

New Trend of Japan's Economic Security Strategy

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Abstract: Japan's economic security strategy has a long history. However, Japan has significantly accelerated its economic security strategy in recent years, especially since the Kishida government came into power. At present, Japan is gradually forming a comprehensive economic security strategy that has clear strategic objectives, sound institutional settings, enhanced economic control, and closer external cooperation. The Japanese government is accelerating its economic and security strategy because of the changing international environment and Japan's own strategic considerations. Japan hopes to achieve many strategic goals such as improved economy and security through its economic and security strategy, but its strategic effect needs to be verified due to the constraints of many factors.

Keywords: Japan, economic security, Kishida government

An economic security strategy usually refers to the strategy of raising economic issues to the level of national security and using economic means to pursue national security and foreign policy goals.¹ In the 1970s, two oil crises had a significant impact on the Japanese economy, and the rapid economic growth that lasted for many years came to an end. The Japanese government became increasingly concerned about economic security. In 1982, the Japanese Ministry of Trade and Industry issued its first National Economic Security Strategy report, proposing to contain and eliminate external

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¹ 日本内閣府、「経済安全保障法制に関する提言」、accessed March 10, 2022, https://www.cas.go.jp/jp/seisaku/keizai_anzen_hosyohousei/dai4/teigen.pdf.

economic or noneconomic threats centering on economic means. At that time, the main task of Japan's National Economic Security Strategy was to ensure stable supply of overseas strategic materials represented by oil and to improve Japan's international status and image through official development assistance and other economic means. In recent years, Japan's economic security strategy has become richer and more detailed; especially after the Kishida government came to power. The new government prioritizes its economic security strategy, significantly accelerating the deployment of economic and security strategies by establishing a ministry of economic and security, and planning to introduce the first economic security promotion bill. Thus, Japan's economic security strategy has become gradually mature.

I

Japan has made comprehensive arrangements in terms of institutions and mechanisms, enterprise management, and foreign cooperation. Through constant improvement of its economic and security strategic framework, Japan's economic and security strategy is taking shape at a faster pace.

First, Japan has further improved its economic security strategy and institutional building. The first measure toward this goal is to accelerate the building of intra-Party and government structures related to economic and security. At the beginning of 2019, the Rule-Forming Strategic Parliamentarians Alliance of the Liberal Democratic Party (LDP) was established, which has become an important political force in promoting the formation of economic security concepts, strategies, and tactics. The former Minister of Economy and Finance Akira Amari was appointed as the chairman of the Alliance. In June 2019, the Ministry of Economy, Trade, and Industry of Japan established the Economic Security Section, which is mainly responsible for discussing economic security issues and formulating corresponding policies. In July 2019, the Comprehensive Innovation Strategy 2020 adopted by the Japanese Cabinet included the concept of economic security. In October 2019, the Ministry of Foreign Affairs reorganized the Foreign Policy Bureau and changed the Space Cyber Policy Section under the National Security Policy Division into the New Security Policy Section, which is in charge of security issues such as economy,

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technology, and cyber security in Japan's foreign policy.

The second step is to set up a special economic team in the National Security Service, which took place on April 1, 2020. This team is responsible for the comprehensive coordination of foreign and security policies, as well as for intelligence gathering, policy consultation, and case filing, following the example of the National Economic Council of the United States, and serves as a window for coordination with the National Security Council of the United States. The agency is the main department in charge of export control, network security, Japan-US cooperation, foreign merger and acquisition, and monitoring of sensitive personnel. An official from the Ministry of Economy, Industry, and Trade acts as the adjudicator, and four counselors under the adjudicator are from the general affairs, foreign affairs, finance, and police departments. The Ministry of Defense has set up a new equipment preservation management officer in the Acquisition, Technology, and Logistics Agency to take charge of the Technology Management Office and the Contract Information Preservation Planning Office related to technology confidentiality. The establishment of the economic team marks the Japanese government's completion of the overall planning and integration of various economic security departments. Thus, economic security has officially become an important part of Japan's national foreign policy and security strategy.¹

The third measure is to speed up legislation related to economic security. In October 2021, Fumio Kishida took over as prime minister of Japan, and the new cabinet added the position of minister in charge of economic and security affairs. The first minister of Economic and Security Affairs is Takayuki Kobayashi, who advocated a tough stance against China. On February 25, 2022, the Japanese Cabinet passed the Act on Promotion of Economic Security by Integrated Implementation of Economic Measures and submitted it to the Diet for deliberation, mainly including the following four parts: ensuring the stability of the important material supply chain; infrastructure to ensure security; supporting advanced key technology development; and nondisclosure of licensed patents. The bill will empower the Japanese government to collect materials on aspects concerning economic security, review beforehand, counsel,

¹ 国家安全保障会議設置法、accessed March 10, 2022, <https://elaws.e-gov.go.jp/document?lawid=361AC0000000071>.

and reprimand, thereby greatly enhancing the capacity of government control of enterprises. The bill provides a legal basis for Japan to implement economic protection and sanctions. The Kishida government positioned economic security as an important national strategy at the beginning of its term, hoping to take economic security as the starting point to achieve various strategic goals such as improved economy and security, and to deal with the United States and China.¹

Second, the Japanese government has strengthened its control and guidance on enterprises. The first step is to strengthen control over foreign direct investment (FDI). In May 2019, the Japanese Ministry of Finance issued a statement pointing out that the importance of protecting cyber security has increased in recent years. The industries that restrict FDI need to be expanded to prevent the leakage of important technologies and avoid damaging the production of national defense industry, basic technology, and other events that affect Japan's national security. In November, the Japanese Diet passed the Foreign Exchange Act amendment in Japan, which provides that for security-related industries involving high technology or critical infrastructure, foreign countries' capital that plans to acquire more than 1% of a listed Japanese company or any shares in an unlisted company, or appoint directors or sell related businesses must be reported to the Japanese government and subject to review to prevent the outflow of advanced technology. To prevent the introduction of foreign products and systems that may pose a threat to Japan's security, the Japanese government will conduct a preliminary review to exclude foreign products and equipment that may affect the stable operation of infrastructure, according to the draft of the Act on Promotion of Economic Security by Integrated Implementation of Economic Measures.²

The second is to reduce the industrial chain's dependence on China and strengthen the protection of high-tech industries. Japan plans to work with the United States and Australia to reduce the share of rare earth imports from China to less than 50% by 2025 from 58% at present. In the field of protecting science and technology, since July 2020, the Japanese government has tightened

¹ 木内登英、「経済安全保障推進法案の概要が次第に明らかに」、accessed March 10, 2022, <https://www.nri.com/jp/knowledge/blog/1st/2022/fis/kiuchi/0126>.

² 「外為法とは経済安保強化へ出資監視」、accessed March 10, 2022, <https://www.nikkei.com/article/DGXZQOUA116R00R10C21A6000000/>.

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funding restrictions on research institutes affiliated with universities, requiring all university institutions that receive national research and development subsidies to declare their receipt of funding from foreign enterprises and organizations to the government, and to report detailed resumes of foreign students and researchers from 2022 to help Japanese research institutions avoid funding from China and prevent Chinese students from stealing technology.

The third step is to continue to increase support for high-tech research and development of enterprises, as well as for their green and digital transformation. In 2021, the Japanese government allocated an additional budget of about 600 billion yen to support advanced semiconductor manufacturing enterprises and another 500 billion yen for university funds to strengthen the R&D foundation of universities and research institutions and cultivate scientific research talents. In the future, the Japanese government plans to allocate 2 trillion yen to set up innovative technology research and development funds for carbon-neutral projects and set up special funds to create a 6G research and development environment, striving to win international competition in related technologies and industries. The Japanese government has also cut taxes for enterprises that invest in green and low-carbon transformation, and invested 109.4 billion yen to introduce a residential green points system to guide residential construction toward green and low-carbon transformation. The Japanese government has also set up a business restructuring subsidy fund of about 1.15 billion yen to help small- and medium-sized enterprises achieve green and digital transformation.

Finally, Japan has strengthened international supply chain construction centering on cooperation with the United States. The United States is Japan's top priority in economic and security cooperation. The joint statement of the Japan-US summit, released in April 2021, proposed "cooperation in sensitive supply chains, including semiconductors," as well as "development of artificial intelligence, quantum science and space technology cooperation."¹ In terms of economic framework, Japan and the US will further expand the economic construction of the Indo-Pacific Strategy to counter the influence of the Belt and Road Initiative. Japan has taken the initiative to propose the establishment of a Japan-US economic version of the "2 + 2" dialog mechanism to further bind

¹ 日本外務省、「日米首脳共同声明」、accessed March 10, 2022, https://www.mofa.go.jp/mofaj/na/na1/us/page1_000948.html.

its economic strategy with the US toward China. The economic version of “2 + 2” focuses on strengthening the semiconductor supply chain between Japan and the US and on jointly establishing international standards in the field of cutting-edge technology. Japan and the United States have established strong supply chains in the fields of semiconductors, batteries, advanced medical care, and important raw materials. The two countries want the mechanism to not only prevent China from developing technology, production capacity, and product scale, but also to control these areas so that they can strictly and completely control research and development, production, and marketing. In terms of export control, Japan and the United States jointly promoted the agreement among the 42 members of the Wassenaar Arrangement to include cutting-edge semiconductor substrate manufacturing technology, chip lithography simulation software, and military-grade network software in the scope of export control. In terms of technology development, the two countries have set up a semiconductor working group to divide tasks such as research and development and production, with a view to establishing supply chains in semiconductor and other areas that are separate from China. In addition, Japan and the United States will jointly promote secure and open 5G networks and strive to completely surpass China in the field of 6G. Japan and the United States will invest US\$4.5 billion to enhance their competitiveness in the digital field.

Japan has also actively expanded multilateral cooperation with ASEAN and other regions to build stable supply chains. In April 2020, the Japan–ASEAN Economic Ministers’ Meeting issued the “Economic Resilience Initiative for COVID-19 Response,” pledging to maintain close economic ties and mitigate the negative impact of the pandemic on the economy. The initiative defines the areas and contents of bilateral cooperation.

- Both sides pledged to maintain open markets and prevent economic activity from stagnating to ensure the smooth flow of essential goods such as food, daily necessities, medical supplies, and medical equipment to maintain regional and international supply chains operations.
- Both sides are committed to ensuring the supply of raw materials and products to the world market, supporting the health and well-being

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of all people, maintaining market stability, and mitigating the possible negative impact on the regional and global economy.

- The two sides have agreed to jointly explore ways to diversify, complement, make supply transparent, and ensure appropriate inventory and sustainability to achieve a better balance between dealing with business risks and maintaining cost competitiveness.

In July 2020, the Japan–ASEAN Economic Ministers' Meeting followed up with the “Japan–ASEAN Economic Resilience Action Plan.” The plan contains more than 50 specific measures, including the “Strengthening Overseas Supply Chain Resilience Program,” which is led by the Secretariat of the AEM–METI Economic and Industrial Cooperation Committee, to support companies in increasing their investment in ASEAN to reduce production concentration, and provide subsidies for companies to purchase equipment and conduct business surveys. Japan has also put cooperation mechanisms in place to deal with supply chain crises, such as supporting the ASEAN and East Asia Economic Research Center in setting up continuous projects to strengthen supply chain resilience, carrying out investigations and studies, and holding seminars for business and academic circles and government officials.

Japan has also sought cooperation with more countries or regions outside ASEAN. On April 27, 2021, the economic ministers of Japan, Australia, and India announced the Supply Chain Resilience Initiative, which includes promoting trade by digitizing trade procedures, promoting investment by improving the business environment, matching supply and demand, and supporting equipment investment for the purpose of diversifying the production base. Japan also cohosted the Supply Chain Resilience Forum with Australia, India, and ASEAN to explore ways to strengthen supply chain resilience and enhance industrial competitiveness in the Indo–Pacific region.

In April 2021, Japan, the United States, the European Union, and China's Taiwan jointly held a forum on “Restructuring Supply Chains and Promoting Resilience among Like-minded Partners” and jointly issued a “Joint Statement on Strengthening Supply Chain Security” to strengthen consultation and collaboration on supply chain restructuring and resilience, and to encourage supply chain positioning within like-minded economies to ensure that supply

chains are protected against instability. The United States, Japan, India, and Australia held a Quadrilateral Security Dialogue on September 24, 2021 (QUAD), and agreed to take measures to build a safe semiconductor supply chain.

II

Japan has recently accelerated the strategic deployment of economic security for various strategic considerations, with the change of the international environment, especially the intensification of Sino–US game and the strategic requirements of the United States on Japan, being the important external reason and the demand of Japan’s own economic development and security being the internal reason.

First, changes in the international economic environment have aggravated Japan’s sense of economic security crisis. With the development of globalization and technological innovation, the gap between developed and developing countries is narrowing, and the tendency toward national priority in some developed countries is becoming increasingly obvious. The international order based on the values of freedom, fairness, and competition has been shaken in international politics, economy, trade, science, and technology. Countries are emphasizing the integration of national security and the economy more than ever, making relevant policies that center on their own industries. Conservatism is prevalent; the game between China and the United States is intensifying; new technological revolution is coming; the international situation is becoming increasingly complex; and economy, technology, and security are more closely linked. Japanese politicians believe that the future of Japan depends on the Fourth Industrial Revolution and that economic security needs to be defined as a national strategy, with international environmental changes affecting not only the economy but also security. The Rule-Forming Strategic Parliamentarians Alliance sees the strengthening of economic security as a way to address weaknesses. The goal is to break down divisions and build a system that can grasp economic security information from the whole picture. Since 2018, the United States, Germany, the Republic of Korea, the OECD, the European Union, and other countries and organizations have formulated

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relevant laws, regulations, and policies to strengthen the management of FDI from the perspective of economic security. In August 2018, Trump signed the Foreign Investment Risk Review Modernization Act. In March 2019, the EU voted to adopt the Regulation on the Establishment of the EU Framework for FDI Screening. The UK released the Green Paper on the National Security and Infrastructure Review in 2017 and the White Paper on National Security and Investment in 2018. Germany, France, and Italy adopted new investment management measures related to national security through legislation between 2018 and 2019. At the same time, cooperation between countries in the management of FDI has also been carried out. In May 2018, Japan, the US, and the EU held a trilateral trade ministers' meeting to discuss issues such as preventing investment and acquisition of foreign enterprises and their assets for the purpose of acquiring technology and intellectual property rights or transferring technology to domestic enterprises in their home countries. The United States is pressuring Japan to follow suit while strengthening its own economic security. As pointed out by Kishida during the first meeting of the Economic Security Promotion Conference held on November 19, 2021, "At a time when countries around the world are competing fiercely to secure strategic materials and important technologies, it is important to strengthen Japan's economic security." He also instructed Economy and Security Minister Kobayashi to quickly enact a bill.¹

Second, the pressure from the United States has accelerated Japan-US economic and security cooperation. As an important ally of the United States, Japan's strengthening of its economic security policy is coordinated with the US administration's strategic adjustment of securing economic issues after the inauguration of President Donald Trump. Since 2018, the US has passed the National Defense Authorization Act, the Export Management Reform Act, and a number of related administrative orders to severely restrict Sino-US high-tech trade and Chinese investment in key technology sectors. The US legislature authorized the administration to encourage allies to establish similar foreign investment security screening mechanisms, thereby strengthening the export control of cooperation between the United States and its allies.

¹ 内閣官房、「経済安全保障推進会議」、accessed March 10, 2022, https://www.cas.go.jp/jp/seisaku/keizai_anzen_hosyo/index.html.

Since then, the US government has repeatedly pressured the governments and enterprises of Japan, Germany, Italy, and the Five Eyes Alliance to reduce their economic and technological ties with China, and prohibited contractors that use telecommunications equipment and services from Chinese enterprises such as Huawei and ZTE from signing, renewing, or expanding contracts with the US federal government. The US also set up a so-called clean 5G network that excludes Chinese technology products and even mobilized state-owned financial institutions in Japan and Australia to provide financial support for Southeast Asian countries to abandon Chinese technology products. In the face of pressure from the United States, Japan needs to support the United States with practical actions on the one hand; on the other hand, it is eager to join the economic circle with the United States as the core and obtain more exclusive interests by taking advantage of the market, capital, scientific and technological achievements, and other resources of the United States.

The US Foreign Investment Risk Review Modernization Act included Australia, Canada, and the UK in the white list, recognizing that the investment of these three countries in the US will not bring security risks and claiming that the white list can be expanded according to future situations. The convenience and benefits generated by this action are very attractive to Japan. Since 2020, a number of US think tanks have reported that Japan and the US should strengthen their cooperation in scientific and technological innovation by setting up mutual funds and sharing data resources and research results. Both countries should strengthen their cooperation in the field of scientific and technological innovation, and maintain timely consistency in foreign investment and export control policies to jointly sustain the scientific and technological competitiveness of their alliance, which will enable Japan to take advantage of the scientific and technological advantages of the United States to promote its own development.¹ Strengthening economic security policy is also conducive to Japan's consolidation and management of the US–Japan alliance. Since the implementation of the “America First” policy by the Trump administration, Japan has been under pressure with regard to military expenditure sharing, military procurement, and other aspects. The COVID-19 outbreak has also

¹ 「日米経済協力強化プロジェクト」、accessed March 10, 2022, <https://apinitiative.org/GaleyudaTuFo/wp-content/uploads/2018/11/report-summary-JP.pdf>.

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led to a sharp decline in the Japanese people's trust in the US. In this context, economic security guarantee can provide a new fulcrum for Japan to strengthen communication and cooperation with the United States and further bind Japan and the United States on the same chariot.

Third, strengthening the economic security strategy is needed for Japan's own economic development. The first purpose is to win scientific and technological competition, and strive to ensure technological superiority. The world is still on the eve of the Fourth Industrial Revolution. Communication technology, network technology, military technology, and energy technology are all in the transition period of great development. Notably, Japan did not occupy a favorable position in the last Industrial Revolution, with Japan's development in artificial intelligence, quantum technology, financial technology, and other aspects having been slow. Its total number of patents lags behind that of China and the United States, and most of the Nobel prizes it has won are for technologies from the 1950s to 1960s. Thus, its competitiveness is in a declining stage. In 2019, Japan was ranked 30th in international competitiveness by the International Institute for Management Development based in Lausanne, Switzerland. In 5G, NEC and Fujitsu account for less than 1% of the global market. In quantum technology, annual patents were overtaken by the United States and China a decade ago. In recent years, foreign ownership of about 2% to 3% of Japanese companies such as Toshiba has interfered with daily operations.¹ Japan is deeply concerned, particularly with the perceived threat of China's pace of development, which is why maintaining Japan's technological edge is seen as a matter of national security.

The second purpose is to maintain the independence and indispensability of the Japanese economy. Japan's economic growth has been sluggish in recent years, and the effect of the overly aggressive monetary and fiscal policies of Abenomics has reached a critical point. The Japanese government must consider exit strategies and replacement policies. Since Kishida government came to power, it presented the "new capitalism," and the economic security strategy became an important starting point for the Kishida government. This strategy enhanced the government's control ability over enterprises and guided

¹ 日本の科学技術「競争力低下」8割、accessed March 10, 2022, <https://www.nikkei.com/article/DGXMZO30138080V00C18A5EA2000/>.

capital to return to Japan under the pretext of maintaining security. Moreover, it reduced the external dependence of the supply chain and reduced the outflow of technology. Japan is worried about excessive economic dependence on China. According to the World Trends Report released by the Japanese Cabinet Office in February 2022, among 5,000 categories in 2019, 1,133 categories or 23% of items were imported from China, accounting for more than 50% in terms of value.

The third purpose is to gain an advantage in terms of international rules. With regard to international trade rules, unified investment and trade agreements at the global level are still lacking, and regional economic and trade relations are characterized by regionalization and fragmentation. Against this backdrop, Japan has actively promoted the formation of high-level free trade areas such as CPTPP and Japan–EU EPA. With the RCEP coming into force, Japan has participated in almost all major free trade agreements in the world. As a flag bearer of free trade, Japan is becoming an important node in the global free trade network. All countries are in a period of exploration and development in the field of new economy such as digital economy. While vigorously developing itself through economic and security policies, Japan has actively established connections with major economies such as the United States and Europe to build an international voice in the new economy and try to participate in leading the formulation of international rules.

In addition, economic security is an important part of Japan's comprehensive security strategy. In recent years, Japan has been increasingly recognizing that the possibility of a large-scale hot war is low because of the nuclear deterrence between the world's major powers, that economic sanctions are increasingly used as a weapon in the struggle between major powers, and that the economy has become the most vulnerable area except hot war. Under the background of the intensified game between China and the United States, Japan needs to revise its previous economic and security strategies. Starting from the field of economic security is the most practical and feasible plan for Japan at present. The acceleration of Japan's economic security strategy is actually an upgrade of its previous comprehensive security strategy. The "Suggestions on the

¹ 日本内閣府、「世界経済の潮流」、accessed March 10, 2022, <https://www5.cao.go.jp/keizai3/sekaikeizaiwp/index.html>.

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Formulation of Economic Security Strategy” proposed by the Headquarters for Creating a New International Order Strategy of the LDP of Japan states that Japan’s economic security strategy covers energy security, marine security, food security, financial security, information security, and many other aspects, thus serving as the embryonic form of Japan’s international security concept to a certain extent.¹

III

Japan’s economic and security strategy is boosted by internal and external factors, yet it still faces many constraints and challenges, and its final policy effect remains to be seen.

First, the government’s ability to promote the executive power of enterprises and the market influence restricts the effect of policies. Although the Japanese government has introduced a series of fiscal policies to subsidize and support enterprises, adjusting their costs is still negligible for enterprises. Take Japan’s support for TSMC to set up a factory in Japan for example. Japan plans to invest 1 trillion yen to establish a joint venture, with SONY paying for the factory construction. However, other facilities cost at least 500 billion yen, which is still a heavy burden for the new company, and positions for skilled workers needed by the company are difficult to fill in the short term.²

Japan’s policies on economic security are tantamount to imposing restrictions on Japanese companies, imposing isolation zones on Chinese companies, and examining investment transactions in important projects, thereby discouraging Japanese companies from investing in China and affecting their willingness to invest in China. At the same time, Chinese investment in Japan will be severely restricted, which will affect the business of relevant companies in the Japanese market and the normal exchanges and cooperation between Chinese and Japanese companies, as well as exert a negative impact on China–Japan economic cooperation. In addition, the government’s massive

¹ 「国家安保戦略に経済安保の明記を」、accessed March 10, 2022, <https://www.sankei.com/article/20211121-IH34NTKNQNII7MIMF2PMGANVMQ/363980>.

² 「TSMC? ソニー、熊本に半導体新工場」、accessed March 10, 2022, <https://www.nikkei.com/article/DGXZQOUC10E680Q1A910C2000000/>.

use of government subsidies to encourage enterprises to return to the country is beneficial to enterprises in the short term, but it is against the law of the market and is likely to lead to overcapacity and zombie enterprises in the long run. Major Japanese companies are complaining about the government's request to create a position in charge of economic security on the board of directors and to establish a public-private council, raising questions about how much Japanese companies will fully implement government policies in the future.

Japan's domestic market has limited demand in all aspects, which is why expanding production and increasing profits by exploring the international market are necessary. This situation is also why most Japanese enterprises are overseas enterprises, including high-tech enterprises. To achieve iterative development, they must pass large-scale market use and inspection. This condition is part of the attraction of the Chinese market for Japanese companies, as Japan has technological advantages and a large global market share in many segments. For example, Japan has absolute advantages in some semiconductor materials industries in the world. Tokuyama Corporation controls 75% of the world's high-purity aluminum nitride market, and its aluminum nitride powder is universally recognized as being of the best quality and having the most stable performance of semiconductor heat dissipation materials. Shin-Etsu Chemical, the world's largest chemical company, and SUMCO, together hold about 60% of the market share and have an edge in high-tech products such as 5G, a high-speed communications standard, and data centers. Japanese companies account for 90% of photoresist, which is essential for the production of integrated circuits.¹ If these materials cannot be exported or the export volume is reduced due to economic security policies, then the stability of the global supply chain will be affected and the position of Japanese companies in the international market will be weakened.

Second, the interests of Japan and the US are not exactly aligned. Under the Trump administration, the United States once raised taxes on some Japanese exports and threatened additional tariffs on Japanese cars, and the increasing cost of security for US troops stationed in Japan has become a financial burden for Japan. Compared with the United States, Japan attaches more importance

¹ 日本の半導体産業「他国より優位」、accessed March 10, 2022, <https://www.asahi.com/articles/ASP44436VP3DULFA027.html>.

to and needs the Chinese market. Therefore, although the United States is pressuring Japan to be tough on China, Japan tends to be flexible according to its own situation. In the semiconductor industry, for example, the US ban on Huawei has hit Japanese companies hard. Kioxia, formerly Toshiba Memory Corporation, was forced to stop supplying Huawei, delaying Japan's largest initial public offering in 2020. If the United States continues to expand sanctions against China, then it will deprive Japan's leading semiconductor companies of important Chinese customers and weaken their competitiveness in the long run. The goal of the US semiconductor strategy is to attract competitive foreign companies to set up factories in the US, which, on the contrary, risks hollowing out Japan's semiconductor manufacturing equipment and materials, and runs counter to Japan's goal of strengthening its own strategically indispensable industries. Kioxia launched merger talks with Western Digital after a delayed listing, a move seen as the first step toward cooperation in the semiconductor field between Japan and the US. However, the talks have been bogged down by Tokyo's reluctance to accept Washington's desire for the combined company to be based in the US and Japan's insistence on keeping Japanese factories and high-value-added research and development functions. From this point of view, the cooperation strategy of the United States to Japan is more inclined to support the leadership of the United States by Japan's transfusion of blood to the United States, rather than help Japan restore its former economic glory. Therefore, the United States and Japan will face a complex interest game in constructing a stable supply chain system and developing and protecting their own industries.

Third, the degree of economic interdependence between China and Japan is deep and difficult to strip completely. By 2021, China had been Japan's largest trading partner for 14 consecutive years, accounting for about 20% of Japan's foreign trade. Moreover, Japan is China's fourth largest trading partner. By the end of 2019, Japan had invested US\$115.7 billion in China, accounting for 6.1% of China's total foreign investment, making it the largest source of foreign investment in China. More than 50,000 Japanese small- and middle-sized enterprises have set up factories in China, and the investment industry has expanded from manufacturing to the service industry. China's positioning has changed from a production base to a large consumer market. In the first half

of 2020, Japan's total direct investment in China decreased by 3.9% compared with the same period in 2019 due to the impact of COVID-19. However, Japan's total investment in manufacturing increased by 20%, especially in transportation machinery and equipment, which accounted for 40% of the total investment.¹ Japanese companies are investing more in cars and health care for the elderly. At the same time, Chinese enterprises continue to accelerate their investment in Japan, mainly involving manufacturing, financial services, Internet, electricity, communications, and software, as well as new economic models such as cross-border e-commerce, mobile payment, and sharing economy. In the first half of 2020, China's industry-wide direct investment in Japan reached US\$73.76 million, up 11% year on year. The turnover of contracted projects completed by Chinese enterprises in Japan reached US\$180 million, up 12.6% year on year.² China and Japan are still one of each other's most important economic and trade partners. With the entry into force of RCEP and China's active participation in the CPTPP, a broad space for deep economic and trade integration remains between the two countries based on the consultation on new rules, which is in conflict with the desire of Japan and the US to build supply chains that exclude China.

Finally, the overemphasis on economic security will lead to the pan-security of economic issues, which is contrary to the direction of global economic development and cooperation. On the one hand, excessive economic protection is not conducive to economic growth and technological innovation. Japan was a beneficiary of the liberal economy, and its postwar economic growth benefited from the liberal and relaxed world economic development environment. After becoming a developed economy, however, it became a supporter of the conservative order. With the development of globalization, a country's economic protection and technological locking-up solely on the grounds of economic security will not enhance its economic competitiveness, nor will it be conducive to the expansion of economic scale and the improvement of innovation capacity. This kind of economic security

¹ JETRO、「2020年の日中貿易、日本の貿易に占める対中比率は過去最高に」、accessed March 10, 2022, <https://www.jetro.go.jp/biz/areareports/2021/114272012ce2ba22.html>.

² 日本財務省、「日本の貿易統計」、accessed March 10, 2022, <https://www.customs.go.jp/toukei/info/>.

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that weaponizes economic security and interdependence undermines Japan's economic interests and technological industry development.

On the other hand, economic security tends to undermine mutual trust and divide the world system. Japan's economic security strategy, on the one hand, increases economic security precautions against China and other regions, and, on the other hand, forms a closed economic circle with the United States and other regions, thereby increasing the cost of economic exchanges between countries and destroying the foundation of trust between countries. In the absence of mutual economic trust, high-level economic cooperation among countries has become increasingly difficult, and the foundation for common efforts to overcome development obstacles no longer exists. At the same time, the closed economic circle with Japan and the United States as the core has separated global regions that have different values, and the global economic governance model has become more and more fragmented. Different regions and alliances have set up groups to target outside forces. For example, the Japan-US Digital Agreement has reached a certain degree of consensus on the digital economy trade between the two countries, while Singapore, New Zealand, Chile, and China have joined the Digital Economy Partnership Agreement, forming their own economic circle. As a matter of fact, the development of the new economy represented by the digital economy should bring countries closer together rather than separate them. Therefore, countries need to cooperate to cope with this situation. However, overemphasis on national security will make it difficult to advance cooperation.

Conclusion

The acceleration of Japan's economic security strategy is of profound symbolic significance and entails the deepening of its security strategy. Over the years, Japan has continuously expanded the scope of its economic security and upgraded its comprehensive security strategy. From Prime Minister Masayoshi Ohira's proposal in 1980 to the Japanese government's formulation of the National Security Strategy in 2013, coupled with continuous improvement in recent years, Japan's economic security strategy has gradually taken shape. At the same time, Japan has been seeking security and independence in recent

years to enhance its strike capability. The Japanese government is planning to revise its National Security Strategy by 2022 after intensive discussions with the ruling party. In the future, Japan may further use economic strike means while developing its military strike capability. These two approaches complement each other to enhance Japan's security guarantee capability by "taking offense as defense." This is not only an important path for Japan to realize its security interests, but also an important means for Japan, an "abnormal country," to use external forces to promote the postwar transformation of its security strategy and become a military and economic power.

The acceleration of Japan's economic and security strategy also marks the adjustment of Japan's China strategy. China is Japan's largest trading partner, and economic people-to-people exchanges between the two countries have been expanded under their strategic mutually beneficial relationship. However, in recent years, Japanese political circles have become progressively hardened toward China, and an "anti-China" attitude has become a form of political correctness in Japanese political circles, as can be seen from the 2021 election of the president of Japan's LDP. While the three candidates disagree on many domestic issues, they are unified in their tough talk about China. Fumio Kishida, one of the candidates, said, "If elected, I will give top priority to countering China." Taro Kono said China has become a security threat. Takaichi especially stressed that he would continue to visit Yasukuni Shrine and set up an investigation agency against China to prevent technology leakage.¹ Under the influence of negative political factors, China-Japan relations have become more complicated and diversified. Recently, the Japanese Diet passed a resolution expressing concern over the "grave human rights situation" in China and repeatedly played up the threat to Japan's security posed by "incidents across the Taiwan Strait." This approach shows that the Japanese government is gradually deviating from the cautious line of maintaining a balance between China and the United States, and is increasingly making all-around efforts to balance China. The policy of strengthening economic security has become a precursor of friction between China and Japan in the economic

¹ "In the Three-Way Race for Japanese Prime Minister, a Tough Stance on China Has Become the Consensus," accessed March 10, 2022, <https://www.bbc.com/zhongwen/simp/world-58513780>.

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field, thus affecting the economic foundation and security mutual trust of their bilateral relations. Although China–Japan economic relations remain close, the possibility of a partial decoupling of the high-tech sector between China and Japan in the future cannot be ruled out.

Japan is also forging a “Japanese solution” to reshape international rules through its economic and security strategy. In fact, Japan’s economic security strategy is an important part of its international grand strategy and also reflects Japan’s views on and responses to changes in the current international environment. The current international rule system is changing due to the power balance between China and the United States. Although Japan is closer to the United States, Japan and the United States do not have exactly the same interests, and Sino–Japanese relations are difficult to improve in the short term. Therefore, Japan must exert its own initiative and find its own positioning in the process of reshaping the international order. Japan hopes to serve as a “bridge to the world,” connecting major economies in Europe, India, Australia, and Southeast Asia besides the United States with the “flag bearer of free trade” and “common values of freedom and democracy” while maintaining its close economic and trade ties with China.¹ The economic security strategy shows that Japan should serve not only as a bridge but also as a lever. On the one hand, it will continue to maintain and strengthen the Japan–US alliance and maintain contacts with China. On the other hand, it will form a third pole power with strategic partners such as the European Union, ASEAN, Australia, and India. The acceleration of the economic security strategy shows that Japan’s sense of strategic autonomy is rising. While reaching out to external forces, Japan is more actively implementing the “Japan first” policy, focusing on the construction of the international order in the postpandemic era, providing ideas and rules for the new order of Japan, and realizing its long-term international strategic goals.

¹ 「ポストコロナ」時代の国際秩序と日本、accessed March 10, 2022, https://dl.ndl.go.jp/view/download/digidepo_11561442_po_1120.pdf?contentNo=1.