islands under certain conditions.

Such a limited operation could have outsized consequences. A seizure of offshore islands, combined with a customs or inspection regime over Taiwanese airspace and waters, would disrupt Japan's southern trade routes. Yet because it falls short of full invasion, a U.S. administration focused on homeland defense might treat it as a localized dispute. Japan would face severe economic disruption while grappling with uncertainty over whether its security treaty with Washington would apply.

The South China Sea presents a parallel risk. Analysts increasingly view it as a likely flash point for conflict. China continues to deploy maritime militia and coast guard vessels to alter the status quo, using coercive tactics such as water cannons and military-grade lasers against Philippine ships.

Against Japan, Beijing is already integrating cyber and information tools into maritime strategy. Intelligence assessments show the use of coordinated disinformation campaigns to shape global perceptions. During the Fukushima wastewater release, Chinese-

linked networks amplified narratives that helped justify sweeping economic boycotts.

In a future crisis, similar tactics could be deployed at scale. A fabricated environmental or navigational incident involving a Japanese vessel could serve as a pretext for Beijing to declare a maritime exclusion zone. Disinformation would flood regional networks while cyber actors targeted shipping logistics. Insurance premiums would spike, disrupting trade. The result would be a de facto blockade — achieved without a formal declaration of war.

Japan's vulnerability, however, is not only physical. It is also economic — and, paradoxically, shaped in part by its own ally.

As supply routes face pressure from China, Japanese firms are caught in a geoeconomic crossfire driven by U.S. policy. A recent survey by the Institute of Geoeconomics found 73% of Japanese companies report negative effects from U.S.-China tensions while more than half now view the United States itself as a geopolitical risk.

This reflects Washington's expanding use of regulatory tools, including restrictions on information and communications technology and legislation such as the BIOSECURE Act, aimed at forcing the divestment of Chinese-linked assets and accelerating supply chain decoupling.

Japanese firms face a stark dilemma. Compliance with U.S. demands risks retaliation from Beijing through measures such as China's anti-monopoly law or its unreliable entities list. Noncompliance risks exclusion from the U.S. market or secondary sanctions. The result is structural pressure that threatens Japan's competitiveness and risks reducing it from rule-maker to rule-taker in a system increasingly shaped by Washington and Beijing.

To navigate this environment, Japan must adapt its strategy. Relying on a return to the pre-2016 era of liberal internationalism is no longer viable. To secure its economic lifelines and preserve strategic autonomy, Tokyo must pursue a more active middle-power diplomacy.

First, Japan must supplement — not replace — its alliance with the United States by building overlapping networks with other middle powers, including Australia, the Philippines, South Korea and key Southeast Asian states. These partnerships should extend beyond security to include industrial cooperation, supply chain resilience and intelligence sharing.

Southeast Asia is central to this effort. Regional sentiment reflects growing concern about great-power pressure and a desire for greater autonomy. Many Southeast Asian states view external engagement through a pragmatic, transactional lens, creating an opening for Japan to position itself as a stable and reliable partner. By coordinating defense capabilities, enhancing maritime domain awareness and establishing joint economic resilience mechanisms, Japan and its partners can raise the costs of coercion.

Second, Japan must strengthen domestic resilience. That includes investing in cybersecurity, protecting critical infrastructure and improving defenses against disinformation and cognitive warfare. Deterrence depends not only on military strength but also on the ability to perceive and respond to complex and ambiguous threats.

The era of cost-free peace and strategic ambiguity has ended. Japan now operates in an environment defined by economic coercion, cyber threats and gray-zone tactics. To secure its future, it must shed lingering complacency and take a more proactive role in shaping its strategic environment in the Indo-Pacific.

Stephen R. Nagy is a professor at the International Christian University, a senior fellow and China project lead at the Macdonald-Laurier Institute and a visiting fellow at the Japan Institute for International Affairs.

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