

## **Chairmen's Summary**

The 29<sup>th</sup> Annual Meeting of the UK-Japan 21<sup>st</sup> Century Group was held at the Hotel Okura, Tokyo from 23-26 May 2012. The meeting was chaired by the Rt Hon Lord Howard of Lympne, UK Co-Chairman and the Hon Seiji Maehara, Japanese Co-Chairman.

### **Tadashi Yamamoto**

The Co-Chairmen paid tribute to Tadashi Yamamoto, the founder and President of the Japan Center for International Exchange (JCIE), whose death on the 15<sup>th</sup> of April 2012 marked the end of a lifetime devoted to international and intellectual exchange. As head of JCIE, Mr Yamamoto directed the activities of the UK-Japan 21<sup>st</sup> Century Group in Japan and profoundly contributed to the dialogue and friendship between Japan and the UK.

### **Meeting of the UK side with Prime Minister**

On 23 May, the UK participants led by the Rt Hon Lord Howard of Lympne called upon Prime Minister Yoshihiko Noda and discussed UK-Japan relations. The Prime Minister expressed his commitment to closer cooperation with the UK as set out in the Joint Statement released during Prime Minister David Cameron's April 2012 visit to Japan.

On the evening of 23 May, the Hon Mr Koichiro Gemba, Minister for Foreign Affairs hosted a reception in honour of the UK visitors.

On the morning of 24 May, the UK participants met with Mr Yasuchika Hasegawa, Chairman of the Japan Association of Corporate Executives (Keizai Doyukai) and President of Takeda Pharmaceutical Company for a discussion of the business environment in Japan and trade and investment issues.

HE Sir David Warren hosted a lunch for the UK and Japanese participants prior to the start of the conference.

### **Session 1 : Latest Development in Japan-emphasis on respective domestic political situation and economic prospects**

The Group discussed the challenges Japan faced politically and economically. In terms of economic policies, the crucial question was whether the consolidation of budgetary deficit and economic growth could be achieved at the same time. While acknowledging that this was a formidable goal, there was a strong consensus that unless these two policies are pursued at the same time, there would be little support from the Japanese people for enduring austerity, in particular for raising the consumption tax. The necessity for other reforms to overcome structural impediments were also identified, such as coping with the declining and ageing population by bringing in more women, senior citizens and possibly foreign workers to the job market, tackling deflation by reducing the wide gap that exists between supply and demand, and addressing the disparity in economic prosperity amongst regions. Launching

negotiations for the Japan- EU Economic Partnership Agreement with the strong support of the UK was stressed as a priority.

In terms of the political aspect, the Group observed that neither the Democratic Party of Japan nor the Liberal Democratic Party enjoyed strong support from the Japanese people, and the recent trend was the rise of unaffiliated people who were less interested in politics. Against this background, the need to realign political parties and to reform the upper house of the Diet were seen as key issues necessary to positively change the governance in Japan. The Group agreed that there existed a striking familiarity between the key challenges that Japan and the UK face.

## **Session 2: Latest developments in the UK – emphasis on respective domestic political situation and economic prospects**

The Group discussed the domestic political and economic situation in the UK. Among the problems facing the domestic economy were lack of consumer confidence and reluctance to spend due to fears of unemployment, inflationary pressures and reduction in welfare entitlement. In the current climate the corporate sector was less inclined to invest, SMEs were facing difficulties securing bank loans, and pensioners were being adversely affected by low interest rates. A north/south divide was re-emerging as opportunities in the regions diminish and unemployment levels rise.

Problems in the Eurozone were identified as a dominant theme which threatened the banking and financial services sectors as well as UK exports. Political developments in France and Greece were presenting a challenge to UK Government policy on deficit reduction. There was growing pressure to shift the emphasis from austerity to growth with an impact on poll ratings and the wider agenda. The Government was making progress in the central area of deficit reduction and delivering effective measures in such important areas as welfare reform, public sector reform and schools policy and was encouraging overseas trade and investment. Despite the current difficulties, participants agreed that there were opportunities ahead for the Coalition's remaining three years of its planned five-year term.

## **Dialogue: Nuclear/Energy Issues and Opportunities for UK-Japan Cooperation**

The Group discussed the suspension of Japan's 54 nuclear power plants in the aftermath of the March 2011 accident at Fukushima Dai-ichi Nuclear Power station and the pressure to maintain electricity supply, particularly in the Kansai area. Short and longer-term solutions to Japan's energy problems were considered from energy conservation to new technology and innovation and the further development of renewable energy sources. It was agreed that there was clear potential for UK-Japan cooperation in the civil nuclear field. The UK was well placed to advise on nuclear safety and regulatory issues and to support decommissioning and clean-up. Following Japan's forthcoming Energy Strategy Review due in August, the UK and Japan should seek to take forward specific initiatives, especially in the field of decommissioning and clean-ups, and secure a better understanding of Japan's specific needs.

### **Session 3: Changing Security and Economic Environment in East Asia – emphasis on rise of China, “pivot” by the US and Japanese strategic response**

The Group took note of the depth and rapid pace in which changes in the security and economic environment in East Asia are taking place; namely the succession of events in North Korea since the death of Kim Jong-il which is a reflection of the struggle to maintain order in that country against the existence of strong internal dissatisfaction, and the rise of China culminating in changes in the power balance amongst the major countries in the region, heightening interdependence amongst these same countries and the EU, and the intensification of the power struggle within China.

The Group looked into the historical background, impact, possible responses and future directions of these changes. In relation to the goals in dealing with this new reality, while several interventions pointed to the gap that existed between the EU, including the UK, and Japan in their respective perceptions, the Group acknowledged that Japan and the UK shared a strategic interest in the region and emphasised the need to maintain dialogue to look into ways that would allow our two countries to narrow this gap and to promote cooperation in dealing with the changing situation, including cooperation in the fields of rule-making and resource development amongst other areas.

### **Session 4: Fiscal and Financial challenges and the Global Economy – emphasis on the financial crisis in Europe and future of the EU**

The Group discussed the financial crisis in Europe and the potential impact on the global economy. Of immediate concern was the prospect of Greece leaving the Eurozone and a consequent contagion effect. It was agreed that Germany held the key to this crisis and would most likely seek to avoid or delay a Greek exit from the Euro. Despite the current problems, membership of the Eurozone remains desirable for some countries which were seeking to join, rather than leave.

In an era of ‘hyper-interdependence’, it was argued that the Eurozone would survive. In the context of the rise of China, it provided economic stability and further opportunities for trade and investment. Participants were reminded that from some points of view the introduction of the single currency had been a great success and had brought significant benefit to the global community. Beyond these immediate problems, the Group felt that the emphasis should be shifted to improving the real economy and restoring growth. Over the next few years, the UK and Japan should focus on ways of cooperating within the Single Market in areas such as energy and trade and more widely on foreign and security policy.

### **Session 5: International Development Cooperation: Prospects for UK-Japan Cooperation**

The Group discussed approaches to international development cooperation in Japan and the UK. While there were some structural differences in the ways in which the two countries carried out development assistance, the integration of Japan’s executing agencies within JICA in 2008 provided a framework for more effective delivery and collaboration, including joint

working in developing countries. Changes in the international development agendas in both the UK and Japan were being driven, among other factors, by climate change, natural resource stresses, unsustainable inequalities and demographics. A different model of public-private partnership in international development was emerging while governments were grappling with issues of public perception within this changing landscape. In this context, the Japanese experience of corporate engagement should be looked at.

The importance to the aid agenda of addressing gender inequality, relationships with China and private sector cooperation, among other issues, allowed for a widening dialogue between Japan and the UK. Both countries should work more closely together on African development in the run-up to TICAD V and the UK's presidency of the G8 in 2013 and on development more widely.

### **Session 6: Prospects for UK-Japan Defence Collaboration**

The Group discussed possibilities in further promoting defence cooperation between Japan and the UK based on the April 2012 joint statement by the Prime Ministers of the two countries. In this regard, the Group underlined the importance of identifying in a timely manner appropriate defence equipment areas in order to produce successful joint development and production projects.

To this end, the Group recognised that building mutual understanding and confidence, leading to a win-win outcome for the two countries, would serve as a solid basis to produce specific results benefiting both the UK and Japan. In promoting bilateral defence collaboration, the engagement of both the Governments and the defence industries was essential.

### **Conclusions: Prospects for UK-Japan relations and progress in developing bilateral collaboration**

This had been an active and productive period in UK-Japan relations with substantial Government engagement over the last year. Following earlier visits by the Chancellor, International Development Secretary, Business and Defence Secretaries and Health and Foreign Office Ministers, the first visit to Japan by Prime Minister David Cameron took place in April 2012.

The two Prime Ministers reconfirmed the importance of the strategic partnership that exists between the UK and Japan. Their Joint Statement acknowledged the challenges facing both countries and renewed their support for the UK-Japan 21<sup>st</sup> Century Group as an important forum contributing to the dialogue between the two countries.

The 29<sup>th</sup> Annual Meeting of the Group has provided an opportunity to build on the commitments expressed in the Joint Statement and to discuss the growing prospects for cooperation and collaboration in a number of fields. These include civil nuclear energy, defence cooperation, trade and investment and international development. The conference acknowledged the profound changes taking place across Asia, including the rise of China, the

intensification of Sino-Japanese relations and the increasingly important role of ASEAN. The Group also focused on the pressing challenges facing the Euro and the risks these present not only for the UK but also for Japan and the global economy.

Their Majesties the Emperor and Empress of Japan visited the UK in May to mark the Diamond Jubilee of Her Majesty Queen Elizabeth II and to convey personally their gratitude to supporters of the victims of last year's earthquake and tsunami disaster in Japan. The Emperor's visit, as one of only two monarchs who had been present at the Queen's Coronation, was of particular significance.

As the Imperial couple acknowledged, in addition to the immediate help from the British Government, British fundraising efforts, both great and small, reflected the warmth and closeness of the bilateral relationship. The Japan Society's Tohoku Earthquake Relief Fund had raised major contributions from some 1600 donors; the Daiwa Anglo-Japanese Foundation had established a Tohoku Scholarship Fund to support study in the UK by students from the Tohoku region; while throughout the UK, companies, charities, universities, schools, artists and other individuals had organised numerous events and raised funds to assist and express their solidarity with Japan.

These activities and exchanges were also a reminder of the strength and variety of UK-Japan educational and cultural links. British graduates have greatly benefited from such programmes as the JET scheme, MEXT and Daiwa Scholarships, and a variety of other bilateral grant initiatives. Among these, the British Council's recently-launched RENKEI programme has linked leading universities from the UK and Japan in a pilot scheme to expand university and industry ties in the field of science and technology.

The Group recognised the continuing importance of specialist Japanese language training in the UK as well as Japanese efforts to raise standards of English teaching at all levels in support of better communication and increased understanding.

London will be hosting the Olympic and Para-Olympic Games this summer. The Group welcomed Tokyo's bid to host the 2020 Olympics and hoped to see more delegations visiting from Japan to learn from the London experience.

## **Recommendations**

### Joint Statement by the Prime Ministers of the UK and Japan

The Group welcomed both the spirit and the substance of the Joint Statement as agreed by the two Prime Ministers in April 2012. It welcomed and encouraged the launch of the ‘Strategic Dialogue’, and for its part would seek to carry forward wider collaboration in specific areas.

### Civil Nuclear Energy

The Group agreed to work towards furthering the commitment expressed in the Joint Statement on civil nuclear cooperation in such areas as plant design and construction enhancing nuclear safety and regulation, decommissioning and clean-up. It would seek to accelerate a needs analysis on the basis of which UK and Japanese companies can offer supply and services.

### Defence Cooperation and Dialogue

The Group welcomed the planned signing by the British and Japanese Defence Ministers of a Defence Cooperation Memorandum and the identification of new areas of defence equipment and technology cooperation, including opportunities for defence procurement, building on the recent changes to arms export policy by the Government of Japan. The Group expressed the hope that by the time it next met the aspirations contained in the Prime Ministers’ Joint Statement would have become a reality. It also noted the importance of deepening the strategic dialogue between the UK and Japan on the emerging security challenges in Asia.

The Group welcomed the considerable defence exchange activities that were taking place between the UK and Japan, including visits by service chiefs, information sharing and operational briefings. The Group hoped that this good working relationship would continue and be expanded as in last year’s trilateral mine-sweeping exercise in the Gulf.

### International Development

The Group welcomed a synchronised approach by the UK and Japan to the African development agenda to be pursued in 2013 through the Fifth Tokyo International Conference on African Development (TICAD V) and the UK’s G8 presidency. It recognised that the potential for future cooperation between the UK and Japan in other parts of the world was high.

It agreed that wider engagement with the business sector in this dialogue would be valuable and hoped both governments would consider removing any barriers to practical joint working in developing countries.

The Group acknowledged that the UK and Japan were well placed to provide global leadership in the review of MDGs and other discussions.

It agreed that reducing gender inequalities is a top development priority and encouraged greater UK-Japan collaboration in implementing known measures for reducing the gap between women and men and rigorously evaluating these efforts.

#### Japan-EU Economic Partnership Agreement (EPA)

The Group encouraged further discussions on the early launch of negotiation of a Japan-EU Economic Partnership Agreement which would bring great economic benefit to both sides and help in reinforcing the global trade regime. It continued to welcome the strong support being given by the British government to this proposal.

The Group also noted the importance of the British Government's current initiatives to deepen the EU's Single Market, not only to help drive growth across the EU but also to add value to the extensive interests of Japanese investors in the UK and Europe.

#### Strategic Relationships

The Group noted the importance of regional and continental relationships in Asia and Europe and acknowledged that Japan valued UK influence in Europe, while UK participants welcomed Japanese support for the development of an effective ASEAN.

#### Financial Services Regulation

The Group recognised that financial industries in the UK and Japan have a close interest in the development of the global debate on changes in the regulatory framework for a sector whose health, success and flexibility are essential in the provision of liquidity, credit and other financial products to the business sector. They have a close interest in exchanging views and commentaries on this global debate and in the benefits that might flow from aligning their positions on these changes in Japan and the UK, in the US and in the EU.

#### Parliamentary Exchanges and Multi-layered Dialogues

The Group recognised the value of exchanges on a parliamentary level and would like to see an expansion of such activities along with further multi-layered dialogues that reflect our common interests and regional involvements in Asia and Europe.

#### Educational Exchanges

The Group expressed its support for bilateral scholarship programmes and other initiatives that allow for direct interaction between students and young professionals from both countries. It recognised the importance of such cultural immersion experiences and

recommended that a scoping study be carried out to identify the scale of existing activity and the potential for future expansion.

The Group hoped that the efforts being made to raise standards of English language teaching in Japan would continue and that funding for programmes such as the JET scheme would be maintained.

Any visa problems encountered by Japanese students seeking to study in the UK should be monitored and kept under review by both governments.

### Japanese Language and Area Studies

The Group expressed concern at the impact that the rise in university tuition fees might have on recruitment for Japanese Studies courses in the UK. It recognised the continuing importance to the national interest of specialist language training in Japanese.

Given the fast-moving situation in Asia, the Group supported continued investment in analytical skills and encouraged universities, think tanks and other research bodies to engage with Asia in order to provide a sound basis for policy formulation.

### 30<sup>th</sup> Annual Meeting of the UK-Japan 21<sup>st</sup> Century Group

The Group looks forward to holding the next meeting of the UK-Japan 21<sup>st</sup> Century Group in the UK in May 2013. It is seeking ways to commemorate the Group's achievements and to set the course for the future. The involvement of young professionals from the UK and Japan in this process would be desirable and, in this connection, the potential for a meeting of Japanese and UK youth alongside the 2013 conference will be explored.

Further, the Group noted that Climate Change and Sustainability issues ran through our discussions and would benefit from a specific session on the agenda in 2013 which addressed both policy issues and the sharing of scientific and technical skills.