



## ***JAPAN SETS THE PACE FOR PRIVATE SECTOR ECONOMIC SECURITY MANAGEMENT***

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Japan continues to pace like-minded governments when making economic security policy. Successive administrations in Tokyo have made economic security a priority, passing legislation and adjusting the bureaucracy to realize those ambitions. Those efforts continue. Governments concerned about economic security should be studying Japan's efforts and work with Tokyo to address these challenges. Only concerted efforts by countries alone and together can ensure economic security.

Of special significance are increasing efforts by the government to work with the private sector to increase awareness of economic security and hone private business' response to this challenge. This too is pacing the world and could yield "a Tokyo effect" with international consequences—good for Japan and for countries that emulate it.

Japan, like other countries, has been forced to address threats to economic security. Its consciousness of those dangers preceded that of other governments: Japan was subject to economic coercion—a [cutoff of](#)

[important rare earths exports from China](#)—in 2010 after the arrest of a Chinese fishing boat captain who illegally entered the waters surrounding the Senkaku islands. That incident shook Japanese decisionmakers. More significantly, it wasn't a one-off: Economic coercion has since become an increasingly frequent and favored tactic of Beijing.

The first step in the promotion of economic security by Tokyo was the creation in 2020 of an [economic bureau](#) in the National Security Secretariat. This move prompted ministries throughout the government to prioritize economic security as well; many of them established economic security offices to focus efforts.

Kishida Fumio, then prime minister, picked up the pace during his administration. He made economic security a pillar of his government's growth strategy; his seriousness was clear in October 2022 when he established the position of [minister in charge of economic security](#) in his Cabinet.

The same year, Japan passed the [Economic Security Promotion Act](#) (ESPA) with the aim to promote Japan's economic security by ensuring its strategic autonomy and indispensability. The legislation has four pillars: ensuring a stable supply of specific critical materials, securing the stable provision of critical infrastructure, supporting the development of specific critical technologies, and implementing a secret patent system.

Based on the first pillar, the stable supply of critical materials, manufacturers of critical materials that have been identified based on the necessity for the survival of the Japanese population, dependence on foreign suppliers, and the risks of supply chain disruption due to foreign actions are encouraged to submit a stable supply plan to the government, which, if approved, receive subsidies to offset some of the costs to apply that plan. By June 2024, [85 plans](#) related to semiconductors, batteries, machine tools, fertilizers, and antimicrobial substances were certified, with subsidies totaling \$6 billion.

As for the second pillar, the stable provision of critical infrastructure, over 200 companies across 15 sectors, including energy, logistics, and finance, have been

designated as critical infrastructure companies. These companies must undergo government review when implementing critical information systems, providing detailed supplier information down to the end of the supply chain and reporting on risk management measures. The government can then demand improvements in risk mitigation strategies or changes in suppliers. Some regulatory agencies have even requested the exclusion of Chinese and Russian companies from supply chains.

Regarding the third pillar, the support for the development of critical technologies, Japan has [identified 50 key technology areas](#), including maritime, space, aviation, cyberspace, and biotechnology sectors, allocating approximately \$3.5 billion for research and development support.

The last pillar of ESPA, the secret patent system, covers fields such as aircraft stealth and concealment technologies, attack and defense systems for submarines, as well as technologies related to the disassembly and reprocessing of spent nuclear fuel and heavy water, which could cause substantial harm to Japan's public life and economic activities. 25 technology fields have been identified, and when companies or research institutions file patents in these areas, the government can designate the technical content that need to be preserved and not applied in commercial use, compensating for any losses resulting from the restrictions. This system has been operational since May 2024.

Another critical economic security policy is the security clearance system based on the [Act on the Protection and Utilization of Critical Economic Security Information](#), which was passed in May 2024. This system expands the scope of protected information beyond the traditional realms of defense and diplomacy to include economic security-related data. This will strengthen Japan's ability to manage and share sensitive information.

Japan is also actively updating existing policies to enhance economic security. A notable example is the recent revision of the Foreign Exchange and Foreign Trade Act (FEFTA), which now includes [new regulations](#) requiring certain technology transfers

abroad to be reported to the Ministry of Economy, Trade and Industry (METI). This change is a direct response to incidents where Japanese-developed technologies were utilized in ways that could jeopardize national security.

METI's recent public tender from the Economic Security Policy Division of the Trade and Economic Security Bureau reflects the Japanese government's commitment to engaging the private sector more fully to address economic security challenges. The government intends to establish an economic security code of conduct for businesses. While the specifics of this code are not yet available, broad guidelines that extend beyond the ESPA could lead to increased investments among the private sector in critical areas such as supply chain resilience, information protection, and open-source intelligence.

Given the collaborative culture of Japanese companies with authorities, any guidelines published by METI are likely to become the standard for economic security management among Japanese firms. As a result, major Japanese global corporations will likely require non-Japanese supply chain partners to adhere to these guidelines as well. Consequently, this new policy from the Japanese government could soon give rise to a "Tokyo effect" in economic security management within the private sector, shaping not only Japanese multinational companies but all their contractors as well.

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