

JAPAN'S TOURISM BOOM HITS A GEOPOLITICAL WALL



Japan's tourism industry has been booming. In 2025 the country attracted 42.7 million foreign visitors, up 16% from 2024 and far above the pre-pandemic peak of 31.9 million in 2019. The goalposts have been raised accordingly: 60 million tourists by 2030. Last month, however, Japan's tourism authorities issued a worrying correction. In August 2026 the Japan National Tourism Organization reported a 9.6% annual decline in visitor arrivals to 3.1 million.

The reason was not a financial one. On November 7, 2025 Prime Minister Sanae Takaichi told the House Budget Committee that a Chinese military move against Taiwan would be "a situation that threatens the survival" of Japan, prompting a possible Japanese response. **This prompted a multi-faceted pushback from Beijing that included restrictions on rare earth exports, sanctions against Japanese companies, cancellation of cultural exchanges,** and – most relevant to this discussion – a formal advisory against Chinese citizens traveling to Japan.

The impact on Japan's tourism sector was severe. In August 2026 only 418,000 Chinese tourists visited Japan, compared to 1.02 million in the same period last year. Cumulatively, Chinese visitors are down 56.7% from a year ago – and that accounts for nearly all of the 757,800 tourists short of the 2025 figure in the first eight months of 2026. (They used to be Japan's biggest source of visitors, with 46.1% growth in the last year, before the conflict erupted.) They have surrendered their position at the top of Japan's visitor league table to South Korea and Taiwan.

The Cost of Concentration

It is a sobering lesson for any mature tourism industry, one that underscores the importance of diversification. Japan's recent experience is a textbook example of how over-reliance on a single market can hurt. Or, as an article on Japan's predicament put it, the equivalent of a 'start-up' realizing that one of its customers that accounts for the majority of its sales decided to switch to another supplier.

That being said, there are reasons to believe that the impact of reduced Chinese visitor numbers will not be as dire for Japan as one might assume. First, the spending power of those who do come is up. In the first half of 2026, foreign visitors spent \$30.4 billion, a 1.3% increase year-on-year. While the overall numbers are down, the growth in visitors from key markets has mitigated the loss. South Korea, for example, saw a 28.7% increase in visitors from 2025, as did Taiwan, 7.3%, Hong Kong – 9.4% and Singapore – 5.3%. Still, not enough to offset the loss of China: the overall number of visitors for the first eight months of the year is 2.7% below that of 2025.

Diversification Under Pressure

At the same time, diversification of Japan's tourism is a slow process. It may have been accelerated by Chinese pressure, but the initial impetus for it existed before the conflict erupted. Japan has deepened security ties with the Philippines, Australia, India and Indonesia, relaxed its arms export ban, and is investing heavily in developing its own submarine, drone, and missile industries. In the economic sphere, it is reducing its reliance on China by building up alternative supply chains for

strategically important materials and components, such as rare earth metals and semiconductors.

The same goes for tourism: there is a noticeable increase in the number of visitors from Europe, Australia, and the US who tend to spend more. In H1 of 2026, a record \$354 was spent by each foreign visitor on average. But Japan is still struggling with the consequences of its popularity: overcrowding in Kyoto, Mount Fuji, and Tokyo's Asakusa district – issues that existed before the Chinese boycott began and which require Japan to rebalance its tourism sector. This makes it difficult to speak of a sustainable rebound in the industry.

What Comes Next

An APEC summit in China later this month, at which Xi Jinping will host his Japanese counterpart Sanae Takaichi, could provide a much-needed opportunity for both sides to restore at least some elements of their relationship. In early October, a Chinese Foreign Ministry spokesperson expressed willingness to resume unofficial Sino-Japanese dialogue. Japanese business and parliamentary delegations are due to visit China. If the thaw continues, **it could allow China to resume sending tourists to Japan in several months**. Equally likely, it could be several years before the two countries restore full-scale diplomatic, economic, and tourism ties.

For now, Japan is paying the price for its strategic overreach against China, which manifested in the acute form of the anti-Taiwan rhetoric from the current government. Japan is learning – albeit painfully – the lesson that any business that grows too much too quickly and relies too much on one customer, channel, or market, will find itself in trouble when the circumstances change. The new visitors who have replaced the Chinese tourists are of higher quality, so their contribution to Japan's tourism economy is growing. But the overall numbers will be difficult to ramp up until the political situation between Tokyo and Beijing stabilizes.

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