A great deal has changed since this statement was made 25 years ago. The 21st Century Group—then known as the 20th Century Group—was originally established out of a desire on the part of leaders in the United Kingdom and Japan to deepen mutual understanding and to promote cooperation. With an eye toward the new century, the goal was to create a new kind of relationship. Looking back on all that we have accomplished over the years it is no exaggeration to say that this Group has been a resounding success. We have accomplished what we set out to do, and more.

As Prime Minister Aso said, relations between the United Kingdom and Japan are very good. Almost all of the nagging bilateral issues that caused friction between us initially are gone. We no longer talk about contentious trade disputes. Instead, we debate our shared responsibilities, challenges, and opportunities. UK-Japan relations are now viewed in a wider, global context and the Group is increasingly focused on finding ways for our two nations to cooperate on issues of mutual interest beyond our borders. It seems as though no issue is left untouched. In recent years we have discussed security, energy, the environment, trade, education, development and human migration.

It is also worth noting that the formal, at times uncomfortable, atmosphere of the initial meetings has been replaced by a casual atmosphere in which we are able to discuss the issues with remarkable candour. Deepening friendship and understanding of each other has facilitated greater give-and-take.

Although there is much that remains very different about our two nations, we also have a great deal in common. We are both advanced industrial democracies. Our common values have facilitated cooperation on a very broad agenda. We both are island nations that share alliances with the most powerful nation on earth. Our relations with the United States have had a significant impact on our relations with the rest of the world. This was particularly true during the Cold War, but also since. For instance, both of our countries faced very difficult choices in the aftermath of 9/11 and over how we would respond to the Iraq War.

In 1985, there were very few links between our two countries outside of government. Our impressions of each other were based largely on media reports that told a story of a nascent industrial superpower—Japan—and a former superpower—the United Kingdom—struggling with numerous economic and social problems. However, bilateral exchange and various cultural festivals have seen mutual
understanding blossom. Thanks in large part to the work of this group, nowadays we are just as likely to talk about the role of civil society in UK-Japan ties as about government-to-government relations.

The world is in the midst of a remarkable—and rapid—transformation. The global balance of power is shifting. Power is more widely spread. The role of Asia is ever more important. In the years ahead, the Group must tackle these new and emerging challenges. In particular, we must explore ways that our two countries can serve as bridges between our respective continents and work to deepen ties between Europe and Asia. We must cooperate with the rest of the world in reforming global governance, tackling non-traditional security threats, improving energy efficiency and energy security, and addressing climate change. Both domestically and internationally we must work with NGOs to tackle 21st century social and developmental challenges.

Although UK-Japan relations have made substantial progress over the last twenty-five years, it is clear that there is still much more work for us to do.

Chairmen’s Summary

The 25th Annual Meeting of the UK-Japan 21st Century Group was held in Tokyo and Odawara from 20 – 22 February 2009. The meeting was chaired by Hon. Yasuhisa Shiozaki, Japanese Co-Chairman, and Rt Hon Lord Cunningham of Felling, UK Co-Chairman.

The British delegation, accompanied by Mr Shiozaki, called on Prime Minister Taro Aso on 20 February. The Prime Minister congratulated the 21st Century Group on its 25th anniversary and said he was counting on the Group to produce new ideas akin to those it had in the past, such as the JET scheme and Working Holiday programme. He also hoped the Group would discuss the global financial crisis, as the UK and Japan were working together closely in the run up to the April G20 Summit in London.

The British Co-Chairman, Lord Cunningham, gave a letter to Mr Aso from Prime Minister Gordon Brown. In it, Mr Brown expressed his full support for the Group’s work. The two countries should work together to counter the threat of protectionism, promote the reform of international financial institutions and advance a low carbon growth path towards global economic recovery. He hoped that Japan would continue to see the UK as an excellent place to invest and do business. In this context, Lord Cunningham underlined the opportunities for the two countries to work together to develop low carbon projects in fields such as aerospace, transport and vehicles. He also congratulated Japan on its record loan to the IMF. Prime Minister Aso replied that the global economic crisis was serious but it also provided new opportunities. He agreed that pursuit of a low carbon path would allow deeper bilateral cooperation on new technologies.

Lord Cunningham said that the meeting should cover the same themes as the London and Copenhagen meetings and produce advance policy recommendations. He congratulated Mr Aso on being the first foreign leader invited to meet President Obama and said the UK remained supportive of Japan’s permanent membership on the UN Security Council. Mr Aso said it was significant that the US Secretary of State
had chosen Asia as her first overseas destination. He also noted President Obama’s strong personal interest in countering global warming.

Session 1: Latest developments in Japan and East Asia

The traditional power base of the LDP and bureaucracy was weakening. Some felt Japanese politics stood at a crossroads and it was possible that a major change in governance would facilitate reform. The global economic crisis was having a devastating effect on unemployment in Japan. There were signs that some believed that the crisis had validated those who advocate state-led capitalism.

It was noted that the global economic crisis was having a major impact on East Asia, which made future circumstances in China and the Koreas more uncertain. If the US and Europe moved toward protectionism, China would do the same. The result would be a vicious circle. There was talk of the importance of deepening trilateral relations between the US, Japan and China. Japan’s future would increasingly rest with East Asia as its need for labour grew and intraregional trade and investment increased. Russia’s recent overtures toward Japan were seen as reflecting its need for funds and its desire to counterbalance China.

The Group discussed the current state of UK-Japan relations. Japan continued to be interested in the UK as a political model. The two countries had many shared objectives internationally. There were calls for a multi-layered response to the financial crisis that encompassed global, regional and bilateral elements.

Session 2: Latest developments in the UK and Europe

Discussion about affairs in the UK and Europe was dominated by talk of the global financial crisis. While the crisis had increased the likelihood that the Lisbon treaty would be ratified, it was also strengthening protectionism. The impact of the crisis varied. For example, Eastern Europe was being hit particularly hard. The Eurozone would come under heavy strain because of contradictions between monetary and fiscal policy but would ultimately hold together. The Euro would remain an attractive alternative to the dollar. Bank nationalisations were likely. The German and UK elections would be significant and opposition parties were likely to fare well. There would be calls for increasing the role of the state and some schadenfreude on the Continent about the perceived failure of the Anglo-Saxon market-oriented model. Similar sentiment had emerged in other parts of the world, including Japan.

There were concerns about the possible social consequences of the crisis, including protectionism, youth unemployment, anti-immigrant sentiment, and widening regional income disparities. The UK needed to invest in infrastructure and vocational skills. There was a possible risk of future high inflation. There were some worries about UK bond issuance, but participants were confident that the UK’s current account balance would improve due to the fall of the sterling and increasing household savings.
Session 3: The implications of the election of a new US President for global governance.

There were questions about how much change the Obama administration would actually be able to bring to US politics and foreign policy. The US would move away from unilaterialism and toward multilateralism. The US would remain pre- eminent but less dominant. Mr. Obama’s success would depend on support from US allies. His administration would pursue comprehensive negotiations with North Korea and Iran.

The advent of the Obama administration provided new opportunities for deeper cooperation between the UK and Japan. The UK could provide useful lessons to Japan on peacekeeping and civilian/military relations. The two countries would need to decide how to respond to US pressure to provide greater military support internationally, e.g. in Afghanistan. They shared a common interest in supporting an open, rules-based global system and countering possible US protectionism. The UK and Japan could take advantage of the new US administration’s interest in nuclear disarmament and encourage it to ratify the Comprehensive Test Ban Treaty.

There were differences between the UK and Japanese approaches to reforming international institutions. The UK sought the inclusion of China, India and others in existing groupings, while Japan wanted to retain a core grouping of like-minded major democracies as in the G7, with the possible addition of South Korea. The UK government had not stated whether the G20 should be institutionalised but noted that a successful London G20 Summit would bode well for the next G8 Summit and the Copenhagen climate change conference.

Recommendations

(1) The UK and Japan should engage in consultations over how best to respond to protectionism in the United States and other major economies.

(2) The UK and Japan should work together to encourage the US to ratify the Comprehensive Test Ban Treaty.

(3) The UK and Japan should explore opportunities to work with the US trilaterally to promote developmental aid in a manner that takes advantage of each nation’s particular strengths and experiences.

(4) As close allies of the US, the UK and Japan should explore possibilities for greater bilateral cooperation on security issues, e.g. PKOs.

Session 4: Dealing with the global financial and economic crisis

The impact of the global financial and economic crisis varied by country. In Japan, the crisis was more economic than financial in nature. Overseas demand for Asian exports had evaporated. In the Eurozone the mismatch between shared monetary policy and disparate national fiscal policies had caused problems.

Future monetary policy needed to take into account changes in the prices of various assets. In order to do so effectively, measures to improve the regulation of global financial markets would be necessary. It would be important to involve emerging countries in this process. While more stringent regulations were necessary it was also important to avoid overregulation and financial protectionism. Risk management
needed to be improved and new compensation methods needed to be introduced. Banks had to recognise that the status quo was unacceptable politically and that they needed to work to regain consumer trust.

The balance sheets of Japanese banks were now much healthier than those in the US and Europe. Japan’s experience during its past financial crisis showed that it would be politically difficult to move away from a policy of low interest rates and quantitative easing. Japan’s ageing population complicated government efforts to increase demand as older people had a tendency to hoard their savings. It would be easier to stimulate growth in developing countries.

Countries needed to reach a consensus over what actions should be taken to tackle the crisis. It was also important that they agree that protectionism must be avoided. Although swift action was needed, the possibility that actions now could have dangerous medium- to long-term consequences was having a dilatory effect.

UK institutions that had portfolio investment in Japan welcomed METI’s steps to review corporate governance practices in Japan. However, there were calls for more independent outside directors and greater transparency.

Recommendations
(1) The UK should learn from Japan’s experience during its financial crisis. The UK should pay particular attention to the political problems that complicated Japan’s bank bailouts.

Session 5: Common challenges of energy and the environment.

The Group listened to presentations on Japan and the UK’s respective national plans to reduce carbon emissions. Japan’s central government planned to work with local governments to reduce emissions from private houses and offices. In the UK, the 2008 Climate Change Act required emission reductions by law. Trials were underway beneath the North Sea for carbon capture and storage that would enable the decarbonisation of electricity production. A key difference between the approaches was that the UK was using legislation while Japan was employing voluntary measures.

One goal of the plans was to stabilise emissions at 10% of current global levels. This required that countries begin to reduce emissions levels by 2020 and continue steady reductions for the following 50 years. Key countries in this effort were the US, China, the EU, Russia, Japan, India and members of the OECD. Together, these countries accounted for over 70% of global emissions. US-China cooperation was crucial. The Obama administration’s “green new deal” marked a major positive shift in US policy.

Joint low-carbon projects existed between the UK and Japan. Following an earlier recommendation by the Group, Rolls Royce and NIMS had initiated a joint project. Sharp and Yamaha also had projects in the UK. Further opportunities for cooperation existed in marine current generation, open rotor aero engines, high temperature materials, air travel, power generation, land transportation, and building construction.
There was strong support for expanding the use of nuclear energy. Unlike the UK, Japan had never stopped developing its nuclear industry. There were opportunities for UK-Japan energy collaboration with regard to nuclear know-how, fuel cycle development, security of nuclear supplies, carbon capture and storage, geothermal energy and electric and hybrid vehicles. It was important that the UK and Japan work together to make the Copenhagen conference a success. In addition to bilateral cooperation, both countries should do more to help third world countries achieve a low-carbon future. In addition to working closely with China, Japan had also funded a solar panel project in Mozambique. Meanwhile, the UK was considering helping India ready its power plants for carbon capture and storage.

There were fears that the current global financial and economic crisis would threaten the progress that had already been made reducing carbon emissions. Investment in green energy projects was on the decline and the low price of oil had made alternative energy sources less attractive. Both the UK and Japan needed to adopt more proactive measures to maintain public support for these efforts.

Recommendations

1. The UK and Japan should explore opportunities to jointly implement low-carbon growth strategies. For example, there could be opportunities for joint projects in implementing the UK’s 2008 Climate Change Act.
2. With government support, the UK and Japan should consider setting up joint environmental working groups to identify and explore potential low carbon technology solutions in fields such as air travel, power generation (e.g. marine current generation), and land transportation.
3. The UK and Japan should consider setting up a joint project to establish detailed guidelines that explain how to achieve a low-carbon built environment. These would include recommendations for how to integrate the latest designs and advanced technologies to improve energy efficiency and reduce emissions.
4. The UK and Japan should work together closely to ensure the success of COP15 in Copenhagen.
5. The UK and Japan should consider establishing working groups on geothermal energy and carbon capture and storage.
6. The UK and Japan should consider establishing a business development working group to pilot the wider introduction of electric and hybrid vehicles into the UK.
7. The UK and Japan should work together to enhance the security and supply of nuclear components and services and to share information on recycling.

Concluding remarks

The Group reiterated the significance of having successfully reached its 25th anniversary. The Group’s work was gaining momentum, which was reflected in the growing number of recommendations for further bilateral cooperation. The Group noted the important role that it had played in fostering Japanese studies in the UK and urged both governments to increase funding for further postgraduate training and research.