New Technologies & Industrial Policy to Foster Global Prosperity

By Haruhisa Somaya



In July 2026, the government of Japan formulated the "Japan Growth Strategy" – a new framework for industrial policy. The strategy aims to build a strong and prosperous Japan by adopting bold and flexible policy approaches under the concept of "responsible proactive fiscal management", mobilizing private investment, strengthening supply capacity and earning power, and thereby achieving economic growth.

Under the Japan Growth Strategy, more than 370 trillion yen in combined public–private investment is envisaged by FY2040 for 62 products and technologies across 17 strategic fields, including AI and semiconductors. The government estimates that this investment will generate economic effects amounting to approximately 1,100 trillion yen in nominal GDP. Public and private investment consists of two pillars: "crisis-management investment" to minimize various risks, including those related to national security, and "growth investment" to accelerate the development of advanced technologies.

The government positions science, technology, and innovation – drivers of economic growth in implementing the Japan Growth Strategy, and essential elements of national security – as areas where innovation will be generated based on the Basic Plan for Science, Technology and Innovation. The plan develops policies and measures along the following six pillars:

1. Revitalizing science, including the creation of new research domains;
2. Strategic prioritization of technological fields aligned with the 17 areas of the Japan Growth Strategy;
3. Organic linkage between science & technology and national security, including the development and deployment of dual-use technologies through industry–government–academia collaboration;
4. Advancement of the innovation ecosystem to promote social implementation of R&D outcomes;
5. Promotion of strategic science and technology diplomacy, including strengthened cooperation with allied nations in critical technology fields;
6. Reform of innovation promotion systems and governance, including expansion of public and private R&D investment.

Today, many countries are deploying new industrial policies involving massive fiscal expenditures and powerful tax and financial measures to promote national economic and industrial development, strengthen competitiveness, enhance economic security, and advance GX and resource circularity. Behind this trend lie public and strategic challenges that cannot be addressed by corporate efforts alone – US-China rivalry, supply chain disruption, securing energy, food, and critical minerals, climate change, the transition to a circular economy, and the digital/AI revolution.

In academia, since the 1980s, trust in market mechanisms grew amid liberalization and deregulation, and neoliberal thinking became dominant worldwide. Industrial policy was often viewed critically as generating inefficiency, distorting competition, and



slowing adaptation to technological change. Today, however, this evaluation is shifting, and reassessments of industrial policy are increasingly seen in academic analyses and reports by international organizations.

Considering Japan's new industrial policy and the recent developments surrounding industrial policy, the theme of this issue's cover story in *Japan SPOTLIGHT* is "New Technologies & Industrial Policy to Foster Global Prosperity." In the roundtable discussion moderated by JEF Chairman Hideichi Okada, leading experts in industrial policy and national security – Prof. Emeritus Naoyuki Yoshino of Keio University, Prof. Hiroaki Miyamoto of the Institute of Economic Research at Hitotsubashi University, and Executive Director Nobukatsu Kanehara of the Sasakawa Peace Foundation – discuss what industrial policies Japan should pursue, including those related to national security, to build a strong and prosperous nation.

Prof. Keiichiro Kobayashi of Keio University and Prof. Yasuyuki Todo of Waseda University discuss the Japanese government's industrial policy, including the Japan Growth Strategy. Prof. Kazuyuki Motohashi of the University of Tokyo addresses Japan's science, technology, and innovation strategy, offering assessments and identifying challenges, and Prof. Mariko Watanabe of Gakushuin University examines the use of trade rules to restrain the abuse of power by major countries with dominant industrial supply capabilities in the global economy.

Japan SPOTLIGHT also conducted three Interviews with international experts: Philip M. A. Hoffmann, economist and politician, and the member of the German Parliament, shares his views on innovation and industrial policy; Dr. Alberto Prina Cerai of ISPI (Italian Institute for International Political Studies) offers insights on industrial policy cooperation for economic security in critical mineral supply chains; and Brilé Anderson & Antoine Dechezleprêtre of the OECD, authors of the report *Industrial Policy Spending across 20 Countries: What governments actually fund*, discuss the report's findings and their perspectives on desirable approaches to industrial policy.

We hope that this special feature contributes to deeper discussions on Japan's innovation and industrial policies, as well as global industrial policy debates, and ultimately supports global prosperity through more robust policy formation.

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