Challenge and Uncertainty in a Volatile World: Japan–UK Perspectives

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Participants

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Background

This two-day conference explored UK and Japanese approaches to the risks and opportunities – political and economic – currently facing Asia and Europe. Topics included Brexit and the future of the EU, the impact of TTIP and TPP, China’s role in Asia’s regional order, and the evolution of national identity in Japan and the UK. The concluding session considered the major challenges to stability that Europe and Asia will encounter in the short- to medium-term, and outlined possibilities for further UK–Japan cooperation.

This conference was held as part of the UK–Japan Global Seminar series. It was the fourth in a five-year series, hosted alternately each year in London and Tokyo. The project is funded by The Nippon Foundation and held in partnership with The Nippon Foundation and the Great Britain Sasakawa Foundation.
Foreign policy responses: Navigating a time of dramatic challenge

Catherine Ashton began by outlining her take on foreign policy drawing on her own experience; she first touched upon the difficulty of the international community to respond to the ‘unexpected’. Although there are many ways in which this can be achieved, they often do not work quickly enough, and do not fulfil the needs of those in desperate need and in drastic circumstances. Ashton mentioned that there is a need to redefine and rethink comprehensive approaches to tackle these unexpected circumstances and problems. It is not enough to simply understand what challenges these issues create; more important is to understand the root of how these events were first created.

Therefore, solutions cannot be found in a few weeks, months, or even years. We need to look at more long-term solutions. There is a need for the international community to rethink its approach and for countries reconnect with one another. Democracy may be one solution, but it is not a panacea. It is what leads up to and goes beyond democratic events that really matters. Many challenges need quick solutions but, at the same time, they also need to be effective in the long-term.

Next, Ashton emphasized the importance of working together, observing that there is no issue that does not require collaboration. That said, collaboration does not always appeal to the public as it may not provide noticeable positive change to the everyday lives of individuals. But from a wider perspective, in an interwoven world, collaboration is the key to realizing a better life for everyone. This gap in perception between the public and the policy communities needs to be tackled.

Giving her own experience dealing with Kosovo and Serbia as an example, Ashton highlighted the importance of the EU as a global player. She also underscored the importance of external countries to the Iranian nuclear deal, in which Russia and China contributed significantly, while countries outside of the P-5 were also extremely important in shaping the outcome.

Finally, Ashton asserted that the division between soft and hard power is not particularly helpful and that we should instead think of a spectrum of engagement and isolation, understanding that economic factors are often the driving force behind political matters. She commented that, while we cannot predict the future, we have to be prepared for it by being flexible, smart, clever, collaborative, and long-term in our thinking.

During the Q&A, Ashton discussed the question of Britain’s long-term strategy after Brexit, highlighting that British interests have been multiplied through the EU. Following Brexit, Britain will have to invest greatly in diplomacy, both in Europe and throughout the world. On the issue of the revision of Article 9 and the Japanese Constitution, Ashton outlined her support for the move by Prime Minister Abe saying that the core issue here was whether this would enable Japan to support international initiatives to resolve global problems and, clearly to her mind, this is what Prime Minister Abe is seeking to do.

Brexit: Implications for Europe and the EU

The Chair, Catherine Ashton, opened the session stating that although we now understand a lot more about the reasons behind Brexit, we need to better understand the consequences of the event; whether Britain is going for a hard or soft Brexit; whether it represents a split in Britain’s relationship with Europe; and whether Britain will have to re-evaluate its relationship with the rest of the world. She questioned what the consequences would be for not only Japan–UK and Japan–EU relations, but also for relations with other countries further afield, such as South Korea and China.
Anatole Kaletsky opened up the discussion by making five points. First, hard Brexit was inevitable because of the nature of British and European politics. Second, that a hard Brexit could lead to the breakup of the entire EU as it legitimizes politicians in other countries who also advocate leaving the EU. Brexit has put into the political mainstream a possibility that had previously been seen as inconceivable and regarded as a fringe idea of the extreme right and left. The EU has to do everything it can to slowdown this trend, even if there are significant economic costs to bear. Third, there will be continued economic implications for the EU’s financial and manufacturing sectors, as well as Japanese companies. Even if London continues to be a major financial centre it will not be dominant due to its position outside of the EU. Fourth, there is cause for optimism because the damage caused by Brexit to the British economy over the next two to three years will change British minds about the decision to leave. Many British thought Brexit would mean more money for social services and when this does not materialize their minds will change. Fifth, the prime minister’s ability to maintain internal stability and remain in office is questionable and Britain might find itself in a situation similar to Japan with at least twelve different Prime Ministers in twelve years.

Kate Gibbons commented from a business perspective and, although she broadly agreed with Kaletsky’s view, maintained that it is difficult to define a hard Brexit. While the government is likely to say that there must be no freedom of movement, Britain is a long way from options such as a customs union and free trade agreements. She questioned whether Britain would adopt the Turkish or Swiss model. Gibbons emphasized the need to be cautious about the transition and commented that the details of achieving this need to be resolved before looking at longer term issues, such as contributions to the budget. She expressed her concern that the UK media is not focused enough on the difficulties that Britain will face as a consequence of Brexit. She compared the situation to a dance on the cliff-edge and explained that while the EU has to sound tough, it cannot push the UK too far. Once the Brexit process starts it will be irreversible.

As an economist, Takatoshi Ito provided a slightly different perspective. He stressed that the problem of Brexit is not one of democracy per se, but of direct democracy, where problems and options were ill defined and emotions carried a lot of weight. Contrary to Kaletsky’s prediction regarding London as a financial centre, Ito asserted that London might not lose its dominant status unless limits are placed on the movement of people and unless European countries actively seek to exclude London. Ito stated that the fallout of the vote for Brexit had so far been limited as British exporters were benefiting from the declining strength of the pound. On Japan–Europe relations more broadly, Ito commented that Japan wants the EU and Britain to become more aware of the geopolitical tensions in northeast Asia, not only in the South China Sea, and to be sensitive to these problems.

During the Q&A, Kaletsky stated it would require a change of only 10 per cent to create a majority against Brexit and the key question was whether public opinion would shift in sufficient numbers. Gibbons added that the British people are disassociated from the potential negative consequences of Brexit and that once they have made the connection, might change their minds. She expressed concern about how the vote reflected the social divide present within the UK and declared that what the country needed was social cohesion as is apparent in Japan. However, Kaletsky acknowledged that any possibility of Brexit not happening was largely wishful thinking and would require a substantial extension in timescales. On the possibility of the UK rejoining the EU following a Brexit, he added that, while the possibility is there, it would take a generation for it to happen.

On the question of whether it would be a good idea to transpose a regional integration model to Asia, when it has caused considerable dissatisfaction elsewhere, Ito pointed out that there would be economic benefits from greater integration in Asia, however, the region does not have the social cohesion or the
political basis to push for this. On the question of the different options available to Japan in the future, Ito stated the most likely scenario would be for it to continue working with the US and the UK.

The United States and trade liberalization in Europe and Asia: Economic and political consequences

Session two dealt with trade liberalization in Europe and Asia and opened with the Chair, Glen S. Fukushima, posing five questions for the panel to consider: To what extent is trade liberalization (TPP and TTIP) strengthening the US relationship with key partners in Europe and Asia? What are the potential and economic benefits of TPP and TTIP in their respective regions? What can we do to relieve opposition towards these arrangements and to make them more acceptable? What are the alternative options for the US to be engaged in Asia? What is the impact of Brexit on TPP and TTIP?

Matthew P. Goodman shared his views on TPP pointing out first and foremost that, from a US perspective, it must be ratified, as it has economic benefits, strategic importance relating to the US rebalancing strategy, and for ‘strategic economic’ reasons. To do so, however, requires investments at home, as a stable domestic political economy will be necessary to engage in a path towards internationalization. Goodman also pointed out that there are many areas in which the UK, the US and Japan can work together, especially regarding the rule of order, in fields such as the internet, services, environmental goods, and infrastructure in Asia, as all three countries share common values and interests.

Yasuchika Hasegawa focused his presentation on trade issues between Japan, the US and the UK, commenting that Japan has remained positive to the idea of free trade and stressed the importance of the TPP. He noted that because so much effort has already been put into making TPP a success, there is unlikely to be an alternative to this agreement at the moment. He also mentioned that the US and China may become key factors in determining the future direction of TPP. From a Japanese perspective, Hasegawa commented that Brexit will have a massive impact on the Japanese economy as the Japanese automobile industry relies heavily on the European market.

Robin Niblett emphasized that both TPP and TTIP are about expanding the standards and norms of the West, and represent an attempt to cement western approaches within international society. Many uncertainties and much distrust have been born out of these attempts, and respective governments are currently dealing with domestic opposition by trying to emphasize the benefits to be gained from these agreements.

The panellists argued that the credibility of the US matters dramatically when it comes to Asia. There is still a drive in Asia for a strong US-led initiative, particularly given the rise of China in both the security and economic arenas. If TPP does not go through, it may give China the space to dominate trade dynamics in Asia, which Japan and the US would not welcome. Although the UK does not have access to the Japanese market on the same scale as the US and China, the Japanese and British markets are heavily linked. The impact of Brexit cannot therefore be undermined, and the UK’s decision to join the China-led Asian Infrastructure Investment Bank (AIIB) has generated mixed feelings in Japan.

In response to a question on the role of international frameworks, the panellists agreed that while there are many agreements and frameworks to promote free trade, such as EPAs, TPP, TTIP, the G7, and G20, they all have positive and negative sides. The real question is how to find common ground for cooperation and progress. They agreed that it is not simply a matter of who will join these frameworks, but how to best
utilize them; thus, it is important to come up with more effective mechanisms and areas for cooperation, such as in digital services and infrastructure.

Challenges to Asia’s regional order

The Chair, Rupert Wingfield-Hayes opened the session by asking the panel how the rise of China is affecting the East Asian regional order. Shin Kawashima questioned whether China is a contributor or challenger to the regional order. He stated that China has two settings, a global and regional setting. In the former, China is willing to accept the international order, for example, through its role within the UN and through cooperation and compromise with the US and Europe. However, regarding the latter, China’s role is different and is often less willing to compromise.

Kerry Lynn S. Nankivell’s comments focused on the maritime domain, which has created divisions between China and the US, and even between allies such as the Philippines and the US. She commented that the structure of the regional order is not only defined by the rise of China, despite this being the more visible manifestation, and cautioned about falling into the trap of discussing a bipolar world in the context of East Asia. Nankivell pointed out that, first and foremost, maritime activity in East Asia is commercial and based on the stability and security of the maritime sea lanes. However, there is also a military component, not only naval but also based on operational capability and international cooperative activities in areas such as space and cyber. She also reflected on the increasing use of multilateralism across East Asia and the role of Japan not only as an active participant but also important architect of the regional order.

Yu Tiejun touched upon the long-term continuity of Premier Xi Jinping’s foreign policy, and how China has been seeking a more enabling environment in its neighbourhood diplomacy. He asserted that China is cooperating regionally, giving the example that, as a result of North Korea’s nuclear tests, leaders of both countries have yet to meet this year. In contrast to other panellists, Yu associated the rising tension and disputes between China and its neighbours with the actions of other countries. He commented that there were misconceptions between Japan, China and the US and that conspiracies about China have contributed to the escalation of tensions.

Nankivell commented that the Cold War structure was no less dangerous but relatively simple compared to the current security situation in Asia. Now, not only is there a military domain but also commercial interests, which increases the risks. The US is very aware of the security dilemma but has not yet found a way to avoid it. According to her, the operational way out of this dilemma for the US is rule-based engagement with China, whether talking about TPP or security issues.

In response to a question on Japan–China relations, Yu commented that there are many things that both countries can do to improve ties, and that they both benefit from bilateral trade. He questioned why both countries should let territorial disputes define their bilateral relations today when these types of dispute have already existed for hundreds of years. On the question of whether China would share sovereignty of the Senkaku/Diaoyu Islands, Yu outlined his belief that it would, but that Japan would be unlikely to agree.

National identity, political change and the vitality of the nation state

Chaired by Yoshiji Nogami, session four tackled the issue of national identity, political changes and the vitality of the nation state. James Murphy drew upon his experience as a Scottish politician to analyse these issues, focusing on three points: globalization, British politics and British public opinion. He noted
that the rise of both the far left and far right result from the rejection of globalization. He asserted that politics in Britain, the US and Japan is drifting, and that facts do not really matter; rather it is what people believe in that can create a strong environment for policies to go forward. However, referring to the Brexit referendum, he noted that he had not yet given up faith in the British public and hoped that they will save the situation by making the right decision in the end.

Carol Gluck spoke from a historian's perspective on Japanese nationalism. Emphasizing that populism and nationalism are not the same thing, she noted that nationalism is in fact the key to understanding Japan. Gluck provided two categories of nationalism with regard to Japan: geostrategic nationalism (or 'Japan is back’ nationalism), which deals with status and stature on the global stage; and patriotic nationalism, which can also be referred to as ‘hate’ nationalism, as witnessed, for example, in the hate speeches involving the younger generation who, alarmingly, do not know the factual truth about their own history. She then reminded the floor that the notion of nation state is going nowhere, and that globalization will remain a trend for the foreseeable future, despite transitions in the world order.

Tomohiko Taniguchi explained that, although Prime Minister Abe positioned his previous government in the category of oceanic nationalist, his thinking has evolved to become more oceanic internationalist. Whether Japan is categorized as continental or oceanic is dependent upon whether it considers itself closer with China or the US. He commented that Prime Minister Abe is clearly trying to pull the US towards Asia and make it engage more closely with Japan and the Pacific nations, together with Australia and India. Japan has been a frontrunner in embracing globalization and, in doing so, has tried to anchor itself with other democratic countries.

Ken Endo addressed the floor by stating that the biggest socioeconomic factor igniting nationalism is globalization, through the uncertainty and disparity that it creates. As a result, many have turned to nationalism for psychological security. He called Japan a 'cautiously globalized' country, with no serious migration issues and no sharply divided political landscape. In contrast to Taniguchi, Endo explained that the reason why we have not seen massive anti-globalization sentiments in Japan, in comparison with the US and Europe, is because Japan is not fully globalized. This is demonstrated by the amount of international trade and the movement of people in and out of Japan, which is small compared to Europe, for example.

During discussion among the panellists, all agreed that the frustrations seen by populations around the world are caused by different root problems. Therefore it becomes extremely important to examine the causes of discontent. The panellists emphasized that populations are never asked to give their consent to globalization: globalization is something that happens anyway.

Regarding the nationalistic element of so-called ‘Japan is back’ nationalism, Taniguchi provided two explanations: the first is a desire to assert Japan’s status in the world (also categorized as ‘geostrategic normal state nationalism’) and the second is to motivate and give hope to the younger generation of Japan, whom often have diminished expectations of the future. While Gluck outlined that there has been an alarming increase in the incidence of hate discourses seen among the younger Japanese generation, often in response to anti-Japan attitudes in South Korea and China, Endo explained that, in comparison with the past, individuals on all sides are also experiencing increasing moments where they can actually talk to one another in a more straightforward way. On the question of whether there are different types of nationalism operating between Japan, China and South Korea, Gluck emphasized that there is more than just one type of nationalism operating both between and within all three countries, which is the core of the issue.
Anticipating regional and global challenges: Forecasting in a volatile world

The Chair, David Warren, opened the session by asking the panel what the likely regional and global challenges would be, with a particular reference to the UK and Japan, over the next five years. Gideon Rachman highlighted that the biggest crisis may lie with the US; the world increasingly looks towards it to solve problems, during a period in which its appetite for foreign diplomacy appears to be waning. This is manifested in its failure to lead in Syria and inaction in Ukraine, which have fuelled doubts over American credibility; a perspective that has been further stoked by China. Although President Obama's pivot to Asia was an attempt to be strongest in East Asia, paradoxically, the decision of the US to move its focus away from the Middle East has fed doubts in East Asia over US security guarantees. Rachman specified that with the US economic decline and the weakening of its allies in Europe and Japan on the world stage, the big question for the next five years is whether the US can continue to lead, even with a more hawkish policy under a new administration.

Takashi Shiraishi highlighted the change in the distribution of wealth and power in Asia, instigated by the rise of China. He noted that, compared to East Asia, Europe is not experiencing much change to its balance of power, despite Russian aggression. Examining figures from 1995–2015, Shiraishi explained that high levels of growth and economic prosperity in Europe and the US had increased the standard of living in these countries in the decade from 1995, creating inflated expectations that have not been met since 2005, when economies began to decline. This, he said, partly explained the dissatisfaction of the people. In contrast, Japan has not faced such instability because its economy plateaued in the decade from 1995 and, as a result, did not engender inflated expectations among its population. Shiraishi further explained that, in Asia, while all countries did well economically, it is unlikely that they will be able to sustain the same levels of economic growth for the coming five to ten years, especially China. Shiraishi predicted that while the economic slowdown in Europe gave rise to a very inward looking, sometimes racist, nationalism, if people’s expectations are not met in Asia, their anger might give rise to a more outward nationalism, signs of which can already be seen from the increasing assertiveness of China and other countries in the region.

Stephen Krasner claimed that contemporary challenges are much more difficult to understand as the dynamics are often domestic, rather than international. Referring to the rise of China as one of the biggest challenges facing the US, he asserted that it was unclear which of the four possible trajectories China will follow; whether it will continue to grow richer while remaining autocratic, grow richer and become a democracy, stall, or disintegrate. Looking more broadly, Krasner referred to the phenomenon of transnational terrorism as a true ‘black swan’ and very consequential for the US. He highlighted that both of these issues made planning for the future much more difficult. On the subject of the US presidential elections, he warned that Donald Trump is a wakeup call both domestically and internationally. Highlighting some of the domestic problems in the US over the past 40 years, such as the income gap, education, health care and social security, Krasner asserted that it will be important to look more closely at these issues in order to understand why Trump was able to garner support from a large portion of the American electorate.

In response to the question of whether Japan and the UK have a role to play in global and regional issues, Rachman stated there was scope for both countries with their shared values and interests to find common ground for cooperation. However, there are also underlying tensions because of the UK’s unwillingness to play a security role in the East Asian region, as well as its pursuit of economic ties with China and its decision to join the AIIB. Shiraishi commented that Europeans are more focused on taking advantage of the rise of China and gaining maximum economic benefit from it. However, maritime Asia, including Japan, Southeast Asia, Taiwan and Australia also offer economic opportunities for Europe and the UK,
which could be realised by concluding free trade agreements with these countries or by the UK joining the TPP.

On the question of possible policies that may be implemented by Japan and the US with regard to the rise of China, Krasner maintained that if China stalls, a hard line policy could follow to ensure China does not stumble into a conflict with any of its neighbours or the US. However, if China continues to grow, an appropriate policy would be one of accommodation, although the US is unlikely to move in that direction because there are too many uncertainties with regard to the future of China. Rachman expressed the view that one of the reasons Americans have been slow to adjust to the rise of China as a threat to US positions in Asia and the world is because of previous false alarms, such as when Japan was thought to be rising. While China’s rise is different and predictions of China’s collapse have so far proven false, it is important to bear in mind the significance of the country’s aging population and the potential impact of this, particularly as this factor conversely affected Japan’s growth.

Shiraishi stated that TPP is one of the best ways to keep the US engaged in Asia but, as this will most likely be delayed by two years or more, there will have to be alternative approaches. First, both the US and Japan can engage ASEAN countries, economically and in terms of security. Second, there is a need to rethink the security agreement between the US and Japan, particularly in terms of unsustainable aspects of the agreement such as the bases in Okinawa.