



Turning Economic Security Policy into a Growth Strategy for Japan

- Strong Momentum for Promotion, but Concerns over Long-Term Sustainability -

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<Summary>

- ◆ The Basic Policy on Economic and Fiscal Management and Reform 2026 and Japan's Growth Strategy clearly position economic security as playing an important role in the Japanese economy. The Basic Policy, which has become the starting point for the budget formulation process, states that the government will “boldly promote the Growth Strategy and ensure economic security.” Under its concept of “responsible and proactive public finances,” the government has linked a growth strategy focused on economic security with budgetary measures, thereby strengthening its previous policy of expanding economic security measures.
- ◆ Support for economic security policy is detailed in the Public-Private Investment Roadmap. Specifically, for each of the key products and technologies in the 17 strategic fields, the roadmap sets out the scale and composition of required public and private investment, the expected economic ripple effects, and policy packages to realize investment. “AI and Semiconductors” (total public and private investment: 102 trillion yen) and “Digital and Cybersecurity” (55 trillion yen) can be regarded as core fields expected to generate large-scale investment and economic ripple effects. At the item level, fields such as “dual-use technology,” “GX chemicals,” “unmanned aircraft,” and “permanent magnets” are expected to contribute both to strengthening Japan's strategic autonomy and strategic indispensability in supply chains, as well as promoting economic growth.
- ◆ The incorporation of economic security into the Basic Policy and Growth Strategy is likely to become a powerful driver of economic security policy. At the same time, there are problems with making growth the sole objective when supporting Japan's industries, products, and technologies, including those related to economic security. In order to implement economic security as a sustainable and robust policy, Japan will need to set objectives that focus more on economic risks than on growth alone, and further refine and improve its industrial policy.

- This is an English version of “経済安全保障政策の成長戦略化 —強力な推進の可能性の一方、長期的な持続性には懸念” in JRI Research Focus (The original version is available at <https://www.jri.co.jp/MediaLibrary/file/report/researchfocus/pdf/16917.pdf>)

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1. Introduction

The Basic Policy on Economic and Fiscal Management and Reform 2026 (Basic Policy 2026), approved by the Cabinet on July 21, 2026, clearly indicates that economic security plays an important role in the Japanese economy. In particular, the phrase “boldly promote the Growth Strategy and ensure economic security” concisely expresses this policy direction. Because economic security was explicitly included in the Basic Policy, related policies are now more likely to be treated as priorities in budgetary measures from FY2027 onward.

Japan’s Growth Strategy, approved by the Cabinet on the same day, sets out a policy of strengthening supply chains and fostering critical technologies through public and private investment in strategic fields that include not only advanced technologies such as semiconductors and AI, but also critical minerals and next-generation energy. In addition to legal and institutional measures already introduced, the strategy emphasizes strengthening the competitiveness of related industries and inducing private investment through the Growth Strategy as a means of realizing economic security.

This paper explains in Section 2 the significance of incorporating economic security policy into the Basic Policy and Growth Strategy. Section 3 examines the fields in which economic security policy is expected to accelerate, taking into account the possibility of expanded budget allocations. It also points out the risk that growth fields and fields important for economic security do not necessarily coincide, meaning that necessary policies may not be adequately evaluated or supported. Section 4 examines two problems that arise from this mismatch, and Section 5 discusses improvements needed to ensure the sustainability of economic security policy.

2. Significance of Incorporating Economic Security into the Basic Policy and Growth Strategy

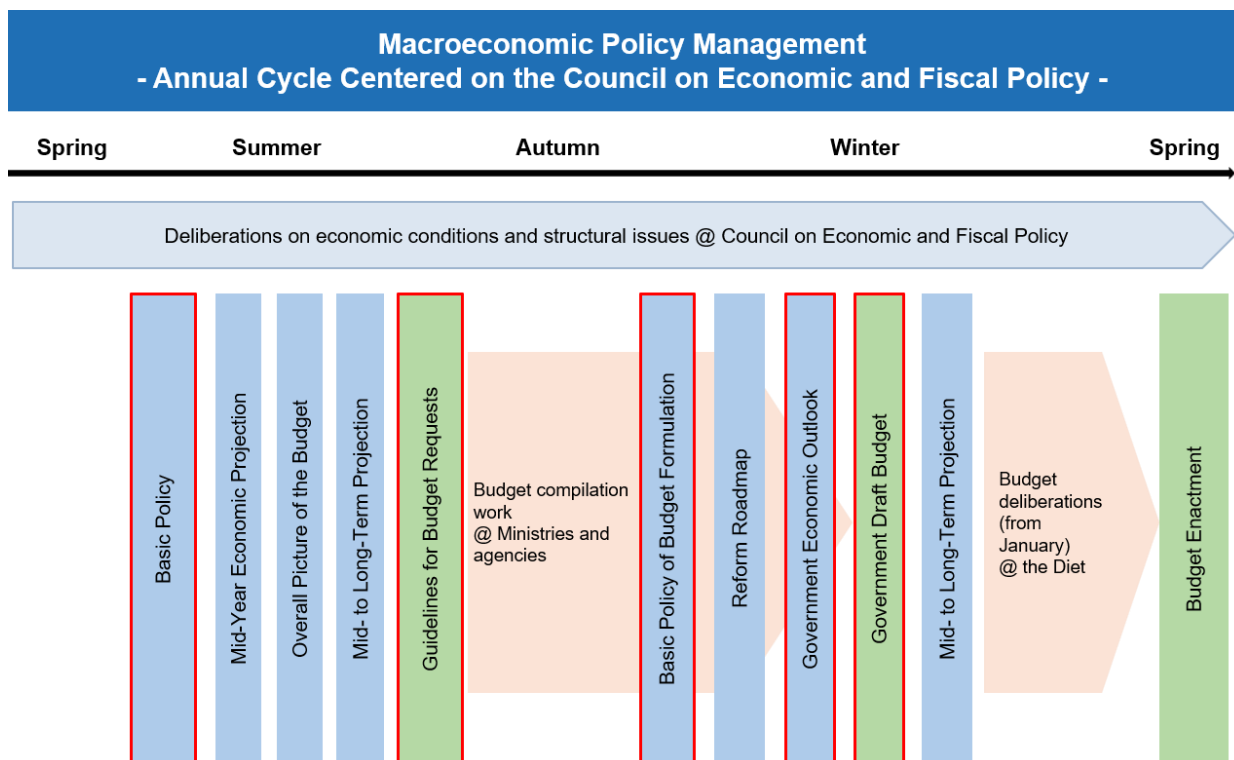
In recent years, the importance of economic security has increased in Japan, and that importance was emphasized again in the Basic Policy on Economic and Fiscal Management and Reform 2026, released in July 2026. The Basic Policy has been prepared under the Council on Economic and Fiscal Policy since 2001. Although it was not formulated from 2010 to 2012 under the Democratic Party of Japan administration, it has been published every year since its resumption in 2013. The Basic Policy has become established as the starting point for the budget formulation process, and the inclusion of a policy in the document is therefore highly significant for securing subsequent budget allocations (Figure 1). The term “economic security” was used in 2013 in the limited sense of securing stable supplies of resources and energy, and did not appear from 2014 to 2019. It reappeared in 2020 in the context of supply chain diversification, and since 2021 has been treated as an independent item. Accordingly, the significance of its treatment in 2026 lies not in the fact that economic security was incorporated for the first time, but in the fact that the government more concretely linked the Growth Strategy and the Public-Private Investment Roadmap with budgetary measures, thereby clarifying the existing policy direction of expansion.

The Basic Policy 2026 explicitly states: “Economic security is inextricably linked with crisis-management investment and growth investment. We will boldly promote the Growth Strategy and ensure economic security. In addition, to secure the safety of the nation and its people from an economic perspective, Japan will improve the autonomy of its economy and society, secure its superiority and indispensability, and maintain and strengthen the international order.” Economic security policy is thus positioned as one of the major policy areas

for addressing Japan's economic challenge of insufficient domestic investment.

In particular, the Basic Policy 2026 strongly emphasizes a shift away from what it describes as the “excessive austerity orientation that has continued for many years.” The government advocates “responsible and proactive public finances（責任ある積極財政）” and places stably reducing the ratio of national and local government debt outstanding to GDP at the core of fiscal management. Furthermore, the government has indicated that it will establish an investment framework separate from ordinary expenditures for strategic investments that enhance resilience against potential crises and investments that promote growth. For fields that are especially important from the perspective of economic security, it has also set out a policy of securing financial resources over multiple fiscal years and managing them separately through special accounts¹. These moves suggest a greater possibility than before that budget allocations for economic security will expand.

Figure 1: Relationship Between the Government's Schedule for Budget Approval and the Basic Policy



Source: Cabinet Office

Note: Blue = items deliberated on or reported to the Council; green = budget-related. Red outline = items adopted by Cabinet decision or Cabinet approval.

¹ Although this institutional change has enhanced budget predictability and increased the likelihood of expanded allocations for related budgets, it does not automatically expand fiscal space. The primary balance (PB) has not been abolished; rather, it remains as an indicator to monitor progress toward lowering the debt ratio, managed over a multi-year horizon rather than mechanically pursuing a single-year surplus. Inoue [2026a] points out that for growth investments, it is necessary to examine their impact on productivity and tax revenues, while verifying whether the PB and the volume of government bond issues following additional expenditures remain compatible with a stable reduction in the debt ratio. He also argues that rather than uniformly supporting all 17 fields, the government should differentiate the allocation of public funds based on policy objectives—evaluating the crowding-in of private investment, supply constraints on labor and equipment, and prospects for social implementation in the case of growth investments; and assessing resilience against supply disruptions and disasters, as well as the continuity of critical infrastructure, in the case of crisis-management investments.

3. Expectations for Public-Private Investment and Budget Allocations to Accelerate Economic Security Policy

In which fields are these fiscal and policy tailwinds likely to translate into investment? The Public-Private Investment Roadmap provides the overall picture. For each of the key products and technologies in the 17 strategic fields, the roadmap identifies target markets, strategic objectives, and Japan's potential paths to success. It also sets out the content and scale of necessary public and private investment, the expected economic ripple effects, and policy packages to realize such investment.

The roadmap assumes cumulative public and private investment of more than 370 trillion yen by FY2040 in 62 key products and technologies, and states that public investment and support measures will be reflected in the budget formulation process to realize this investment. Because the breakdown between public and private investment has not been disclosed, the figure of more than 370 trillion yen cannot be regarded as the scale of government fiscal expenditure as it stands. At the same time, related government spending may also expand substantially.

Figure 2: Required Public-Private Investment and Expected Economic Ripple Effects in the 17 Strategic Fields (Government Estimates)

17 Strategic Fields	Public-Private Investment (trillion yen) (A)	Economic Ripple Effects (trillion yen) (B)	Ratio of Economic Ripple Effect to Public-Private Investment (B/A)
1 AI and Semiconductors	102	810	8.0
2 Digital Technologies and Cybersecurity	55	326	5.9
3 Drug Discovery and Advanced Medical Care	43	314	7.3
4 Content Industry	34	326	9.7
5 Information and Telecommunications	29	276	9.6
6 Natural Resources and Energy Security, and GX	25	215	8.7
7 Aviation and Space	19	84	4.5
8 Quantum Technologies	13	149	11.3
9 Synthetic Biology and Biotechnology	13	67	5.2
10 Materials (Critical Minerals and Components)	13	29	2.3
11 Food Tech	10	122	12.5
12 Defense Industry	5	123	24.5
13 Ocean	3	20	6.2
14 Fusion Energy	3	9	3.0
15 Disaster Management and National Resilience	3	15	5.6
16 Port Logistics	1	3	2.3
17 Shipbuilding	1	10	9.1
Simple Total / Ratio of Simple Totals	371	2,896	7.8

Source: The Japan Research Institute, based on materials from the Cabinet Secretariat.

Note: Figures shown in red indicate an impact-to-investment ratio exceeding 10 and therefore particularly high investment effectiveness. The simple totals are provided solely as a rough indication of scale, as cumulative figures through FY2040 are not available on a consistent basis. It should also be noted that the official materials state that "the economic ripple effects overlap and the figures for individual items cannot be added together." Economic ripple effects were estimated through input-output analysis, using as inputs the public-private investment in each "key product and technology" and the resulting increase in production. Specifically, using input-output tables, the estimate combines (1) the primary ripple effect, whereby an increase in final demand for the relevant products and technologies (investment and production) spreads to upstream industries in the production process, including related industries such as parts, components, materials, and raw materials; and (2) the secondary ripple effect, whereby increased production in the affected industries generates further production growth by raising household income and consumption and corporate investment.

As shown in Figure 2, the 17 strategic fields include many areas related to economic security, and "AI and Semiconductors" (102 trillion yen) and "Digital and Cybersecurity" (55 trillion yen), for which large-scale public and private investment is expected, can be regarded as representative examples. In addition, "Quantum," "Food Tech," and the "Defense Industry" are expected to generate large economic ripple effects relative to the scale of public and private investment. If the plans make progress and the expected effects materialize, the

possibility of further expansion of support will increase.

A more detailed comparison of the 62 products and technologies using the “ratio of economic ripple effect to public-private investment ” reveals an interesting point: the item with the highest ratio is Japanese animation (anime), which has only a limited direct connection with economic security (Figure 3). This suggests that high-growth fields and fields important for economic security do not necessarily coincide. By contrast, the next items on the list, “dual-use technology” and “GX chemicals” (materials and components for green transformation), are examples in which contributions to growth and importance for economic security may overlap. Unmanned aircraft and permanent magnets are not among the top items in terms of the ratio of economic ripple effect to public-private investment, but they are also important for economic security and are expected to contribute to growth.

Specifically, in dual-use technology, it is important to use defense procurement as predictable initial demand and as a venue for demonstration, while promoting both spin-on, in which civilian technologies are incorporated into defense, and spin-off, in which defense technologies are expanded into civilian applications. By standardizing research and development, components, and software, and by sharing mass-production facilities and human resources, defense demand should not be limited to one-off orders; it should be linked to the accumulation of technologies, talent, and equipment that support future defense capabilities and growth potential (Inoue [2026b]). GX chemicals are essential materials for the manufacture of automobiles and semiconductors, and are important both for supporting supply chains for advanced technology products and for maintaining domestic supply chains for chemical products.

Figure 3: Public-Private Investment and Economic Ripple Effects of the 62 Key Products and Technologies in the Strategic Fields (Top 20 Items)

Key Products and Technologies in the Strategic Fields	Public-Private Investment (trillion yen) (A)	Economic Ripple Effects (trillion yen) (B)	Ratio of Economic Ripple Effect to Public-Private Investment (B/A)
Anime [Content Industry]	3.3	93.5	28.3
Dual-Use Technologies [Defense Industry]	4.3	117.7	27.4
GX in the Chemical Industry [Natural Resources and Energy Security, and GX]	3.2	75.5	23.6
Autonomous Driving Technologies [Digital Technologies and Cybersecurity]	8.2	187.3	22.8
Future Foods [Food Tech]	1	18.8	18.8
Unmanned Aircraft Systems [Aviation and Space]	0.3	5.6	18.7
Land-Based Aquaculture [Food Tech]	2.9	47.1	16.2
Permanent Magnets [Materials (Critical Minerals and Components)]	0.2	3.2	16.0
Healthcare-Related Services Utilizing Personal Data, Including Lifelogs [Drug Discovery and Advanced Medical Care]	1.1	17.3	15.7
Food Machinery [Food Tech]	1.2	18.8	15.7
Small Unmanned Aircraft Systems [Defense Industry]	0.4	5.6	14.0
Hydrogen, etc. [Natural Resources and Energy Security, and GX]	6.2	85.3	13.8
Physical AI (Particularly AI Robots) [AI and Semiconductors]	10.5	144.4	13.8
Quantum Computing [Quantum Technologies]	10.3	127.5	12.4
Innovative Metal Components [Materials (Critical Minerals and Components)]	0.3	3.3	11.0
Next-Generation Wireless (Non-Terrestrial Networks, 5G/Beyond 5G (6G), etc.) [Information and Telecommunications]	20.5	223.5	10.9
Manga [Content Industry]	1.6	17.2	10.8
Next-Generation Ships [Shipbuilding]	1	9.7	9.7
Vertical AI (Domain-Specific AI) [AI and Semiconductors]	23.1	222	9.6
Low-Carbon Metal Components (Excluding Steel) [Materials (Critical Minerals and Components)]	0.7	6.7	9.6

Source: The Japan Research Institute, based on materials from the Cabinet Secretariat.

Note: Text in brackets indicates the field name among the 17 strategic fields.

In addition, demand for unmanned aircraft is expected to expand in both defense and civilian applications, while Japan needs to reduce dependence on specific countries for critical components and establish a domestic production base. Permanent magnets are also indispensable for automobiles and industrial machinery, and demand for them is expected to increase; at the same time, they are important for enhancing autonomy and indispensability from an economic perspective. In fields such as these, Japan can pursue contributions to growth and value from an economic security perspective at the same time.

4. Risks Arising When “Growth Fields” and “Economic Security Fields” Do Not Coincide

As discussed above, under “responsible and proactive public finances,” economic security policy may expand significantly, and growth is also expected in fields that are important from an economic security perspective. At the same time, a gap between growth potential and importance for economic security creates two problems. First, policy support may be reduced or terminated in future for fields included in the Growth Strategy that do not generate sufficient growth effects. Second, sufficient policy support may not be provided in the first place in areas that are important for economic security but not regarded as growth fields. Admittedly, Basic Policy 2026 states that fields of particular importance for economic security will be managed separately through special accounts, meaning that not all projects will be assessed under the same accounting category or growth indicators. The problem is that the projects to be treated separately and the criteria for evaluation have not yet been specified.

Figure 4: Public-Private Investment and Economic Ripple Effects of the 62 Key Products and Technologies in the Strategic Fields (Bottom Three Items and Items for Which Economic Effects Were Not Specified)

Key Products and Technologies in the Strategic Fields	Public-Private Investment (trillion yen) (A)	Economic Ripple Effects (trillion yen) (B)	Ratio of Economic Ripple Effect to Public-Private Investment (B/A)
Smelting, Separation and Refining, and Dismantling and Sorting Technologies for Primary Raw Materials (Ore, etc.) and Secondary Raw Materials (Circular Resources Such as Recycled Materials) [Materials (Critical Minerals and Components)]	6.3	1.1	0.2
Secure AX/DX (AI Transformation/Digital Transformation) Infrastructure for National and Local Governments [Digital Technologies and Cybersecurity]	7.4	10.9	1.5
Cyber Port (Digital Transformation of Port Logistics) [Port Logistics]	0.2	0.4	2.0
Naval Vessels [Defense Industry]	0.34 + investment associated with revisions to the Three Strategic Documents	To be determined based on further discussions	—
LNG Carriers [Shipbuilding]	To be examined	To be examined	—

Source: The Japan Research Institute, based on materials from the Cabinet Secretariat.

Note: Text in brackets indicates the field name among the 17 strategic fields.

(1) Evaluating Policies Only by Growth Effects May Lead to the Termination of Necessary Measures

Items with low economic ripple effect to investment ratios include “Smelting, separation and refining, and dismantling and sorting technologies for primary raw materials (ore, etc.) and secondary raw materials (circular resources such as recycled materials)” (supply chains for critical minerals, etc.), “Secure AX/DX foundations for national and local governments” (security issues), and “Cyber port” (logistics stability) (Figure 4). However, these cannot be regarded simply as products or technologies that are important for economic security but have low policy effectiveness. In particular, for smelting, separation and refining of minerals and related activities, the 6.3 trillion yen in public and private investment includes overseas mine development and smelting projects, whereas the 1.1 trillion yen in economic ripple effects does not include overseas investment; the scopes of the

denominator and numerator differ. If domestic production spillovers alone are used as the evaluation axis, the value of overseas investment necessary for strengthening supply chains may be underestimated.

“Naval vessels” and “LNG carriers” were incorporated into the Growth Strategy even though their economic ripple effects have not yet been estimated. With regard to naval vessels, the government has indicated a policy of first building a production and technology base that enables stable development, manufacturing, maintenance, and repair, and then expanding into transfers of defense equipment to allies and like-minded countries as well as overseas repair services. It would therefore not be appropriate to assume in advance that business expansion, including exports, will be difficult. However, whether this policy will actually lead to business expansion and contribute to growth must be verified separately. For LNG carriers as well, the government aims to establish a system capable of supplying three to five vessels per year from 2035 onward, but reviving Japan’s shipbuilding industry, which has stagnated amid intense competition with China and South Korea, will not be easy.

There will also likely be other industries, products, and technologies that do not contribute to economic growth as much as expected. The fields listed in government documents are all areas for which the government has recognized policy necessity, and policy responses cannot immediately be abandoned simply because they do not contribute to growth. At the same time, the Growth Strategy estimates that, assuming comprehensive support measures are implemented and their policy effects are fully realized, domestic private-sector capital investment will reach 230 trillion yen annually and GDP will approach 1,100 trillion yen in FY2040 (FY2025 actual figures: domestic private-sector capital investment of 125 trillion yen and nominal GDP of 669 trillion yen). It would be inappropriate to terminate policies whose main objective is not growth solely on the basis of growth rates. However, as long as they are placed within the framework of the Growth Strategy, we cannot rule out the possibility that support will be reduced or terminated because growth contributions fall short of expectations. In fact, the Nikkei reported on August 16, 2026 that the government would tighten management of its funds that serve as one framework for investment support, and would discontinue projects midway if their results, including investment returns, are poor².

(2) The Growth Strategy and Measures to Secure Specified Critical Materials May Not Be Sufficiently Linked

Apart from the 17 strategic fields in the Growth Strategy discussed so far, 16 “specified critical materials” have been designated under the Economic Security Promotion Act (Figure 5). When designation began in December 2022, there were 11 such products. Subsequently, in February 2024, advanced electronic components (capacitors and filters) were added, and uranium was added to critical minerals. Furthermore, in December 2025, ventilators, unmanned aircraft, satellites, and rocket components were added; “hulls” were added to the scope of ship components; and magnetic sensors were added to the scope of advanced electronic components, bringing the current total to 16 products. Although the 17 strategic fields take these specified critical materials into account, they do not coincide with them, and the Growth Strategy itself does not directly implement measures to secure specified critical materials. The relationship between the 17 strategic fields and the 16 specified critical materials is, rather, indirect: investment in the 17 strategic fields expands related markets, thereby encouraging

² Nihon Keizai Shimbun, August 16, 2026 “国の基金、目標未達なら支援中止 「賢い支出」へ進捗確認を義務づけ”
<https://www.nikkei.com/article/DGXZQOUA063HT0W6A800C2000000/>

stronger demand for specified critical materials and the strengthening of domestic supply bases. Investment in growth fields is likely to increase demand in downstream parts of individual supply chains, which in turn will increase demand for upstream components and materials and help secure production processes.

The lower part of Figure 5 illustrates how the 16 specified critical materials may relate to the 17 strategic fields. Among the categories shown there, (i) advanced technology foundations, (ii) energy security, and (iii) defense-related areas include some elements that directly involve the securing of specified critical materials, and increased demand in downstream areas would likely support such efforts. By contrast, (iv) food security and (v) medical-related areas are difficult to regard as combinations designed with such policy linkages in mind. Fertilizers, antimicrobial preparations, and ventilators are not products to be secured because large economic ripple effects are expected; rather, they are products that should be secured because supply disruptions would cause extremely large losses to people's lives and society. As classifications become more detailed, the number of such products is likely to increase. However, policy evaluation centered on growth potential alone may fail to fully capture their importance.

Figure 5: Differences and Relationships
between the “Specified Critical Materials” and the “17 Strategic Fields”

	Economic Security Promotion Act 16 Specified Critical Materials	Japan's Growth Strategy 17 Strategic Fields
1	Antibiotics	AI and Semiconductors
2	Fertilizers	Shipbuilding
3	Permanent Magnets	Quantum Technologies
4	Machine Tools and Industrial Robots	Synthetic Biology and Biotechnology
5	Aircraft Parts	Aviation and Space
6	Semiconductors	Digital Technologies and Cybersecurity
7	Batteries	Content Industry
8	Computer Programs for Cloud Service	Food Tech
9	Natural Gas	Natural Resources and Energy Security, and GX
10	Critical Minerals	Disaster Management and National Resilience
11	Marine Equipment	Drug Discovery and Advanced Medical Care
12	Advanced Electronic Parts	Fusion Energy
13	Ventilator	Materials (Critical Minerals and Components)
14	Unmanned Aircraft Systems	Port Logistics
15	Artificial Satellite	Defense Industry
16	Rocket Parts	Information and Telecommunications
17	—	Ocean



Illustrative Relationship between the 16 Critical Goods/Materials and the 17 Strategic Fields

Category	Specified Critical Materials for Economic Security	Securing Specified Critical Materials or Supporting Their Supply through Expansion of Related Markets
① Advanced Technology Infrastructure	Semiconductors, Advanced Electronic Parts, Computer Programs for Cloud Service, Machine Tools and Industrial Robots, Permanent Magnets, Critical Minerals	AI and Semiconductors, Quantum Technologies, Digital Technologies and Cybersecurity, Information and Telecommunications, Materials (Critical Minerals and Components)
② Energy Security	LNG, Batteries, Permanent Magnets, Critical Minerals	Natural Resources and Energy Security, and GX; Fusion Energy
③ Defense-Related	Aircraft Parts, Marine Equipment, Artificial Satellite, Rocket Parts, Unmanned Aircraft Systems	Aviation and Space, Shipbuilding, Defense Industry
④ Food Security	Fertilizers	Food Tech
⑤ Medical-Related	Antibiotics, Ventilator	Synthetic Biology and Biotechnology, Drug Discovery and Advanced Medical Care
⑥ Other	—	Content Industry, Port Logistics, Disaster Management and National Resilience, Ocean

Source: The Japan Research Institute, based on materials from the Cabinet Office and the Cabinet Secretariat.

5. What Should Be Done to Ensure the Sustainability of Economic Security Policy

The current administration's concept of "responsible and proactive public finances" allows for fiscal expansion, while also expecting large-scale investment to generate high growth and lead to higher tax revenues. In that sense, the success of the Growth Strategy is important. However, because growth investment and crisis-management investment have different underlying objectives, they need to be managed according to criteria suited to each. The two risks identified in Section 4 leave room for the following improvements.

The most effective response would be to formulate a risk-response strategy. Many economic security policies are intended for risk management, and their necessity should often be judged in light of the downward pressure on growth that would occur if risks materialized, as well as the effects on people's lives and national functions. For economic security policy, evaluation should therefore not be limited to the benefits of "how much growth the policy generates." It should also incorporate estimates of the economic and social losses that would arise from supply disruptions and other events if the policy were not implemented, as well as the policy's effectiveness in avoiding those losses. This would make it possible to evaluate and maintain the policy importance of both issues (1) and (2) raised in Section 4 more appropriately.

In this way, the most important step for improving the sustainability of economic security policy is to expand the framework so that it can take into account factors other than growth. In addition, increasing the use of deregulation and institutional revisions could help reduce the fiscal burden and thereby strengthen sustainability. Although expanding investment is the central policy focus of the current Growth Strategy, another option would be to place greater emphasis on demand-side measures, such as expanding markets through government procurement and the cultivation of overseas demand, and thereby guide industries, products, and technologies that fall under category (1) toward growth.

6. Conclusion

The fact that economic security policy has secured an important place in the Basic Policy and the Growth Strategy is highly significant because, based on past practice, it increases the likelihood that budget allocations for this policy area will expand in the budget formulation process. Strengthening this policy foundation should also have a positive effect on the Japanese economy at a time when global political and economic conditions are becoming increasingly uncertain.

However, it is by no means easy for the state to select the appropriate industries to support. This applies not only when identifying industries expected to contribute to growth, as in the current Growth Strategy, but also to industrial policy more broadly, including policies that pursue objectives other than growth. Ishikawa [2026] points out that Japan's 17 priority fields are somewhat numerous compared with those of other countries. Armstrong and Urata [2026], while recognizing the potential effectiveness of industrial policy in addressing global common challenges such as climate change, basically view government-led intervention, including industrial policy, as a policy instrument that can create distortions, and offer a critical assessment of Japan's current moves to support industry against the backdrop of economic security. The question of how to select target industries for industrial policy has been debated for more than 40 years, including by Paul Krugman. Even today, however, the World Bank [2026] argues that although such targeting may be defensible in theory, it remains difficult to demonstrate empirically.

Mariana Mazzucato, who has led recent debates on industrial policy, advocates a “mission-oriented” approach and emphasizes the importance of investment and industrial support aimed at addressing social challenges, rather than recommending economic growth itself as the policy objective (Mazzucato et al. [2024]). Applied to economic security, this approach would make it possible to define missions such as “building an economic structure capable of withstanding supply disruptions” or “ensuring the stable supply of goods essential to people’s lives,” and to evaluate policies according to the degree to which such missions are achieved. She also recommends that industrial policy should not “pick winners” by targeting specific industries, but should instead “pick the willing” by supporting firms across multiple industries that are prepared to tackle a mission, and that good missions should be accompanied by clear and measurable targets (Mazzucato [2018], Mazzucato [2025]).

The current framework, which supports Japanese industries, products, and technologies—including those related to economic security—with economic growth as its primary objective, still leaves considerable room for improvement. To implement economic security as a sustainable and robust policy, Japan will need to further refine its industrial policy without being constrained solely by the Basic Policy and the Growth Strategy.

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