Update of Japan's Export Controls and Economic Security

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Ministry of Economy, Trade and Industry (METI), Japan
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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Japan’s Holistic Approach to Protect Critical Technology

“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

<table>
<thead>
<tr>
<th>Enhancing Autonomy</th>
<th>Ensuring Superiority and Indispensability</th>
<th>Defending and Enhancing the Rule-based International Order</th>
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</thead>
<tbody>
<tr>
<td><strong>Addressing Risks and Vulnerabilities</strong></td>
<td>Economic Security Technology Program</td>
<td><strong>Global Collaboration</strong></td>
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<tr>
<td>Examining and addressing risks and vulnerabilities on core industries</td>
<td>Enhancing the practical application of advanced critical technologies</td>
<td>Fostering a shared awareness of economic security issues</td>
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<tr>
<td>Land-use Regulation Act</td>
<td>Think-tank</td>
<td>Increasing Senior Japanese Staff at relevant organizations</td>
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<tr>
<td>Examining the current status of land ownership around critical facilities</td>
<td>Technological Information Controls</td>
<td>Defending and building rules in trade, data, technological standards</td>
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<td>Disclosure of Foreign Fund Acceptance</td>
<td>Investment Screening</td>
<td><strong>International Organization</strong></td>
</tr>
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<td>Requiring disclosure when applying for government research grants</td>
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<tr>
<td>Immigration Screening</td>
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<td>Strengthening screening on international students</td>
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2. Areas in which legislative measures should be taken to strengthen efforts in the future

<table>
<thead>
<tr>
<th>Supply chain</th>
<th>Public-Private Cooperation</th>
<th>Secret Patent</th>
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<tbody>
<tr>
<td>Strengthening the supply chain resilience of critical goods and materials vital to economic security</td>
<td>• Sharing technological information</td>
<td>Preventing the leakage of critical technologies while promoting innovation</td>
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<tr>
<td>Core infrastructure</td>
<td>• Establishing a framework to foster advanced technologies</td>
<td></td>
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<tr>
<td>Ensuring security and reliability of core infrastructure</td>
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The material above is a provisional translation of the original version written in Japanese.
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.
  a) Person under the control of foreign government or entity by contract
  b) Person substantially under the control of foreign government by economic benefits
  c) Person in Japan acting pursuant to the instructions of foreign government

A person staying in Japan for more than six months is treated as a “resident”

※Enforced on May 1, 2022
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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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
   - *Items such as Machine tools, Carbon Fibers, High-performance Semiconductors and their technologies [Enforced on 18 March]*
2. To ban exports of dual-use goods which are considered to contribute to Russian military capacity development to Russia and Belarus
   - *General Dual-use goods such as semiconductors, computers, telecommunication equipment, and their technologies [Enforced on 18 March]*
3. To ban exports to certain military-related entities in Russia and Belarus
   - *Russian 201 entities such as Ministry of Defense of Russia or Russian aircraft manufacturer, and Belarusian 2 entities [Enforced on 18 March, entities added on 1 April and on 17 May]*
4. To ban exports of advanced goods to Russia
   - *Items such as quantum computers, additive manufacturing equipment, and their technologies [Enforced on 20 May]*
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
   - *Luxury cars, jewelry [Enforced on 5 April]*
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
   - *Alcoholic beverages, woods, electric machinery [Enforced on 19 April]*

### 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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Economic Frameworks in Asia

APEC (21 Economies)
- Japan
- Australia
- New Zealand
- Canada
- Mexico
- Peru
- Chile
- Russia
- Hong Kong, China
- Chinese Taipei
- Papua New Guinea

ASEAN (10 Countries)
- Cambodia
- Laos
- Myanmar
- Singapore
- Malaysia
- Viet Nam
- Brunei

RCEP (15 Countries)

CPTPP (11 Countries)
- Canada
- Mexico
- Peru
- Chile

IPEF (13 Countries)
- United States

China
- Republic of Korea
- Thailand
- Indonesia
- Philippines

India
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.**
Growing Importance of Asia

- GDP 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.
**METI’s support menus for effective export control**

### Bilateral approach

1. **Support for officials responsible for export control**

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<th>Dispatch of Experts from METI</th>
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<td>It aims to support the capacity building of export control officers’ licensing and enforcement in Asian countries/regions which have export control systems.</td>
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<th>Invitation Training Program</th>
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<td>It aims to support the enactment and smooth implementation of the export control law in Asian countries/regions by sharing Japanese export control experience.</td>
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2. **Support for industries**

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<td>It aims to increase awareness of importance of export control and pursues to conduct effective compliance program in industries of Asian countries/regions.</td>
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### Multilateral approach

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<th>Asian Export Control Seminar</th>
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<td>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.</td>
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METI’s activities for effective export control in Asia

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.
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 Feb 15-17. 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.