Anglo-Japanese Cooperation in an Era of Growing Nationalism and Weakening Globalization

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Participants

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Robin Niblett, Director, Chatham House

The Rt Hon. Mark Field, Minister of State for Asia and the Pacific, Foreign & Commonwealth Office

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Akiko Yamanaka, Senior Diplomatic Fellow, Central Asia Forum, University of Cambridge

Sir Michael Rake, Chairman, BT Group

Randall Jones, Head, Japan/Korea Desk, Organisation for Economic Co-operation and Development

Takao Ochi, State Minister, Cabinet Office of Japan

Rana Foroohar, Global Business Columnist and Associate Editor, Financial Times

Chan Heng Chee, Chairman, Lee Kuan Yew Centre for Innovative Cities, Singapore University of Technology and Design; Ambassador of Singapore to the United States (1996–2012)

Yorizumi Watanabe, Professor, Faculty of Policy Management, Graduate School of Media and Governance, Keio University

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Julie Gilson, Reader in Asian Studies, Department of Political Science and International Studies, University of Birmingham

Kiichi Fujiwara, Professor of International Politics, University of Tokyo

Barbara Lippert, Director of Research; Member, Executive Board, German Institute for International and Security Affairs

The Rt Hon. The Lord Lansley CBE, Chair, UK-Japan 21st Century Group; Leader, House of Commons and Lord Privy Seal (2012–14)

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Nicholas R. Lardy, Anthony M. Solomon Senior Fellow, Peterson Institute for International Economics

Jia Qingguo, Professor and Dean, Department of Diplomacy, School of International Studies, Peking University

Masato Kitera, Ambassador Extraordinary and Plenipotentiary of Japan to France; Ambassador of Japan to China (2012–16)

Isabel Hilton OBE, CEO and Editor, chinadialogue

Michael Pillsbury, Adviser, US Department of Defense

Rosemary Foot, Professor and Senior Research Fellow in International Relations, Department of Politics and International Relations, University of Oxford

Koji Tsuruoka, Ambassador Extraordinary and Plenipotentiary of Japan to the United Kingdom
Background

This two-day conference explored UK and Japanese approaches to the risks and opportunities – political and economic – facing Asia and Europe. Topics included Britain and Japan’s respective bilateral relations with the US under President Donald Trump, economic opportunities for Anglo-Japanese cooperation during a potential period of deglobalization, China’s future as a geoeconomic actor, and the impact of populism, including potential limits to regionalism, in both Asia and the West.

The conference was held as part of the UK–Japan Global Seminar series. It was the final conference in a five-year series, hosted alternately 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.
Keynote speeches

The Rt Hon. Mark Field MP began with a clear affirmation that the UK–Japan partnership was the strongest it has ever been. Outlining how the strength of the two countries’ relationship has been shaped by their shared values as outward-looking, free-trading nations, he warned that the world now faces unparalleled challenges, including the threats posed to international peace and security from North Korea. To this end, the UK has stood shoulder to shoulder with Japan against the aggression it has faced, and will work with UN partners to de-escalate tensions through diplomatic means.

Field offered that the Japan–UK Joint Declaration on Security Cooperation emphasized the closeness of the relationship both countries have enjoyed, and that this was set to strengthen in the months and years ahead. Moreover, in terms of trade and investment, both countries have been clearer than ever about the need to champion free and fair trade in the context of rising calls for increased protectionism. Pointing to the importance of Japan’s investment in the UK, Field explained that Britain remains one of the strongest supporters of the EU-Japan Economic Partnership Agreement (EPA). To this end, Britain will seek a new free-trade agreement with Japan following the ‘Brexit’ process.

Arguing that the UK and Japan have a history of pursuing scientific and technological innovation, Field expressed hope that barriers to closer collaboration in the field would be reduced further. Concluding his address, the minister offered an optimistic assessment of the bilateral relationship, asserting that a deepened prosperity partnership and advances in innovation would mutually strengthen both countries’ economies and drive industrial productivity forward. The UK–Japan partnership is one for the future, he offered.

Professor Akihiko Tanaka presented an overview of the bilateral relationship, providing the audience with a range of empirical data. Firstly, he suggested that Western dominance was in the process of giving way to the rise of Asia and the rest of the world. Globalization and the increase in global trade had become the driver of much of the change. Regarding political change, Tanaka highlighted increases in levels of authoritarianism in some regional contexts, as well as concerning upward trends in the levels of global terrorism and instability. Despite a positive assessment of China’s increasing economic fortunes, US political power has remained dominant, particularly in terms of its military spending, he explained. The immediate security threat posed by North Korea stands in contrast to globalization, he continued, pointing out that in the wider context of the Indo-Pacific, there were potentially wider opportunities for the UK and Japan to work constructively together to provide stability to the region. Returning to the pressing issue of North Korea, Tanaka explained that robust diplomacy, twinned with a strengthened regime of tougher sanctions, should provide a backdrop to further considerations about whether Japan ought to increase its defence capabilities.

Globalization: the search for survival

Randall Jones began the discussion by outlining that Japan was no longer ‘the weak man of the world economy’, illustrating that the country had managed to escape economic stagnation – a picture that had emerged since 2012. However, the country still faced fundamental problems, including unsustainable levels of government debt, low productivity, and levels of fiscal and monetary policy inadequate for dealing with Japan’s underlying economic realities. Japan fundamentally needs to tackle the challenges associated with historically low labour productivity, Jones offered, particularly in light of the country’s projected population decline and an increase in the size of the ageing population. Therefore, he
recommended that greater emphasis be placed on achieving the ‘third arrow’ of Prime Minister Shinzo Abe’s economic policy ‘arrows’ – driving forward structural reforms.

Minister Takao Ochi began his contribution by emphasizing that Japan was ‘flying the flag’ for free trade, particularly since the US had announced its decision to withdraw from the Trans-Pacific Partnership (TPP). He expressed Japan’s firm commitment to the EU-Japan EPA, and described the importance of TP-11 as an opportunity to bolster efforts to achieve regional economic integration. Ochi also called for greater transparency and predictability from the UK following the country’s decision to leave the EU. He outlined his belief that, following Brexit, the UK and Japan could and should be able work together to strengthen bilateral relations and achieve mutual economic benefits.

Sir Michael Rake affirmed the need to remake the case for globalization, free trade, capitalism and free markets. At a time when confidence and trust in the establishment had broken down, giving rise to populism, there was a pressing need to address the fact that many people felt left behind and uncertain about their futures. Making the case for businesses, politicians and trade unions to work together, Rake argued that while technology would improve efficiency, there needed to be considerable and concerted efforts to deal with how workers would transition to new modes of working. Concluding his comments, he offered a pessimistic assessment of Britain’s position in light of Brexit, arguing that the country would undoubtedly become ‘poorer and meaner’.

Pressed further on the implications of US President Trump’s rhetoric about global trade and Brexit, Jones explained that for Japan at least, the EU was critical as a trading partner. He expressed optimism on the prospects for TPP-11 but feared that the lack of access to the US market would become a sticking point in future negotiations. Therefore, he continued, the achievement of the EU-Japan EPA was essential. Further to this, Ochi felt that the US may be able to return to the negotiating table at some point in the future, but that there was a more immediate need to achieve high-level and high-quality agreements through the EU-Japan EPA. Adding his thoughts, Sir Michael felt that the EU-Japan EPA was particularly important in terms of driving forward freer trade.

Asked about the further structural reforms that needed to take place in Japan, Ochi acknowledged the problems associated with low rates of foreign direct investment, emphasizing the need to overcome language, productivity and foreign labour market barriers. He offered that the Japanese government was already attempting to strengthen education provision in the interests of driving forward a wider ‘human revolution’.

On China’s role in globalization and how this was viewed by Japan, Ochi observed that there is a desire for trading relations between the two countries to continue, but cautioned that it was necessary to create a sustainable and fair basis on which these relations could be conducted. Sir Michael highlighted the need for the US to engage with Europe, China and Russia, as this would provide businesses with the stability and certainty on which investment decisions could be made.

Contributors in the audience also raised the issue of Japan’s openness to foreign labour and the free movement of people, to which Ochi felt that the solution to productivity growth was twofold: there was a need both to welcome foreigners and improve their integration with society, and to improve the position of domestic labour. On the latter point, he noted that various initiatives designed to improve the economic sustainability of rural communities were taking place, particularly through automation and robotics. Despite this, some audience members felt that these efforts alone may not be sufficient without further efforts to embrace the benefits afforded by rising levels of immigration.
Regionalism and its limits: the future of Europe and the Asia-Pacific

Ambassador Chan Heng Chee reminded the audience of the limits to the Association of Southeast Asian Nations (ASEAN) in the Asian context, arguing that regionalism in Asia was often misunderstood when likened to the construction and development of the EU. The organization had more modest goals when it came to regional integration, and was insistent on the concept of 'being in the driver’s seat' when it came to encouraging consensus in the decision-making process. Moreover, ASEAN had a long history of opposition to the supranational approach of the EU, particularly in terms of the level of bureaucracy that characterized relations between member states and institutions such as the European Commission. With an increasing number of stakeholders and considerations to be considered, there is a need for ASEAN’s members to work harder to reach a consensus over political and security issues, particularly in respect of the South China Sea. In light of this, Chan questioned whether there was an optimal size for regional groupings, and whether ASEAN’s ambitions were too broad.

Professor Yorizumi Watanabe assessed the different regional structures in Asia, pointing out that in the case of China, Japan had expressed concerns about the country’s attitude to transparency, about the effectiveness of the rule of law in China, and about threats to market principles. He felt that despite the US’s withdrawal from the TPP, Japan’s determination to press ahead with TPP-11 demonstrated that the initiative could eventually become a way of maintaining momentum and would help to avoid the development of alternative power-orientated trade policies.

Hans Kundnani offered the audience a more pessimistic view of the current state of the EU, arguing that the European project was now in a state of flux and that assumptions of its enduring strength were ultimately misplaced. The EU was once viewed as a model for integration projects around the world. However, contrary to previous assumptions, it has become apparent that the EU has become a source of instability. The EU, he said, had become an example of excessive hyper-globalization – behaving too similarly to the IMF in imposing structural change as a requirement for EU financing to member states. Furthermore, the EU had failed in its core aim of restraining the role of the nation state and overcoming hegemony, instead giving rise to the growing power of Germany. Kundnani posited that EU officials and politicians had invested too much in the importance of rules at the expense of individuals’ interests, and that integration had been too top-down in its approach. Kundnani asserted that the entire project was trapped because, within a fragile polity, elites were incapable of admitting that mistakes had been made.

Opening up the discussion, Chan sought to define regionalism as countries in a geographical area feeling that they could come together to further their interests. When it came to ASEAN, there was no pretension to achieving common policies or establishing a common currency, but merely an aspiration to develop a relationship of cooperation. She outlined her belief that regionalism counters, rather than prepares for, globalization.

Robin Niblett pressed the panel on disengagement with the rules-based order, to which Kundnani felt that moves towards disintegration would ultimately prove difficult because the European project had developed on the basis of grand bargains which could not be easily unpicked. Chan contrasted the EU’s approach to ASEAN, explaining that weak institutions might provide useful opportunities for advancing new initiatives, particularly at a time when individual states might be seen as overly assertive in promoting their own interests.
Foreign policy and domestic politics: the populist wave and the impact of public opinion in both Asia and the West

Dr Barbara Lippert began by providing an overview of the concept of populism, explaining that this necessarily involves a rejection of pluralism, feeds on a climate of opposition and requires an opponent to fight against. In the European context, many populist movements have been embraced and even co-opted into the political establishment. She felt that the populist approach lacked a coherent agenda, with populism being a reaction as much to modernization as to globalization. It is therefore important to understand how the movement signifies a dissatisfaction with elites and the democratic process more widely. There are also feelings associated with the loss of political sovereignty, and anger towards technocrats and anonymous institutions, as well as a narrative claiming to bring ordinary people back into the political arena. Lippert felt that the election of President Trump and the UK’s decision to leave the EU merely added to the overall sense of uncertainty that had been created. In terms of the effects of the rise of populism on foreign policy, she felt that the impact would be indirect, where a strong belief in national sovereignty had given rise to growing public distrust in international corporations and institutions.

Examining the case of Japan, Professor Kiichi Fujiwara pointed out that populism, while a general phenomenon, varied from country to country. Some populist leaders had chosen to embrace a statist agenda, as was the case with Japan’s Prime Minister Abe or India’s Prime Minister Narendra Modi, while President Trump exemplified an anti-statist agenda. Fujiwara pointed to a number of changes which are taking place under Abe, and to the prime minister’s desire to exhibit stronger political leadership. To this end, he outlined how a process of constitutional revision was taking place through the Japanese government’s redefinition of delegated powers. He also outlined the limited but nonetheless concerning rise of anti-foreign sentiment in domestic political discourse.

Lord Andrew Lansley began his comments by explaining that populism has existed for many years, but now had to be taken seriously in the context of recent developments. The breakdown of traditional political parties and partisan loyalties has served as an important example of this. Too few traditional political parties had delivered progressive rises in real incomes, giving rise to populism’s ability to turn discontent into an opportunity to vote against something – a common enemy. Opposition targets for populist movements are diverse, ranging from immigrants to religious groups to the state, and there was a pressing need to recognize this. To combat this, Lansley felt that the benefits of liberalism have to be asserted and that individuals needed to feel the benefits of being empowered in taking control of their lives. He asserted that the UK’s decision to leave the EU should be read in terms of anti-immigration sentiment, as well as being a result of politicians publicly maligning the European project without forcefully asserting its benefits.

In the discussion that followed, the panel agreed that populism contained a thread of anti-rationalism, with Fujiwara citing the role of social media in simplifying the level of political discourse to a zero-sum, ‘us versus them’ process. Lippert concurred with this view, explaining that social media plays a role in mobilizing discontent in certain situations. However, it was recognized that social media could be part of the solution as well as the problem – although it can exacerbate inaccuracy, it also provides opportunities to counter the rise of ‘fake news’.

On the question of threats that populism poses to foreign policy, Lansley felt that unless populism was challenged, there would be a damaging shift towards isolationism and retreat, rather than internationalism. He felt that this could conceivably manifest itself in the form of trade wars. Lippert cautioned against a zero-sum approach, suggesting that it was possible for individuals to have multiple
forms of identity at different levels, while Fujiwara offered that there is a pressing need to re-establish respect and tolerance in public discourse.

**China as an economic actor: opportunity or challenge?**

**Professor Nicholas Lardy** began by affirming his optimism about the Chinese economy, believing that the economic situation presented considerable opportunities for the global economy. China was making substantial progress towards a more sustainable model of economic growth and was witnessing a period of increased household demand, while the country was unusual in that its wage share of GDP was increasing. Overall, Lardy felt confident that structural factors would mean that a transition to a new model of growth could be sustained. Turning to the issue of increasing financial risk due to climbing credit-to-GDP ratios, Lardy cited the Chinese government’s commitments to tackling the issue, including the tightening of the central bank’s interbank lending as evidence that the problem was being taken seriously.

**Professor Jia Qingguo** concurred that China’s economic outlook was sound, and that there was a general consensus that growth was likely to remain stable in the years ahead. China’s government had been engaged with supply-side reforms and had placed emphasis on driving up product quality, as well as on affirming its commitment to toughen regulations in the field of financial risk. On US–China relations, Jia felt that while trade disputes and controls were expected in the future, the economic impact of this would likely be limited in scope. Turning to other economic threats, he offered the view that at a local government level, public/private partnerships had led local administrations to incur considerable debts, with the risk that these may not be paid back. Moreover, tensions caused by a conflict involving North Korea would undoubtedly have an impact on the Chinese economy.

**Ambassador Masato Kitera** began by explaining that most Japanese people felt that China’s economic outlook presented considerable opportunities, not least because of its sustained growth. However, investors were not looking at Chinese markets in the same way as the US or EU, primarily because the country’s socialist market economy principles presented greater risks. The Japanese government was passionate about improving the investment environment, he emphasized. He also felt that that even at the lowest points in the Japan–China relationship, business leaders had expressed clear wishes to see economic activity continue. Signalling a note of caution, Kitera highlighted comments made by President Xi Jinping at the World Economic Forum in Davos, supporting China’s desire to champion free trade. He suggested that anyone who knew of the work of Chinese customs authorities, however, would appreciate that it would take a considerable period of time for this sentiment to become reality. Lastly, the ambassador suggested that observers should be cautious about China’s pronouncements of ‘win-win’ deals with other countries. In terms of Japan and China, he felt that the sentiment instead meant that China would always tend to benefit to a greater extent.

Answering questions about the operating environment for foreign companies in China, Lardy outlined how the country’s economy had become increasingly market-driven, and that the recent resurgence in the position of state companies had been limited. Jia challenged previous comments by the ambassador about underhand Chinese practices, explaining that Japanese investment in China had been considerable. He held that assertions about trade deals being ‘win-win’ were genuinely believed to be advantageous to all parties involved.
In response to questions about market access, Lardy stressed that many foreign companies operating in China desired fewer regulations and better environmental protections. However, he suggested that if companies wished to complain about this, they should present their grievances to the World Trade Organization (WTO) for an assessment about whether the country was living up to its international obligations. Pressed on the current US trade position, he felt that President Trump had defined success in impossible terms, particularly around his desire to seek a resurgence in domestic manufacturing.

On the looming crisis with North Korea, Jia recognized that the problem had reached a new level, and that whatever happened, China and South Korea’s contingency planning demonstrated that neither country wanted to make decisions in a state of crisis. Kitera said that he felt China was embarrassed by North Korea’s actions, and that the situation facing Japan was one of real and present danger. To this end, solidarity was needed to reduce tensions and keep up the pressure on North Korea.

The UK–Japan alliance and relations with the US

Michael Pillsbury opened the final session by stating that the UK had achieved a ‘real strategic breakthrough’ in recent relations with Prime Minister Abe. UK–Japan joint declarations had been met with some scepticism in the Chinese media, with some suggesting that that the US might somehow be behind efforts to bypass China and undermine its position. However, Pillsbury explained that he was ultimately bullish about China’s economic future, noting that the country’s economy already led the world in purchasing-power-parity terms. He further explained that in terms of US–China relations, views necessarily differed on the relative benefits of cooperation and competition, depending on how individuals perceived their strategic goals. An agreement between the UK and Japan would always attract China’s attention because it risked affecting the concept of comprehensive national power.

Professor Rosemary Foot described the main elements of the UK–Japan relationship, including similarities in how the countries dealt with great-power dynamics in their respective regions. Both had played bridging roles – the UK in bridging the relationship between the US and Europe, and Japan doing much the same between the US and Asia. The US’s position in abandoning the TPP had seemingly failed to recognize the difficult politics that Japan had had to endure in order to reach that agreement, she argued. Moreover, Japan needed to carefully assess the core beliefs of President Trump, namely his staunch criticisms of the US’s security alliances, purported opposition to most contemporary trade deals, and support for ‘authoritarian strongmen’. Turning to Brexit, Professor Foot suggested that the idea of a ‘global Britain’ was not yet convincing, and that Japan’s firmer ties with Australia and India could eventually prove to be more significant than those forged with the UK. She suggested that as Britain left the EU, its importance to China and Japan would diminish in the long term.

Professor Akihiko Tanaka began his comments by outlining the historical development of the UK–Japan alliance to the current day. President Trump’s recent declarations suggested a renewed rejection of multilateral institutions, exemplified through the US’s withdrawal from the TPP, and a broader recognition that the US would no longer be prepared to take a policing role when it came to international diplomacy. Expressing a belief that the UK and Japan should seek to collaborate in different areas, including building consensus over increased sanctions against North Korea, Tanaka felt that the bilateral relationship could also involve developing constructive relations with rising powers such as China and India, with thought given to realizing the Sustainable Development Goals. He concluded by suggesting that in the longer term, the US would modify its identity, return to the negotiating table and once again take ownership of its reputation as a global leader – consistent with its capabilities.
Ambassador Koji Tsuruoka began his comments by explaining that the UK and Japan enjoyed a ‘happy’ bilateral relationship, devoid of any contentious issues. The basis of the relationship was one of shared common values, including respect for the rules-based international order as a means of providing stability, predictability and a platform for global prosperity. China, too, had benefited from the rules-based regime of WTO membership, and this had ultimately allowed that country to prosper. Overall, Tsuruoka felt that recent bilateral exchanges had demonstrated the strength of the UK–Japan relationship, and that the world was being challenged by those who were dissatisfied with the existing global order. Such challenges had to be handled skilfully, he noted. Turning to Brexit, a significant portion of Japan’s EU investment was made in the UK, not least because the country was seen as a gateway to the rest of Europe. Noting that the terms of the EU-Japan EPA were yet to be agreed, and that the UK was yet to leave the EU, the ambassador noted the current difficulties involved in the UK seeking a mandate to negotiate a trade agreement with Japan. He concluded by questioning how the US could conceivably realize its ‘America first’ vision when no country could afford to live in isolation.

In the Q&A session that followed, Pillsbury suggested that despite accusations of an interregnum since the election of President Trump, the reality of the situation ran contrary to this. Rather, different parts of the State Department had witnessed relatively few, if any, significant personnel changes. He added that the ‘deep state’ was ‘very strong’ and had ‘never left’. On recent developments in UK–Japan relations, he cautioned that these were relatively short-term in outlook and had not made explicit reference to the positions and interests of China or the US.

Tsuruoka expressed his feeling that multilateralism was ‘dead inside the Beltway’, and that misplaced rhetorical attachments to US dominance risked threatening once-strong relations with the US’s closest international allies. In response, he commented that US allies should act quickly to maintain solidarity between nations and ensure that the rules-based international order was upheld. To this end, he felt that the UK and Japan needed to take a stronger role in facilitating multilateral collaboration within their respective regions, where possible.

Adding to this, Foot criticized the Trump presidency’s rejection of multilateralism in favour of ‘America first’ rhetoric, noting the apparent hypocrisy in the US seeking to use the UN to deliver strong sanctions against North Korea. She suggested that there was clearly a lack of belief in the UN’s value on the part of the president, but that working with other nations was the only pathway that the US could effectively pursue in order to further its aims against the North Korean regime.