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मनोहर पर्रिकर रक्षा अध्ययन एवं विश्लेषण संस्थान

JAPAN

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Economic growth strategy prioritizes semiconductors

Japan's economic growth strategy is geared towards supporting domestic production of advanced semiconductors and batteries in the backdrop of chips shortages that adversely affected industries. Japan is aiming to fund the development of manufacturing technologies. It will reportedly offer incentives to lure overseas chip-makers to set up operations in Japan and thus build a stable supply chain. Japan has tried to woo Taiwan Semiconductor Manufacturing Company (TSMC) and a few others to set up a plant for upstream processes involving forming circuits on silicon wafers. But it did not succeed as TSMC opted to set up a fabrication facility in Arizona. Instead, TSMC decided to set up a research and development site in Japan. The ruling Liberal Democratic Party has formed a Diet group on semiconductor strategy led by Akira Amari and supported by Shinzo Abe and Taro Aso. Japan currently imports around 64 percent of its semiconductors. Compared to 1988, when Japan's share of global semiconductor sale was 50 percent, in 2019 it was down to 10 percent.

Draft defence white paper 2021

Media reports suggest that the Ministry of Defence's draft annual white paper, due to be released in July, have focussed on the intensifying US-China strategic competition, and especially Washington's support towards Taipei's self-defence capabilities as Beijing continues to escalate its operations around Taiwan. The draft paper underscores that changes in the military balance between Beijing and Washington will influence the stability in the Indo-Pacific. Stability in the Taiwan Strait is vitally important for Japan's security. Furthermore, the draft paper emphasises that Japan in its pursuit of a free and open Indo-Pacific will deepen

cooperation with the US, Australia and India. Meanwhile, the ruling Liberal Democratic Party, especially two groups including the national defence division and research commission on national security, are advocating an increase in defence spending to support R&D on next-generation jets and also to advance defence industry. Earlier Defence Minister Kishi indicated that Japan should increase its capabilities at a much faster pace in keeping with the changing regional security dynamics and further indicated that the 1 percent GDP ceiling for defence budget may be revisited. Amongst other issues, the draft paper also highlights climate security and Pyongyang's advancement in technology, especially new-type of ballistic missile posing a huge challenge for Japan's missile defence.

Separately, Japan is discussing its cyber security strategy for the next three years given the advancement in digital economic development and remote work following the pandemic. The aim is to adequately prepare for responding to possible cyber attacks from overseas.

Japan to financially support defence exports

Japan is reportedly exploring the prospect of supporting defence exports to developing countries through financial support of Japan Bank for International Cooperation's (JBIC) low-interest loans. There are talks to involve Nippon Export and Investment Insurance (NEXI). The aim is to advance Tokyo's strategy to strengthen security relations with strategic partners, especially in Southeast Asia. Defence White Paper 2020 did underscore the need to enhance the implementation of rules for supporting overseas transfers of defence equipment.

Japan to set up digital agency in September

Advancing digitalization, Japan's House of Councillors have passed a set of six digital transformation bills. It also includes setting up of a digital agency. Private-sector experts and engineers who are well acquainted with advance technologies will also be a part of this agency. Initially, 100 out of the total 500 staff will be drawn from the private sector. Earlier the bills were passed in the House of Representatives. The aim is to speed up the digitization of the central and local governments by revamping computer systems in order to provide better quality services, and also set rules protecting personal information. Japan is also parting ways with the *hanko* (traditional seals) on official documents in order to enable digital data to be used instead of paper documents.

Security related land bill approved

In order to prevent espionage, the House of Representatives have approved a bill that aims to monitor the use of land and buildings around sensitive national security zones, for instance, around the Self-Defence Force bases, Coast Guard, US military, remote islands, and nuclear power plants. Reports indicate that there will be special surveillance in areas within one km from national security-sensitive facilities. The bill garnered support from the Liberal Democratic Party and the junior coalition partner Komeito, Nippon Ishin no Kai (Japan Innovation Party) and Democratic Party for the People. The government will reportedly have the authority to probe the nationality of owners, and how the land is being utilised. In case of suspicious activities, the bill enables the government to issue orders to halt the same, and noncompliance will lead to imprisonment or a fine. Next, the bill will be taken up by the Cabinet Committee of the House of Councillors.

EU-Japan Green Alliance launched

2021 marks the 20th anniversary of the EU-Japan strategic partnership. At the EU-Japan summit meeting on May 27, they launched the Green Alliance in an effort to build a net zero global coalition. The five priority areas focus on advancing cost-effective, safe and sustainable energy transition by adopting low-carbon technologies; supporting environmental protection by pursuing sustainable practices in production and consumption; regulatory and business cooperation; sustainable finance and effective collaboration on R&D concerning decarbonisation.

Additionally, during the summit, Japan and EU reiterated their commitment to COVAX and hoped to secure resources to vaccinate 30 percent of the global population by the end 2021. Multilateralism was a key plank of the discussions. Both sides committed to upholding the rules-based international order with the UN at its core and to reinforce multilateral institutions. Both also support reforming the World Trade Organization as a main pillar of the global economic system. They also acknowledged the importance of advancing trilateral cooperation with the United States. Furthermore, digital transformation was discussed, and both sides agreed to work together to promote global standards and comprehensive – including regulatory – approaches to digital policies and technologies. Both affirmed commitment to high standards of protection for personal data.

On regional security challenges, both sides not only expressed serious concern vis-a-vis the developments in the East and South China Seas, but for the first time underscored the importance of peace and stability across the Taiwan Strait, and called for peaceful resolution of cross-Strait issues.