

POLICY BRIEF

Japan towards a digitalised governance system?

The Japanese government's (slow) DX strategy

The Japanese government some years ago set an ambitious agenda to digitalise and digitise¹ its society and public governance. The most obvious symbol of the government's increased attention to these matters was the inauguration of a Digital Agency in 2021.

The aims of the Digital Agency are basically to address the accessibility of public services and find out what needs citizens have in their daily lives. At the same time, the agency is also assigned the task of increasing the level of digitalisation of government services and promoting digitisation of forms and documents. More recently, the issue of cybersecurity has entered the mission list of the agency, although it will share this mission with the Special Ministry for Economic Security and the Ministry of Defence.

1 *Digitalise* (digitalisation) is defined here as the overall societal transformation towards digitalisation (that is, digital transformation or DX). *Digitise* (digitisation) is defined as the process of transferring written (paper) documents to digital media by, for example, scanning documents and archival material. Furthermore, changing from paper forms to online application interfaces also comes under this definition.



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The Japanese government's attention to e-government² started even before the launch of the Cabinet Secretariat's Information Technology Comprehensive Strategy Office in 2013³ and the Social Security and Tax Number System in 2016 (the so-called 'MyNumber' system), when former Prime Minister Suga's initiative to create a central and strategic government resource for digital transformation (DX) of the public sector and to increase the accessibility of government services by citizens marked a deepened commitment by the government to address the nation's lagging DX.⁴

In this process, the Japanese government pays close attention to how the EU is dealing with e-governance and open data. The Act on the Protection of Personal Information (APPI), in place since 2003 with significant revisions enacted in 2016 and 2020, is now granted adequacy status by the European Commission, i.e., making it equal to the EU's GDPR legislation.⁵ This status has to be understood as a part of the overall EU-Japan cooperation framework, represented by the Economic Partnership Agreement (EPA) and the Strategic Partnership Agreement (SPA), which both went into force in 2019. The process of implementing the 'MyNumber' system, which has reached a penetration rate of some 77% of the population,⁶ has broadened since its inception in 2016. The current ambition of the government is to connect the 12-digit personal identification number to a variety of e-government resources such as taxation, the national health insurance system, certificate issuance and also private sector applications such as banking, e-commerce and e-services.

This move towards a digitalised society does not simply follow international trends in increasing the efficiency of the country's governance and economy via digitalisation, but it needs to be understood as an attempt to address the increasing depopulating and ageing of society as a whole. Every day, newspapers carry news on labour shortages and business sector initiatives to introduce, for example, robots, automatised services and pragmatic approaches to solve the decreasing labour supply over a range of areas and applications from unmanned convenience stores to transport cooperation between competitors in the logistics sector. In some cases, private sector services have been downsized or cancelled altogether in heavily depopulated regions such as Hokkaido.

Public services are not escaping this trend. To provide the public with government services, which is taken for granted and also guaranteed by law (e.g., issuing public certificates, new driver's licenses and new passports) implies public costs, and in a reality where tax revenue is decreasing due to demographic changes, introducing self-service points enabled by digitisation of documents and digitalisation of services becomes not only a solution to this problem but also a pure necessity to also maintain the quality and accessibility of public services in rural regions of Japan.

The DX in high gear – and not losing attention to cybersecurity

However, the digitalisation of Japan has been slow compared to in Western peer economies.⁷ Only recently, with the Covid-19 pandemic and public

2 In this paper, I make a distinction between *e-governance* and *e-government*. While e-government can be defined as how a government can use information and communication technology (ICT) tools to exercise executive powers more efficiently, e-governance encompasses e-government *and* protocols for how the ICT communication tool use is governed, and secures two-way (inclusive) communication between a government and its citizens. Based on my discussion in this paper, the Japanese government's efforts meet the definition of e-governance.

3 Merger of Cabinet Secretariat IT Office (inaugurated in 2000) and Government Chief Information Officer (CIO) Office (inaugurated in 2012).

4 Yamamoto, Raymond and Ejersbo Iversen, Karen, "The Unlikely Successful Advancement of Japan's e-Government Under Suga," *Social Science Japan Journal* (forthcoming).

5 The European Commission, at <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX%3A52023DC0275>.

6 AP, "Glitches in Japan's unpopular MyNumber digital ID cards draw a flood of complaints," 6 July 2023. Accessed 9 October 2023.

7 Mainly referring to the so-called Digital 5 summit countries the UK, New Zealand, Israel, Republic of Korea and Estonia (Keidanren, 2017).

health emergency measures recommended to the population, the Japanese government instructed the local governments to make a wholesale inventory of services and documents that can be online or digitised (including document signature procedures and submissions) rather than physical. These moves towards e-governance were important and paved the way to eventually inaugurating a government agency fully dedicated to digitalising the public sector and to promoting digitalisation of society. However, there is little evidence that these top-down e-government initiatives have yet trickled down to broader trust and digital acceptance in society. For example, small and medium-sized firms and small/micro businesses, which represent 99% of all companies in Japan,⁸ still have low levels of digitalisation. Public distrust of authorities and politicians is another example of challenges facing the government's efforts. Promotion campaigns trying to persuade the population to register for the new digital 'MyNumber' system have followed in succession.

The digitalisation efforts lead to the issue of cybersecurity. Online security has emerged as a major concern in government circles in the West, and Japan has not escaped this. The approach to online security has on the other hand been lenient in Japan and the country has had rather light punishment for, e.g., unauthorised retrieval of digital information or cyber-spying. A number of incidents covering a broad range of areas from security breaches of cryptocurrency accounts⁹ to faulty coding connecting bank accounts to wrong persons' 'MyNumber' card accounts (in the so-called 'Mynaportal')¹⁰ have damaged the public's trust in digitalisation and the will to volunteer personal information in general, and the government's ability to secure confidential information in particular. In addition to this, the government itself has concerns about the current

cybersecurity setup of its own information systems in the face of mounting threats from Chinese, North Korean and Russian intelligence services and malign private cyberattacks – especially foreign – on the Japanese government's ICT systems.

In an attempt to address these concerns, the Japanese government is aiming to create its own cybersecurity system based on a platform developed by Japanese private sector IT companies to replace the current cybersecurity systems procured from Microsoft.¹¹ These moves point to another problem in the Japanese government's decision-making: a lack of transparency in government procuring practices and closed tenders leading to side-stepping state-of-the-art solutions provided by companies in strategic partner countries in, for example, the EU. Opaqueness in Japanese government procurement practices is generally perceived as problematic by foreign firms doing business in Japan. As cooperation in cybersecurity is a central issue in the EU-Japan partnership that mutually recognises the other party's high standards in data treatment and security, openness to cybersecurity solutions stemming from trusted strategic partner countries could prove more efficient than only relying on domestic private firms' security solutions. Furthermore, helping Japan in its digital transformation by providing efficient digital tools might also have a strong signalling value for the EU in underlining its commitment to partnership with Japan.

The ageing population and digital literacy

Another problem is the target population's digital literacy. As the population grows older at the same time as the fertility rate has plunged to the second lowest level in Asia,¹² the meaning of 'digital literacy' goes beyond the ability to perform simple tasks on-

8 JFC, Japan Financial Corporation Annual Report 2021, Tokyo: Japan Financial Corporation, 2021.

9 Nikkei, "Bittokoin sekai wa kisei kyoka: Neugoki araku hanzai risuku mo" [Bitcoin world target for harder regulatory control: Wild price fluctuations, risk for crime], Electronic edition, 8 September 2021. Accessed 22 May 2023.

10 Nikkei, "Dejitarucho ya kokuzeicho ni gyoseishido: Mainanba gotoroku de" [Administrative guidance for Digital Agency and National Tax Agency: Mistaken MyNumber registrations], Electronic edition, 20 September 2023. Accessed 20 September 2023.

11 Nikkei, "Seifu tanmi ni kokusan saiba taisaku sofuto 25 nen kara donyu" [Choice of domestically developed cybersecurity software for government IT interface: Introduction from 2025], Electronic edition, 29 September 2023. Accessed 29 September, 2023.

12 Not including Macau SAR, HK SAR and Singapore. Source: OECD, 2022.

line such as opening a bank account or submitting tax returns. In the Japanese societal context, mastering all aspects of an 'online life' that are included in this concept is a real challenge for the authorities in a country where over 29% of the population is over 65.¹³ For generations that have not perceived digital competence as a necessity for conducting a normal livelihood, this is a real challenge because most public and financial documents have been on paper and fax machines have been the mainstay for fast communication until as recently as the start of the Covid-19 pandemic.

This is the context in which the Japanese government's digitalisation project should be understood. Being a direct consequence of the ageing society, 'digital literacy' translates into a societal issue meaning not only closing the generation gap in being able to use the internet and online services, but also addressing challenges posed by the sheer number of the elderly that need to master these new digital skills. The government has to take the lead to address this skill gap and not make this issue an individual responsibility, e.g., by having the children of the elderly generation take care of the elderly's online necessities.

Conclusions

What are the prospects of developing an e-governance infrastructure in Japan led by the government? In order to succeed, some conditions seem central:

- Addressing the digital literacy age gap between generations;
- Gaining public trust in the government's ability to keep and use personal information, or some of it, securely and only for necessary purposes;
- Escaping the fallacy of 'digital nationalism,' that is, putting an equals sign between cybersecurity and domestic technological excellence when it comes to designing cybersecurity systems.

The best way forward for Japan to achieve a successful DX is hard to tell considering the broad scepticism about e-government tools among the Japanese population, but the points listed above are a bare minimum of the qualitative factors necessary for e-governance for the future.

13 Ministry of Internal Affairs and Communication, at <https://www.stat.go.jp/data/topics/topi1380.html>.

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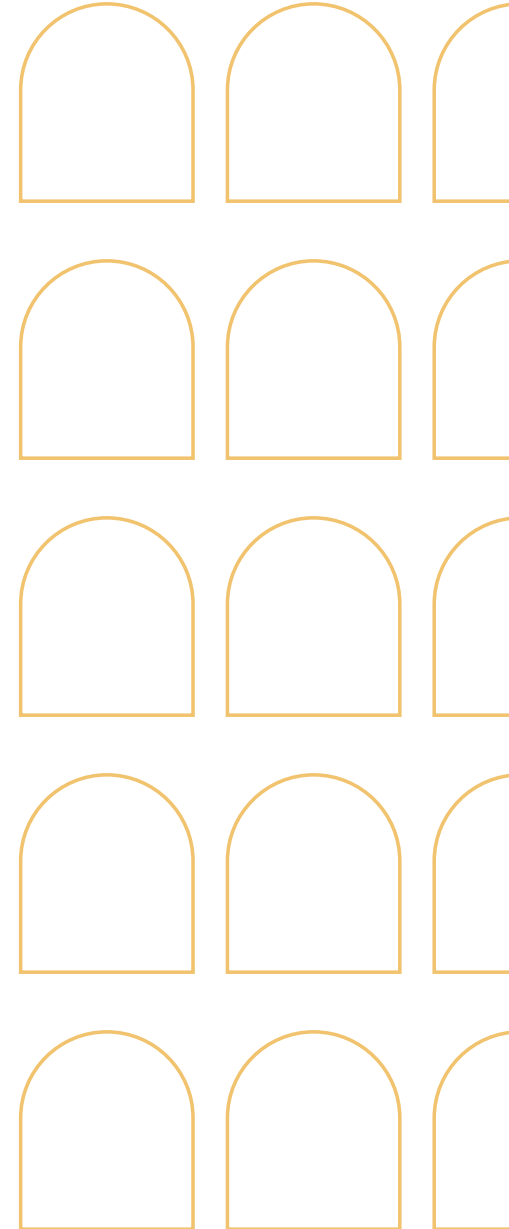
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