



21st Century Group

UK-Japan 21st Century Group 37th Annual Conference, 2020
held online

Chairmen's Summary

The 37th Annual meeting of the UK-Japan 21st Century Group was held online on 11-12 September. The meeting was chaired by Mr Yasuhisa Shiozaki, Japanese Co-Chairman, and the Rt Hon Lord Lansley, UK Co-Chairman.

The 20 Japanese and 19 British participants included parliamentarians and senior representatives from business, the media, academia, think tanks and the diplomatic service from both countries.

Due to the COVID-19 pandemic and its effects on travel in both countries, plans to hold the 2020 conference in Japan had to be postponed. However, both sides considered it important that a way should be found for the dialogue to continue in the meantime so that the Group's constructive input to UK/Japan policy should remain relevant. A shortened online conference was therefore held.

Conference sessions

In their opening remarks, the Co-Chairmen spoke of the strength of UK-Japan relations which had helped contribute to the implementation of several of last year's recommendations. The Group's sponsors, both Foreign Ministries and respective Ambassadors had continued to provide valuable support throughout the year.

They welcomed the fact that, immediately prior to the start of the conference, the UK and Japan had reached an agreement in principle on a UK /Japan Comprehensive Economic Partnership Agreement, which – as the Group had recommended last year – sought to go beyond the scope of the EU/Japan agreement. The UK had also informally started dialogue with CPTPP members.

This year was, without doubt, unusual. The Japanese political leadership was about to change. Prime Minister Abe had been a strong supporter of the 21st Century Group. In the UK, the Conservative Party's election victory in December had brought the UK closer to exit from the EU, and a global UK role potentially closer to Asia and the Pacific.

The international responses to COVID-19 had varied depending on preparedness, resilience and flexibility resulting partly from experience of earlier diseases. But these challenges provided opportunities to take forward the bilateral relationship and to coordinate more closely globally on issues such as health, trade and the economy.

The UK-Japan 21st Century Group remained committed to providing an independent, forward-looking perspective on the bilateral relationship and the role of both countries in the world.

Session 1: Latest Developments in Japanese Politics and the Economy

The Group considered recent developments in Japan. Prime Minister Abe had announced in late August that he was standing down. The most likely of the three candidates to succeed him was Chief Cabinet Secretary Suga.

There were two likely scenarios following election of the new LDP leader: a snap general election in October; or a decision to wait until September 2021 when the LDP presidential term ends. The former looked the more likely given the expected high approval ratings at the start of the new government and the likelihood these would fall over time; lack of readiness in the Opposition despite the majority of the two main Opposition parties joining forces this week; and the imminence of the US election which means 2021 would be a busy diplomatic year ahead. An early election would also strengthen the new incumbent who could suffer slightly from giving less weight to LDP party members in choosing Abe's successor.

Attention would also focus on the future Cabinet - the most important position in which would be the next Chief Cabinet Secretary. It is possible that the new leader will maintain the current Cabinet structure and carry out a major reshuffle immediately after an early election or, if no snap election, at some time next year.

Foreign and economic policy, support for the US/Japan security alliance, and security cooperation with others are likely to continue as before. Support for the Bank of Japan's loose monetary policy is also likely to continue. Whilst commitment to constitutional reform was likely to remain, it was possible that in an early election, the LDP could lose the two thirds majority it needed to pursue it.

Two areas of economic focus were likely to be support for the digital transformation and stimulating SMEs: there have been hints of a new agency responsible for digital development; and legislation could be introduced making it easier to consolidate SMEs.

Group members noted that a significant difference now compared with 2008 was the healthier situation of financial institutions. Larger companies had recognised that without robust investment, including in new technologies, they would be less successful. For the future, two risk factors remained: continuing robustness of the financial institutions; and changes to people's behaviour and to Japan's economic structures.

Session 2: Latest Developments in UK Politics and the Economy

The Group discussed political developments in the UK. At the start of the year, the Government, with a large majority, looked forward to a period of relative stability. Instead British politics was facing its most uncertain period for many years.

The UK Government faced several distinctive challenges. The first – Covid-19 and resulting damage to the economy - was the most dramatic, though it was faced by other major economies. With the easing of lockdown measures and the rolling back of support to industry, we were beginning to see a fall in GDP; a likely rise in unemployment; and increased public borrowing. The Government's next major decision would be when and how to control spending.

Secondly, Brexit and the UK's relations with the EU and the rest of the world: The Government's announcement that it would take powers to dis-apply aspects of the agreement reached with the EU in 2019, potentially changing the nature of the protocol on trade between the EU, Great Britain and Northern Ireland, threatened the prospects for a trade deal with the EU when the transition arrangements ended in December, and was potentially detrimental to the UK more broadly.

Thirdly, the future of the union of the UK: Opinion polls suggest that the SNP, if they win the election in May 2021, would press for a new referendum on independence. Despite the Westminster government's refusal, pressure would therefore increase in the next 2 years.

Group members discussed the causes of uncertainty in UK policy. These appeared to be linked to uncertainty over future UK/EU relations; future trading arrangements with others such as the US; Britain's global role; and how the UK in 5 years' time might differ from the UK today.

The Group noted a changed approach towards the civil service and government decision making, with the Government seeking to concentrate power in 10 Downing Street. Despite its relatively powerful position, some noted contradictions in its domestic and foreign policy. On Scotland, Group members perceived a difference in values between Westminster and Edinburgh, which was partly reflected in the different approaches on health issues.

Finally, the Group noted that the opposition Labour Party remained behind in the opinion polls despite significant changes within the party.

Session 3: The World Order After the Pandemic

The Group considered the problems facing the international community, their causes and how the UK and Japan can contribute to tackling them through better coordination.

With the international environment less stable or predictable, we have seen examples of governments less inclined to act as expected, and more inclined to challenge the existing order. Disparity has been blamed on globalisation, and the rule of law has, at

times, been followed selectively by certain countries. National borders have also been challenged. There are several causes, including gradual US disengagement from the international role they have played hitherto; China's ambition to be a significant world power; Russia's determination to remain a military power; and lack of sufficient engagement by powers such as Japan and the UK (which in turn has contributed to US disengagement). The 2020 pandemic has exposed some of the existing vulnerabilities and the uncertainties ahead.

The way ahead is likely to require collective action from a number of players: a new order under US leadership; engaging with China; and support from powers such as Japan and the UK both of whom share free trade and democratic principles and have close relations with the US. It will be important to demonstrate to an incoming US administration the potential value of UK/Japan support and cooperation on a wide range of issues.

Whilst acknowledging the appeal of nationalism domestically, it remains important to protect democratic values and to identify, and collaborate on, tackling the challenges each country faces on issues such as migration.

The Group focussed on a variety of challenges, including growing Chinese involvement in e-commerce which, if combined with an e-currency backed by a central bank potentially posed a threat to the existing financial system; the transactional nature of US trade policy; and the potential for regional trade agreements under a WTO structure.

In considering areas for bilateral coordination, climate change and health were discussed. It was important to be clear about our common strategic interests. The UK and Japan would benefit from working together in building a strong alliance for action in the lead-up to COP26.

Group members also discussed digital development and data management including in the health sector. These were also potential areas for future UK/Japan coordination and leadership in setting global standards.

The Group noted the importance of reinforcing the international rules-based system while recognising that the UK and Japan could achieve more through like-minded networks including others such as the US. It was important also to convince our own citizens of the importance of the UK/Japan relationship.

Session 4: The Prospects for Trade and Investment Following the Pandemic

The Group considered developments in the UK and Japan. In the UK it was still unclear what sort of future trading arrangements would be in place with the EU. The pandemic made the situation more complicated and highlighted issues of sophisticated manufacturing supply chains. Although it seemed unlikely there would be sudden shifts in manufacturing, in the longer term restructuring was more likely.

A "no deal" outcome would have significant implications as compared to the limited free trade agreement still possible between the UK and EU. Without a deal, tariffs

would be reintroduced in agriculture and automotive sectors, there would be increased logistical challenges on managing the border, and an impact on the wider relationship including on financial services equivalence and security. Potentially, “no deal” could also affect the union of the UK.

The UK/Japan agreement was welcome and an important achievement, though its expected contribution to GDP growth was small compared to the reduction in growth from leaving the EU (0.07% against 5%). Group members saw it as a significant achievement, and a basis for developing the partnership in other areas. They believed the UK Government needed to put in place practical structures to support British business and maintain inward investment. Some noted the importance of building capacity to negotiate further agreements, and of explaining to domestic audiences the benefits and trade-offs required. The agreement was expected to pass the Japanese Diet by the end of the year in time for implementation at the start of 2021 though the precise timetable could be affected by the change in political leadership.

In Japan, the pandemic had put many businesses in defensive mode. Larger organisations which had initially adopted remote working had since largely returned to the workplace. SMEs had used remote working much less. The pandemic’s impact on supply chains implied that more traditional businesses might have to concentrate their activity more selectively, and/or restructure their workforce. Innovation was difficult without face-to-face contact.

There was discussion of the UK’s regulatory stance, particularly in the life science sector where the UK needed to decide which regulatory path to follow as it diverged from the EU. There was an opportunity, with like-minded countries, for the UK and Japan to use their influence to work towards a more international regulatory system involving mutual recognition with the EU.

Session 5: Building Capacity and Confidence in Global Governance

The Group examined issues of global health governance on COVID-19, in particular accelerated access to vaccines; and trust in national and international institutions. In the pandemic, tools had been developed for accelerated access to diagnostics, therapeutics, vaccines and health systems. On vaccines, there was potential for collaboration by so-called “middle powers” such as the UK and Japan given the lack of US engagement and China’s politicisation of vaccine supply. Whereas traditionally health needs in developing countries have been the principal focus, developed country needs now had to be taken into account too. There was an opportunity for the UK and Japan to take a lead in developing new rules and structures.

A review of trust in national and international institutions amongst domestic populations showed a low level of confidence in the UK and Japanese governments, and international institutions. The driving force for this appeared to be a growing sense of inequity - not simply economic inequality but also the lack of a fair voice. Younger people showed slightly more confidence in international institutions, and more broadly, the younger generation were more positive about the comparative attractiveness of the UK and Japan internationally. This suggested there was scope

for the UK and Japan to work more closely together in international and regional fora, and to consider how best to harness the potential interest of the younger generation in both countries.

In the UK, whilst there had traditionally been a debate about US or EU spheres of influence, it was increasingly apparent that an emerging group of middle power countries could be influential on issues of democracy, the rule of law and global institutions.

Following on from the previous session, members noted the difficulties of vaccine distribution. There were concerns about the politically motivated race for vaccines when international collaboration was required. This contrasted with constructive collaboration amongst the medical community, and could partly be the result of an absence of leadership from the US. Vaccine distribution was particularly important in low-income vulnerable countries where climate and other factors made supply difficult.

Group members considered ways for the UK and Japan – with other like-minded countries – to contribute to restoring trust in global institutions such as the United Nations and regional bodies, and to fill the gap vacated by the major powers in supporting vulnerable countries and counteract the digital influence of China.

Chairmen’s Summary Dialogue

Since the UK Japan 21st Century Group’s last conference in Canterbury in September 2019, visits and exchanges have been affected by the continuing COVID-19 pandemic. There has, nevertheless, been ongoing contact at official and non-official level, including negotiations in pursuit of a UK-Japan Economic Partnership Agreement.

Exchanges since the last conference have included the following:

- Visit by International Trade Secretary Truss to Tokyo (September 2019)
- Visit by Parliamentary Under Secretary of State Heather Wheeler to Tokyo (October 2019)
- Telephone call between Prime Ministers Johnson and Abe (December 2019)
- UK-Japan counter-terrorism dialogue (December 2019)
- UK-Japan Cyber dialogue (January 2020)
- Visit by Foreign Secretary Raab to Tokyo (February 2020)
- Telephone call between Prime Ministers Johnson and Abe (March 2020)
- Telephone call between Foreign Minister Motegi and International Development Secretary Trevelyan (April 2020)
- Telephone call between Foreign Ministers Motegi and Raab (May 2020)
- Telephone call between Minister of State Nigel Adams and State Minister Wakamiya (May 2020)
- Telephone call between Foreign Ministers Motegi and Raab (June 2020)
- Telephone call between Foreign Minister Motegi and International Trade Secretary Truss (June 2020)
- Visit by Foreign Minister Motegi to London (August 2020)

Telephone call between Minister of State Nigel Adams and State Minister Wakamiya (September 2020)

Telephone call between Prime Ministers Johnson and Abe (September 2020)

A number of the recommendations made at the Group's 2019 conference have been taken forward in the areas of trade and investment, including agreement in principle on a UK/Japan bilateral Economic Partnership Agreement, and cooperation and engagement on the international trading agenda.

On energy security and sustainability, the two governments have signed a memorandum of cooperation on clean energy innovation, and continue to work together on technology, business and regulation in the energy sector. The UK/Japan civil nuclear dialogue, and cooperation on hydrogen, offshore wind and clean energy are important parts of this.

On defence and security, there is a strong and deepening relationship based on shared values and common strategic interest. There are continuing prospects for joint research, development and production of defence equipment, technical exchange and industry collaboration. The first joint ground force exercises took place in October 2019, and ship visits are continuing.

The Group's recommendations on health cooperation are in line with both government's work on health and social care, and both Japan and the UK will continue to look for ways to collaborate further.

UK-Japan 21st Century Group 37th Annual Conference: Recommendations

The following recommendations emerged from discussions of the UK-Japan 21st Century Group in 2020.

- Considering the breadth of UK/Japan cooperation, the Group recommends continued Prime Ministerial leadership to a top-down approach on the identification of common strategic interests, policy coordination, and encouragement of private sector and other exchanges.
- In this regard, the Group would welcome regular cross-government exchange between the UK and Japan to help facilitate cooperation on issues such as data regulation and governance, migration, collaborative working in international institutions, and the harmonisation of international regulatory standards.
- In view of the potential for the UK and Japanese Governments to take strategic initiatives across a range of major issues, as evidenced by the agreements between Prime Ministers May and Abe in 2019, we suggest that the two Governments consider a Government-to-Government online summit in 2021 involving a range of bilateral discussions between Ministers on key issues, and a plenary discussion led by the two Prime Ministers.

International Affairs

- Disengagement and/or selective application of international norms by some of the major powers, suggests the UK and Japan should cooperate more closely in developing a network of like-minded “middle powers” in international institutions.
- The Group would similarly welcome the involvement of UK and Japanese non-governmental organisations in track 2 diplomacy to encourage responsible engagement by the major powers.
- Welcoming the UK’s increasing commitment to the Indo-Pacific region including the UK’s accreditation of an ambassador to ASEAN, the Group believes UK/Japan coordination would benefit from the UK having observer status at APEC. The Group further believes that closer UK/Japan cooperation in ASEM would be of value.
- Both the UK and Japan would benefit from close cooperation in preparation for COP26 in Glasgow in 2021. The Group hopes both governments will support this with the goal of achieving a zero-carbon society.
- There is also scope for the UK and Japan to work more closely in multilateral and regional organisations with like-minded powers. In this respect the Group would welcome closer cooperation under the umbrella of TICAD and the UK/Africa Investment Conference to develop and promote governance structures in Africa, and to support healthcare systems in the light of the Covid-19 pandemic.

- The launch of the UN's decade of action to deliver the UN Sustainable Development Goals requires committed action at global, local and individual level. With Japan's longstanding support for the SDGs and the creation of the UK's newly combined Foreign Commonwealth and Development Office, the UK and Japan are well placed to take a leading role in this.

Trade and Investment

- The Group welcomes the agreement in principle, on a Comprehensive Economic Partnership Agreement between the UK and Japan which goes beyond the scope of the EU/Japan agreement and represents an important milestone in the UK's future trading arrangements. We encourage both Governments to see this Agreement as leading to further trading agreements in the future.
- It will be important for the UK to ensure it has in place structures and practical support to help British companies do business in Japan, and to maintain successful investment in the UK.
- In parallel, our governments need to engage with domestic stakeholders including, business, civil society and the electorate to help understand the positive elements of this and future trade agreements as well as areas where more work remains to be done.
- The Group encourages the UK government to conclude a UK-EU FTA agreement as soon as practicable in order to ensure continuity of trade.
- As part of the process of encouraging greater engagement by the US in international institutions, the UK and Japan should work to develop constructive ideas for a speedier, simpler and more effective disputes resolution mechanism in the WTO.
- The Group welcomes the UK Government's opening of a dialogue with CPTPP members with a view to future participation, and believes the UK and Japan could draw on their respective development experience to promote other regional trading structures within the framework of the WTO.

Defence and Security

- The Group welcomes the continued close cooperation between the UK and Japan on defence and security issues and reiterates its recommendations from 2019 on regular exchanges, collaboration on defence and security projects maintaining the work on joint exercises, as well as the development and production of defence equipment, joint research and sharing of best practice.
- The Group sees value in considering the further involvement of Japan in the "Five Eyes" security structure and encourages both governments to support this.

- The Group reiterates its concern expressed in 2019 at the fragility of democratic institutions and the threats to the principles of liberal and progressive societies in both developed and developing countries, as well as the efforts by authoritarian regimes to undermine such principles both within their own societies and overseas.
- The UK and Japan should be forthright in their support of democratic values, and should explore options for using public institutions (such as the British Council and the Japan Foundation) to bolster and protect such values at home and abroad.

Health Cooperation

- The UK and Japan’s joint work on global health has been invaluable in promoting health cooperation worldwide, including on the G20 agenda. The Group supports continuing investment in life sciences and medicine, and close bilateral cooperation given our respective experience during the 2020 global pandemic.
- Both countries are committed to the accelerated delivery of vaccines at home and overseas. UK/Japan cooperation will be of considerable value in helping ensure that supply and delivery chains overseas are maintained, and cross-border delays minimised, especially at the point of delivery.
- Similarly, joint work will be of considerable benefit in providing information, data management and reporting on potential side-effects, particularly in developing and vulnerable countries.
- The Group encourages both governments to use their expertise and influence to promote inclusive international regulatory standards, particularly in the areas of pharmaceuticals and medical devices.

People to people links

- In line with its recommendation last year to enhance the exchange of young people between the UK and Japan, the Group would like to see more people from both countries involved in parliamentary internships perhaps facilitated by the JET scheme, as a way of achieving a better understanding of the respective parliamentary systems.
- Both governments could also explore opportunities to strengthen bilateral voluntary cooperation, especially between young people in Japan and the UK, in areas such as education, sustainable development, and environmental protection. In doing this, they could draw on the resources and experience of organisations such as VSO and comparable bodies in Japan.
- The Group sees value in promoting organisations such as the Model UN in both the UK and Japan, as a means of encouraging young people’s better understanding of, and interest in, international affairs and global institutions.

Parliamentary exchange

- At its 36th Conference the Group recognised the value of parliamentary exchanges on trade and investment. In 2020 such exchanges have become even more relevant on this and issues such as health research and cooperation, digital development, climate change and migration.

Migration

- Building on its earlier recommendations, the Group believes the UK and Japan should continue to promote work on international labour mobility to support managed migration of workers rather than unmanageable flows of economic migrants.