The US-led campaign against the use of technology from the Chinese telecom giant Huawei — the world’s largest provider of telecom technology — in the rollout of 5G mobile networks around the world is shaping up to be a major battle between Washington and Beijing over the future of emerging technologies. Asian countries are struggling not to be sucked into that geopolitical rivalry as they decide who will build their networks.
Japan’s 5G Challenge: Strategic Ambiguity
By J. Berkshire Miller

Japan has come the closest to mirroring the US view on the risks of using the technology of Huawei and other Chinese telecom companies in the development of its 5G networks, but it has bent over backward to cloak its position in ambiguity.

One reason is the growing improvement in Japan’s ties to China, as illustrated in the meetings between Japanese Prime Minister Shinzo Abe and Chinese President Xi Jinping at the Osaka G-20 summit. But Tokyo’s ambiguity hasn’t gone unnoticed by Beijing, writes J. Berkshire Miller. It remains to be seen whether Japan will be able to adhere to its position without consequences.

“If each organization underestimates risks without acknowledging operations or services which represent its “mission” and does not allocate necessary resources to cybersecurity, it may lead to contingencies that can threaten the very survival of the organization. On the other hand, if the risks are overestimated and excessive resources are allocated to cybersecurity, it could impede the execution of organization’s operations or services and its sustainable growth.”

-Japan’s National Cybersecurity Strategy, 2018

JAPAN HAS LONG been a leader in mobile communications technology. However, in recent years, it has been losing ground as result of the rapid growth of international telecommunications companies — most notably in China, South Korea and the US. The evolution of cyberspace and the constant flow of information and data have become the new fuel for the global economy — a point stressed by Japan’s Prime Minister Shinzo Abe as he hosted the G-20 summit earlier this year in Osaka. The potential for next generation networks — such as 5G — could be a large boon to Japan’s economy in a number of key areas, such as e-commerce and fintech. Once deployed, next-generation 5G technology will enable the transmission of massive amounts of data at very high speeds, allowing telecommunication devices to connect and interact with a wide array of products and services in the network.

Indeed, the advent of 5G technology, along with its promise and challenges, has led to a transformational debate in Japan — as it has among many of Tokyo’s international partners and allies — on balancing economic opportunities with national security concerns. The economic opportunities are massive; but simultaneously ensuring proper management of the security risks associated with 5G technology will be one of the most critical challenges for Japan going forward.

In light of security concerns, Japan issued a directive in December 2018 that placed an effective ban on sales by Huawei, in addition to Chinese carrier ZTE, to its government procurement system.1 Tokyo’s decision puts it more closely in line with similar bans and restrictions — albeit at various levels — put in place by the United States, Australia and New Zealand. Specifically, the directive prohibits the government of Japan from procuring a range of components — including communications circuits and devices — that could pose a national security risk. Tokyo has also pledged to enhance its protection of critical telecommunications infrastructure against potential nefarious activities and cyber threats.

In addition to the directive, Japan has also restricted Huawei by having one of its key non-governmental export-control institutes place the company on its “chaser list,” which monitors certain groups or companies of concern to exporters. The list is maintained by Japan’s Center for Information on Security Trade Control (CISTEC) and was made amid tightening US controls on Huawei. The move, made earlier this year, is an important decision. While CISTEC is not a government agency, and the chaser list isn’t binding, the list and background is often used as a guide for many of Japan’s largest companies, including those exporting products such as chips, electronic components or other materials.

5G AMID IMPROVED TIES WITH BEIJING

The difference, however, with Japan’s approach on 5G compared with that of the US has been its desire to remain partly ambiguous about targeting Chinese carriers. For example, while the 2018 directive puts in place measures to ban suppliers that pose a “national security risk” to the country’s 5G network, it does not explicitly identify either China or its carriers as threats. The same is also true with regard to Japan’s Cyber Security Strategy, released in July 2018. In that document, Tokyo warns of cyberattacks causing “direct financial losses and the interruption of businesses and services in addition to the usual data breaches, and serving to threaten the safety and security of the sustainable development of socio-economic activities and the people’s living.”2 The document also specifies that “massive incidents are suspected to have been state-sponsored” — a direct signal of its concern about threats from malicious actions from states engaged in cyber-attacks, such as Russia, China and North Korea.3 However, while both 2018 documents — the directive and the cybersecurity strategy — look to restrain Chinese carriers that pose security risks, neither is explicit on that point.

Japan’s attempt at ambiguity on this matter is intentional, because it does not want to appear overly hawkish towards China at a time when relations are gradually improving. In May, Abe hosted Chinese President Xi Jinping for a bilateral summit in Osaka, on the sidelines of the G-20 summit. Some may view the visit as purely ceremonial and symbolic — as world leaders frequently hold such meetings alongside large international events. But this would misread recent developments between Japan and China. In fact, Xi’s visit to Osaka was significant and was his first trip to Japan since he assumed the position as Chinese leader in 2013 (his only other previous visit to Japan was in 2009 when he was vice president). During the meeting, both sides praised the positive trajectory of the relationship, with Abe noting his desire for a “new era of Japan-Chinese cooperation”.

3 Ibid.

China relations” and Xi responding positively to an invitation to visit Tokyo next spring for an official state-level visit.

Xi’s meeting followed up Abe’s official state-level visit to Beijing last October — a meeting where Tiananmen Square in Beijing was decked with Japanese flags. Abe’s visit to China followed up a state-level visit last May from Chinese Premier Li Keqiang, where the two sides forged 10 new agreements and memoranda of understanding on a range of issues, from social security to private sector co-operation on infrastructure development in third countries. Underlining the importance of re-establishing a pragmatic relationship with China, Abe even took the step of accompanying Li to Japan’s northern island of Hokkaido following the official meetings in Tokyo. However, while Japan wants to maintain pragmatic ties with China — it is still a relationship rooted in mistrust. Both sides are still at loggerheads over the Senkaku islands and Chinese vessels — often an exotic blend of commercial, fishing, coast guard and naval vessels — continue to routinely show their presence in Japan’s territorial waters surrounding the islands. Meanwhile, Japan continues to respond to growing anxieties about China’s rapid military modernization and regional assertiveness by bolstering its defense posture and readiness.

However, despite Japan’s attempts to dull the impact of its 5G decision through nuanced language and statements, China remains unconvinced. During a high-level economic dialogue held in Beijing this past April, China’s Foreign Minister and State Councillor Wang Yi expressed his frustration to his Japanese counterpart, Foreign Minister Taro Kono, pointedly asking, “Why is the Japanese government excluding Huawei?” China has continued to ramp up its own pressure on Japan regarding restrictions on Huawei and other Chinese carriers. Japan’s largest...
telecommunications providers — including the country’s market leader NTT-Docomo — are not planning on using Huawei components for their next-generation 5G networks. This has not, however, limited Huawei from promoting its newest smartphones to an active market in Japan. Huawei also continues to provide a significant share of mobile routers in Japan.

US-CHINA TECH COMPETITION AND 5G
In addition to its own concerns, one of the key considerations for Tokyo is the position of the US on 5G and the role of Huawei. The US labelled China a “strategic competitor” in its 2018 national defense and security strategies. Under US President Donald Trump, Washington has also taken a much harder and more realistic view on its ability to induce Beijing to be more accepting of international laws and norms, whether it be in international trade or on maritime security. This is also true on the technology side, where Washington has drawn a line in the sand on the dangers of Huawei through an executive decision by Trump this past May to effectively ban technology companies from including the firm in their supply chains. Despite some subsequent exemptions to this, Huawei’s components remain highly restricted for US firms.

Indeed, Washington has taken an increasingly strong posture on Huawei and has been lobbying its allies — including Japan — to ban Chinese carriers from their 5G networks. In a speech he made in September, Mark Esper, the newly minted US Secretary of Defense, outlined Washington’s concerns in a frank fashion, noting: “China’s technology theft for military gain is staggering. Indeed, every Chinese company has the potential to be an accomplice in Beijing’s state-sponsored theft of other nations’ military and civilian technology.”

Esper also emphasized that this situation presents an unacceptable risk to next-generation networks, saying: “Those companies [Huawei and ZTE] also pose a risk to the secure and resilient telecommunications infrastructure on which our allies and partners depend for interoperability, intelligence sharing, and mobilization. To quote China’s own cybersecurity law, private companies are required to ‘provide technical support and assistance to public security organs and national security organs,’ whether they want to or not. Governments and businesses around the world should be concerned by Chinese influence that opens them to costly deals, future coercion, loss of technical advantage, or other malicious activity.”

The US stance on China’s role in 5G networks — and more broadly in the cyber domain — has put immense pressure on Japan. Washington is also pressuring Japan — and other allies in Europe and in its Five Eyes intelligence sharing network — to step up regulations prohibiting Huawei and other Chinese firms from providing video and telecommunications equipment. The US passed this legislation, housed within its 2019 Defense Department budget, last year.

THREADING THE 5G NEEDLE
Japan faces a challenge in coming years on how to manage the introduction of 5G next generation networks. Japan is well aware of China’s increasingly aggressive and destabilizing efforts in the cyber domain. However, there are other considerations that Japan must also take into account. Some large Japanese telecommunications companies — including SoftBank — have already made immense investments in co-operating with Chinese companies, including Huawei and ZTE. Other Japanese tech companies, such as Rakuten, also have staked important equities on co-operation with Chinese tech firms. This has led to an inevitable push back from some areas of Japan’s private sector on blanket bans or cumbersome restrictions on Huawei and other Chinese telecommunications firms. These concerns from the business community, in addition to Tokyo’s need to maintain a pragmatic and balanced relationship with China — despite their problems — will likely contribute to an ambiguous and strategically quiet public position on 5G in the coming months. This should not be interpreted as Japan taking half-measures on the threat of Chinese carriers (which should be clearly debunked through its directive passed last year), but rather Tokyo’s desire to walk a tightrope on publicly managing its position.

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