

The Foreign Policy of Japan's New Prime Minister and Taiwan-Japan Relations

Shih-Hui Li

Professor, College of International Affairs, National Chengchi University

Abstract

In the context of the ongoing U.S.-China competition and confrontation, Japan faces simultaneous challenges in both security and the economy. These challenges manifest themselves in the security tensions between the U.S.-Japan alliance and China alongside Japan's economic coexistence with China. Amid this backdrop, Japan's new Prime Minister Shigeru Ishiba has taken office, setting forth his policy direction under the theme of the "five key pillars" — upholding the rules, protecting Japan, protecting the people, protecting local communities, and protecting opportunities for youth and women. Within the existing constitutional framework and Japan's national security strategy, there is limited room for significant changes in Ishiba's security policies. In terms of foreign policy, he will continue to follow the path laid out by his predecessor, Fumio Kishida, by strengthening relations with allied and partner countries. Meanwhile, Japan-Taiwan relations will involve "four key issues" — a potential Taiwan contingency, regional security dynamics, linkage among democratic nations, and economic security, particularly in supply chains. In this regard, semiconductor cooperation under the banner of economic security will remain a central focus of the Japan-Taiwan relationship.

Keywords: Supply Chain, Economic Security, Taiwan Contingency, Shigeru Ishiba, Japan-Taiwan Relations

I. Japan's External Challenges Amid U.S.-China Competition

The complex and intertwined relationships between the U.S., Japan, and China are critical to each country's survival and national interests. Since World War II, the basic dynamics of U.S.-Japan-China relations have been shaped by Cold War thinking,

with the U.S. opposing the Soviet Union while gradually normalizing relations with China. For its part, Japan established a strong military alliance with the U.S. while providing aid to its neighbor, China.

In 2010, China surpassed Japan in GDP to become the world's second-largest economy. After Xi Jinping took office in 2013, he introduced the "Chinese Dream," envisioning China as a "socialist modernized power" by 2049, with a strong emphasis on military development to surpass the U.S.

Since then, China's rapid rise in international political, economic, and military spheres has positioned it as a challenger to the U.S. and a perceived threat to Japan. During the Obama administration, the U.S. recognized the limited effectiveness of its engagement policy with China and began shifting from traditional "Asia-Pacific cooperation" to "Indo-Pacific cooperation," which excluded China. This shift focused on the Quad, a security dialogue involving the U.S., Japan, India, and Australia. Additionally, alliances such as AUKUS (U.S.-U.K.-Australia), U.S.-Japan-South Korea, and U.S.-Japan-Philippines have strengthened military, economic sanctions, and diplomatic pressure to counter and contain their sole competitor — China.

Economically, China has long been one of Japan's most important markets. After 2020, China briefly surpassed the U.S. to become Japan's largest export destination (following China's economic slowdown after 2023, the U.S. once again reclaimed its position as Japan's largest export market)¹. In terms of security, Japan's alliance with the U.S., based on shared democratic values, is irreplaceable, particularly with the nuclear umbrella provided by the U.S. As Xi enters his third term and Trump wins the U.S. presidential election in November 2024, U.S.-China relations are expected to remain in a state of intense confrontation. Japan's external challenges in this context can be categorized into the following two key issues.

1. Ministry of Foreign Affairs (Japan), 〈中国経済・日中経済概要〉, June 2024, *Ministry of Foreign Affairs (Japan)*, <<https://www.mofa.go.jp/mofaj/files/000007735.pdf>>.

1. Security Confrontation

Amid the escalating tensions between the U.S., Japan, and China, Japan's security environment has become increasingly complex. This includes a range of threats, such as North Korea's nuclear weapons and missile capabilities, Russian military activities in the Far East, potential conflict over Taiwan, and disputes in the South China Sea. In particular, Japan's *Defense of Japan 2024* report highlighted that China poses the greatest strategic challenge to Japan, emphasizing the growing

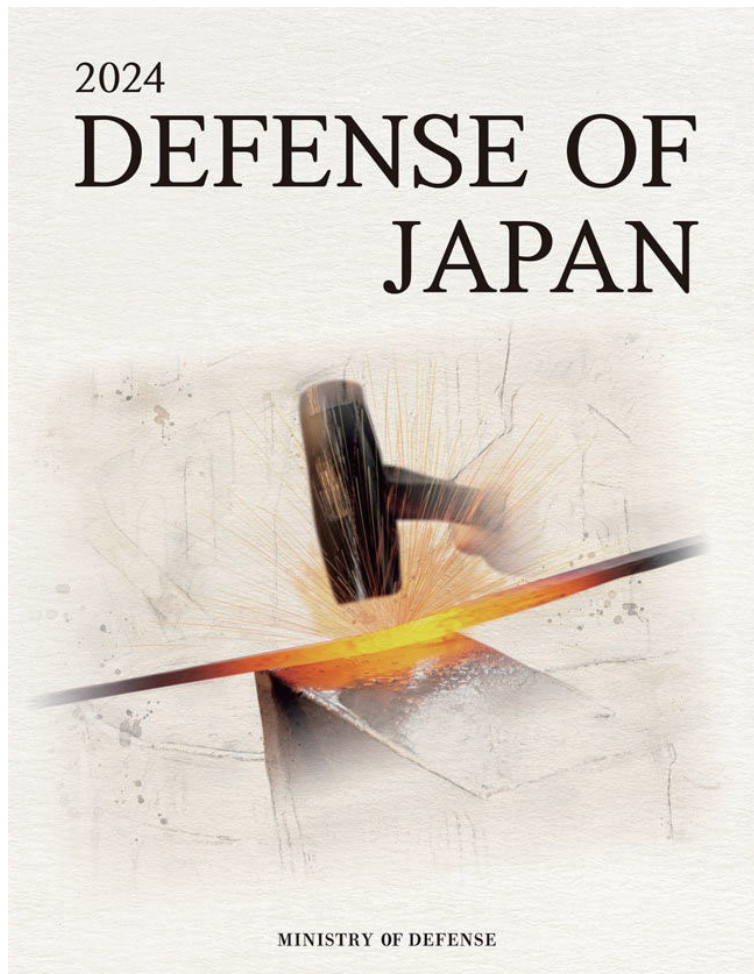


Figure 1. Defense of Japan 2024

Source: Ministry of Defense (Japan), *Defense of Japan 2024* (Tokyo: Ministry of Defense, 2024), *Ministry of Defense (Japan)*, <https://www.mod.go.jp/j/press/wp/wp2024/pdf/DOJ2024_Digest_EN.pdf>.

security risks in the region.² Currently, the security confrontation in East Asia, centered around the First Island Chain, is expected to continue. A key challenge for Japan is how to strengthen the deterrence capabilities of the U.S.-Japan alliance within the region.

2. Economic Co-existence

In the first quarter of 2024, Japan's export volume reached its highest level in 50 years. Key drivers of this export growth were the automotive industry, semiconductor manufacturing equipment, and automotive parts. Notably, strong exports to China



Figure 2. Japan, Taiwan and the First Island Chain

Source: Andrew Sharp, "China's 3-pronged maritime threat rattles Japan, Philippines and Taiwan," June 11, 2024, *NIKKEI Asia*, <<https://asia.nikkei.com/Spotlight/Asia-Insight/China-s-3-pronged-maritime-threat-rattles-Japan-Philippines-and-Taiwan>>.

2. Ministry of Defense (Japan), *Defense of Japan 2024*, p. 18.

played a major role in boosting Japan's trade growth. Despite the security tensions, economic co-existence with China remains a vital aspect of Japan's economic strategy, with China continuing to be a significant export market.³ However, for Japan's industries, including the semiconductor sector, a critical challenge is finding a balance between the demands of U.S. economic security policies and the vast demand from the Chinese market. Navigating this delicate balance is essential for Japan as it seeks to align with U.S. security requirements while maintaining its economic ties with China, a key trading partner.

II. Shigeru Ishiba's Diplomatic and Security Perspectives

On August 14, 2024, then-Prime Minister Fumio Kishida announced that he would not seek re-election due to the continued decline in his cabinet's approval ratings. Within the Liberal Democratic Party (LDP), challengers such as Shigeru Ishiba, Sanae Takaichi, and Shinjiro Koizumi expressed their intent to run for leadership. Ultimately, nine candidates emerged to contest the party's presidency. In the crowded race, a power struggle unfolded among key figures like Taro Aso, Fumio Kishida, and Yoshihide Suga, each vying to be a "kingmaker" and influence the outcome of the leadership contest.⁴ On September 27, 2024, Ishiba defeated numerous competitors to win the LDP leadership election. His victory positioned him to become Japan's next prime minister, succeeding Kishida, and marked a significant moment in Japan's political landscape.

However, in the 50th general election for Japan's House of Representatives held on October 27, 2024, the Ishiba-led LDP Cabinet, established less than a

3. Shiratori Yasuhiko, 〈2024 年上半期の日本の貿易動向と今後の注目点〉, *Japan Foreign Trade Council Monthly Online*, No. 824, September and October 2024, pp. 16-17, *Japan Foreign Trade Council*, <<https://www.jftc.jp/monthly/archives/001/202410/2b7888eafee2ae2ed62a20651fda03f6d4f043fd084e00ff50eea68906e0754.pdf>>.

4. Helen Regan, Junko Ogura, & Yumi Asada, "Fifth time's a charm as former defense minister finally wins Japan ruling party leadership contest and will become country's next leader," September 29, 2024, *CNN*, <<https://edition.cnn.com/2024/09/26/asia/japan-ruling-party-election-intl-hnk/index.html>>.



Figure 3. How the LDP Leadership Election Process Works

Source: “Japan’s ruling LDP leadership race heats up,” September 18, 2024, *NHK World*, <<https://www3.nhk.or.jp/nhkworld/en/news/backstories/3565/>>.



Figure 4. Candidates for Japan’s Ruling Liberal Democratic Party’s (LDP) Presidential Election

Source: “2024 LDP Presidential Election,” September 27, 2024, *nippon.com*, <<https://www.nippon.com/en/series/c145/>>.

month earlier, suffered a significant setback. Out of the 465 seats in the House of Representatives, including proportional representation seats, the ruling LDP secured only 194 seats, a steep decline of 53 seats from their previous 247. Combined with the 24 seats won by their coalition partner Komeito (Clean Government Party, CGP), the ruling “LDP-Komeito coalition” garnered a total of just 218 seats. For the LDP to maintain its governing position, it will need to collaborate with other opposition parties to form a ruling coalition with a majority of at least 233 seats.

This election outcome has shaken the stability of Japan's political landscape. The stability of Japan's political situation not only impacts Japan's foreign relations and the development of regional dynamics, but also affects the direction of Japan-Taiwan relations. Although the LDP faced a setback in the election, it remains the most influential party in shaping Japan's political landscape. The current LDP leaders, Ishiba, and his understanding of Japan's security environment—as well as his



Figure 5. Japan's New Prime Minister Shigeru Ishiba Delivers First Statement

Source: Prime Minister's Office of Japan, “Statement by Prime Minister ISHIBA Shigeru,” October 4, 2024, *Prime Minister's Office of Japan*, <https://www.kantei.go.jp/jp/102_ishiba/statement/2024/1004shoshinhyomei.html>.

proposed measures in response to it—will remain a critical focus for ongoing observation.

On October 4, 2024, Ishiba, Japan's 102nd prime minister, delivered his policy speech (inaugural address) at the National Diet of Japan. The speech included “five key pillars”: upholding the rules, protecting Japan, protecting the people, protecting local communities, and protecting opportunities for youth and women. In this address, Ishiba outlined the policy direction of his cabinet.

In terms of foreign policy, Ishiba continued the thinking of his predecessor, with the notion that “today's Ukraine could be East Asia tomorrow.” He emphasized the importance of the Japan-U.S. alliance as the cornerstone of Japan's diplomacy, while also strengthening cooperation with friendly and partner countries. His aim was to enhance Japan's diplomatic and defense capabilities, contributing to peace and stability in both Japan and the broader region.

Ishiba believes that Japan currently faces the most severe and complex security environment since the postwar period. He pointed to the ongoing infringements on Japan's sovereignty by nuclear-armed countries like China, Russia, and North Korea, which have repeatedly violated Japan's territorial waters and airspace. In response, Japan will not only continue to strengthen its defense capabilities but also seek to ease tensions through bilateral dialogue.

Regarding Japan-China relations, Ishiba emphasized the importance of advancing the “Mutually Beneficial Strategic Relationship” with China and enhancing communication and exchanges at all levels. In light of China's increasing attempts to unilaterally change the *status quo* by force in the East and South China Seas, Japan will firmly uphold its stance, strongly urging China to take responsible actions. Through dialogue, including on unresolved issues, Japan will seek cooperation on common challenges, aiming to build a “constructive and stable relationship” with China.⁵

5. Prime Minister's Office of Japan, “Statement by Prime Minister ISHIBA Shigeru,” October 4, 2024, *Prime Minister's Office of Japan*, <https://www.kantei.go.jp/jp/102_ishiba/statement/2024/1004shoshinhyomei.html>.

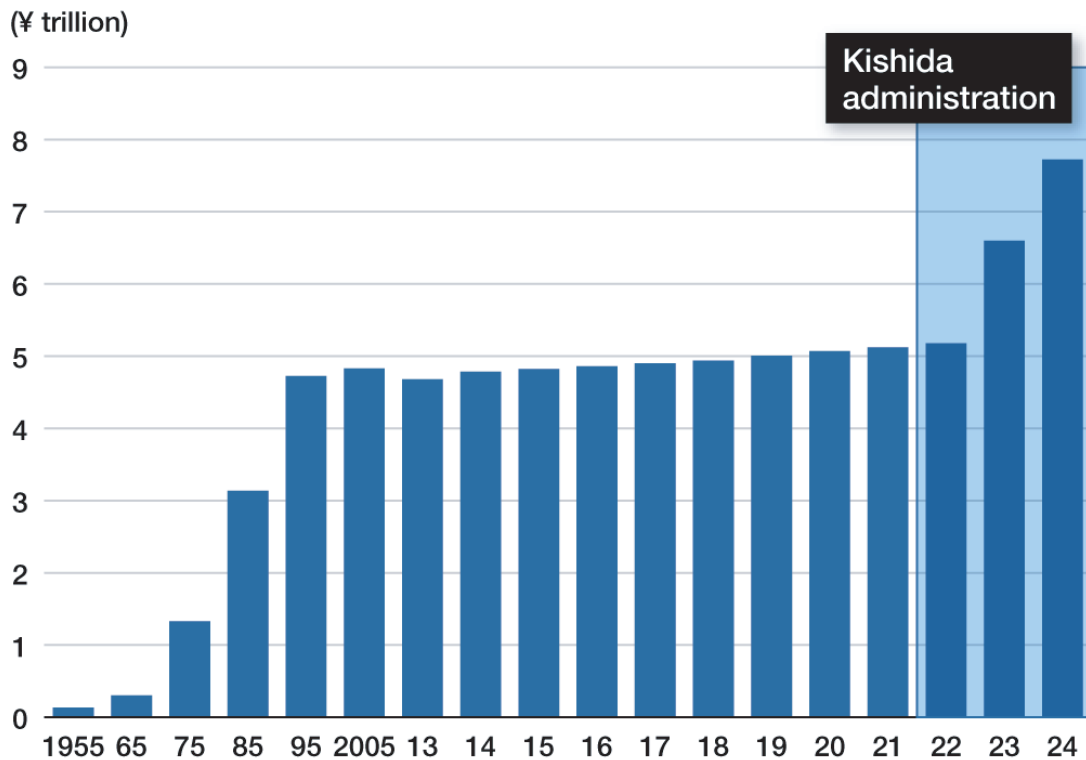


Figure 6. Defense Budgets in Japan by Fiscal Year

Source: Politics of nippon.com, “Japan’s Defense Budget Rising Toward NATO Target of 2% of GDP,” September 26, 2024, *nippon.com*, <<https://www.nippon.com/en/japan-data/h02121/>>.

Although Ishiba has previously emphasized the necessity of establishing an “Asian NATO,” this concept was notably absent from his recent speech. The complex nature of diplomatic relations and maritime-based geopolitical dynamics in the region makes the emergence of a NATO-like security framework difficult.

Moreover, within the constraints of Japan’s existing constitutional framework and its security strategy, the Ishiba administration plans to increase the defense budget, targeting 2% of GDP, and to strengthen Japan’s counterstrike capabilities, including the capabilities to target enemy military bases. However, there is limited room for significant changes in Ishiba’s security policy beyond these measures.

In terms of Japan's foreign and security policies, Ishiba's focus remains on strengthening relationships with allies and partner countries within the established policy framework. His policy speech highlighted key partners such as ASEAN, Australia, and South Korea, with South Korea being mentioned first. Ishiba stressed that in the current strategic environment, close cooperation between Japan and South Korea is crucial to both countries' interests. Building trust between Japan and South Korea not only facilitates stronger trilateral cooperation with the U.S. but also contributes to advancing the Japan-South Korea-China framework.

Additionally, when addressing the challenges of security tensions and economic interdependence, Ishiba continued the economic security policies of former Prime Minister Kishida. He emphasized the importance of bolstering supply chain resilience, particularly in sectors like semiconductors, from an economic security perspective. Ishiba also mentioned the need to implement measures to prevent technology leaks. Taiwan was identified as Japan's most important partner in strengthening the semiconductor supply chain.

III. Japan-Taiwan Relations in Economic Security

Over the past 40 years, Japan's semiconductor manufacturers have lost their former dominance, with global market share dropping from over 50% in the 1980s to just 10% today. However, Japanese semiconductor manufacturing equipment producers have maintained a global market share of over 30%, remaining highly competitive. In the field of semiconductor materials, which are essential at every stage of the semiconductor manufacturing process, Japanese companies control about 50% of the global market.⁶ There are two main reasons why Japanese semiconductor equipment and materials companies have maintained their international competitiveness over the long term.

6. Li Shih-Hui, 〈日本半導體再起的關鍵：設備與材料的競爭力〉, *Global Industry and Commerce Magazine*, No. 764, September and October 2024, pp. 26-31.

First, they have continuously engaged in transactions with the world's most advanced semiconductor manufacturers and established close relationships. While Japan's traditional manufacturing supply chains have often been characterized by "subcontracting" relationships between domestic companies, semiconductor equipment and materials manufacturers began collaborating with major semiconductor firms in the U.S., Taiwan, and South Korea after the 1990s.

Second, compared to their Western counterparts, Japanese semiconductor equipment and materials firms have a significant advantage in coating processes. These processes require precise control of factors such as the composition and temperature of ultra-pure water and chemical liquids. The Japanese craftsmanship tradition of meticulous improvement and attention to detail has allowed Japan's expertise in these specialized areas to shine.

Japan's competitiveness in semiconductor equipment and materials has become a crucial element in the interactions among the U.S., Japan, and China, particularly

1 Framework for Ensuring Stable Supply of Key Products

To ensure the stable supply of key products are vital factors for lives or significant factors for living conditions and economic activities, the act introduces designation of specified key products, plan approval and support for the private sectors, and supplementary government initiatives.

2 System on Ensuring the Stable Provision of Essential Infrastructure Services

In order to prevent key facilities of essential infrastructures from being misused by foreign entities to disrupt the stable services supply, the government conducts pre-screening and makes recommendations/orders related to installation of key facilities or outsourcing of key maintenance/management of such facilities by the essential infrastructures.

3 Framework for Enhancing Development of Advanced Critical Technologies

To promote R&D of designated critical technologies (DCTs) and their social implementations, this framework introduces measures such as a funding mechanism; the Public-Private Cooperation Council (the PPCC); and research institution for technological studies.

4 Non-Disclosure of Selected Patent Applications

To prevent disclosure or divulgence of inventions that might be detrimental to national security through patent procedures, as well as ensuring rights under patent law without damaging national security, the bill introduces measures to withhold publication of patent applications by security designations, and to restrict filing of application in foreign country, etc.

Figure 7. Japan's Four Pillars of Economic Security Promotion Act

Source: Koki Shigenoi, "Economic Zeitenwende? Lessons from Japan's Economic Security Policy," October 21, 2022, *49security*, <<https://fourninesecurity.de/2022/12/07/economic-zeitenwende-lessons-from-japans-economic-security-policy>>.

as the semiconductor sector has become a focal point for both security tensions and economic cooperation. China has long been a key market for Japanese semiconductor equipment and materials, while the U.S. remains Japan's most important ally in security matters. As semiconductors play an increasingly pivotal role in both economic development and national security, Japan's semiconductor equipment and materials are likely to become integrated into the broader strategic frameworks of U.S.-Japan security and geopolitical relations.

It is important to emphasize that, given the growing U.S.-China rivalry and other geopolitical risks, the global semiconductor supply chain is rapidly shifting from a model of "global specialization" to one of "regional self-sufficiency." Both Taiwan and Japan are key semiconductor manufacturing hubs in Asia. Japan has strengths in materials science and precision machinery technology, providing high-quality semiconductor materials, manufacturing equipment, and process technology, making it well-positioned to address regional challenges. Taiwan, on the other hand, is home to the world's largest semiconductor manufacturing plants, boasting large-scale production capabilities with advanced technology. Additionally, Taiwan is a global leader in chip design, packaging, and testing. The cooperation between Taiwan and Japan is crucial for building a more stable and resilient supply chain.⁷

With major semiconductor manufacturers such as TSMC and ASE establishing operations in Japan, the future of Taiwan-Japan economic security interactions will likely be grounded in hardware manufacturing, using the new semiconductor platform as a bridge. Japan's Kyushu region is set to serve as the focal area, with IC design at the core of this collaboration. This partnership will allow Taiwan and Japan to further deepen their cooperation in the semiconductor supply chain. Through a "ripple effect,"

7 Li Shih-Hui, 《半導体最強 台湾 大国に屈しない「チェーンパワー」の秘密》(Tokyo: NIKKEI BP, 2024), pp. 48-51.

this collaboration can extend into broader economic and industrial sectors, as well as into the realm of security.

IV. Supply Chain Diversification and the Taiwan-Japan Semiconductor Industry

Japan's economic security strategy primarily targets the Chinese supply chain, aiming to achieve "strategic autonomy" and "strategic indispensability" in collaboration with partner countries for materials that are "necessary and sufficient." Japan's semiconductor strategy focuses on the following four directions:

- (1) **Joint Development of Advanced Semiconductor Process Technologies and Establishment of Domestic Production Facilities:** This includes facilities like TSMC's Kumamoto plant and Micron's Hiroshima plant.
- (2) **Accelerating Digital Investment and Strengthening Advanced Logic Semiconductor Design:** Initiatives include establishing Rapidus to drive R&D for advanced semiconductors.
- (3) **Promoting Green Innovation in Semiconductor Technologies:** Japan is incorporating third-generation semiconductor materials, such as SiC, GaN, and Ga2O3, to advance eco-friendly semiconductor innovation.
- (4) **Enhancing the Semiconductor Industry's Asset Portfolio and Supply Chain Resilience:** This includes joining initiatives like CHIP4.

TSMC's decision to establish a wafer plant in Kumamoto, Japan, fostering close collaboration between Taiwan and Japan in the semiconductor supply chain, stands as one of the most significant achievements of Japan's economic security policy. TSMC's investments in Japan primarily bring two major advantages to Japan:

- (1) **Boosting Economic Development Around Kyushu:** According to the Report of Kyushu Economic Research Association, the economic impact of semiconductor-related equipment investments in the Kyushu region is estimated to reach a total of 20.77 trillion yen (US\$135.5 billion) over a 10-year period starting from 2021.

The economic impact within Kumamoto Prefecture alone is projected to amount to 10.5369 trillion yen. This investment is also expected to create jobs, increase local consumption, and generate significant related economic benefits.

- (2) **Revitalizing Japan's Semiconductor Industry:** The Japanese government views TSMC's investment in building a facility as a key strategy to strengthen its domestic semiconductor manufacturing architecture. With the launch of TSMC's Kumamoto facility, Japan anticipates that TSMC's presence will act as a catalyst, encouraging the establishment and expansion of Japanese semiconductor plants. Total semiconductor investment is expected to reach 9 trillion yen by 2029.

For Taiwan, the benefits of investing in Japan's semiconductor industry include the following five points:

- (1) **Technical Cooperation and Access to Advanced Technologies:** Japan has strong technical expertise in semiconductor manufacturing equipment and materials. By entering the Japanese market, Taiwan's semiconductor companies can directly access these advanced technologies and high-quality materials, further improving their own manufacturing processes.
- (2) **Market Diversification and Future Potential:** Japan is one of Asia's key markets, especially with its strong demand in the electronics and automotive sectors. By entering Japan, Taiwanese semiconductor companies can diversify business risks and expand market share.
- (3) **Utilization of Geographic and Strategic Location:** Japan's proximity to Taiwan and its well-connected transportation infrastructure in Asia enhance logistical efficiency and supply chain management.
- (4) **Establishment of Partnerships and Alliances:** Japan has many prominent companies and research institutions. By collaborating with these entities, Taiwan's semiconductor firms can engage in joint research and development. These strategic partnerships facilitate faster technological innovation.

- (5) **Enhanced Manufacturing Capacity and Quality:** By leveraging Japan's high-quality manufacturing equipment and processes, Taiwanese companies can improve the quality of their products and strengthen their manufacturing capabilities.

Overall, in response to the competitive landscape between the U.S. and China and the restructuring of the global semiconductor supply chain, Taiwan and Japan can advance and deepen cooperation in economic security and the semiconductor industry in the following ways:

- (1) **Policy Dialogue to Address International and Taiwan-Japan Semiconductor Trends:** Through government-level policy consultations, create a regulatory environment favorable to the semiconductor industry to support business activities.
- (2) **Strengthening Corporate Networks:** Encourage the establishment of a Taiwan-Japan semiconductor industry exchange platform to enhance complementary relationships and respond to global semiconductor demand. This platform can also coordinate relevant trade and technology agreements, building a more resilient semiconductor supply chain.
- (3) **Expanding Talent Development and Semiconductor Talent Exchange:** By combining Japan's technical strengths with Taiwan's manufacturing capabilities, talent cultivation can accelerate the early practical application of new semiconductor technologies.

V. Conclusion

Japan and Taiwan share three key common or related interests in terms of diplomacy and security. First, the Taiwan Strait crisis is also a crisis for Japan, representing a major threat to Japan's maritime lifeline. Second, Taiwan's high-tech industry is an indispensable part of Japan's efforts to secure economic partnerships and build a resilient technological supply chain. Third, both Japan and Taiwan are part

of the democratic bloc, sharing common values and ways of life, while facing threats from authoritarian regimes. Based on these shared interests, Taiwan-Japan relations under the administration of Shigeru Ishiba can be summarized into four key issues:

1. Taiwan Contingency

Japan and the U.S. have repeatedly emphasized the importance of peace and stability in the Taiwan Strait. Any threat to Taiwan's peace and security would directly impact Japan's maritime lifeline and indirectly affect Japan's national security. On September 25, 2024, the Japanese Maritime Self-Defense Force's destroyer JS *Sazanami* sailed through the Taiwan Strait — the first such transit by a Japanese warship.⁸



Figure 8. The Destroyer Sazanami Sailed Warship in Taiwan Strait

Source: Kelly Ng, "Japan sails warship in Taiwan Strait for first time."

8. Kelly Ng, "Japan sails warship in Taiwan Strait for first time," September 26, 2024, *BBC*, <<https://www.bbc.com/news/articles/cm28yd04xxno>>.

2. Regional Security

In the face of an increasingly severe security environment in East Asia and China's unilateral attempts to change the *status quo* by force, the U.S. and Japan continue to build a dense, multi-layered security cooperation mechanism. Taiwan, located at the center of the first island chain, plays a pivotal role in the development of regional security dynamics.

3. Democratic Values Linkage

The political competition between democratic and authoritarian values is expected to continue, with the alliance of democracies increasingly countering authoritarian states by forming a new global political framework. The political competition surrounding democratic value chains is becoming one of Japan's core strategies to counter China. One of the most important foundations of the Taiwan-Japan relationship is their shared values of democracy, freedom, and human rights.

4. Economic Security and Supply Chains

Economic security, particularly focused on semiconductors, has become a central aspect of Japan's diplomacy and security strategy. Taiwan's semiconductor manufacturing capabilities, combined with Japan's competitive edge in semiconductor equipment and materials, are becoming a critical part of Japan's overall foreign and geopolitical strategy.

The ongoing U.S.-China rivalry and the resulting diplomatic, technological, and geopolitical issues have placed a spotlight on the semiconductor supply chain. The direct impact of semiconductors on international politics and economics is being expressed through the concept of "economic security." For Japan, economic security was once about using economic tools to protect the country's prosperity and stability, but it has now become one of the fundamental goals of national security. In the foreseeable future, Japan's foreign and security policies are unlikely to undergo significant structural changes, and this continuity will be reflected in Taiwan-Japan relations as well. The focus on semiconductor cooperation under the framework of economic security will remain a cornerstone of Taiwan-Japan relations.

