CHAPTER 1

Japan's Strategic Resilience in the Age of Geo-technological Competition

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Introduction

At his inaugural Shangri-la Dialogue in 2022, Japanese Prime Minister Kishida Fumio articulated his "Vision for Peace" to achieve a Free and Open Indo-Pacific in the post-pandemic era. Kishida's hour-long keynote address aimed to reinforce the concept of peace and prosperity given the growing fragmentation of universal rules that govern international relations.[1] Guided by the principle of pragmatism, Kishida offered Japan's "realism diplomacy for a new era" to enhance security, strengthen international cooperation, and achieve a nuclear-weapon-free world. In ushering in a brand-new era of Japanese diplomacy, Kishida presented an emerging policy area called economic security which underlines the growing nexus of economy and national security.[2]

Since assuming power in 2021, economic security has become the top agenda of the Kishida administration. Building on the previous efforts of former Prime Minister Suga Yoshihide and the late Prime Minister Abe Shinzo, the Kishida administration turbo-charged this process. On May 11, 2022, the Japanese Diet approved the Economic Security Promotion Act to implement economic policies to bolster national security. This led to the appointment of Kobayashi Takayuki as the new Minister in Charge of Economic Security.[3]

Several key factors present in the international system were critical in driving Japan's geoeconomics approach. First is China's increasing appetite to weaponize economic interdependence. Following meticulous scrutiny of Japan's supply chain dependence on China, Japanese policymakers noted the inherent risks of relying heavily on one single market. Although China was a major impetus, this article points to a greater motivation behind Japan's new brand of economic statecraft: its deepening anxiety to remain a key innovator in the rapidly changing international system shaped by disruptive technologies.[4] Japan's momentum towards economic security thus seeks to ameliorate the potential erosion of its competitive edge in critical and emerging technologies—cybersecurity, artificial intelligence, robotics, semiconductors, quantum computing, and biotechnology—which will underpin

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1 Kishida Fumio, "Keynote Address by Prime Minister Kishida at the IISS Shangri-La Dialogue 2022," *Ministry of Foreign Affairs Japan*, June 10, 2022, https://www.mofa.go.jp/files/100356160.pdf.

2 Ibid.

3 Miura Hideyuki, "U.S.-China Tech Rivalry and Japan's Policies for Economic Security," *Global Asia* 17, No.4, (December 2022), https://www.globalasia.org/v17no4/cover/us-china-tech-rivalry-and-japans-policies-for-economic-security_hideyuki-miura.

4 Ibid.

the Fourth Industrial Revolution.

As the U.S. and China vie for technological supremacy to further their strategic interests, Japan is capitalizing on its rule-making prowess while simultaneously finding novel ways to reinvigorate its innovation footprint. Current literature has classified Japan's economic security under the dominant lens of economic statecraft,[5] this paper seeks to provide another perspective to this growing debate. By advancing the concept of strategic resilience and drawing from resilience literature—inspired by the practice turn in foreign-policymaking—this paper probes how Japan is demonstrating strategic resilience in the wake of ongoing systemic challenges—posed by the invasion of Ukraine, looming aftershocks from the global pandemic, and the fragility of the global value chain—against the backdrop of the deepening U.S.-China geostrategic and technological race.

In addition to Japan's established track-record as a convening power to buttress multilateral rules and norms, the paper argues that Japan is adopting a strategic resilience mindset as a cornerstone of its foreign policy to withstand and future-proof against future crises, with the aims of sustaining and upgrading its innovation edge. It presents three pathways to achieving strategic resilience, namely capability-shoring, partnership-building, and norms setting, and will test this concept of strategic resilience through an in-depth case study of Japan's engagement with the Association of Southeast Asian Nations (ASEAN).

This paper proceeds as follows. First, it develops the conceptual framework of strategic resilience and traces its micro foundations from Japan's realpolitik and economic security. Second, it applies the concept of strategic resilience using the three pathways of partnership-building, capability-shoring, and norms and standards-setting to analyze Japanese efforts to raise resiliency in Southeast Asia. The final section offers the concluding remarks.

Locating Resilience in International Relations and Foreign Policy

Originating from biology and ecology, the concept of resilience has been exported to various fields, from psychology, political economy, disaster and crisis response, development, and humanitarian aid to peacebuilding.[6] Given the intention of this paper, the discussion on resilience below will focus more on its conception and implementation in the field of international relations and foreign policy.

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[5] Igata Akira and Brad Glosserman, "Japan's New Economic Statecraft," *Washington Quarterly* 44, No.3 (2021), https://www-tandfonline-com.ezproxy.lib.rmit.edu.au/doi/full/10.1080/0163660X.2021.1970334. See also Kristi Govella, "The Adaptation of Japanese Economic Statecraft: Trade, Aid, and Technology," *World Trade Review*, 1-17 (2021), doi:10.1017/S1474745620000543. See also Igata Akira, "Japan's Burgeoning economic security strategy: Navigating amidst U.S.-China competition," *Robert Schuman Centre for Advanced Studies Research Paper* RSC (June 29, 2022), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4149454.

[6] Ana Juncos, "Resilience as the new EU foreign policy paradigm: a pragmatism turn?" *European Security*, https://doi-org.ezproxy.lib.rmit.edu.au/10.1080/09662839.2016.1247809.

Recognized as an organizing principle in contemporary political life, resilience is a new form of anticipatory governance where the focus of policy intervention shifts from risk-mitigation to risk-adaptation.[7] The resiliency paradigm emphasizes flexibility in responding to systemic shocks, foregoing the assumption of eliminating uncertainty but rather embracing it.[8] Applied in the context of societies and organizations, resilience is defined as the "internal capacity of societies to cope with crises, with the emphasis on the development of self-organization and internal capacity and capabilities rather than the external provision of aid, resources, and policy solutions."[9] Although some critics say that application of resilience in international relations is a mere neoliberal project that shifts the responsibility of states or governments towards the individual or society in managing crises, an emerging perspective seeks to emphasize its inherent value and significant contribution in addressing contemporary challenges in international politics spanning issues of security, international interventions, and vulnerability.[10]

The "practice turn" in policymaking jettisoned resilience into the orbit of the foreign policy and security arena.[11] Viewed as a type of pragmatic approach, resilience seeks to advance adaptive and novel policy solutions to address complex problems. The release of the EU's Global Strategy in 2003 marked the rising influence of resilience in pragmatic policymaking. The EU embedded the discourse and practice of resilience to arrest increasing political, economic, and existential challenges. Confronted by the Eurozone economic crisis, the rise of populism, and the fallout from Brexit, the European Commission has continued to adopt resilience in crafting adequate and effective multilateral solutions mobilized through local-ownership, capacity-building partnerships, and a joint comprehensive approach.[12] In operationalizing resiliency to support interventions in its southern and eastern regions, the EU emphasized local ownership among its target population or communities through capacity-development initiatives that combines top-down and bottom-up efforts.[13] For the EU policy to be effective and legitimate, there was a strong commitment to work with variety of local actors to activate local agency and legitimacy.

In terms of the capacity-building dimension, partnership is key. It involves collaborating with like-minded states and regional groupings, as well as non-state actors such as the private sector and civil society organizations to implement tailor-fit engagements.[14] Relatedly, resilience also stresses the

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7 Jeremy Walker and Melinda Cooper, "Genealogies of resilience: From systems ecology to the political economy of crisis adaptation," *Security Dialogue* 14, No.2: 143-160, https://www-tandfonline-com.ezproxy.lib.rmit.edu.au/doi/full/10.1080/09662839.2016.1247809.

8 Mark Duffield, "Challenging environments: Danger, resilience, and the aid industry," *Security Dialogue* 43, No.5: 475-492, https://journals-sagepub-com.ezproxy.lib.rmit.edu.au/doi/pdf/10.1177/0967010612457975. And see Brad Evans and Julian Reid, *Resilient Life: The Art of Living Dangerously*, Polity, Cambridge, UK, 2014.

9 David Chandler, "Rethinking the Conflict-Poverty Nexus: From Securitising Intervention to Resilience," *Stability: International Journal of Security and Development*, (2015): 13, DOI: http://doi.org/10.5334/sta.fb.

10 https://academic.oup.com/isr/article-abstract/17/3/374/1818619e

11 Ana Juncos, "Resilience as the new EU foreign policy paradigm: a pragmatism turn?"

12 Ibid.

13 Ibid.

14 Ibid.

notion of a comprehensive and a joint approach which necessitates breaking silos between local and international players to deal with complex problems. It demands formulating and implementing policy initiatives suited to specific contexts through improved institutional and organizational coordination.[15] Like the EU, the United Nations Development Programme has oriented its initiatives towards a renewed understanding and importance of local practices to achieve capacity development rather than subscribing to the blanket application of universal laws as part of its humanitarian intervention.[16] In emphasizing the importance of local context, resilience is engendered, shifting the state-centric institution-building approach from a top-down to bottom-up or a mix of both to develop the capacity of individuals and communities. Taken altogether, three hallmarks stand out that constitute a resilient and pragmatic foreign policy:(1) acquiring legitimacy through supporting local agency and ownership; (2) establishing diverse and cross-sectoral strategic partnerships and (3) adjusting organizational structure so that it is tailored to flexible interventions.

Foundations of Japan's Strategic resilience

In several ways, Japan's foreign policy and security policy, and its broader international relations outlook resembles the foundational elements of pragmatic policymaking. Laying the groundwork for this paper's proposed concept of strategic resilience, this section will trace and examine the two major impetuses of Japan's strategic resilience: realpolitik and economic security. First, it will revisit the notion of realpolitik in Japan's foreign policy in the early 2010s, before diving into the discussion of economic security which accelerated in the pre- and post-pandemic era.

Realpolitik

As mentioned, Prime Minister Kishida emphasized Japan's pragmatic realism—a concept in Japanese foreign and security policy that was developed and catapulted to Japanese policy-making parlance by its longest serving Prime Minister, the late Abe Shinzo. Under Abe's leadership, Japan pursued 'real politik', a brand of statecraft where the dominant political ideology is rooted from practical choices. Realpolitik allowed Japan to thread the fine line of idealism and pragmatism—meaning accomplishing geostrategic and geopolitical aims amid its political and institutional constraints.[17] Abe's adoption of realpolitik was motivated in large part by Japan's rapidly deteriorating international security environment marked by Donald Trump's election in 2016, Xi Jinping's consolidation of power, and Kim Jong-un's unprecedented military-technology build-up.[18] Internally, Japan is also struggling with its domestic political and economic woes, such as rising fiscal debt and stagnating growth.

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[15] Ibid.

[16] Soren Vester Haldrup and Frederik Rosen, "Developing resilience: a retreat from grand planning," *Resilience: International Policies, Practices, and Discourses* 1, No.2 (2013): 130-145, https://doi-org.ezproxy.lib.rmit.edu.au/10.1080/21693293.2013.804659.

[17] Giulio Pugliese and Alessio Patalano, "Diplomatic and security practice under Abe Shinzo: the case for Realpolitik Japan," *Australian Journal of International Affairs* 6 (2020), https://doi-org.ezproxy.lib.rmit.edu.au/10.1080/10357718.2020.1781790.

[18] Ibid.

These external and internal forces prompted the Abe administration to recalibrate Japan's foreign policy and security approaches to meet contemporary national security and economic policy challenges. In practice, Abe's realpolitik was conceived as a flexible framework for Japan to achieve its policy interests within the remit of what is politically feasible.[19] Under such premise, Japan was able to carve its path in the modern era not only as the broker of the U.S.-led international rules-based order—amid Trump's perceived withdrawal from global leadership under the America First policy—but also to gradually break free from the political and institutional shackles imposed by its pacifist constitution conceived in the post-World War II era.[20]

Guided by his motivation to reinvigorate Japan's role in international security and diplomacy, Abe has embarked on key reforms to effect gradual changes especially to Japan's legal structure, setting in motion efforts to modernize its national security. This includes consolidating leadership in the Prime Minister's office, increasing fiscal resources on defense and security, and loosening constraints on international security engagements. Abe's leadership was also credited in producing the first-ever National Security Strategy in 2013 and the establishment of the National Security Secretariat (NSS).[21] But more importantly, Abe initiated the reinterpretation of Article 9 of the Japanese constitution, for Japan to exercise its right of collective defense, which revitalized the operational capacity of the Japanese Self-Defense Forces.[22]

Leveraging its diplomatic and economic capital as high-tier middle power, Abe's Japan also created an economic and political international order to advance its national interests. This includes major initiatives like the Free and Open Indo-Pacific[23] and the Transpacific Pacific Partnership which later evolved to become the Comprehensive and Progressive Agreement for Trans-Pacific Partnership after the U.S. abrupt withdrawal from the trade pact.[24] Although its security alliance with the U.S. remains the linchpin of its defense and security policy, Japan also sought to diversify its ties and partnerships to establish strategic cooperation with NATO, the UK, Australia, India, and France while supporting regional order-building initiatives in Southeast Asia through ASEAN.[25]

Japan's coalition building bandwidth is also evident in the realm of digital economy and emerging and critical technologies. During its chairmanship of the G20 summit in 2019, Abe launched the

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19 Ibid.

20 Ibid.

21 Adam Liff, "Japan's Security Policy in the "Abe Era": Radical Transformation or Evolutionary Shift," *Texas National Security Review* 1, No.3, https://repositories.lib.utexas.edu/bitstream/handle/2152/65637/TNSR-Vol-1-Iss-3_Liff.pdf?sequence=2&isAllowed=y.

22 Igata Akira and Brad Glosserman, "Japan's New Economic Statecraft," *Washington Quarterly* 44, No.3 (2021), https://www-tandfonline-com.ezproxy.lib.rmit.edu.au/doi/full/10.1080/0163660X.2021.1970334.

23 Koga Kei, "Japan's 'Free and Open Indo-Pacific' Strategy," *Contemporary Southeast Asia* 41, No.2 (2019), https://www.jstor.org/stable/26798855.

24 Kristi Govella, "Japan's Quest to Preserve the Trans-Pacific Partnership," *Asia Dialogue*, 2017, https://theasiadialogue.com/2017/10/26/japans-quest-to-preserve-the-trans-pacific-partnership/.

25 Ishibashi Natsuyo, "Japan's policy toward India since 2000: for the sake of maintaining U.S. leadership in East Asia," *The Pacific Review* 31 (2018), https://doi-org.ezproxy.lib.rmit.edu.au/10.1080/09512748.2017.1396355.

framework on Data Free Flow with Trust (DFFT). Also known as the Osaka Track, DFFT seeks to promote cross-border data flow, while alleviating concerns over data privacy and security.[26] Similarly, Japan also released the Social Principles of Human-Centric AI or "Social Principles" that highlight dignity, diversity, inclusion, and sustainability supported by multi-stakeholder collaboration. As a founding member of the Global Partnership on Artificial Intelligence, Japan is undertaking parallel efforts to disseminate its Social Principles.[27]

Perhaps, Japan's use of its economic and diplomatic levers to achieve its national security interest is best crystalized though its close relationship with Southeast Asia in response to countering China. Due to its shared strategic concerns with Chinese territorial encroachment in the East China Sea, Japan has been proactively supporting maritime capacity-building to the Philippines and Vietnam, while offering foreign aid and increased trade with ASEAN to compete against China's Belt-and-Road-Initiative (BRI) investments and growing assertiveness in the region.[28] Abe's realpolitik shaped Japan's evolving foreign policy trajectory. On one hand, it highlighted a level of continuity with Tokyo's sustained reliance with the U.S. as its main security ally amid increased burden-sharing costs especially under Trump.[29] However, on the other, it also demonstrated Japan's skepticism towards U.S. commitment over the long term given the volatility of its domestic politics. This skepticism has fueled a degree of resentment in Japan against the U.S. which is further exacerbated by its brewing insecurity against China's growing influence and vested desire to assert its prestige in the global stage.[30]

Economic Security

Japan's growing insecurity has reached new heights as the U.S.-China great power rivalry shifted into technological terrain. Previously confined under the guise of the trade war, the strategic competition moved rapidly into critical and emerging technologies, blurring the clear distinction between national security and economic considerations. Japan's 2019 Diplomatic Bluebook stressed the role of rapid digital transformation through the advancement of emerging technologies—Internet of Things, robotics, AI, quantum technology, cybersecurity, and outer space capabilities—that will shape the ongoing inter-state competition.[31] As the trendlines pointed toward technological terrain, Japan adopted economic statecraft to reshape and reframe its realpolitik-driven foreign policy to address the growing nexus of economic security and high technology.

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[26] Mark Bryan Manantan, "U.S.-Japan and Southeast Asia Cooperation: Building Data Governance Blueprint," (April 2020), https://www.eastwestcenter.org/publications/us-japan-and-southeast-asia-cooperation-building-data-governance-blueprint.

[27] Mark Bryan Manantan, et.al., "2022 Trustworthy Artificial Intelligence," *AI Asia Pacific Institute* (July 2022), https://aiasiapacific.org/wp-content/uploads/2022/07/2022-AIAPI-Report-.pdf

[28] Satake Tomohiko, "Japan's Free and Open Indo-Pacific Strategy and Its Implication for ASEAN," *Southeast Asia Affairs* (2019), https://www-jstor-org.ezproxy.lib.rmit.edu.au/stable/26939688?seq=4.

[29] Hosoya Yuichi, "FOIP 2.0: The Evolution of Japan's Free and Open Indo-Pacific Strategy," *Asia-Pacific Review* 26, No.1 (2019), https://doi-org.ezproxy.lib.rmit.edu.au/10.1080/13439006.2019.1622868.

[30] Christopher Hughes, "Japan's 'Resentful Realism' and Balancing China's Rise," *The Chinese Journal of International Politics* 9, No.2 (2016): 109-150, https://doi-org.ezproxy.lib.rmit.edu.au/10.1093/cjip/pow004.

[31] "Chapter 1: International Situation and Japan's Diplomacy in 2018," *Ministry of Foreign Affairs Japan*, 2017, https://www.mofa.go.jp/files/000527146.pdf

Three main drivers prompted Japan's rapid adoption of economic statecraft. First the economic security pillar surrounding the implementation of Japan's Free and Open Indo-Pacific (FOIP) Strategy. While the initial rollout of the FOIP did not explicitly mention economic statecraft, there was an emphasis on the importance of peace and prosperity for connectivity that is integral to achieving its vision. Second, the rapid proliferation of emerging or advanced technologies that have dual-use applications in the civilian and military sectors. Japanese tech companies have become more cognizant on the national security implications of dual-use technologies, leading to greater scrutiny of their research and development process. Lastly, Japan's overreliance on China for over approximately 700 imported goods was a major cause of concern among Japanese political elites. As seen in previous maritime incidents in the Senkaku Islands, China can exploit Japan's "strategic dependence" to gain or exert its influence over geopolitical flashpoints, hampering the export of rare earth minerals that are vital to developing high tech goods. Additionally, Japan has become more suspicious of Chinese intentions in accessing key intellectual property of advanced and dual-use technologies to support Xi Jinping's civil-military fusion strategy.[32]

The fundamental shift towards economic security led to the establishment of the Economic Division at the NSS. Acting as the coordinating body on key issues of economic statecraft and emerging technologies, the Economic Division provides recommendations to various economic security policy divisions embedded in the Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry, and the Ministry of Defense. With the heightened awareness of economic security, Japan also implemented defensive measures such as preventing technology transfers, reducing interdependence on China, and limiting foreign land acquisition. Moreover, to achieve a whole-of-government approach, the Japanese government has been proactively engaging high-tech Japanese companies, universities, and research institutions to improve risk management frameworks on technology and data transfer.[33]

Defining Strategic Resilience

In analyzing Japan's economic statecraft, this paper aims to elevate the existing discussion and go beyond the issue on technology transfer or access denial. It seeks to offer a deeper insight into the current dynamics of Japan's potential move towards "economic security resilience" or "strategic resilience". As I argued above, the concept of realpolitik and economic security are the foundational pillars for Japan's Strategic resilience driven by the pragmatic policymaking under Abe's leadership in response in large part to the China's assertive foreign policy and declining U.S. hegemony. Even after his untimely death, Abe's profound influence has remained evident in the current foreign policy outlook in the Kishida administration especially in the economic security realm.

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[32] Igata Akira and Brad Glosserman, "Japan's New Economic Statecraft," *Washington Quarterly* 44, No.3 (2021), https://www-tandfonline-com.ezproxy.lib.rmit.edu.au/doi/full/10.1080/0163660X.2021.1970334.

[33] Ibid.

However, the overwhelming and unexpected systemic challenges, or "black swan" events, brought by the global pandemic, and further exacerbated by the unprovoked war in Ukraine were critical factors for Japan to reassess the current trajectory of its foreign policy-making approach. On the economic security front, such international crises accelerated the urgency for Tokyo to reduce dependence on China while forcing policymakers to rethink and reevaluate measures toward reshoring and onshoring to beef up domestic research and development and supply chain capacity. Likewise, it also further reinforced the imperative to strengthen cooperation beyond the traditional U.S. alliance dynamics and support regional order building initiatives.

While a few may still argue that Japan's economic statecraft remains within the remit of the conventional economic security, this paper contends that it has evolved far and rather quickly given the prevalence of international crises, and the recognition that a partial decoupling from China might be a better and more feasible proposition rather than wholesale decoupling. A survey conducted by the Development Bank of Japan reveals that although Japanese companies are aware of the economic security and have undertaken steps to restructure supply chains, decentralize procurement processes, and standardize products and parts, Japanese businesses continue to invest actively in China.[34] Despite U.S. efforts to rally allies like Japan to impose strict export controls to restrict China's access and acquisition of materials, parts, and production machines to develop critical and emerging technologies like semiconductors, economic trade and investment in East Asia is still business as usual.[35] As it stands, economic security measures like export controls have kept trade-reducing effects at a very limited scale.[36]

This paper takes the view that these realities should prompt a recalibration towards economic security on what it can concretely achieve in the short-to medium term, especially as the U.S.-China competition continues to shake the principal rules of engagement that underpin global trade and governance. Moreover, the lingering effects of the pandemic and the war in Ukraine put additional burden on economies to become more adaptive. The proposed concept of strategic resilience provides a fresh reboot to the prevailing economic security narrative, reframing it from a level-headed, flexible, and anticipatory vantagepoint. Reflecting on Kishida's speech at the 2022 Shangri-la Dialogue, there are concrete indications that Japan is gradually formulating a more agile approach to mitigate the impact of future systemic crisis amid the growing fallout from the U.S.-China geostrategic competition that align with strategic resilience. Kishida cited the disruptions caused by the COVID-19 pandemic which exposed regional and global supply chain vulnerabilities. Also, by noting that "Ukraine today maybe East Asia tomorrow," Kishida underlined the domino effects of the Ukraine war from supply

[34] Miura Hideyuki, "U.S.-China Tech Rivalry and Japan's Policies for Economic Security"
[35] Kimura Fukunari, "East Asian economies resist decoupling," *East Asia Forum*, April 14, 2023, https://www.eastasiaforum.org/2023/04/14/east-asian-economies-resist-decoupling/
[36] Ibid.

chain and energy interdependence that shook the foundations of international security and economy.[37] These observations constitute the background conditions that support the emergence of this proposed strategic resilience framework.

Strategic resilience is a conceptual approach to policy-making that allows states to adapt, anticipate and withstand the disruptive impacts of systemic risks to catalyze risk-adaptation strategies. As a policy tool, it seeks to elevate, if not sustain, one's competitive edge in global value chains to reduce over dependence on external sources in the event of any major disruption or crisis, while still promoting international collaboration. Although it builds on the defensive measures of economic security, strategic resilience goes beyond technology access denial. In practice, strategic resilience undertakes a pragmatic assessment of the external environment to achieve a degree of self-reliance yet embraces flexible collaboration.

To espouse flexible collaboration, strategic resilience advances the promotion of normative frameworks as important guardrails to future-proof states against risks and vulnerabilities. This includes the adoption of international standards and norms among countries, particularly those who are currently in the process of developing innovation and/or undergoing digital transformation. In practical terms, this means adherence to normative concepts such as soft laws and regulations like cyber norms and risk-management frameworks in cybersecurity and supply chains, and internationally recognized technical standards on emerging technologies like artificial intelligence (AI) against adverse risks like algorithmic bias, misrepresentation and/or underrepresentation. Normative frameworks serve as the standard metric that sets the "common dominator" among stakeholders partaking in the innovation process to form a collaborative ecosystem to achieve transparency and reduce risks and uncertainty.

Strategic resilience endeavors to find the balance in harnessing and further developing one's competitive advantage in the critical and emerging technologies, installing adequate safety standards, while maintaining openness to collaboration to facilitate the exchange of raw materials, talent, and technology under permissive conditions underpinned by trust and transparency. Drawing from the existing resilience literature applied in the context of foreign policy, this paper proposes the three components that underpin the implementation of strategic resilience:

- *Capability-shoring* involves the enactment of industrial policies and the provision of state subsidies which are engineered to ramp up domestic innovation targeting companies involved in developing key technologies. Capability-shoring involves enticing Japanese companies operating globally to invest and ramp up research and development and production onshore. This mainly takes the form of public-private partnerships to explore joint-ventures and strategic alliances. In addition to major corporate

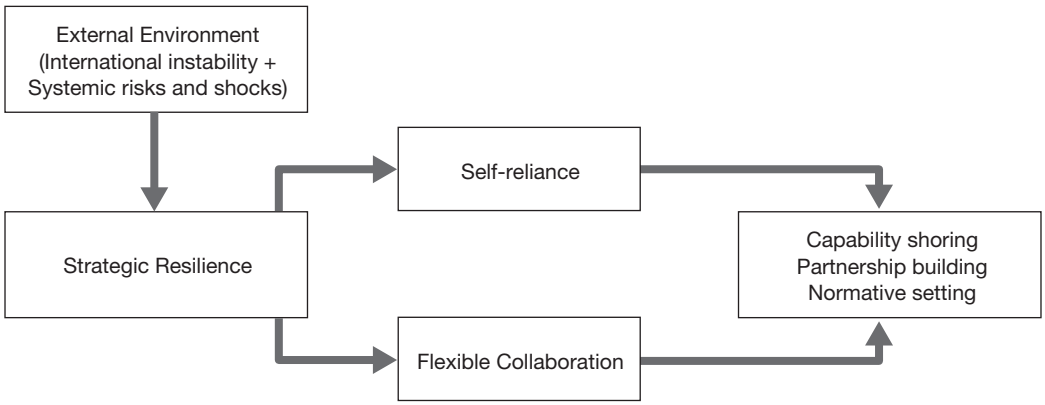
[37] Kishida Fumio, "Keynote Address by Prime Minister Kishida at the IISS Shangri-La Dialogue 2022."

entities, this may also include funding support to create a vibrant and enabling environment for start-ups and tech entrepreneurs to flourish. Understanding the need for international talent, capability shoring also involves revisiting labor and migration laws to fast-track talent recruitment. In line with government policies on the scrutiny of investments, capability-shoring could include screening mechanisms for foreign entities investing in dual-use technologies. In worst-case scenarios, capability shoring can involve stockpiling critical minerals in the event of major supply chain disruption or international crises.

- *Partnership-building* entails leveraging economic and political bandwidth to deepen collaboration with like-minded partners to support trade and investment in dual-use technologies. It also encompasses building capacity at the technical, policy, and strategic levels. Mindful of the inherent value of breaking down institutional silos, partnership-building puts a premium on the active participation of a wide range of stakeholders from government, industry, academia, and civil-society to catalyze fresh and innovative policy-making approaches.

- *Normative setting* encompasses the promotion of international standards and norms in cybersecurity and critical technologies. It may include soft laws like guidelines and recommendations formulated to mitigate the unintended risks and consequences as well as the risks and vulnerabilities of advanced technologies specifically during the initial stages of design and development phases. Considering the common challenge of practice outpacing policy in the field of technology, normative setting may also entail self-regulatory approaches and instruments as adequate safeguards. Conversely, given the nascent and often, fast-moving nature of the tech industry, normative setting provides the baseline for countries to cultivate a transparent and reliable environment to develop innovation systems that are interoperable and secure.

Figure 1: Strategic Resilience Framework (Manantan, 2023)



Applying strategic resilience in Japan-ASEAN relations

This section applies the three components of strategic resilience in the context of Japan-ASEAN relations. It examines Japan's balancing act to manage its dependence on China, while managing to build domestic capacity, diversify supply chains, and promote the adoption of normative standards and frameworks in Southeast Asia.

Capability-shoring: Semiconductors and AI

The Japanese Diet approved the Economic Security Act on May 11, 2022, which exemplifies Japan's rapid adoption of strategic resilience. Under the act, Japan will establish a system to guarantee the steady supply of critical materials like semiconductors, the stable provision of critical infrastructure services, development of critical technologies, and a secret patent system. To implement the act, the Japanese government drafted basic guidelines on 20 priority technology fields such as semiconductors, pharmaceuticals, and rare earth metals.

Japan's Ministry of Economy, Trade, and Industry (METI) has also introduced various programs for supply chain diversification targeting Japanese companies. METI launched an initiative called "Program for Promoting Investment in Japan to Strengthen Supply Chains" as well as diversification strategies such as the "Program for Promoting Investment in Japan to Strengthen Supply Chains" to encourage the return of manufacturing bases in the country.[38] However, following Russia's invasion of Ukraine and the lingering effects of the pandemic, the Japanese government accelerated its capability shoring, encouraging more homebound investments in Japan.[39] METI allocated 3.5 billion U.S. dollars or 476 billion Japanese yen to secure domestic production sites for advanced semiconductors. In February 2022, METI approved the joint venture between Taiwan Semiconductor Manufacturing Co. (TSMC), Sony Group and Denso, becoming the first project to win subsidies from the 617-billion-Japanese-yen allocated public fund.[40] The subsidies will help in the establishment of a semiconductor plant in the Kumamoto Prefecture that amounts to 8.6 billion U.S. dollars where METI will support 40% of the total costs.[41] In addition, METI is also persuading Sony, Toyota, and Softbank to form a possible consortium with IBM called Rapidus to design and manufacture the next generation of advanced chips known as the 2-nanometer chip by 2023. The consortium appears to be bullish, eyeing to raise investments totaling to US$36 billion over the next decade. These capability shoring efforts builds on the previous Suga administration which vowed to invest 1.8 billion U.S. dollars to support its domestic chipmaking industry. Japan aims to hold 40% of the global share in next-generation

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[38] "Manufacturing Government Initiatives," *Japan External Trade Organization*, February 12, 2023, https://www.jetro.go.jp/en/invest/attractive_sectors/manufacturing/government_initiatives.html.

[39] William Sposato, "Japan Bets Big on Bringing Semiconductor Manufacturing Home," *Foreign Policy*, January 9, 2023, https://foreignpolicy.com/2023/01/09/japan-semiconductor-chip-manufacturing-china/.

[40] "Japan to subsidize TSMC's Kumamoto plant by up to $3.5 bn," *Nikkei Asia*, June 17, 2022, https://asia.nikkei.com/Business/Tech/Semiconductors/Japan-to-subsidize-TSMC-s-Kumamoto-plant-by-up-to-3.5bn.

[41] Ibid.

power semiconductors by partnering with international companies and recruiting foreign players on joint research and development. Japan aims to decentralize production sites to mitigate the risk of dependencies and supply disruptions.[42]

On advanced technologies, the Kishida government will also create a national strategy to deepen research and development on quantum and AI technologies through greater public-private partnerships[43] The government has earmarked 250 billion Japanese yen to promote commercialization of quantum technology and AI technologies following successful pilot-test cases. Over the past two years, public-private partnerships have been growing sharply in Japan. For example, the Ministry of Education, Culture, Sports, Science and Technology and has partnered with Fujitsu, NEC, and Toshiba to establish the RIKEN Center for Advanced Intelligence Project.[44] Similarly, funding opportunities for Japanese companies and universities are also on the rise. To maximize participation, the Japanese government has even created incentive mechanisms and programs to target organizations at the national, prefectural, and municipal levels.[45]

Foreign companies engaged in developing advanced technologies are also offered tax deductions, industry assistance, and single contact points across relevant ministries to facilitate ease of doing business. In coordination with its team of international experts and consultants, Japan External Trade Organization Set-up Invest Japan Business Support Centers to help foreign companies find their footing in Japan.[46] Japan has also introduced a matchmaking program called Accelerator Program Fintech Business Camp Tokyo to match Tokyo-based companies with foreign entities who are working in AI.[47]

Japan remains a strong player in the semiconductor supply chain when it comes to photolithography equipment alongside the Netherlands. Japan also joins the U.S. in leading the deposition, etching, and process control equipment of semiconductor chips.[48] However, the global shortage of semiconductors has threatened Japan's sustained access to chips that are crucial to its manufacturing industry. The Japanese government is actively providing state subsidies hoping not only to augment the current chip shortfall but to further elevate its competitive footprint in the semiconductor value chain through

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[42] Miki Reiko, Takashi Tsuji and Kosuke Takeuchi. 2021, "Japan to Pour Cash into Domestic Chipmaking, Following U.S. and China." 2021. *Nikkei Asia*. May 28, 2021, https://asia.nikkei.com/Business/Tech/Semiconductors/Japan-to-pour-cash-into-domestic-chipmaking-following-U.S.-and-China.

[43] "Japan to Set National Strategy for Quantum, AI Technologies," *Nippon*, March 8, 2022, https://www.nippon.com/en/news/yjj2022030800956/.

[44] Nicole Dirksen and Takahashi Sonoko. 2020. "Artificial Intelligence in Japan 2020." *Netherlands Enterprise Agency – Ministry of Economic Affairs and Climate Policy,* 6*,* https://www.rvo.nl/sites/default/files/2020/12/Artificial-Intelligence-in-Japan-final-IAN.pdf.

[45] Garcia, Guillermo, 2020, "Artificial Intelligence in Japan", 55-57, *EU-Japan Center for Industrial Cooperation,* 2020, https://www.eu-japan.eu/sites/default/files/publications/docs/artificial_intelligence_in_japan_-_guillermo_garcia_-_0705.pdf.

[46] Ibid., 55-56.

[47] Ibid., 55-57.

[48] Saif M. Khan, "Maintaining the AI Chip Competitive Advantage of the United States and Its Allies," *Center for Security and Emerging Technology* (2019), doi:10.51593/20190013.

knowledge and technology transfer from leading companies like TSMC. Despite such efforts, there is still skepticism if Japan's ongoing capability shoring will truly revive its semiconductor industry given numerous failed attempts of government interventions in the past.[49] It remains to be seen if Japanese companies who are heavily invested in China will return fully to invest in Japan. The overture on reshoring defies the logic of globalization characterized by the complex knit of supply-chain interdependence where China remains a source of raw materials and important market for semiconductors. But given the current political security conditions and the public awakening towards vulnerability of supply chains, the provision of government subsidies may be the most viable option to lure Japanese companies to review their supply chains and reinvest in Japan in anticipation for future systemic shocks.

Partnership-building: Data-sharing

ASEAN remains a vital partner for Japan to realize its economic security initiatives and its overall vision of FOIP. As Kishida mentioned during his Shangri-la Dialogue speech, Japan cannot do it alone. For the Economic Security Promotion to be successful, international cooperation is essential. At the dialogue, Kishida shared that Japan will support more than 100 supply chain resilience projects in the next five years.[50] The initiative builds on Japan's deep engagement with the regional bloc and its country members through the FOIP framework, covering key policy areas from maritime security, connectivity, and very recently, economic security.

With its concerns regarding overreliance to China, Japan saw ASEAN countries as a feasible alternative to promoting partial decoupling especially on highly critical and vulnerable products through the establishment of multiple overseas manufacturing bases to ensure steady supply of products and materials. Through its "Overseas Supply Chain Diversification Support Project," METI is encouraging Japanese firms to explore and hopefully develop supply chains in Southeast Asia.[51] However, the global pandemic also saw the need for ASEAN and Japan to revisit conventional approaches to supply chain resilience beyond the move towards partial decoupling. Japan considers ASEAN as important hub for semiconductors, automobile, and healthcare supplies; thus, the region is crucial to ensuring the availability of electronic parts for procurement in the manufacturing industry.[52]

A resilient and responsive to future crisis like the pandemic is vital to the continued growth of ASEAN-Japan economic partnerships. ASEAN and Japanese companies alike agree that digital technologies were instrumental in maintaining business relationships and flexible operations during the pandemic.

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[49] William Sposato, "Japan Bets Big on Bringing Semiconductor Manufacturing Home," https://foreignpolicy.com/2023/01/09/japan-semiconductor-chip-manufacturing-china/.

[50] Kishida Fumio, "Keynote Address by Prime Minister Kishida at the IISS Shangri-La Dialogue 2022."

[51] "Manufacturing Government Initiatives," *Japan External Trade Organization*, February 12, 2023, https://www.jetro.go.jp/en/invest/attractive_sectors/manufacturing/government_initiatives.html.

[52] Kaneko Satsuki, "Japan and ASEAN to study data sharing on supply chain risks," *Nikkei Asia*, January 5, 2023, https://asia.nikkei.com/Politics/International-relations/Japan-and-ASEAN-to-study-data-sharing-on-supply-chain-risks.

Knowing this, Japanese and ASEAN companies must bond together towards promoting digitalization across key sectors, while closing the gap in infrastructure development, data usage, and human resource development.[53] Just recently, METI has been in close consultation with ASEAN officials seeking to develop a data-sharing platform that will allow information-sharing on inventories, production capacity, and supply chain disruption risks between Japanese and ASEAN companies.[54] The proposed data-sharing platform is part of Japan's broader effort called Supply Chain Resilience Forum launched in 2021 to corral "like-minded partners" that include ASEAN, Australia, and India to enhancing supply chain resilience.[55]

Normative setting: Cybersecurity and Artificial Intelligence

As more companies go digital, their vulnerability to supply-chain related cyberattacks also increases. Kishida has emphasized the linkage between national security and economic security to cybersecurity and digitalization.[56] To this end, Japan has been involved in various cyber capacity-building initiatives, particularly in Southeast Asia to raise cyber capacity and awareness.

Under the provisions of the Basic Policy on Cybersecurity Capacity Building Support for Developing Countries, Japanese efforts seek to promote multiple yet complementary initiatives on cyber norms and the application of international law in cyberspace fostered by various multilateral bodies such as the G7, the UN Open-ended Working Group, and the UN Group of Governmental Experts.[57] Japan's cyber capacity-building across the Indo-Pacific is classified under four groups: (1) ensuring cyber hygiene through the protection of critical infrastructure and other means; (2) measures against cybercrime; (3) sharing understanding and cyber situational awareness of international rules and confidence-building measures and (4) human resource development and other cross-sectoral areas.[58]

Of great significance to strategic resilience is the implementation of industrial control system cybersecurity exercises among ASEAN member states spearheaded by METI in collaboration with the Industrial Cyber Security Center for Excellence (ICSCoE). The cybersecurity drills aim to enhance cyber capability for the entire supply chain and strengthen cooperation among ASEAN countries.[59] The Human Resource Development Program includes risk assessment activities which tackle the safety and reliability of actual control systems and investigate all possibilities of

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53 "ERIA's COO Discusses ASEAN-Japan Growth Through Supply Chain Resiliency and Sophistication," *ERIA*, June 3, 2022, https://www.eria.org/news-and-views/erias-coo-discusses-asean-japan-growth-through-supply-chain-resiliency-and-sophistication/.

54 Kaneko Satsuki, "Japan and ASEAN to study data sharing on supply chain risks."

55 "The 2nd Supply Chain Resilience Forum to Be Held," *METI,* September 8, 2021, https://www.meti.go.jp/english/press/2021/0908_002.html.

56 Kishida Fumio, "Keynote Address by Prime Minister Kishida at the IISS Shangri-La Dialogue 2022."

57 "Basic Policy on Cybersecurity Capacity Building Support for Developing Countries," Ministry of Foreign Affairs, December 14, 2021, https://www.mofa.go.jp/files/100347812.pdf.

58 "Japan's Major Capacity Building Projects for Developing Countries," *Ministry of Foreign Affairs*, December 2021, https://www.mofa.go.jp/files/100347811.pdf.

59 Basic Policy on Cybersecurity Capacity Building Support for Developing Countries," Ministry of Foreign Affairs.

cyberattacks to plan necessary countermeasures. Through a mix of lecture and applied exercises, in the one-year program, trainees will learn foundational concepts of operational technology and information technology, management skills, and business acumen. The ICSCoE-METI collaboration feeds into current cybersecurity skills development training within the context of the ASEAN-Japan Cybersecurity Capacity Building Centre. Relatedly, the ASEAN-Japan ICT Work Plan 2022 efforts are also underway to establish standards to exchange data and information related to humanitarian crises and disasters in the region supported by the ASEAN-Japan ICT fund.[60]

On emerging technologies like AI, Japan has yet to establish direct outreach to ASEAN. While its chairmanship at the 2023 G7 summit spurred the Hiroshima AI process[61] which builds on previous AI governance initiatives like the Social Principles of Human Centric AI[62], it remains to be seen how Japan will harmonize such principles and processes to engage Southeast Asia.[63] Perhaps, the recent signing of a Memorandum of Understanding between Singapore and Japan on AI cooperation could provide useful insights of possible ASEAN-Japan cooperation on AI standardization. The signed MOU—which also includes cybersecurity and Information and Communications Technology—outlines the intent of Japan and Singapore to exchange information on best practices and policies as well as the mutual recognition on the urgency of developing trusted and safe AI frameworks. Japan and Singapore will also collaborate closely to advance the importance of international harmonization for AI governance approaches and frameworks. Following the signing of the MOU, a roundtable event was organized involving key experts as well as representatives from government, industry, and academia to jumpstart discussions and explore common challenges and opportunities on AI governance between the two countries.[64]

Conclusion

In closing, this paper has demonstrated Japan's evolving approach to its economic statecraft. It explored the concept of strategic resilience that elevates the current discussion on economic security to emphasize the growing dynamics between deepening geo-technological competition and the systemic shocks or "black swan" events like the COVD-19 pandemic and the unprovoked war in Ukraine. Prime Minister Kishida's Shangri-La Dialogue keynote address provided the impetus to the concept of

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60 "Progress Report on Japan's Cooperation for the ASEAN Outlook on the Indo-Pacific," *Ministry of Foreign Affairs*, November 1, 2022, https://www.mofa.go.jp/files/100420036.pdf.

61 "G7 Hiroshima Leaders' Communique," *G7 Hiroshima*, May 20, 2023, https://www.g7hiroshima.go.jp/documents/pdf/Leaders_Communique_01_en.pdf

62 "Social Principles of Human-centric AI (Draft)," *Cabinet Office Japan*, Accessed February 8, 2023, https://www8.cao.go.jp/cstp/stmain/aisocialprinciples.pdf.

63 Mark Bryan Manantа, et. al., *2022 Trustworthy Artificial Intelligence*, (July 2022), https://aiasiapacific.org/wp-content/uploads/2022/07/2022-AIAPI-Report-.pdf.

64 "Japan-Singapore AI Governance Roundtable," *Keio University Global Research Institute*, October 31, 2022, https://www.kgri.keio.ac.jp/en/news-event/133696.html.

strategic resilience. Although, Kishida highlighted realism in diplomacy—a nod to Japan's realpolitik foreign policy approach—and economic security, the paper endeavored to explore his arguments further and sought to examine current empirical evidence as indicators to probe Japan's move towards more resilient-based economic security initiatives. Compared to the prevailing economic security paradigm—that largely promotes the protection of intellectual property and access to critical materials which are vital to developing advanced technologies mainly through strategic export controls—strategic resilience provides a realistic pathway for policymakers to adopt responsive, level-headed, flexible, and adaptive approaches through self-reliance and flexible collaboration.

Obviously, Japanese policymakers have highlighted the notion of resiliency in key documents and initiatives, however, there was quite a disconnect in underscoring the disruptive impact of COVID-19 and the Ukraine war. The dynamics of these factors constitute the background condition of strategic resilience at the apex of Japanese pragmatic policymaking. In addition to Japanese anxieties of declining confidence and competitiveness in the face of the current geo-technological competition, the systemic effects of the pandemic, and the Ukraine war further exposed the fragility of global value chains. If the economic security framework conceived in the pre-pandemic era was geared towards broader export control to counter Chinese access to Japanese technology and innovation, strategic resilience reflects Japan's recalibrated approach that favors ramping up domestic capacity while moving further towards partial decoupling away from China but still embracing collaboration with like-minded partners.

To test the concept of strategic resilience and highlight the interaction between self-reliance and flexible collaboration, the paper has examined three mechanisms applied in the context of ASEAN-Japan relations: capability-shoring, partnership-building, and normative setting. Capability-sharing was applied to Japan's current momentum of injecting state subsidies to persuade homebound investments among Japanese companies to improve manufacturing bases in Japan. It also investigated the rise of joint ventures with foreign entities like Taiwan's TSMC to acquire know-how in advanced technologies like semiconductors and AI. Partnership-building underscores Japan's growing capacity-building efforts to improve supply-chain resilience in Southeast Asia. As Japan aims to diversify away from China, Southeast Asia serves as an alternative base for Japanese supply chains. Through its various supply chain resilience initiatives, Japan is engaging ASEAN member states to improve data-sharing on product inventories, production capacity, and supply chain disruption risks. Lastly, normative setting focuses on Japan's rulemaking and capacity-building efforts to promote cyber norms and international law, as well as creating standards to harmonize the development of AI based on principles and guidelines that were deliberated in multilateral fora such as the G20.

Reflecting upon the current trajectory of Japan's foreign policy as the world enters the next phase of geostrategic competition in the tech domain combined with the lessons learned brought by the pandemic and the ongoing war in Ukraine, strategic resilience offers an in-depth analysis on how

states could cope or to some degree even thrive in future international crisis amid great power rivalry. Again, it remains to be seen if Japan's quest for strategic resilience will deliver the results it seeks to achieve given the China factor and failed attempts of industrial policies. But for now, this paper provides practical insights on how policymakers could navigate the opportunities and challenges emanating from the current wave of technological innovation at a time when appetite for global cooperation remains low and fears of weaponized economic interdependence are high.

Through strategic resilience's three components (capability-shoring, partnership-building and normative setting), states are afforded with tools that help reduce uncertainty or ambiguity while still embracing collaboration within an acceptable level of trust and transparency. Essentially, strategic resilience still supports, and to some capacity, even reinforces the maintenance of multilateral institutions, norms, and standards. Hopefully, the cumulative or aggregate gains from these continuous interactions will eventually foster greater stability and predictability. As states potentially turn to strategic resilience in greater frequency and utility as part of their economic statecraft toolbox, policymakers and scholars are advised to constantly refine and adjust it based on their local context and comparative advantages yet still subscribe to multilateral regimes and institutions to deal strategically and flexibly with the dramatic changes in the international environment.