The 27th Annual Meeting of the UK-Japan 21st Century Group was held in Tokyo and Karuizawa from 21-24 October 2010. The meeting was chaired by Hon. Yasuhsa Shiozaki, Japanese Co-Chairman and Rt Hon Lord Cunningham of Felling, UK Co-Chairman.

Meeting of the UK side with Prime Minister Naoto Kan

On 22 October, the UK participants called upon Prime Minister Kan. Lord Cunningham and demphasised to the Prime Minister the strong support of all three main UK political parties for close relations with Japan. The new coalition government had demonstrated this in their recent high-level visits to Japan. The UK side had itself brought three MPs with them to help strengthen bilateral parliamentary relations.

The Prime Minister warmly welcomed the UK participants and expressed his support for the work of the UK-Japan 21st Century Group. He recalled his visit to the UK in 2009 when he had met Lord Cunningham. He had subsequently drawn on Britain’s experience of cabinet government in his reform policy.

Further discussion covered market access issues, China and negotiations on an EU-Japan Economic Integration Agreement. The UK side thanked the Prime Minister for increasing the numbers of places available for British graduates on the JET programme.

Session 1: Latest developments in Japan and East Asia

The Group identified four key regional issues as the rise of China; the relative decline of the US power; political transition in Japan and developments in North Korea.

China had become more assertive and concerns had been raised by Chinese behaviour over the Senkaku islands and suspension of the export of rare earths. However, the US remained the only superpower and they had made clear that the Senkaku islands came under the US-Japan Security Treaty. Other East Asian countries were worried about the risk of confrontation. Public opinion in both Japan and China was nationalistic about the issues which made it more difficult for their political leaderships.

The change of government in Japan had led to domestic debate on the need for bipartisanship in foreign policy and security, and on the proper balance between political and bureaucratic power. The UK side noted the value that bipartisanship had brought in the UK in securing a political settlement in Northern Ireland. There was a need for politicians and bureaucrats to work together as a team on vital national issues.

The Group considered that the security challenges facing the East Asian region called for renewed emphasis on the use of peaceful discussion and the application of skilful diplomacy. History had shown that a policy of belligerence rarely succeeded in the longer term.

Session 2: Latest developments in the UK and Europe

The Group noted that although a euro currency crisis had been averted, there were continuing uncertainties in Europe. There was a lack of cohesion in charting the future of the eurozone, but it was unlikely to break up. European governments, including the UK, were seeking to restore public finances.
There were strains within the eurozone on where the burden of readjustment should fall. This had led to an outbreak of social unrest in some countries, but this was less likely in the UK. Europe needed to increase its competitiveness, but there was a loss of faith in globalisation. More deregulation was necessary, but the ethos in many European countries was against this. There was a growing view internationally that Europe was overrepresented in global institutions.

In the UK, the formation of a coalition government had been a surprise, but it was proving more cohesive than expected and may last for the proposed five year term of parliament. The key political political division was about how to combine size and pace of fiscal retrenchment with continued economic growth. Some commentators felt that the UK might need to rebalance away from financial services towards new manufacturing industries such as biotechnology. The government’s research and technology budget had been protected and UK competitiveness had been increased by the decline in sterling. The rapid economic growth in emerging countries should be seen as creating an opportunity rather than a threat. In foreign policy, the Blair government’s policy of liberal interventionism was likely to be reversed.

Session 3: Fiscal and financial challenges and the global economy

The Group stressed the need to take action on global imbalances. The global financial crisis was entering a new stage in which it was difficult for governments to forecast the effects of their policies. Third countries with floating currencies were being hurt. Conventional policies were not working in the US. Transitions were unlikely to be smooth and the difficulties of achieving international action had been shown by the recent IMF conference. If the US, UK and other low saving economies were to rebalance their economies then surplus countries would have to expand domestic demand. The international community needed to achieve the right collective and cooperative outcome. This included reaching agreement on the speed of adjustment. Countries could not solve the problem by protectionism and this needed to be resisted, otherwise there would be a repeat of the disastrous “beggar-my-neighbour” policies of the 1930s.

The EU and Japan had agreed in April to begin moves towards an EU-Japan Economic Integration Agreement and take a decision in 2011 on beginning negotiations. The EU was expecting Japan to make progress in improving market access in four pilot areas, two of which – public procurement procedures and medical devices – were of particular interest to the UK. The Japanese side considered that there was a prior need to bring EU technocrats and the Japanese regulatory authorities more closely together to increase mutual understanding of the issues. Both sides needed to show greater political leadership and give the process more political momentum.

Session 4: Current challenges of security and other global issues

The Group considered that current global challenges had widened and increased in uncertainty. The problems of nuclear proliferation, international terrorism, Afghanistan, North Korea, Iran and the Middle East were continuing or worsening. Only in Latin America and Africa were matters improving. Japan particularly welcomed President Obama’s initiative for new progress on global non-proliferation.

The Group discussed the future international role of China. China sought to be treated both as a major power and as a developing country. The recent bilateral incidents had raised questions in Japan and elsewhere in South East Asia about the nature of Chinese intentions and the extent to which Chinese domestic politics was influencing attitudes towards Japan. There was particular concern about the continuing rapid growth of Chinese defence expenditure and an apparent increased readiness to assert its power. Although central Chinese government policy was probably to seek good bilateral relations, the longer term outlook was less certain. Japan needed to combine the affirmation of its rights with pursing good relations with China. The key policy question was how to ensure security in the region while not adopting a policy of containment towards China. The aim was to encourage China to become a constructive international partner. The solution could lie in an overlapping, multilayered system of alliances and partnerships that wove together all the different countries in the region.

The Group saw global security challenges as widening beyond traditional security issues. It was now important to include wider concerns about the threat from pandemics, natural disasters, climate change and other human security problems. Japan was giving particular attention in its aid policy to human security and global health issues, with major new commitments to aid for health care and education in
Africa. It was also seeking to be more active in participating in international activities such as peacekeeping. The UK had recently completed a strategic defence review. This had emphasised the threats from cyber warfare and terrorism, while needing for fiscal reasons to reduce traditional defence spending.

Looking ahead, there was likely to be growing emphasis in the West and Japan on coalitions of the willing such as those dealing with anti piracy patrols or responding to natural disasters like the tsunami. This increased the need for military interoperability. Budgetary pressures were driving Western governments towards greater collaboration with each other on military projects.

**Session 5: Prospects for UK-Japan relations and progress in developing bilateral collaboration**

The Group discussed numerous areas of actual and potential bilateral cooperation and collaboration. The picture was encouraging but considerably more could and should be done.

The Group noted that there had been a recent increase in high level bilateral contacts through the visits to Japan of British Ministers William Hague, Jeremy Browne and Caroline Spelman. Given the budgetary pressures in both countries, imaginative, cost-effective ways needed to be found to maintain and develop UK-Japan cooperation. The UK and Japan were working well together in key areas of global security, such as those discussed in Session 4. The UK needed to remain strongly supportive of Japan’s bid for a permanent seat on the UN Security Council. International challenges increased the need for UK-Japan cooperation in the development of a new system of global governance.

The Group agreed that the urgency of dealing with global climate change remained unchanged. They emphasised the importance of bilateral collaboration and helping the emerging countries to develop affordable and verifiable low-carbon projects. The Group’s previous recommendations remained valid and required a detailed response from government.

The Group saw an increasing need for the UK and Japan to concentrate on human security issues, both domestically and in their foreign aid policies. Governments in Japan and UK faced a difficulty over diminishing popular support for foreign aid at a time of fiscal pressures. The UK coalition government, with opposition party support, had however exempted aid expenditure from recent budgetary cuts. There needed to be increased emphasis on the aid outcomes and the quality of aid. Other potential areas for UK-Japan aid cooperation included global health and joint low carbon projects, such as wind power. There was also a need to help developing countries that had discovered large new natural resources to use their revenues effectively for development.

The Group discussed bilateral defence and security collaboration. Given their budgetary pressures, both Japan and the UK would benefit from industrial collaboration on military projects. Both side’s industries favoured this. The UK side underlined the bid by the Eurofighter consortium to supply Japan’s future fighter aircraft.

Bilateral trade and investment between the UK and Japan continued to be very important. Both countries wanted to see economic growth focused on improving the quality of life and sought increasing investment from the other. There were new opportunities for business to collaborate in information and communication technology, the creative industries and the provision of infrastructure in East Asia. The UK side drew attention to concern in the UK at the perceived difficulty of entering the Japanese market because of non-tariff barriers in government procurement procedures, medical equipment, pharmaceuticals, vaccines, food additives and financial services. The UK government supported the EU view that Japan needed to make progress in the four pilot areas for the EU-Japan Economic Integration Agreement. The Group discussed the difficulty that Japanese businesses could have under the UK’s proposed new visa policy in obtaining visas for their executives and technical experts to work in the UK. It was important to avoid creating barriers to Japanese investment and business activity in the UK.

The Group also considered the potential impact of the UK government’s cuts to the funding of higher education in the UK. It was important to avoid this damaging the UK’s area expertise or the provision of Japanese language courses given the strategic importance of Japan to the UK. The Group expressed interest in learning more about the proposed British Council policy dialogues aimed at strengthening bilateral university exchanges and providing specialised English language training for Japanese staff.
The Group noted concern that Japan was falling behind China in the UK in sending senior opinion formers to the UK and inviting their British equivalents to Japan. It was important to strengthen support for the efforts by both countries’ international research and exchange groups.

Summary and Recommendations

In the light of their discussions the Group made the following recommendations on UK-Japan bilateral relations:

The Group welcomed the recent efforts by the two governments to strengthen the bilateral relationship through high-level government contact. Prime Minister Kan in receiving the UK side before the conference had made clear his strong wish for close UK-Japan relations and his support for the work of the Group. The Group strongly endorsed Foreign Secretary William Hague’s description of Japan as the UK’s “closest partner in Asia”. The bilateral relationship had particular significance at this time and important potential for the future.

These bilateral contacts had shown once again that the two countries had similar concerns and views on a wide range of international issues. There was a joint desire to get early and effective international action on the pressing issues of preventing international terrorism and nuclear weapons proliferation, tackling global climate change and safeguarding global political and economic stability. The need for concrete progress by the G20 underlined the urgency of these tasks. There was a growing danger of increased international protectionism and of the international community repeating the trade policy failures of the 1930s.

In this context, the Group reiterated the importance of the UK and Japan cooperating closely in key international fora such as the UN and G20. The UK side reiterated its strong support for Japan’s bid to become a Permanent Member of the UN Security Council. Both sides expressed their wish to see China become a constructive partner in a strong rules-based multilateral system.

The Group continued to believe that there would be value in increasing bilateral defence and security cooperation and collaboration at a time of growing challenge and resource constraints. There were emerging opportunities for both countries to collaborate more closely in the development of defence capability through industrial cooperation, as they continued to work with their common principal ally the United States. These might include cyber warfare which was a new and growing threat.

The Group called for greater political efforts by the EU and Japan to overcome impediments to opening negotiations on an EU-Japan Economic Integration Agreement.

The Group highlighted the importance of health and human security to global security. They noted that three of the eight Millennium Development Goals dealt exclusively with health. The threat of pandemics too required global action. The Group believed that the UK and Japan should increase their cooperation in this area where both had considerable skills and resources to contribute.

The Group noted the importance of maintaining aid flows to poor developing countries. The UK government had protected aid from budgetary cuts. The Group encouraged dialogue by aid experts on aid outcomes.

The Group recalled their earlier recommendations for increased bilateral collaboration in low-carbon industrial research and development projects. They reiterated their wish to see both governments actively strengthen the mechanisms, incentives and framework for facilitating such projects. They welcomed the Japanese manufacture in the UK of eco cars such as Toyota’s Auriis hybrid and Nissan’s Leaf cars. The Group wanted to see a detailed response from the two governments to the specific recommendations made by the Group at its February 2009 and March 2010 conferences. These recommendations covered such areas as collaboration on intelligent transportation systems; setting up working groups to identify and explore low carbon solutions in fields such as air travel, power generation and carbon capture and storage; establishing guidelines for a low-carbon built environment; and enhancing the security and supply of civil nuclear components and services. They pointed again to growing opportunities for Japanese business investment in, and collaboration with, the UK supply chain needed for civil nuclear power and low carbon and renewable technologies. They underlined too the need to explore bilateral opportunities for promoting low-carbon growth in the developing
The Group were seriously concerned by the risk that the inclusion of Intra-Company Transfers under the proposed numerical cap on non-EU immigration under Tier 2 of the Points Based System would prevent Japanese investors in the UK transferring key executives and technical experts to the UK. This contradicted the government’s stated wish to make Britain open for business and encourage Japanese investment. They called for urgent action to remedy this.

The Group warmly welcomed the recent steps taken by the Japanese government to reverse the decline in the number of British graduates going to Japan under the JET scheme. They hoped that the numbers would continue to grow and they stressed the valuable contribution that the JET scheme was making to the bilateral relationship.

The group welcomed the statement by Foreign Secretary William Hague that the UK government wanted to elevate bilateral links in education and that the British Council would hold a series of policy dialogues to promote exchanges of students and researchers, and provide specialised English language training for Japanese university staff. The Group stressed that it was important that budget cuts and changes in higher education funding in the UK should not damage British area expertise, including universities’ capability in the strategically important area of Japanese language courses.

The Group were concerned by the perceived lack of senior Japanese visitors raising Japan’s profile at seminars and conferences in the UK and of UK opinion formers visiting Japan; both were areas in which China was increasingly active with the UK. The Group emphasised the important role played by both countries’ international research and exchange institutes in promoting such exchanges and the importance of their continuing to receive government support.