

Update of Japan's Export Controls and Economic Security

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- 1 . Update of Japan's Export Controls and Economic Security**
- 2 . Sanctions against Russia**
- 3 . Cooperation with Asian countries for effective export control**

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“KNOW”

◆ Identify chokepoints in global supply chains

- Examine supply chain structures
- Identify suppliers of critical technologies

“PROTECT”

◆ Prevent malicious technology acquisition activities

- Export controls
- FDI screening
- Strengthened technology management in Academia
- Immigration screening
- Secret Patent System
- Research Integrity
- Interagency cooperation
- International coordination

“PROMOTE”

◆ R&D promotion in the field of critical technology

- Preferential allocation of Financial/human resources for national security reason
- Promote international joint R&D with like-minded countries

Launch of Council for Enhancing Economic Security

- ❖ Prime Minister Kishida appointed a new Minister for Economic Security Policies as his administration launched.
- ❖ The first meeting of the Council for Enhancing Economic Security was held on November 19, 2021, presided by PM Kishida and accompanied by relevant ministers.
- ❖ PM Kishida presented three policy targets on economic security, and directed the ministers to accelerate the preparation of elaborating a bill to enhance economic security.

Remarks by PM Kishida at the 1st Council (in summary)

【Current Situation】

Japan must strengthen economic security measures, while a global pressing trend is to secure strategic goods or to acquire critical technologies. **Economic security is a key policy issue for the Kishida administration.**

【Policy Outlook】

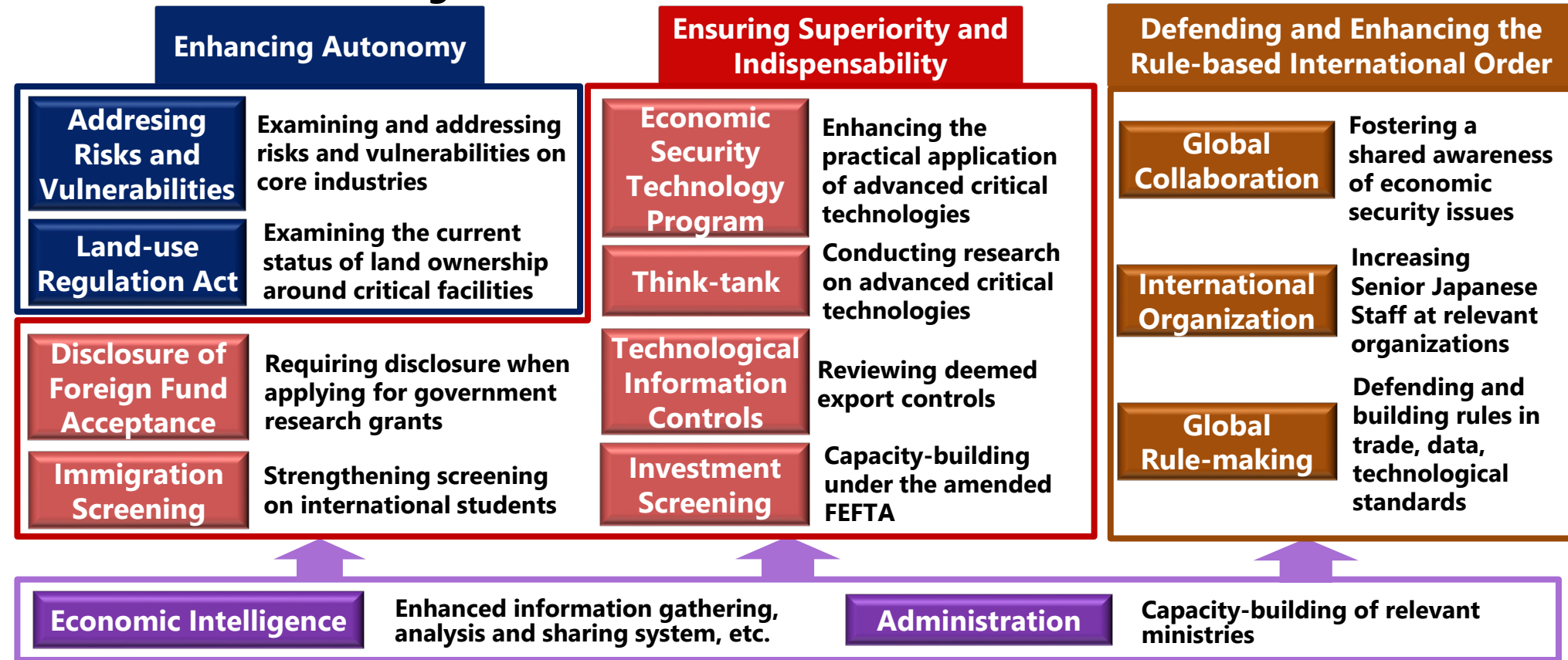
- ❖ Enhance **the autonomy of economic structure** by strengthening the supply chain resilience and ensuring the reliability of core infrastructure
- ❖ **Ensure the technological superiority, and ultimately, the indispensability** by fostering vital technologies such as artificial intelligence and quantum computing
- ❖ **Defend and strengthen the rule-based international order** with the promotion of fundamental values

【Directions to Ministers】

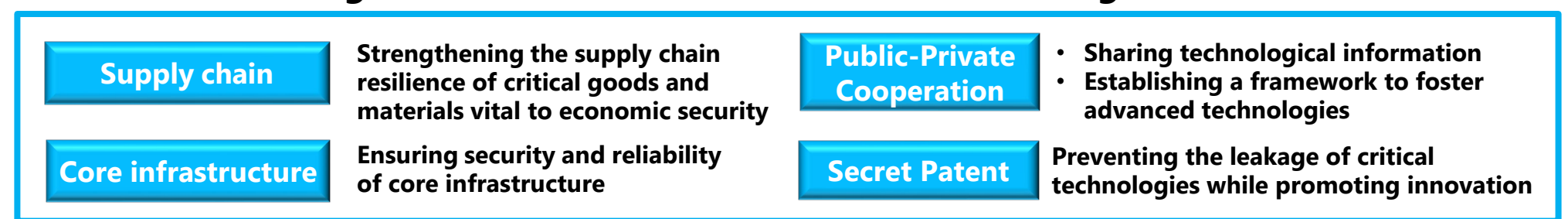
- ❖ **To examine and address economic security risks and vulnerabilities on core industries, in coordination with Minister Kobayashi (in charge of Economic Security Policies)**
- ❖ **To improve the effectiveness of economic security measures** by enhancing information sharing among relevant ministers
- ❖ **To elaborate a bill to enhance economic security**
 - The legislative preparation office in the Cabinet Secretariat under the supervision of Minister Kobayashi
 - The expert council to examine a bill from professional perspectives

Major Economic Security Challenges (remarked by PM Kishida on November 19, 2021)

1. Areas in which existing efforts will be continued and bolstered



2. Areas in which legislative measures should be taken to strengthen efforts in the future



The material above is a provisional translation of the original version written in Japanese.

The 2nd Council for Enhancing Economic Security (February 4, 2022)

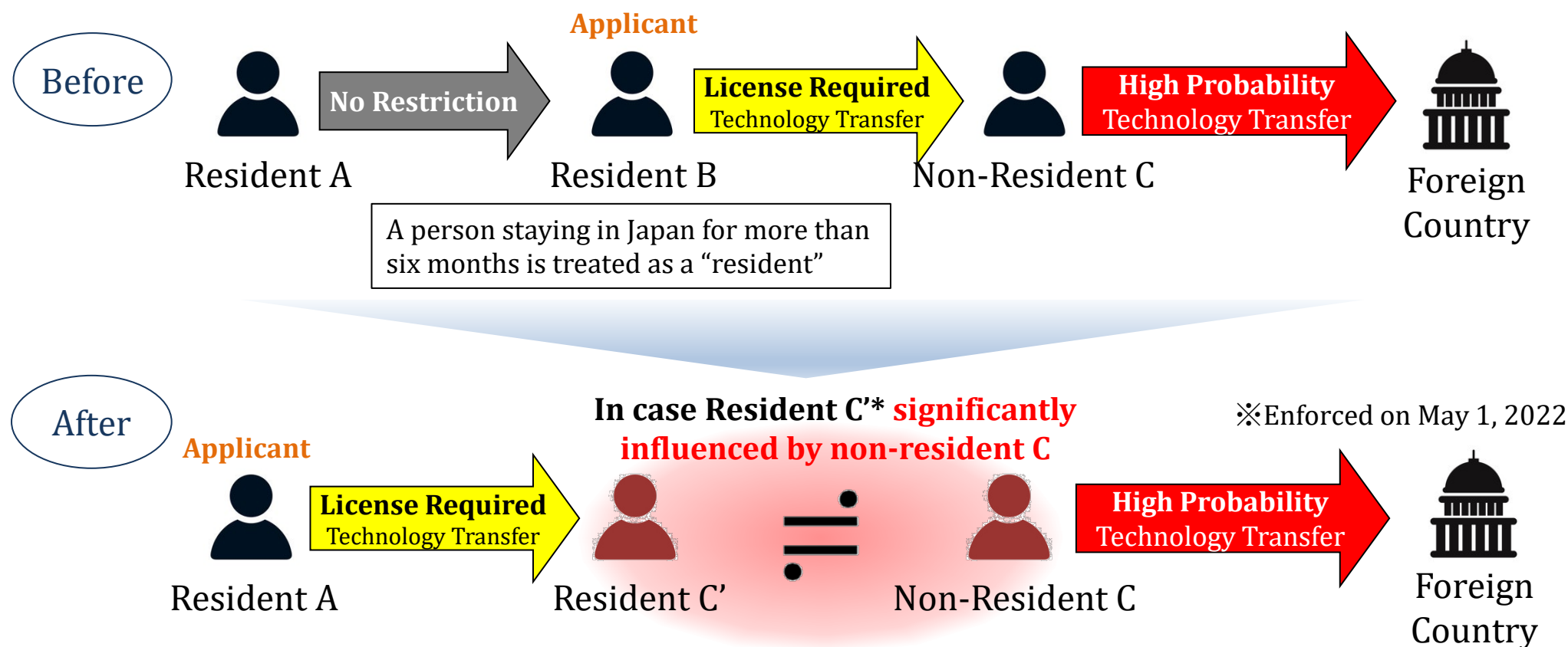
Remarks by PM Kishida at the 2nd Council (in summary)

- We will improve the autonomy of Japan's economic structure, secure the superiority and indispensability of technology, and protect the safety and security of the people. At the same time, we will realize new economic growth. These efforts on economic security are urgent matters we need to tackle and an important pillar of the new capitalism.
- Based on the recommendation by the Advisory Committee, the following 4 points need to be promptly addressed by the Economic Security Promotion Bill
 - 1) Enhancing supply chain resilience
 - 2) Preserving functional capabilities of core infrastructures
 - 3) Fostering technological foundation under public-private partnership
 - 4) Establishing secret patent system

*The Economic Security Promotion Bill passed the Diet on May 11, 2022, and announced officially on May 18, 2022.

Review on the scope of “Deemed Export” Controls

- Expand the scope of controls into a “Resident” influence by foreign countries.



***Conditions in which the Resident C' is classified as significantly influenced by Non-Resident C.**

- Person under the control of foreign government or entity by contract
- Person substantially under the control of foreign government by economic benefits
- Person in Japan acting pursuant to the instructions of foreign government

Government-wide Strategies on Economic Security (FY2022)

- Economic security is characterized as a **key policy on two government-wide strategies**; *“Grand Design and Action Plan for New Capitalism”* & *“Basic Policy 2022”*.
- The strategies present steadily enforcement and future issues of Economic Security Promotion Act (ESPA).

Chapter 3-1-(2) : Strengthen of Economic Security, “Basic Policy 2022”

- **Steadily enforcement of Economic Security Promotion Act (ESPA) ***
 - Supporting measures, including funds, to secure supply of critical technologies/materials (semiconductor, critical minerals, batteries and pharmaceutical products, etc.) *
 - Establishment of inquiry desks regarding the pre-screening system of Essential Infrastructure Services
 - Establishment of the think-tank and enhancement of “the Program for Developing Technologies Critical to Economic Security” (JPY500 billion) *
 - Steadily enforcement of Non-Disclosure of Selected Patent Applications
- **Consideration of supporting measures, including capital enhancement, for companies that will play the role of development and implementation technologies indispensable for the next generation***
- **Consideration of security clearance***
- **Establishment of design and production base for next-generation semiconductors**
- **Public-private cooperation and human resource development to ensure cyber security***
- **Support for technical development of cloud computing according to confidentiality, etc.**
- **Enhancement of economic intelligence capabilities**
- **Cooperation on responsible control of technologies among like-minded countries which has advanced technologies**

* has the similar description in the *“Grand Design and Action Plan for New Capitalism”*

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Japan's Export and Import measures against Russia (Overview)

- In response to Russia's aggression against Ukraine, Japan, in cooperation with US and EU, is taking Export and Import measures pursuant to the Foreign Exchange and Foreign Trade Act, in order to contribute to global efforts for international peace.

Export control measure

- (1) To ban exports of the controlled items listed on the multilateral export control regimes to Russia and Belarus [Enforced on 18 March]
* Items such as Machine tools, Carbon Fibers, High-performance Semiconductors and their technologies
- (2) To ban exports of dual-use goods which are considered to contribute to Russian military capacity development to Russia and Belarus [Enforced on 18 March]
* General Dual-use goods such as semiconductors, computers, telecommunication equipment, and their technologies
- (3) To ban exports to certain military-related entities in Russia and Belarus [Enforced on 18 March, entities added on 1 April and on 17 May]
* Russian 201 entities such as Ministry of Defense of Russia or Russian aircraft manufacturer, and Belarusian 2 entities
- (4) To ban exports of advanced goods to Russia [Enforced on 20 May]
* Items such as quantum computers, additive manufacturing equipment, and their technologies
- (5) To ban exports of items related to the oil refinery to Russia [Enforced on 18 March, items added on 20 May]
- (6) To ban exports of luxury goods to Russia [Enforced on 5 April]
* Luxury cars, jewelry
- (7) To ban exports of 146 items which could contribute to the enhancement of Russian industrial capacities to Russia. * dump trucks or bulldozers [Enforced on 17 June]

Import control measure

- (8) To ban imports of certain goods to Russia [Enforced on 19 April]
* Alcoholic beverages, woods, electric machinery

Export and Import control measures

- (9) To ban exports and imports bans with the self-proclaimed "Donetsk People's Republic (DPR)" and "Luhansk People's Republic (LPR)." [Enforced on 26 February (Import) and on 18 March (Export)]

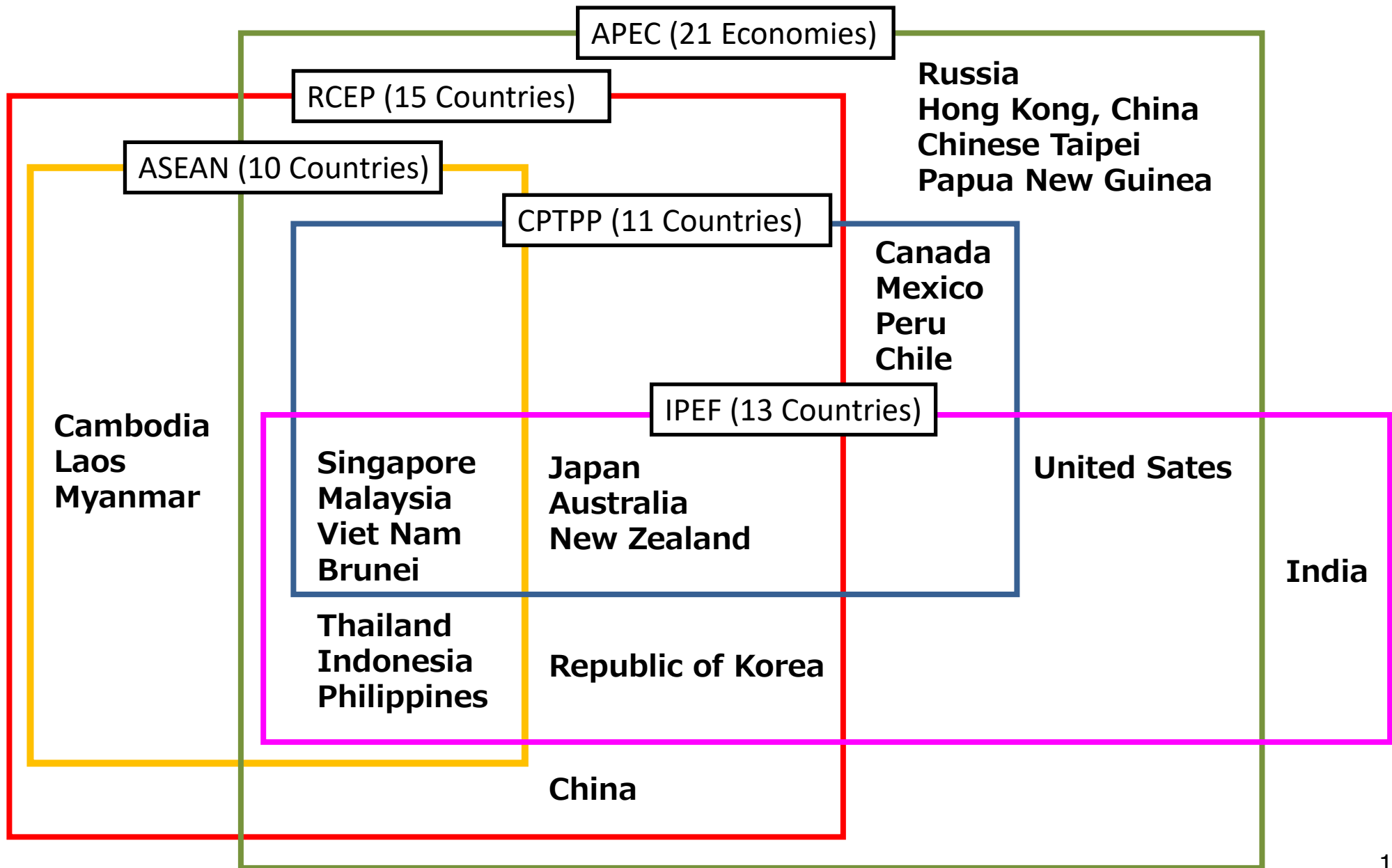
Japan-U.S. Joint Leaders' Statement - Strengthening the Free and Open International Order - May 23, 2022

As global partners, Japan and the United States affirm that the rules based international order is indivisible; threats to international law and the free and fair economic order anywhere constitute a challenge to our values and interests everywhere. Prime Minister Kishida and President Biden shared the view that the greatest immediate challenge to this order is Russia's brutal, unprovoked, and unjustified aggression against Ukraine. The two leaders condemned Russia's actions, and called for Russia to be held accountable for its atrocities. They reaffirmed their support for Ukraine's sovereignty and territorial integrity. The Prime Minister and the President underscored the importance of the international community's unity, and expressed solidarity with the Ukrainian people in responding to Russia's aggression through sanctions, including financial sanctions, export controls, and other steps, taken with like-minded countries to impose long-lasting economic costs on Russia.

G7 Leaders' Statement, Berlin, 8 May 2022

We continue to work with our international partners and invite them to stand with us and to follow suit with similar actions, including to prevent sanctions evasion, circumvention and backfilling.

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Summit-level meeting on the launch of the Indo-Pacific Economic Framework (IPEF) on May 23, 2022

- On May 23, the United States hosted a summit-level meeting on the launch of the Indo-Pacific Economic Framework (IPEF) in a hybrid format, which Prime Minister Kishida, U.S. President Joseph Biden and Indian Prime Minister Narendra Modi, attended in person, while summit-level and cabinet-level representatives from 10 other countries attended online. Participating countries issued a joint statement on the launch.

Statement on Indo-Pacific Economic Framework for Prosperity

We, the United States, Australia, Brunei, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, and Vietnam of the Indo-Pacific region, acknowledge the richness and the diversity of our vibrant regional economy. We share a commitment to a free, open, fair, inclusive, interconnected, resilient, secure, and prosperous Indo-Pacific region that has the potential to achieve sustainable and inclusive economic growth. We acknowledge our economic policy interests in the region are intertwined, and deepening economic engagement among partners is crucial for continued growth, peace, and prosperity.

- DGP and Trade Value in Asia are expanding, and academic research level in this region is increasing.
- Growing importance of the Asian region in global supply chain.

GDP of Asia (ASEAN)

3.0

Trillion USD
(2020)

× 4.8 from 2000

Asia's global share 1.9% → 3.8%

Source: United Nation National Account

Trade Value of Asia (ASEAN)

2.7

Trillion USD
(2020)

35.4% increasing from 2010

Source: IMF the Direction Trade Statics

University Ranking Top50

14

Asian Universities
(2022)

5 added from 2010

Source: QS World University Rankings

- The Asian region is a part of the global supply chain having already served as a hub for the production and distribution of controlled goods and technologies.
- it is becoming more and more important for Asian countries and regions to introduce and enforce export control for regional and global security.



Bilateral approach

(1) Support for officials responsible for export control

Dispatch of Experts from METI

It aims to support the capacity building of export control officers' licensing and enforcement in Asian countries/regions which have export control systems.

Invitation Training Program

It aims to support the enactment and smooth implementation of the export control law in Asian countries/regions by sharing Japanese export control experience.

(2) Support for industries

Industry Outreach Seminar

It aims to increase awareness of importance of export control and pursues to conduct effective compliance program in industries of Asian countries/regions.

Multilateral approach

Asian Export Control Seminar

Annual conference since 1993. It aims to develop the cooperation and network among the Asian countries/regions, participating states of export control regimes and related international organization through exchange of updated information.

METI's recent activities in 2021 and 2022

The Philippines

- Workshop on Commodity Identification Training for licensing officers (Sep. 2021, online)
- Workshop on case studies of licensing and Inspecting for licensing officers and inspectors (Mar. 2022, online)

Singapore

- Joint Industry Outreach Seminar on Strategic Trade Management 2021, co-organized by Singapore, US and Japan (Sep. 2021, online)

Malaysia

- Delivering a message by DG Kazeki to the 10th Anniversary Celebration and Conference, co-organized by Malaysia and US (Apr. 2021, online)

DG Kazeki visited to Singapore, Malaysia and the Philippines to exchange views on export control on 6-10 June 2022.

The 28th AECS (Feb. 15-17, 2022)

- Japan has been hosting the annual Asian Export Control Seminar(AECS) since 1993 to help enhance export control systems in Asia and address proliferation challenges in the region.
- The 28th AECS was held online in Feb15-17. The seminar brought together approx.400 participants from 33 countries and regions, international organizations. Exchange of views on a wide range of relevant issues were conducted: panel discussions on ITT (Intangible Technology Transfer) and industry cooperation, updates of export control from Asian countries or region, reports from international organizations such as multilateral export control regimes or UNSCR committees, etc.

The 29th AECS (expected in Feb. 2023)

- The Next 29th AECS is expected to be held hopefully in person in Tokyo in February 2023.