Foreword

Dr. Hamre, Dr. Green, Ladies and Gentlemen, Good Evening. I am Suzuki Atsuo, Comissioner of Acquisition Technology and Logistics Agency. Thank you for giving me this kind of precious opportunity.

It is 5 PM here in DC, so it is now 6 AM in Tokyo. Livestreaming of this kind of events may have been common even before the COVID-19 pandemic, but if there is any benefit we got from this pandemic, it would be the wide-spread use of online events where people across the Pacific can immediately gather and interact online, like today. The circumstance introduced new style of business, and it cannot be on hand without investing and developing to suitable equipment or technology in a timely manner. Equipment we require for a meeting used to be good furniture and coffee. We still need them, but now added a large flat screen, secure network, microphone and camera in our office. I am not a salesperson from SONY, but that has some commonality to the idea I would like to convey today.

1. Introduction

As some of you may recall, last year on January 14th, former Defense Minister KONO Taro delivered a speech here at CSIS and spoke about China's military expansion and its growing activities in the East and South China seas, and how Japan's defense posture has evolved over the years in response to these developments. In his speech Minister Kono also talked about China's pursuit to invest globally in infrastructure through the Belt and Road Initiatives and the country's use of "debt-trap" diplomacy. In doing so, he stressed the importance of universal values such as freedom and democracy, and on the need for like-minded countries including in that of South East Asia and the Pacific Islands to work together in upholding these values.

Almost two years have passed since Minister Kono's speech and since then the world has changed drastically. COVID-19

forced us to focus our resources and energies into tackling the pandemic and thereby limiting engagements in international exchanges. Meanwhile, we learned the hard way of the risks incurred when depending heavily on a certain country for the supply of critical medical goods.

The Alliance between Japan and the U.S. has remained strong and developed even further while during the pandemic. Earlier this year in March, Secretary of State Blinken and Defense Secretary Austin visited Japan as their first in-person and cabinet level trip under the new Biden administration for the inaugural “2+2” with Foreign Minister Motegi and Defense Minister Kishi. At this meeting, the four ministers agreed to convene another “2+2” within the year. Given that the “2+2” has always been a biennial meeting, having two meetings in a year is tangible proof that the Alliance is moving forward. I expect the next “2+2” to be

another great opportunity to further coordinate our efforts to ensure for a free and open Indo-Pacific region.

Along with the aforementioned topics, another important issue that I think we should address at the next 2+2 is economic statecraft and how we can better cooperate in this area. Over the course of a year and 9 months dealing with COVID-19, it became increasingly apparent, to not only experts but also to the average person, that economic activities --- even if it's purely academic research --- cannot be carried out without considering implications on defense and security. The Alliance is the key to ensuring security cooperation between Japan and the U.S.; our two countries should also be coordinating policies for economic security as well.

To this end, I'd like to take this opportunity to discuss about our Agency --- Acquisition, Technology, and Logistics Agency

(ATLA) --- and the work that we do in the advancement of defense technology management, Japan's defense industrial base, and in the area related to economic statecraft.

2. Situational Awareness

So much has already been said on China, so I won't elaborate, but I do want to point out that for the past few decades, China has been one of the world's largest investor in Research and Development (R&D) including in the private sector. Based on the "Thousand Talents Plan," China by 2018 recruited 8,000 scientists and engineers from overseas to work in areas of innovation and technological research, by offering benefits such as high pay and various privileges. China has also been suspected for engaging in technology theft through unlawful means such as cyber-attacks, economic espionage, and illegal technology transfer through the creation of joint ventures.

By continuing to invest in R&D over the years, China has emerged as a high-tech powerhouse as seen in China's mega IT industry equivalent to that of GAFA or GAFAM. China has become the world's second largest shipbuilding industry, and has made gains in manufacturing large-scale machineries and in the aerospace industry. Based on the strategy of military-civil fusion, the Chinese military has applied advanced technology obtained from the civilian sector to develop state-of-the-art weapons. As a result, China has been able to achieve technological revolution of its armed forces.

China's emergence as a tech giant means that democratic countries such as Japan and the U.S. are in the verge of losing technological predominance. It affects us in various ways but most notably in two ways. First, in terms of defense policy, countries like Japan and the U.S. are relying on their own technological edge to secure deterrence even if

the surrounding countries have a numerical superiority. Therefore keeping technological superiority has critical importance from the defense policy experts' point of views.

Another way is in the change of diplomacy. In the past, advanced technology and infrastructure were exclusively owned and provided for by democratic countries. These benefits can now be attained through authoritarian countries as well. This means that a country with human rights violation, which in the past could not, is now able to achieve economic growth without having to embrace universal values such as freedom and democracy. The democratic countries such as Japan and the U.S. have to be more vocal about importance and benefit of freedom and democracy, as well as make extra effort to promote and spread universal value.

3. Situational Response

We need to take action and rectify the situation. First, in order to efficiently procure large quantities of advanced

equipment, we need to manage costs and streamline the acquisition process more effectively. We must also improve our handling of project management and oversee the entire lifecycle of an equipment – from manufacturing to its disposal.

Additionally, in order to avoid losing our technological superiority completely, we need to take the following two steps.

First, we should invest more in R&D. We need to increase funding for future technologies; but not in a way that the funds are spread widely but by focusing on investments in promising future technologies. At the same time, we should proactively adopt civilian technologies that are already advanced. Cooperation with allies and partners is indispensable in making use of our limited resources. The U.S., Australia, and the U.K. recently announced the launch of “AUKUS,” a new security framework to advance cooperation in areas such as cyber, AI, quantum technologies, and underwater capabilities. ATLA is also very much interested in these areas of technology. Moreover, in order to realize the aforementioned measures, we plan to recruit experts from both in and outside the government. These experts should have thorough

knowledge of technological trends and the ability to identify potential applications to defense equipment.

Second step is to enhance our protection of technology. Technological innovation is taking place every day and everywhere --- in private companies, research and academic institutions, and in governments too. Good examples are AI and DX (Digital Transformation); and any other technology could also potentially be the key to greater innovation. The future of R&D and Japan's defense industrial base depends on our ability to utilize networks and software such as cloud; thus, protection of network security is an obvious prerequisite. In doing so, we must always be up to date on the latest trends in civilian technology and also have the ability to accurately assess them. We will also guard against technology theft and prevent the loss of critical technology and human resources to other countries or entities. We will harden information security and implement a robust information protection mechanism.

Furthermore, we need to maintain a resilient supply chain. Japan and the U.S. were industrialized nations with powerful

manufacturing industries in the 20th century. However, as we've entered the 21 century, our competitive edge has gradually declined, not only in manufacturing but also in a number of other industries. If we were to now procure a defense equipment solely based on its cost, we would most likely end up with a final product composed of cheap components, and manufactured in countries with security concerns. We need credible companies of Japan, the U.S., and partner countries to continue existing in the global supply chain. We should protect, and at times nurture these companies so that they are able to generate sufficient profits to stay alive in the supply chain. We also need to watch out for these companies from getting acquired by countries with security concerns.

By strengthening the defense industrial base and our ability to achieve advanced technology, Japan will be able to procure defense equipment that are compatible to

technological innovation and necessary for future warfighting in a rapidly changing security environment.

We must also continue our efforts to promote universal values. To do so, we will utilize various tools available -- both diplomatic and in defense -- to ensure for a “Free and Open Indo-Pacific.” Our Agency, ATLA will contribute to this effort by ways such as in the transfer of defense equipment to countries in the region.

4. ATLA

Next, I’d like to explain about the works of ATLA, and what we are doing to support the aforementioned efforts.

I’ll start by discussing our approach to project management for defense equipment at ATLA. So far, we’ve selected 33 major defense equipment, and assigned a project manager to each of these equipment for the purpose of effective project management. We are working to reduce costs in

procurement, sustainment, and maintenance by ways such as: (i) procuring items in bulk with longer-term contract; (ii) adopting comprehensive contracts for maintenance and sustainment of defense equipment. These and other measures such as trade-off study, substitute plan study, and reforming procurement framework are helping us direct limited resources into prioritized and much needed projects in an efficient manner.

Next is about our investment in Research and Development (R&D). The Japanese government as a whole has invested approximately 4 trillion and 100 billion yen in R&D in this fiscal year; and for the next fiscal year, the government is looking to make a budget request for about 4trillion and 400 billion yen, which will be a 7.4% increase from the previous year. In terms of allocations for R&D within MOD's budget, its 210 billion yen for this fiscal year; and for the fiscal next year, we are requesting approximately 320 billion yen, a 50%

increase from the previous year. Budget for R&D is being used to invest in game-changing technology such as space, cyber, and electromagnetic-related technology, AI, high power microwave (HPM), and laser. To help find promising technology available in the private sector, we've started to recruit highly skilled engineers from outside the Agency that are well versed in advanced technology such as AI or quantum technology.

With respect to information security, several new initiatives are underway to ensure best practices for information security. For instance, this year, we established a new office within ATLA -- "Industrial Cyber Security Office" -- designed to promote various information security measures for Japan's defense industry. We are also considering the application of information security standards equivalent to that of the U.S. government's NIST SP800-171 to the Japanese defense industry under MOD's guidance. Concurrently, we've made a

budget request to help subsidize small and medium-sized businesses seeking to make capital investments for improvements in information security.

Up until now, it has been the practice in Japan that information owned by defense contractors is handled and protected in accordance with the contractual terms agreed between MOD and the respective company. We believe that a stricter protocol is needed to ensure information security of the defense industry; regardless of whether the company is in a contractual relationship with MOD or not.

The Japanese government as a whole needs to discuss ways to better protect sensitive information owned not only by companies but also academic and research institutions, and to safeguard them from leakages. We also need to address the question of foreign students and researchers that have access to sensitive information. The Ministry of

Defense is ready to play a constructive role in these discussions.

In terms of our work in securing critical supply chains --- for the last six years, to get a better sense of the defense supply chain, we at ATLA surveyed and studied the supply chain of over 63 defense equipment. In doing so, we looked to see, for instance, whether components made in foreign countries are being used, or if there are any potential risks of supply disruption caused by a company's withdrawal from the market. Any vulnerabilities we find, we need to treat them through cooperation with allies and partners. The survey was conducted on a voluntary basis, and the subjects were prime contractors to forth-tier subcontractors. We plan to continue with the survey, possibly expand its scope, and make improvements as we go along, so that we can get an even better understanding of the defense supply chain. We also plan to assist businesses that are seeking to join the

defense industry. Moreover, as a way to avoid possible disruption in the supply chain, ATLA will offer support to businesses planning to withdraw from the defense industry so they can find credible companies to succeed their business.

Following the relaxation of the “Three Principles on Transfer of Defense Equipment and Technology” in April 2014, we at ATLA have been involved in the transfer of defense equipment and technology to countries in the Indo-Pacific. So far, we’ve succeeded in the transfer of TC-90 aircraft and warning and control radars to the Philippines, and parts of F100 engine to the U.S.. These transfers are in line with Japan’s security goal to ensure for a free and open Indo-Pacific. We believe that the government should play a greater role in promoting defense equipment transfers. Accordingly, we plan to contribute in this effort by conducting feasibility studies and engaging in promotion activities. We will also establish ties with local defense industries, defense ministries, and the armed forces.

5. Japan-U.S. Cooperation

Just as the SDF and the U.S. Forces are working closely together in the Western Pacific, East China Sea, and in the South China Sea; we believe that strong cooperation between Japan and the U.S. in the area of defense equipment and technology is also possible and necessary for our operation as well.

The majority of U.S.-made defense equipment that MOD procures are through Foreign Military Sales (FMS). ATLA and Defense Security Cooperation Agency (DSCA) are holding regular and productive discussions to find ways to solve FMS-related problems and to streamline the FMS process.

In the R&D field, several collaborative research projects are currently underway. In the past, Japan and the U.S. were able to succeed in the collaborative development and manufacturing of SM-3 Block IIA. We hope to follow this success, and find the next ambitious collaborative

development project. We look forward to having active discussions with our U.S. colleagues to further promote bilateral collaboration.

As I mentioned before, MOD and DOD have been working closely to enhance the protection of defense technology and our defense industries. Currently, we are discussing ways to ensure the same level of security standards for both Japanese and U.S. defense authorities. Information security is a prerequisite to deepening bilateral defense cooperation, including in sensitive areas. As such, we will endeavor to strengthen information protection in all areas related to defense.

In terms of supply chains for defense hardware and software, Japan and the U.S. could potentially cooperate to overcome vulnerabilities in their respective supply chains. To do so, we must first conduct surveys and identify vulnerabilities in

our respective defense industry. The next step would be to share information so that we could find ways to make up for each sides' vulnerabilities. Sharing information could be a challenge, given relations with private businesses. Yet, we should still try and endeavor to cooperate in securing a resilient and diverse supply chains.

If Japan and the U.S. are able to succeed in sharing information about our respective supply chains, we could consider including other like-minded countries in the discussion; and possibly establish a safer global supply chain comprised by allies and partners in the future.

Japanese contractors are currently providing maintenance and sustainment services for U.S. Forces in Japan such as the 7th Fleet, 3rd Marine Expeditionary Force (MEF), and the 5th Air Force. In other words, Japan's defense industry is directly contributing to the maintenance and operational capabilities of the U.S. military. We believe that this is significant in two ways. First, it strengthens both country's response and deterrent capabilities. Secondly, it helps maintain Japanese domestic industrial base with enough

maintenance capabilities to support readiness of US forces in the west pacific. We plan to allocate budget for the next fiscal year so we can continue to support Japanese businesses seeking to enter into work with the U.S. military.

6. Procurement

Lastly, I wish to touch upon cooperation in defense procurement.

In order to defend the Japanese people and our homeland, we need to equip ourselves with the best possible defense equipment as quickly as possible. That is why for the next fiscal year, we've requested budget for the procurement of the most advanced U.S. defense equipment, namely F-35, SM-3, and SM-6. Information and data of these advanced equipment are highly classified and strictly protected by the U.S. government. In order to procure these systems, we must conclude a number of agreements on information security, and also complete various complicated procedures. Close bilateral cooperation is indispensable in overcoming these challenges.

Japanese public opinion towards procurement of these expensive equipment is critical. As a democratic country, the government has the responsibility to explain to the taxpayers or Japanese Diet, in a transparent manner, the reason why we need to procure these equipment and the rationale for their high prices. And to do so, we need the cooperation of the U.S. government and defense industries to provide us with the necessary information.

Bilateral cooperation is necessary not only in the procurement of defense equipment or co-development of weapons. It is required in all aspects of defense -- such as in the supply of defense components, conducting tests, or in use of technology to develop new equipment. The entire process requires close bilateral cooperation to materialize the benefit to both countries.

7. Conclusion

At the “2+2” meeting held in 2019, Japan and the U.S. confirmed that our awareness at the strategic level is in sync. ATLA, MOD, and DOD -- all have the responsibility to carry out the strategies that our leaders agreed upon to ensure

peace and security of the Indo-Pacific region. To strengthen and to sustain our technological and industrial bases, and the procurement of state-of-the-art equipment, as well as policies, agendas, and initiatives that I touched upon today are all important factors in achieving our common strategic goals and in securing deterrence. Pursuing these agendas requires constant close bilateral cooperation and continuous management. I look forward to working with my American friends to undertake the exciting task of Alliance management, and to deepen cooperation in defense procurement and technological advancement.

Thank you.