



## Research project on “economic security and intellectual property” is launched

In the technology-driven nation of Japan, the utilization of technological assets owned by companies is highly significant. The Security Clearance System set to be introduced from 2025 could have a positive impact not only on companies that operate businesses directly linked to economic security, but also on unrelated companies.

Amid this situation, the 21<sup>st</sup> Century Public Policy Institute launched the research project on “economic

security and intellectual property” in April 2024. In this newsletter, Toshiya Watanabe, Professor, Institute for Future Initiatives, University of Tokyo, has kindly contributed an article regarding the aims of the project.

Note:

This is an English translation by the 21st Century Public Policy Institute of an essay written in Japanese by Professor Toshiya Watanabe

### Contribution

## Aims of the research project on “economic security and intellectual property”

**Toshiya Watanabe**

Professor, Institute for Future Initiatives, University of Tokyo  
Principal Research Director, 21<sup>st</sup> Century Public Policy Institute



### ■What economic security policy brings

Changes to the geopolitical environment always impact greatly on industrial ecosystems. The flat, borderless industrial ecosystem, which boldly emerged in the wake of the East-West Cold War, spread throughout the world and became a source of innovation, is being forced into a partial decoupling once again. Export regulations have seen the arrangements set up after the Cold War cease to function and a new regulatory framework under like-minded nations emerge. New regulations have been established for technology transactions in a wide range of emerging technology fields, and even here borders between knowledge and technology are emerging.

In addition, the progress of digital technology in recent years has boosted the importance of data as a new industrial resource and promoted a breakthrough in AI, but the localization of data and regulation of AI services has taken place at the same time. In this field, it is becoming essential to design digital services by region due to regulations in such places as the EU and China.

The concept of economic security policy is ambiguous, but if it is defined as “measures for the purposes of

ensuring national interests related to security via economic measures,” it is fair to say that such measures recently taken by each country are broadly based on measures for the purpose of economic security. The strengthening of these measures has a powerful influence on industry and innovation ecosystems.

If extreme decoupling progresses due to industrial policy biased toward economic security, on the other hand, industrial efficiency will drop markedly. The need for international cooperation to promote innovation, especially the contribution of diversity in human resources responsible for research and development, is clear even empirically, and decoupling and atrophy of international collaboration leads to the loss of necessary elements for innovation. In solving global challenges such as climate change, global efforts are even more essential than before. The business of international cooperation and the sharing of knowledge in these fields should not be segmented; global and flat innovation cooperation is arguably inevitable.

Also, the rules in markets for startups that play a central role in these innovations are undergoing a transformation

rooted in economic security policy. These must not inhibit this growth.

What should the international knowledge and information management rules that meet these complex boundary conditions be like? It is intellectual property systems that determine such rules. And what kind of intellectual property strategy is required for companies in such an environment?

The theme of this research is to find answers to these questions by giving full consideration referencing both concrete cases and empirical data while verifying the current system and identifying issues.

#### ■Five viewpoints when undertaking research

The first viewpoint to emphasize when proceeding with research is to conduct analysis focused on interactions between systems related to economic security and industrial ecosystems. The Security Clearance System to be introduced in Japan for the first time in 2025 is a case in point. This is a system that conducts an aptitude test on government and private-sector individuals requiring access to classified information held by the government, and permits access after confirming authenticity. If it is applied only in cases where government information is needed in, for example, the defense industry, it may not impact on general research and development that does not use classified information. On the other hand, if government classified research and projects that did not exist until now should emerge and a clearance holder in possession of that classified information becomes involved at some point in general research that does not use government classified information, it would warrant attention. That would lead to a rise in the security level of the research and development and bring about changes in the overall research and development ecosystem norms.

In the US, there are more than four million security clearance holders, including more than one million in the private sector alone. There are cases of these clearance holders moving between public- and private-sector jobs and engaging in general basic research at the same time as government classified research. There are also numerous cases of government employees engaging in security-related businesses after retirement. It is clear that the ecosystem where numerous security clearance holders and persons with related experience are placed in organizations in many fields contributes to private-sector economic security. Meanwhile, there are scattered cases where these people also contribute to the innovation of

academic research entities and startups at the same time. It is important to be able to see that experience in classified research contributes not only to the security management of general research but also to the maintenance and development of open, highly transparent academic research. By deepening an understanding about these industrial ecosystems that the Security Clearance System brings, it may be possible to consider the future of this system and the strategies of companies and research institutes under this system. Similar consideration could be given to systems for export regulation, trade secret protection and others.

The second viewpoint is to conduct an analysis of governance in AI/data, etc. from the perspective of economic security. How to regulate the use of AI in weapons, especially lethal autonomous weapon systems (LAWS), has been discussed at forums such as the UN, while governance around the use of AI in industry and also the use of data has been discussed from human rights perspectives such as ethics, personal information and privacy protection. In the EU, relatively strong regulations have been implemented in this field, including General Data Protection Regulation (GDPR) related to personal data within the EU, which took effect in 2018, and the Artificial Intelligence Act, which was proposed in 2021 and approved in March 2024.

Meanwhile, Japan's thinking on AI/data regulation is based on self-management, as evident from "Contract Guidelines for the Use of AI and Data" compiled in 2018, and "AI Guidelines for Business" compiled in April 2024. These regulations follow human-centric principles with arguably no special evaluation from the viewpoint of economic security. However, it is recognized that the risks accompanying AI/data utilization go beyond simply issues of privacy, etc., and that strategic independence could be undermined, suggesting an evaluation from the viewpoint of economic security may be necessary. In the US, export restrictions have been added to AI technology such as the automatic analysis of geospatial imagery, and the regulation of AI chips has recently become more prominent. There is a need to once again consider AI research and development and its utilization as well as the management of data, including that for learning, from the viewpoint of economic security. Consideration is also required of specific cases, bearing in mind a way of thinking that does not stifle innovation through AI, and issues such as adding the co-regulatory elements used in digital platformers.

The third viewpoint is to conduct an analysis focused on global standards and intellectual property licenses from the perspective of economic security. In fields that require global cooperation such as global environmental issues, information and communications and disaster countermeasures, it is essential to have standardization, information sharing and knowledge sharing. Global standards and intellectual property licenses have the function of promoting the formation of purpose-driven industrial ecosystems. Hence, one might say it is extremely valuable to use these systems to address global issues and promote global cooperation. At the same time, it is understood that global standards, when linked with intellectual property strategy, function effectively as an industrial promotion measure. Although strategic independence could be undermined depending on the developments of other countries, such an evaluation from the perspective of economic security has not been sufficiently conducted.

IP commons such as open-source software are also a kind of intellectual property license and an important tool for promoting systems of international cooperation, but when they are utilized in essential infrastructure areas, an economic security evaluation should be conducted.

The fourth viewpoint is to conduct an analysis focused on the startup environment. It is self-evident that startups support the creation of global innovation. In Japan, too, the promotion of startups has come to be positioned at the core of industrial policy. When deep-tech startups important to economic security are created, universities and other research institutes and large companies often serve as the parent, and a process is followed whereby not a single organization but rather multiple organizations and investors form a team, pool the necessary management resources and launch a business where venture capital and other investments are made to grow the business. This process is often a complex process involving the transfer of knowledge, flow of funds and movement of human resources across national borders. At times, overseas military-related organizations are involved and organizations with military ties offer investments. Investments and technology transfers that lead to undesirable technology leakage in particular need to be managed via restrictions on inward direct investment and restrictions on advanced technology transfer in relation to export controls. However, there is a substantial number of impediments to managing these at the initial stages of startup creation when an organization has yet to be established. In this respect as well, startup

policy should be evaluated from the perspective of economic security. For this purpose, we would like to conduct case studies on startups.

Finally, it is essential to conduct analysis from the perspective of company management responsible for economic security functions. In addition to existing frameworks such as the Foreign Exchange Control and Foreign Trade Control Act responsible for export control, four systems have come into force: 1) System for Ensuring Stable Supply of Critical Products; 2) System for Ensuring Stable Provision of Essential Infrastructure Services; 3) System for Enhancing Development of Specified Critical Technologies; and 4) System for Non-Disclosure of Selected Patent Applications. In addition, the Security Clearance System (Law on the Protection and Use of Sensitive Economic Security Information) established in 2024 has been added.

These laws cannot be expected to function adequately if implemented exclusively as a top-down regulation; without the cooperation of businesses based on an understanding of the purpose of the law, there could be significant scope for failure. For example, under the Security Clearance System, the clearance holders are an extremely important human resource for the country and if the person in question fails to fulfill that role because of turnover or relocation due to organizational treatment, it defeats the purpose. The same can be said of company technicians receiving support measures for critical products and essential infrastructure.

In an example of the System for Non-Disclosure of Selected Patent Applications, patent applicants can withdraw their applications during the confidentiality examination, and while the home country application obligation is maintained, the disclosure and implementation of inventions are not subject to restrictions, the same as if patent applications were not submitted in the first place. Whether to use this system depends entirely on the discretion of the applicant. Therefore, for this system to be operated in line with the legal purpose, companies arguably first need to have an understanding related to economic security.

Looking at the characteristics of these systems, the economic security system is broadly premised on cooperation between the government and private sector and it should be recognized that it works because it has elements that support corporate initiatives. From this perspective, it is important to analyze the actual situation and mechanism of how each system is operated by companies, and to identify any challenges.

### ■How this research will proceed

In the promotion of this research theme, research will proceed by conducting individual case studies from these five viewpoints. We would also like to consider the publication of our research results through, for example, online seminars, reports to the general public and videos.

We aim to contribute to the creation of platforms that become a bridge between public and private sectors through a clear understanding of economic security and intellectual property measures, not simply serve as a disseminating body of research results.

(Kota Aono, Senior Fellow)

## Seminar series on the “geopolitics of economic security – advanced technology, resources and economic sanctions” is held

The 21<sup>st</sup> Century Public Policy Institute held a series of five online seminars on the “geopolitics of economic security” from April.

In the seminar series, as part of the effort around the research theme of “technology and international order,” Kazuto Suzuki, Executive Visiting Research Fellow of the Institute and Professor at the Graduate School of Public Policy, University of Tokyo/Director of the Institute of Geoeconomics, International House of Japan, took up economic security and geopolitics as the main

theme, conducting a comprehensive and detailed analysis from the perspectives of advanced technology, resources and economic sanctions, and offering an outlook on the way going forward.

The contents of all five speeches in the seminar series will be compiled into a book with a plan to publish it as a “Shincho Sensho” collection.

(Yasuhiro Iwasaki, Senior Fellow)

	Title	Date held
1	Economic security and semiconductors	April 12
2	Information technology (IT) and artificial intelligence (AI)	April 22
3	Outer space and order	May 9
4	Resources and turmoil	May 23
5	Economic sanctions	June 14



Kazuto Suzuki, Executive Visiting Research Fellow

## Symposium on “China’s industrial policy and national security strategy” is held

The 21<sup>st</sup> Century Public Policy Institute’s China Studies Project (Principal Research Director: Shin Kawashima, Professor, Graduate School of Arts and Sciences, University of Tokyo) held an online symposium on “China’s industrial policy and national security strategy” with the participation of member firms on 22 May. During the first half of the symposium, three research fellows gave speeches. In the second half, a panel discussion with the research fellows was held with

Principal Research Director Kawashima serving as moderator. The summary is as follows.

### ■Direction of China’s industrial policy from the viewpoint of “New Quality Productive Forces” (Ding Ke, Senior Research Fellow, Institute of Developing Economies, JETRO)

China has set forth the concept of “New Quality Productive Forces” and hammered out a policy for nurturing advanced high-tech industries, with a specific emphasis on nine new industries and eight future industries. Behind this is a wish to create a new driving force for economic development in place of the real estate industry. The policy is characterized by being based on the “leapfrog concept,” with electric vehicles (EV) arguably an example of its success. It is also a policy to counter global standardization in the advanced technology fields targeted by the US.



Shin Kawashima,  
Principal Research  
Director





Ding Ke, Research Fellow

### ■Xi Jinping administration's structural reform and social governance plan – focus on “community governance” (Kazuko Kojima, Professor, Faculty of Law, Keio University)

China's administrative divisions starting from the highest are provinces, municipalities, counties, and township/towns/subdistricts and below that are communities. These are self-governing organizations of residents like neighborhood associations in Japan. The Xi Jinping administration shifted the management of these communities to the Communist Party as a structural reform in 2023. Also, to enhance welfare, it expanded the number of social workers and built a care system encompassing regions. Moreover, in order to prevent Western nations from shaking up the system of one-party control through the entry of NGOs and other organizations into Chinese society, it has formed party organizations within private firms and NGOs, etc.



Kazuko Kojima, Research Fellow

### ■Xi Jinping administration's diplomatic structure (Shinji Yamaguchi, Senior Research Fellow, National Institute for Defense Studies China's diplomatic structure)

China's diplomatic structure has been greatly transformed by the Xi Jinping administration. In 2023, the administration stated that the Ministry of Foreign Affairs would “handle foreign affairs in accordance with the law,” placing it in a low position relative to the foreign affairs ministries of other countries, which are in

charge of overseeing diplomacy. Non-diplomats have been installed within the leadership ranks and ideological education is conducted frequently. Such a structure was adopted based on a “comprehensive view of national security”- that is, the idea that threats to China lie not only within the country, but also external to it, with all fields, including politics, national land, the military, the economy, culture, society, science and technology and information, falling into that category.



Shinji Yamaguchi, Research Fellow

### ■Panel discussion

Principal Research Director Kawashima emphasized that structural changes have occurred in China. He said there is a logic in China that the world is undergoing a once-in-a-century change, that this should be taken as an opportunity to make a leap, and that the people should unite for that purpose. He argued that for the Xi Jinping administration, there are risks economically of a contradiction between strengthening national security and promoting technology development, socially of losing touch with the people due to in-depth governance and diplomatically of policy contradictions such as diplomatic stagnation due to control of the Ministry of Foreign Affairs. He then took up questions from participants and deepened discussions. Major points raised included the bearers of the New Quality Productive Forces, the impact of the lack of economic specialists within the administration, changes due to the increase in high-level diplomacy, and the impact of the US presidential election. Finally, he pointed out that the New Quality Productive Forces bring a business chance, but also an economic security risk, that strengthening governance is an issue that impacts Japanese people stationed in China and their families, and that how to speak with Chinese President Xi Jinping and Foreign Minister Wang Yi will be extremely important to future China diplomacy. (Yuko Chiba, Senior Fellow)

## Report on “goals and challenges for the third term of the Xi Jinping administration – strength and fragility” is published

The China Studies Project (Principal Research Director: Shin Kawashima, Professor, Graduate School of Arts &

Sciences, University of Tokyo) has compiled its FY2022 research results into a report.

In the report, the goals and challenges of the Xi Jinping administration, which has entered its third term, are analyzed by 10 leading Chinese researchers from their various fields of expertise in politics, economics and diplomacy. Principal Research Director Kawashima

provides an overview and explanation of all the essays, citing the resilience and fragility of the Xi Jinping administration as a point of view common to them all.

(Yuko Chiba, Senior Fellow)

#### Authors (in chapter order)

Shin Kawashima	Professor, Graduate School of Arts and Sciences, University of Tokyo
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(Note: Titles are as of April 2023)

#### Report

Report on “goals and challenges for the third term of the Xi Jinping administration – strength and fragility” (Japanese language only)



## Kansai seminar on the “outlook for international politics in 2024 and beyond” is held

On 15 May, the 21<sup>st</sup> Century Public Policy Institute held a seminar on the “outlook for international politics in 2024 and beyond” in Osaka with Visiting Research Fellow Ryo Sahashi, Associate Professor, Institute for Advanced Studies on Asia, University of Tokyo, as the speaker. This followed a seminar by the same title held in Otemachi, Tokyo on 20 February 2024 and communicated additional information on new developments to member firms in the Kansai region.

At the outset, Mr. Sahashi pointed out that 2024 is an extremely important year when looking at international politics over the medium term to 2025 and beyond. He indicated the things that should be done and the measures that should be taken by the Japanese economic community and companies before the arrival of an “uncomfortable world” triggered by a retreat in globalization and loosening of the international economic order. The summary is as follows.

### ■New US diplomatic strategy and Japan’s role

Looking squarely at China as the strategic competitor warranting the greatest vigilance, the US Biden administration has deepened ties with allies and partner countries and treated these as a source of strength for the US. In addition to military security, it has emphasized economic security, demonstrating initiatives through the Quadrilateral Security Dialogue (QUAD) among Australia, India, Japan and the US, the Trilateral Security Partnership among Australia, the UK and US (AUKUS), the Indo-Pacific Economic Framework (IPEF) and summits with various countries. Japan’s role as the US forms this new order is especially important and will likely increase going forward.

### ■Significance of US-Japan summit

The US-Japan summit held in April carries a weight comparable to the summit in 1996, when post-Cold War

security between the US and Japan was confirmed. The fact that Prime Minister Fumio Kishida was invited as a state guest and that his speech to the US Congress was also welcomed is an expression of expectations from the US, and it is worth noting that many items related to economic security were incorporated into the joint statement. However, finding a new balance between security logic and economic logic will be the challenge going forward.

#### ■Outlook for international order centered around US-China conflict

Due to the wait-and-see effect around the US presidential election, the US and China will likely follow a path of dialogue in 2024 unless something major suddenly occurs. In the medium term, however, it is hard to see an improvement in the mutual distrust between major powers and in the polarization of the world, including the conflict between the US and China. The view of a US-centered order will likely diminish increasingly as concern about US leadership deepens while the influence of China increases. Facing the future international order, Japan will need to continue its dialogue with China while emphasizing coordination with major European and American nations and the Global South. The path for



Ryo Sahashi,  
Visiting Research Fellow

Japanese diplomacy will be to prevent global fragmentation due to competition between major powers and to promote the building of a multi-layered order.



As a final message to Japanese companies, Mr. Sahashi spoke of the need to: 1) boost “predictive power” that is not premised on the era of conventional globalization and international cooperation; 2) gain a strong knowledge of the trends in advanced countries/regions, including the US federal government and EU headquarters; 3) communicate with the Japanese government in relation to economic coercion and prepare for economic blockade/closure; and 4) take up international situations and geopolitical risks as part of in-house training to cultivate an ability to see the world.

(Yasuhiro Iwasaki, Senior Fellow)

## Taking the stage at the Korea/Japan University Presidents’ Forum

The Korea/Japan University Presidents’ Forum was held in Seoul, Korea on Thursday, 9 May 2024.

This marked the first meeting sponsored by the Korean Council for University Education (KCUE) and the Japan Committee of Universities for International Exchange (JACUIE) aimed at strengthening the education network between Japan and Korea toward future-oriented bilateral relations.

At the forum, Keidanren and the Federation of Korean Industries (FKI) cooperated on a special session related to industry-university partnership (“Industry-University Partnership focusing on Joint Research (R&D) , Human Resource Development”) upon the request of KCUE.

At the session, the 21st Century Public Policy Institute announced the current state of the industry-university partnership in Japan. From the Japanese industrial world,



Takashi Yoshimura (Director, The 21st Century Public Policy Institute)

Asako Koike, Ph.D., Corporate Officer, General Manager, Technology Strategy Office, Research and



Development Group Hitachi, Ltd., and Akito Tani, Senior Executive Officer JX Advanced Metals Corporation/ President & Representative Director, JX Advanced Metals Research Institute for Technology & Strategy Co., Ltd. took to the stage and presented the industry-

university partnership initiatives of their companies- Thereafter, Japanese and Korean companies deepened their discussions at the panel discussion.

(Yasuhiro Iwasaki/Kota Aono, Senior Fellows)



Asako Koike, Ph.D.  
Corporate Officer, General  
Manager, Technology  
Strategy Office,  
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Group Hitachi, Ltd.



Akito Tani  
Senior Executive Officer  
JX Advanced Metals  
Corporation/President &  
Representative Director,  
JX Advanced Metals  
Research Institute for  
Technology & Strategy  
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## Collaboration with Institute for Advanced Studies on Asia, University of Tokyo – toward New Enlightenment

The 21st Century Public Policy Institute, which is engaged in the capitalism and democracy research project (Takahiro Nakajima, Principal Research Director), collaborated with the Consortium for New Enlightenment advanced by the Institute for Advanced Studies on Asia, University of Tokyo and participated in a roundtable discussion held by the Institute (16 November 2023).

“New Enlightenment” aims to universalize not only Western-centric concepts, but also knowledge rooted elsewhere, especially in Asia, where Japan is located. The 21st Century Public Policy Institute, which advocates the need for “collective intelligence,” agrees with the activities of the Institute, which aims at a platform for dialogue in humanities, social sciences,

advanced science and technology, while collaborating with international organizations, industry and local communities.

The “Consortium for New Enlightenment” changed its name to 「P4NEXT」 (Philosophy for New Enlightenment × Technē) in May 2024 and is further deepening its research. The 21st Century Public Policy Institute plans to continue collaborating with Institute for Advanced Studies on Asia, University of Tokyo going forward.

(Arisa Nishimura, Fellow)



Institute for Advanced Studies on Asia,  
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<https://www.ioc.u-tokyo.ac.jp/>  
(Japanese language only)



P4NEXT (former “New Enlightenment”) roundtable discussion e-booklet publication page  
<https://www.ioc.u-tokyo.ac.jp/pub/index.html#NewEnlightenment>  
(Japanese language only)



From left: Takahiro Nakajima (Director and Professor, Institute for Advanced Studies on Asia, University of Tokyo), Tomoji Onozuka (Project Professor, Professor Emeritus, University of Tokyo), Takashi Yoshimura (Director, The 21st Century Public Policy Institute Secretariat)

Photo taken by Mr. Masatsugu Nokubo, Institute for Advanced Studies on Asia, University of Tokyo

