



**SASAKAWA USA**  
Sasakawa Peace Foundation USA

# Japan's Economic Security Strategy in the New Era

Remarks by The Honorable Akira Amari

## Abstract

*On Friday, July 9, 2021, Sasakawa Peace Foundation USA (Sasakawa USA) hosted a virtual event, "Japan's Economic Security Strategy in the New Era," featuring remarks by The Honorable Akira Amari, member of the House of Representatives of the National Diet of Japan and Chairperson of the Liberal Democratic Party (LDP) Research Commission on the Tax System. The Hon. Amari explained the core components of Japan's new economic security strategy, which are (1) to achieve "strategic autonomy" and "strategic indispensability" in global supply chains, (2) to enact a digital strategy that promotes democratic values as the international standard, and (3) to pursue cooperation with allies to create secure and cutting-edge semiconductors. In the Q&A following his remarks, the Hon. Amari provided insights on how Japan's innovation infrastructure must evolve to identify and overcome supply chain chokepoints while also encouraging research and development of new manufacturing techniques that could prove to be "game changers" in the competition with China for economic and ideological influence.*

*This talk was presented by Sasakawa USA's Policy Briefing Series and was held virtually via Zoom. Attendees included distinguished guests from the Washington, D.C. policy community, academia, and think tanks, along with former and current leaders of both U.S. and Japanese business and government. Introductory remarks were given by Dr. Atsushi Sunami, President of Sasakawa Peace Foundation. Dr. Satohiro Akimoto, Chairman and President at Sasakawa USA, facilitated the event and moderated the Q&A.*

## The Foundation of Japan’s “Innovation Ecology”

In his introductory remarks, Dr. Atsushi Sunami thanked The Hon. Akira Amari for offering to share his insights on how Japan’s economic security strategy is adapting in response to shifting geopolitical concerns in the Asia-Pacific and positive developments in U.S.-Japan relations. He added valuable context by stating that the foundation of this comprehensive economic security strategy was laid years ago by The Hon. Amari, whose foresight was crucial to the development of Abenomics and from which new economic growth strategies arose. Dr. Sunami noted that one of the major challenges The Hon. Amari has devoted his efforts to is the lack of “unicorn” startups in Japan (i.e., companies with a valuation of more than \$1 billion); this reality seems to persist despite the many prestigious universities and Nobel Prize laureates Japan has produced. In this regard, Japan has yet to achieve its full economic potential, though the ground is fertile for sowing seeds of innovation. Dr. Sunami concluded by saying that the visionary policies initiated by The Hon. Amari are cultivating a vibrant “innovation ecology” in Japan, making the country poised to become a global center of innovation which can contribute toward solving humanity’s shared challenges.

## An Integrated Approach to Economic and Security Policy

The Hon. Amari began his remarks by describing how the COVID-19 pandemic revealed the vulnerability of supply chains to be an urgent threat to Japan’s national security, one comparable in severity to threats of military force. Japan’s reliance on foreign suppliers for masks, gloves, gowns, and other personal protective equipment induced strain on the medical response and exacerbated panic amongst the public, thus seriously endangering the nation’s safety and economic wellbeing. To prevent the collapse of vital infrastructure during future crises, The Hon. Amari affirmed that Japan must identify its vulnerabilities and preemptively create plans to overcome them.

Supply chain vulnerabilities have the potential to disrupt not only Japan’s domestic economy, but institutions of governance. They are also a tool for shifting the balance of power in the Asia-Pacific, particularly the competition of values between authoritarian and free, democratic states. It is inevitable that the countries with the strongest supply chain footholds will have great influence in the distribution and application of critical technologies like semiconductors. As society becomes more reliant on data collection and analysis to maximize efficiency and functionality, the question of who controls the supply chains of key technologies will become a deciding factor in which set of values—democratic or authoritarian—will achieve widespread influence.

In response to these emerging threats, The Hon. Amari identified the following goals: (1) achieving “strategic autonomy” and “strategic indispensability” in global supply chains, (2) enacting a digital strategy that promotes democratic values as the international standard, and (3) pursuing cooperation with allies to create secure and cutting-edge semiconductors.

## Strategic Autonomy and Strategic Indispensability

A key component of Japan's new economic security strategy is pursuing “strategic autonomy” and “strategic indispensability,” which will enhance the resiliency and dynamism of Japan's economy. Strategic autonomy refers to how Japan aims to reduce its reliance on foreign suppliers for materials and technologies. Strategic indispensability describes how Japan strives to expand its strengths in researching, developing, and supplying critical and cutting-edge technologies to establish itself as an essential part of global supply chains. Put simply, this new strategy calls for Japan to decrease its dependence on the rest of the world while increasing the world's dependence on Japan in the supply of critical technologies.

The Hon. Amari stated that Japanese government agencies and ministries spanning all sectors of the economy, from infrastructure to transportation to power generation, are pursuing these goals as a unified front. Each ministry is working to identify and eliminate “choke points” where disruptions in global supply chains halt operations.

Achieving strategic indispensability will require Japan to take new, proactive steps to realize its full potential as a globally recognized center for innovation. He affirmed the need for greater government investment to “invigorate” the research capabilities of Japan's national universities, which have been described as less robust when compared to those of the major research universities in Europe, the United States, Singapore, and China. In some cases, the endowments of Japanese universities are as little as 1/100th of their foreign counterparts.<sup>1</sup> To address this, 10 trillion yen of government funding for Japanese universities is scheduled to be dispersed by March 2022 to support research programs. The Hon. Amari added that the government is working to complete a comprehensive database to track the dispersal of funding to research “seed”

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<sup>1</sup> Consider Keio University, one of Japan's highest-funded private universities, whose endowment of 73 billion yen pales in comparison to Harvard University's roughly 4.5 trillion yen. Source: Yuko Takeo, “Japan to Start \$96 Billion University Fund by March 2022,” *Bloomberg*, January 18, 2021, <https://www.bloomberg.com/news/articles/2021-01-19/japan-to-start-96-billion-university-fund-by-march-2022>.

projects. The database serves to provide an accurate understanding of which projects hold promise for further development and success.

While government subsidies will greatly contribute towards strengthening and expanding university research programs, The Hon. Amari remarked that universities should collaborate with the private sector to identify future investments, stating that Japan can bolster its university-venture capital partnerships and human capital management to build a rich innovation ecosystem. To this end, he advised that “universities should not just be operated; they should be managed” by leaders who will cultivate research seeds into economically viable technologies. He added that he would like to propose new economic security legislation in the next session of the Diet which would ensure that all aspects of the government cooperate to achieve strategic autonomy and strategic indispensability.

## Digital Strategy

Next, The Hon. Amari spoke about how Japan is striving to increase its digital capabilities to keep pace with global digital transformations. He drew attention to the Japanese government’s new Digital Agency, which will launch on September 1, 2021. Its purpose is to manage the digitization of operations within each of the ministries. He cautioned that as Japan pursues these measures, it must also determine the standards which will govern society in a digital era.

Japan should consider how the digitization of information affects the global balance of power, particularly regarding China. The Hon. Amari noted that while the collection of personal data can improve the efficiency and scope of government-provided services, many are wary of how authoritarian governments have used such measures to impose a surveillance state. Japan and its democratic allies must take early measures to instate values of freedom, democracy, respect for human rights, and adherence to the rule of law as the international standard for digital exchanges of information.

## Semiconductor Strategy

Another topic of critical importance in today’s data-driven economy and society is the development of more advanced and cost-effective semiconductors. The Hon. Amari illuminated the centrality of semiconductors in data collection by comparing their stake in the economy to that of oil during the 20th century, remarking that in the 21st century, those who control data control the world.

Semiconductors have improved the functionality of society by increasing our ability to extract, accumulate, and analyze data, thus enabling the transformation of raw information into valuable knowledge. As governments become more reliant on semiconductors to administer public policy, they should prepare to defend against attempts to steal personal information and protect critical infrastructures. Semiconductors introduce new cyber risks and vulnerabilities which can be exploited by authoritarian actors. He continued that these risks can be minimized by establishing robust, reliable supply chains between Japan and trusted stakeholders who possess the materials and manufacturing capability to produce next-generation semiconductors. He mentioned the United States, members of the European Union such as the Netherlands, and Taiwan as potential partners in this effort.

In addition to establishing secure supply chains, The Hon. Amari stated that Japan must shore up its cyber defenses and legal standards to protect intellectual property rights if the country wants to see greater innovation in the development of cutting-edge chip manufacturing techniques.

## Moderated Q&A with Attendees

### Encouraging Semiconductor Innovation

Following The Hon. Amari's remarks, Dr. Akimoto commenced the Q&A discussion by inviting a question from Dr. Kenneth Weinstein, the Walter P. Stern Distinguished Fellow and former President of Hudson Institute and former President Trump's nominee for the Ambassadorship to Japan. Dr. Weinstein agreed with The Hon. Amari's statement that Japan must develop a new semiconductor strategy, noting that while Japan currently has 84 chip factories and produces 10% of the global supply of semiconductors, the country's culture of innovation will need to transform to produce the kinds of cutting-edge chips other countries are already striving for. To that end, Dr. Weinstein asked how current incentives placed on universities and corporations could be adjusted to achieve the ideal conditions for encouraging innovation in semiconductor designs and manufacturing.

The Hon. Amari replied that in developing a strategy for innovating new semiconductor designs, Japan should first think of the technological capabilities it would like to achieve and work backwards to determine where to expend limited resources and attention. It should consider which technologies will be desirable in the future, such as self-driving vehicles or 6G data networks. He added that while Japan strives to innovate the most cutting-edge semiconductors, the country

should also devote resources to improving its chip manufacturing techniques, alluding back to the goal of strategic autonomy. For example, if a country were to develop a new manufacturing technique which renders the old supply chain obsolete, this would be a game-changer to the balance of economic and political power globally. He noted that Taiwan and the United States are already pushing the limits in semiconductor development by creating smaller and lower-cost prototypes. For Japan to match these efforts and establish itself as a global center for innovation, it needs to challenge current conventions regarding the cost and scope of production and reorient toward pursuing novel manufacturing methods.

### Countering China's Manipulation of Supply Chains

Next, Former Congressman Ted Yoho (R-FL-3) asked how Japan and its allies might counter China's efforts to assert military and economic dominance by disrupting semiconductor supply chains at the input stage through activities such as limiting the global supply of rare earth metals.

The Hon. Amari agreed that China has begun to think in earnest about rebuilding the Chinese empire. Its observed strategy is to increase other countries' dependency on China through manipulating supply chains and international standards for trade. Limiting the global supply of rare earth resources is one tool of economic statecraft which China continues to employ in the pursuit of hegemony. The Hon. Amari continued by advising that Japan and key stakeholders should analyze their current supply chains and identify the "choke points" that China currently holds, and then collaborate to reduce dependency on China in the production and distribution of critical infrastructure and technologies.

### The Diet's Role in Enhancing Economic Security

The final question posed by Mr. Robert Ward, Japan Chair at the International Institute for Strategic Studies, asked what role the Japanese Diet should play in enhancing the nation's economic security.

The Hon. Amari suggested that one area for improvement is the development of robust legal protections for patents to enhance the competitiveness of Japan's research and development (R&D) efforts. He pointed out that Japan currently lacks a system for keeping non-disclosed patents, whereas countries with such systems in place—like the United States and EU member states—enjoy a competitive advantage in the development of cutting-edge

technology and production methods. He added that Japan would benefit from implementing a security clearance system like that of the United States to protect research on sensitive technologies. He concluded by stating that the Japanese government's new guidance requiring all ministries and agencies to account for economic security in their operations is a step toward developing a more secure and competitive research environment where innovation can flourish.

Dr. Akimoto closed the event by thanking The Hon. Akira Amari for his insights on economic security, innovation, and digital advancements in Japanese society, which will serve as the foundation upon which Japan and the United States construct meaningful and realistic dialogue on their shared concerns and opportunities for mutual advancement on this front.

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*Sasakawa USA is grateful to The Hon. Akira Amari, Dr. Atsushi Sunami, the Q&A participants, and attendees for their insightful discussion on Japan's economic security strategy.*

*The summarized views of the speakers expressed herein are entirely the work of Sasakawa USA and do not represent the official positions of any of the speakers.*

*For more information about Sasakawa USA's Policy Briefing Series, click [here](#).*

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