

[Executive Summary]

On December 16, 2020, the Strategic Headquarters on the Creation of a New International Order of the Liberal Democratic Party of Japan issued a set of recommendations toward developing Japan's "Economic Security Strategy". As the Covid-19 pandemic brought to light various strategic challenges, it has reminded us of Japan's vulnerabilities and latent risks, particularly in the context of economic security. Against such backdrop, we believe that Japan should develop its "Economic Security Strategy" in pursuit of Japan's national interests.

In the Recommendations, economic security is defined as "ensuring Japan's independence, survival, and prosperity from an economic perspective." In presenting our argument, the two key concepts we used are: "*strategic autonomy*" and "*strategic indispensability*."

- *Strategic autonomy* means realizing Japan's national security objectives of ensuring the livelihoods of Japanese people and the normal functioning of Japanese economy without depending excessively on other countries, under any circumstances.
- *Strategic indispensability* means making Japan an indispensable country within the entire global industrial structure so as to ensure Japan's long-term, sustainable prosperity and national security.

Given the need to develop a clear-defined economic security strategy, Japan should start off by articulating what *strategic autonomy* and *strategic indispensability* mean to Japan while preparing for any unforeseeable circumstances. In other words, the first step for Japan will be identifying what will ensure Japan's *strategic autonomy* (i.e. discovering vulnerabilities of *strategic core industries* by setting various risk scenarios) and *strategic indispensability* (i.e. specifying industries and technologies that have advantages and potential to enable Japan to support its long-term and sustainable prosperity). The second will be determining strategies and policies necessary for Japan to ensure its *strategic autonomy* and *strategic indispensability*. The third will be putting the necessary mechanisms in place for achieving such goal.

For comparative purposes, we have also analyzed recent actions and approaches taken by the United States, Australia, India, China, and Russia as well as the recent trend in the Indo-Pacific and Europe.

With a clear-defined economic security strategy, the Government of Japan will be able to engage with all stakeholders in Japan to support relevant efforts. In addition, such strategy will enable Japan to conduct meaningful dialogue with the United States and other like-minded countries which share fundamental values, as Japan strives to ensure its economic security.

Under such strategy, the Government of Japan should identify specific technologies that will

support Japan's *strategic autonomy* and *strategic indispensability* from a national security perspective and use all possible means to protect and cultivate those technologies. Doing so will require a set of integrated and comprehensive actions in both the public and private sectors.

We also believe that the Government of Japan should develop a *comprehensive* economic security strategy which clearly defines what needs to be achieved and when. More specifically, upon developing a strategy, three timelines should be kept in mind: the short term (i.e. for the next one to two years), the medium term (i.e. for the next five years or so), and the long term (i.e. for the next ten years or so).

Implementation of a comprehensive economic security strategy requires a *whole-of-government* efforts. Closer coordination among industries, the Government, and academia, including companies in the private sector, universities and research institutes, will be the key. In particular, relevant ministries and agencies should take the initiative in leading the implementation of concrete measures within the industries they oversee, guided by a shared understanding and awareness of economic security.

We believe that the Government of Japan should move as swiftly as possible to develop Japan's "Economic Security Strategy." The Government should also put in place the mechanisms that are most appropriate and essential to steadily implement such strategy and consider incorporating an economic security dimension into the National Security Strategy in future. For specifics, relevant ministries and agencies should coordinate with entities such as the National Security Secretariat to consider what can be done vis-à-vis laws and regulations governing the industries they oversee. Furthermore, a law for promoting all forms of economic security measures should be enacted during the ordinary Diet session in 2022. As a parallel effort, the Government should steadily push through individual policy steps that can be implemented one after another.

The Strategic Headquarters on the Creation of a New International Order worked together with other specialized groups within the party to consider priority areas in detail, along with measures to ensure Japan's economic security. This includes: resources and energy; ocean development; food security; financial infrastructure; telecommunications infrastructure; space development; cybersecurity; utilization of real-world data; supply chains; technological excellence; innovative capability; land transactions; countermeasures to major infectious diseases; infrastructure export; rule-making via international organizations; and economic intelligence capabilities. The Government of Japan should also implement recommendations and steps as identified in the sector-oriented deliberations within the party.

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