

Development in Strategic Trade Regulations and Controls

“Japan’s challenge to the effective ITT controls”

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1. Holistic approach

“KNOW”

- ◆ Identify chokepoints in cross-border supply chains with multiple suppliers
- Understand structure of supply chain
- Identify suppliers with key technologies

“PROTECT”

- ◆ Prevent diversified technology acquisition activities
- Layered approach to identified risks (**Strategic Trade Control, Investment screening**, VISA screening, Cyber Security etc.)
- Interagency cooperation inside the government
- International coordination

“DEVELOP”

- ◆ R&D promotion in the field of critical technology
- Promotion of international joint R&D
- Industrial security
- Non-disclosure of critical technology

2. Patterns of technology acquisition

Trade or technology transfer

- A company in country A imports items that can be diverted to military use through a front company in a third country, disguising this as civil use purposes.
- A company in country B approaches universities / research institutes in other countries under the pretense of supporting the research.

Investment

- A company in country C buys out a foreign company that has technologies necessary for military products with financial support from the government in country C.
- Investment fund in country D participates in management of a startup which could become a military company in the future.

Joint research

- A government company in country E participates in international industry-university joint research.
- A government university in country F concludes research cooperation agreements with universities in other countries.

Recruiting

- A company in country G headhunts an engineer from a competing company.
- Government organization of country H provides research funds to universities or research institutes in other countries.

Industrial espionage

- A company in country I acquires non-public technical information from a partner company without consent by sending in an employee to the partner company.

Cyber espionage

- A large amount of data and technical information leaked from a company's system to country J through cyber attacks.

Others

- Forced technology transfer

3. Amendment of the FDI Screening System

Aug. 2019

Added **cyber-related sectors** to the list subject to prior notification

Nov. 2019

Amendment of the Act

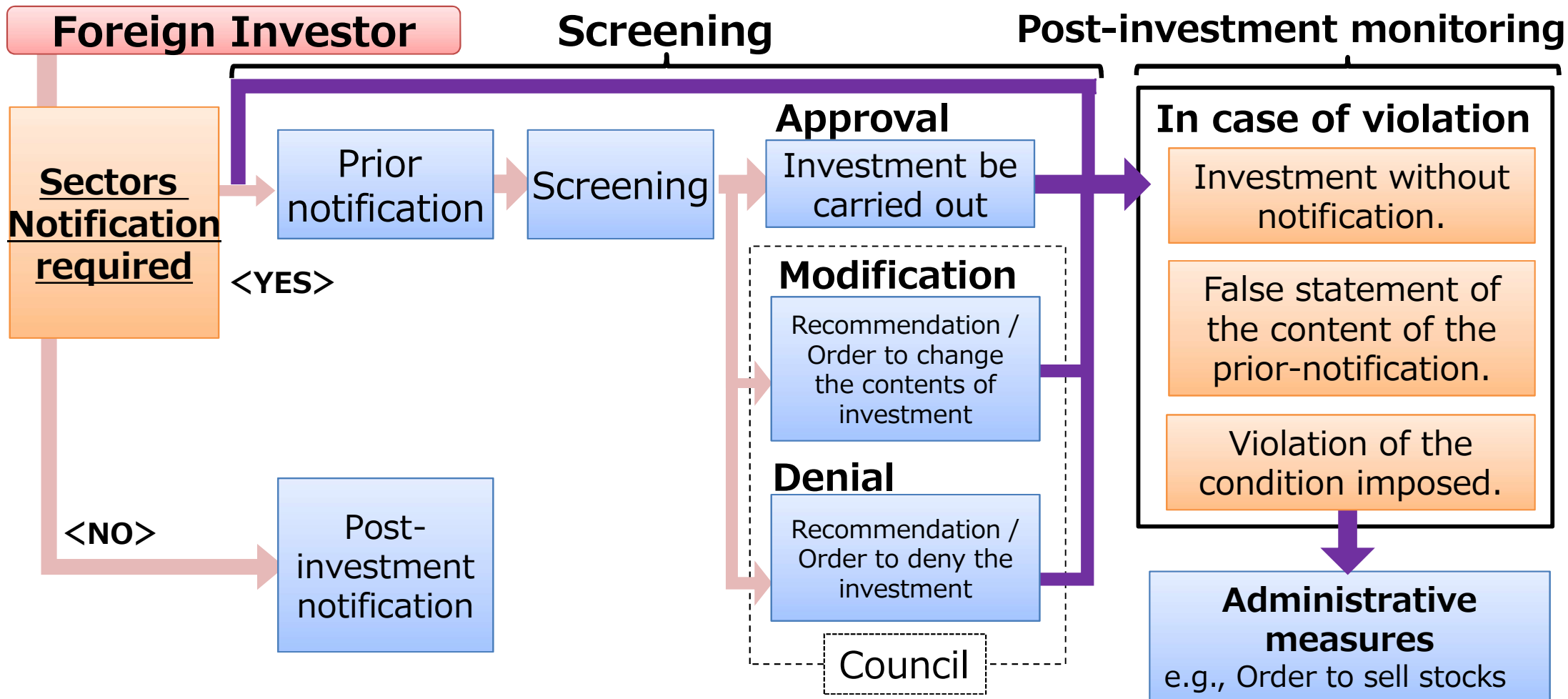
- Reviewed the scope of prior notification to further address risks to national security

- Lowered the threshold of share acquisition of listed companies by foreign investors subject to prior notification from acquiring 10% or more shares to 1% or more.
- Put a prior notification obligation on certain actions by foreign investors which could lead to affecting the business activities of a domestic company involving critical technologies (e.g., becoming a board member, transfer of important business activity) .

July 2020

Added certain **medicines and medical devices related sectors** to the list subject to prior notification

(Ref.) Inward FDI Screening Program



4. Outreach to Academia

the Guidance for the Control of Sensitive Technologies for Security Export for Academic and Research Institutions

- Released in Oct. 2017 and notified via MEXT to the heads of all relevant universities.* English version also released in March 2018.
 - Briefings held jointly with MEXT every year in Tokyo, Nagoya and Osaka
- http://www.meti.go.jp/policy/anpo/law_document/tutatu/t07sonota/t07sonota_jishukanri03_eng.pdf
(English)

E-learning contents

- Released May 2018 on the METI website; English version also became available.
- http://www.meti.go.jp/policy/anpo/daigaku/el/elindex_e.html (English)

Expert dispatch program

- 347 expert dispatches/individual consultations for 108 universities and research organizations in FY2019

On-site consultation by METI

- Since FY2016, METI staffs have visited universities more than 150 times to brief executive officers, etc.

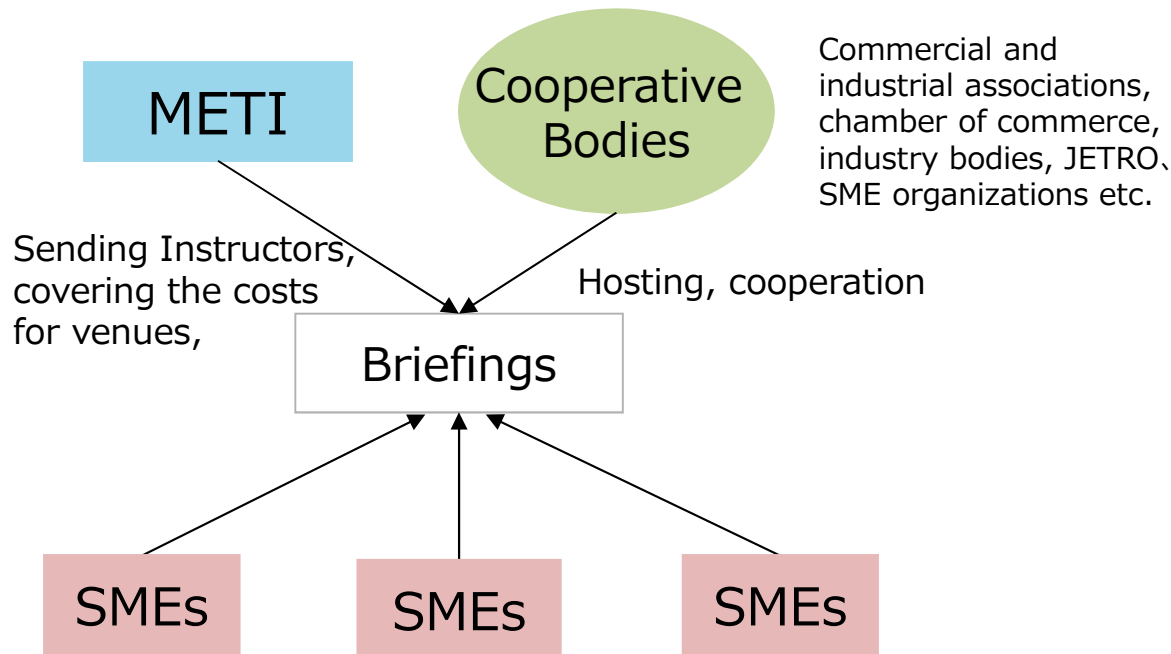
Establishment of regional networks

- Promotion of the establishment of regional networks by university export control officers. Eight new networks setup (total of 12).
- The National Research and Development Agency also set up a network of export control officers in November 2018.

5. Outreach to Industry (SMEs)

1 Briefing service for SMEs

- The government provides the briefing sessions on security export control rules in Japan including technology management for the SMEs in Japan.



2 Dispatching Advisors to SMEs

- Advisor's support for the SMEs to establish their internal security export control systems

