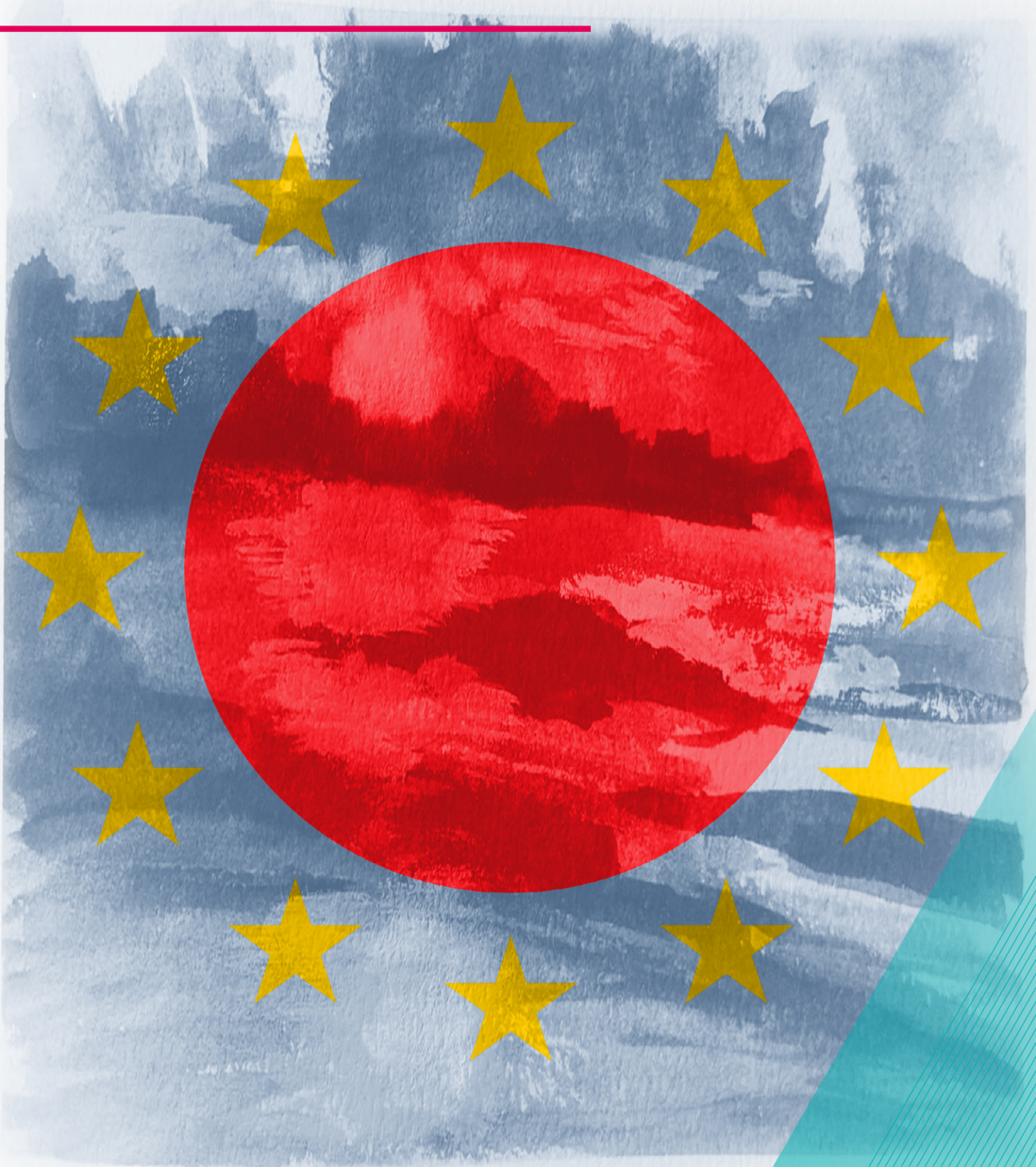


Japan-EU relationship:

Recommendation on SPA





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Abbreviations

ACSA	Acquisition and Cross Servicing Agreement
AFP	Arc of Freedom and Prosperity
AI	Artificial Intelligence
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
ASEM	Asia-Europe Meeting
BRI	Belt and Road Initiative
CAFTA	Central America Free Trade Agreement
CEPEA	Comprehensive Economic Partnership in East Asia
CLMV	Cambodia, Laos, Myanmar, Vietnam
COVID19	Coronavirus Disease 2019
CSDP	Common Security and Defence Policy
DFFT	Data Free Flow with Trust
DG CONNECT	Directorate-General for Communications Networks, Content and Technology
DG DEVCO	Directorate-General for International Cooperation and Development
DPJ	Democratic Party of Japan
E3 (group)	France, Germany and the UK
EC	European Community / European Communities
EEAS	EU External Action Service
EEC	European Economic Community
EEGI	European Electricity Grid Initiative
EIB	European Investment Bank
EJARN	European-Japan Advanced Research Network
EPA	Economic Partnership Agreement
EPC	European Political Cooperation
EPCO	Electric Power Company
EU	European Union
EUCAP Sahel in Niger	European Union Capacity Building Mission in Niger

FCCJ	Fuel Cell Commercialization Conference of Japan
FDI	Foreign Direct Investment
FIT	Feed-in-Tariff
FOIP	Free and Open Indo-Pacific
FPA	Framework Partnership Agreement
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
FTAAP	Free Trade Area of the Asia-Pacific
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GHG	Green House Gas
HR/VP	High Representative of the Union for Foreign Affairs and Security Policy
ICT	Information and Communication Technology
IISS	International Institute for Strategic Studies
ISR	Intelligence, Surveillance and Reconnaissance
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
JMSDF	Japan Maritime Self Defense Force
KAS	Konrad Adenauer Foundation / Konrad-Adenauer-Stiftung
MDA	Maritime Domain Awareness
MERCOSUR	Mercado Común del Sur
METI	Ministry of Economy, Trade and Industry
MFN	Most-Favoured Nation
MOFA	Ministry of Foreign Affairs
MOU	Memorandum of Understanding
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NDPG	National Defense Program Guidelines
NSS	National Security Secretariat
OCCTO	Organization for Cross-regional Coordination of Transmission Operators
OCRE	Open and Connected Ring around Europe

ODA	Official Development Assistance
PCA	Permanent Court of Arbitration
PV	Photo Voltaic
QRs	Quantitative Restrictions
Quad	Quadrilateral Security Dialogue
RCEP	Regional Comprehensive Economic Partnership
SDF / JSDF	Japan Self Defense Force
SDGs	Sustainable Development Goals
SPA	Strategic Partnership Agreement
TPP	Trans Pacific Partnership Agreement
TRQ	Tariff-Rated Quota
TTIP	Transatlantic Trade and Investment Partnership
UN	United Nations
UNSC	United Nations Security Council
USJ	United States-Japan Trade Agreement
USMCA	United States–Mexico–Canada Agreement
WHO	World Health Organization
WTO	World Trade Organization
5G	Fifth-generation mobile communications system

Introduction

Axel BERKOFISKY, Rabea BRAUER, Paul MIDFORD and Marie SÖDERBERG

The **Konrad Adenauer Foundation (KAS)** in Tokyo and the **European Japan Advanced Research Network (EJARN)** look back with satisfaction on many years of cooperation organizing conferences and seminars on EU-Japan relations. The most recent joint conference on EU-Japan relations titled *The EU and Japan – Really Getting Things Done* took place in Tokyo on November 8, 2019. This one-day conference invited European and Japanese scholars and policymakers to present their respective work and research on EU-Japan political-security relations and cooperation, and EU-Japan trade and investment relations (for further details see the enclosed agenda).

More than any other political foundation in Germany, the Konrad Adenauer Foundation stands for a strong, united European Union. It is our mandate to foster ties through our work abroad with value partners and like minds states such as Japan. KAS looks back at a decade of successful engagement in Japan. KAS has become an important bridge for German and Japanese politicians and lawmakers to meet and discuss mutually important issues ranging from security to investment and trade to social development. But with the EU affairs at our hearts, we are thankful for networks like EJARN to support our involvement in the growing ties between Japan and the EU. Over the years, our conferences served as stock taking instance of the institutionalized relations. Since there is still room for growth, we intend to continue our engagement with EU institutions, political and government institutions in Japan to push for even closer ties between the two obvious allies.

The implementation of the **EU-Japan Economic Partnership Agreement (EPA)** from February 2019 provided the basis for the conference discussion concerning trade and economic issues. The EPA, being the largest free trade agreement ever concluded, is of course very important, especially at present when some other countries instead have turned more towards protectionism. Moreover, the EPA provides predictability, transparency, and a roadmap for the development of EU-Japan trade and investment ties in the years to come. Regarding the EU-Japan Strategic Partnership Agreement (SPA), which was concluded in tandem with the EPA, and is now under provisional

implementation, the picture is much more vague. While the EU and Japan have defined the priorities areas, i.e. the areas Brussels and Tokyo have chosen from a list of more than 40 areas formulated in the SPA – discussions on how and when to do this have only just begun.

The purpose of this publication is to take a few of the most innovative ideas presented at the conference and add some new thoughts and initiatives that have developed since then. In this way we aim to make several policy recommendations that we believe can assist in moving forward mutually and globally beneficial EU-Japan cooperation in several diverse fields.

In the first paper **Axel BERKOFISKY** writes about the areas Brussels and Tokyo have chosen to prioritize for cooperation: Connectivity, security, digitalization, effective multilateralism, climate, and environment. He describes the institutional set up with the newly established EU-Japan Joint Committee in charge of coordinating activities, planning and implementation of joint EU-Japan action on the ground. On the agenda is cooperation on maritime security, counter terrorism, crisis management, hybrid security, cybersecurity and the non-proliferation of chemical, biological, radiological, and nuclear weapons with various Asian countries, including Japan. What the EU and Japan are planning in terms of concrete actions as regards global and Asian security in particular is ambitious and include, for example, joint naval port calls at the Horn of Africa, joint capacity-building initiatives for Vietnam, Indonesia and other countries in Southeast Asia. Most of this is formulated in the EU's Action Plan, called *EU Security Cooperation in and with Asia*, which was adopted in October 2019. Japan is a partner country, along with India, Indonesia, South Korea and Vietnam, in the EU's plan to expand security cooperation with Asia.

Michito TSURUOKA's paper also largely examines security issues. Prime Minister Abe Shinzō is championing the vision of a 'Free and Open Indo-Pacific' (FOIP), and he discusses what that might mean for Japan-EU cooperation. Tsuruoka also focuses from a Japanese perspective on Brexit and its implications for Japanese security. According to him the UK is the oldest security partner for Japan in Europe. This highlights individual EU member states and their future role in security cooperation with Japan. He outlines two ways forward. One is for Japan to work through the G7, while the other is to cooperate with three major European countries, that is UK, France, and Germany, and to add the EU to this group.

Yoshihide SOEYA explains how Europe fits in to Japan's present global strategy. The original architect of Japan's Indo-Pacific Diplomacy is Prime Minister Abe, who served as Prime Minister twice (September 2006 - September 2007, and from December 2012 to September 2020). The essence of his thinking is to check China's assertive behavior, primarily, if not exclusively, in the East and South China Seas, by forming the so-called 'Quad' framework with the United States, Australia and India. In Abe's Indo-Pacific approach, the Quad is obviously a counter-China strategy. However, upon tracing its evolution to date, he argues that the substance of the Quad could be called "middle power cooperation." As a result, observers have often been confused by the gap between occasional explicit wordings voicing a 'China threat' on the one hand, and a de facto middle power agenda of Indo-Pacific diplomacy, on the other. Eventually, however, words must match behaviors, and Abe's Indo-Pacific diplomacy has shifted from an explicit counter-China strategy to a policy of regional and global cooperation, particularly during his second term in office. In this context, Europe is part of Abe's recent regional and global strategy. Soeya argues that Japan and the countries concerned should make efforts to multilateralize existing frameworks, as this would come to form an important infrastructure for the Indo-Pacific region.

Values-driven strategy is the topic of **Chiyuki AOI's** paper. What are the links between this strategy and the quality and scope of Japan-EU relations and cooperation in international politics and security? Her paper reviews the contours of relevant Japanese diplomacy and, after considering how Japan's National Defense Program Guidelines (NDPG) adopted in late 2018 can be viewed as the latest manifestation of this strategy, examines how a values-driven strategy may strengthen future relations between EU and Japan through defence-related tasks. She claims Japan-EU relations are of critical importance for determining how rules-based order will be created. To help forge such ties, there needs to be not only a conceptual basis founded upon the recognition of common values and goals by the two parties, but also painstakingly shaped practical cooperation in areas of mutual interest. Within bilateral security cooperation strategic communications is emerging as a field of paramount importance.

Paul MIDFORD's paper focuses on EU-Japan cooperation in the field of renewable energy. The European Union and Japan, along with China, are the largest economies committed to reducing Green House Gas (GHG) emissions and promoting renewable energy. They are also both trying to reduce their

dependence on imported fossil fuels for reasons of energy security as well as sustainability. The EU and Japan, as the two leading champions of the liberal international order must play a leading role in both combating climate change and promoting renewable energy. Already there is significant cooperation on renewable energy occurring between them, but much untapped potential as well. The concluding section of Paul Midford's paper outlines some policy recommendations for EU-Japan cooperation for promoting the energy transition away from fossil and nuclear fuels and toward renewable energy domestically, and in third countries.

Maike OKANO-HEIJMANS writes in her paper that through the EU-Japan Partnership on Sustainable Connectivity and Quality Infrastructure, a focus on cooperation in the digital sphere is in place. Now is the time to engage actively on all three practical elements of digital connectivity – namely telecommunications infrastructure, business, and regulation – at both the practical and strategic level, and beyond the bilateral agenda. This means promoting cooperation at the multilateral level and in third countries, especially emerging economies in Asia and Africa. As a requirement for success, more lines of communication are needed to facilitate deeper engagement between European and Japanese stakeholders on digital connectivity's defensive strand. This challenge is even starker after the outbreak of the global COVID19 pandemic. As governments and people turn to digital tools that have proven potential to protect our health, care should be taken to ensure that these instruments work for citizens while not instituting surveillance regimes with totalitarian characteristics.

As **Marie SÖDERBERG** observes, in 2020 the world has been concerned with the COVID19 virus that has spread widely in both Japan and Europe, and globally. This concern is only natural considering EU-Japan normative values and the way both value health and human life. The recently concluded EU-Japan Strategic Partnership Agreement (SPA) points the way toward further cooperation. For example, why not respond to the current pandemic by deploying several field hospitals, perhaps led by our respective militaries, that could be sent out into the world under our flags? In the longer term, The EU and Japan could set up a EU-Japan rapid reaction force composed of military and aid agencies that can quickly deploy when an epidemic breaks out to try stop it before it spreads, especially in developing countries. Doing that would create an immense amount of goodwill for Japan and the EU, as well as for the liberal world order. Health is at the top of the world agenda at

Japan-EU relationship: Recommendations on SPA

present. This is a field where the EU and Japan should establish cooperation not only now but in the medium- and long-term range to prepare better for the next pandemic, and work multilaterally as well.

Yorizumi WATANABE writes on EU-Japan trade relations and the worrisome aspect of COVID19 on trade. He observes the protectionism and its relations to international order. Quantitative restrictions due to COVID19 are affecting people's lives. It is bringing about protectionism acts by states, and there could be negative consequences stemming from any further restrictions on free trade. The trade policy of the Japanese government is explained to better understand the significance of EU-Japan Economic Partnership Agreement (EPA). Importantly, to share the responsibility for restoring confidence in the world economy is highly recommended. This is to get the World Trade Organization (WTO) well function, especially in the field of dispute settlement mechanism, otherwise uncertainties in international trade cannot be overcome. To this end, the EU-Japan EPA and the Strategic Partnership Agreement (SPA) serve as the basis for the cooperation in the time of a persistent protectionism and uncertainties.

October, 2020

European Japan Advanced Research Network (EJARN)



EJARN is the only European integrated academic initiative for promoting policy relevant research on Japanese politics, economics and security, and European-Japan relations.

EJARN offers in-depth expertise for identifying specific policy areas where Europe and Japan can achieve measurable results. It provides a European-wide research space integrating scholars from Scandinavia to the Mediterranean, from the Iberian Peninsula to Eastern Europe, covering the following areas: Business, Finance and Trade, International Security, Environment and Climate Change, Innovation and Science, International Development Assistance, Policy-making, Regulatory Institutions, Migration, Demographic Transformation and Social Policy.

EJARN implements its research agenda through policy briefings, academic research papers, contributions to electronic and print media and holding of

academic and policy-oriented conferences and seminars. It seeks to develop academic and policy relevant research on Japan and European-Japan relations through engagement with academia, the EU, the government of Japan, individual European national governments, business enterprises and NGOs.

<https://www.hhs.se/en/research/institutes/eijs/ejarn/>

Konrad Adenauer Foundation / Konrad-Adenauer-Stiftung (KAS)



KAS is a political foundation. In Germany, 16 regional offices offer a wide variety of civic education conferences and events. Our offices abroad are in charge of over 200 projects in more than 120 countries.

The foundation's headquarters are situated in Sankt Augustin near Bonn, and also in Berlin.

Established in 1955 as "Society for Christian-Democratic Civic Education", the Foundation took on the name of the first Federal Chancellor, Konrad Adenauer, in 1964. At home as well as abroad, our civic education programs aim at promoting freedom and liberty, peace, and justice. We focus on consolidating democracy, the unification of Europe and the strengthening of transatlantic relations, as well as on development cooperation. As a think-tank and consulting agency, our soundly researched scientific fundamental concepts and current analyses are meant to offer a basis for possible political action.

KAS Japan Office was established in 2011 following the triple disaster in the eastern Japan. KAS Japan Office successfully serves as a bridge between Germany and Japan as value partners., identifying issues of common interests, namely, security, energy, migration policy, etc. It fosters bilateral parliamentary exchanges in mutually growing interests and needs. It also works for the sake of the EU-Japan relationship, the long-standing collaboration with EJARN is such a good example of our partnership.

<https://www.kas.de/en/about-us>

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Brussels and Tokyo are Getting to Work – The EU-Japan Strategic Partnership Agreement (SPA)

Axel BERKOFKY

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Introduction

Strongmen, protectionist and illiberal politics executed by the likes of Xi Jinping, Wladimir Putin and Donald Trump are putting the global liberal order under enormous pressure. Against this background The European Union (EU) and Japan might find out that have bitten off more than they could chew but Tokyo and Brussels have nonetheless decided to defend what is left of the liberal order. At least on paper and through the 2018 EU-Japan Strategic Partnership Agreement (SPA). If Brussels and Tokyo only worked on and achieved a fraction of what is formulated in the SPA, a lot could be achieved in terms of cooperation in international politics, economics and security. Brussels and Tokyo do not want to waste their second bite at the cherry and are demonstrating that they have learned from the past and that less can be much more by having a focus. The EU-Japan Action Plan that was adopted in 2001, and ran out in 2011, listed far too many issues and areas in the realm of international political and security (more than 100 areas the EU and Japan wanted to tackle jointly, but ultimately did not). Never mind that the SPA is still listing more than 40 areas of cooperation and still somehow reads much like a shopping list of unresolved issues in international politics and security, the deliberate choice to tackle a smaller number of areas to be able to produce results and joint policies is laudable.¹

Not so fast, the critics and some of those who have followed the implementation process – or the lack thereof – of what Brussels and Tokyo had on their previous joint policy agenda and never acted on would probably say. A smaller number of policy priorities is not a guarantee that Brussels and Tokyo will ever move quickly beyond the stage of merely discussing jointly adopting policies. In fact, the past has shown that Brussels and Tokyo do not ‘do’ quickly, but for now we could give them the benefit of the doubt and wait for declarations and joint policies to emerge from the newly-established EU-Japan Joint Committee, the forum where Brussels and Tokyo discuss and decide twice a year what to do jointly and next. The most recent (and second) joint committee meeting took place in Brussels on January 31, one year after the SPA was provisionally applied on

¹ See *Japan-EU Strategic Partnership Agreement (SPA)*; Ministry of Foreign Affairs of Japan July 2018; <https://www.mofa.go.jp/files/000381944.pdf>.

February 1, 2019. The SPA has been applied provisionally as the agreement is pending its entry into force.² The agreement will enter into force after all EU members ratify the agreement. The Japanese parliament already ratified the agreement in December 2018.

Agenda and Priorities

Without offering any further details yet, the joint committee announced that Brussels and Tokyo will be ‘stepping up work on connectivity, security and digitalisation.’ Add ‘effective multilateralism,’ ‘climate and environment’ and we have the above-mentioned SPA priority areas Brussels and Japan are currently working on. The reform of the United Nations (UN) and the UN Security Council (UNSC) too is in EU policymaking circles still mentioned as an area where the EU and Japan are cooperating. However, what exactly Brussels and Tokyo are aiming at reforming within the UN system is not only unclear, but is also a quasi-hangover of what was discussed in terms of UNSC reform more than a decade ago. The bottom line is that the UNSC has remained unreformed and adding additional members to the Council like Japan, India and/or Germany never made it beyond the drawing board. While this is speculation, one could be tempted to assume that it were Germany on the EU side and Japan which were keen on keeping UN reform on the agenda in the hope that their permanent membership in the UNSC is still a possibility in the future.

As regards security and defence the EU and Japan are - after a three-year pause - again talking, discussing on how to jointly make a contribution to maritime security, maritime domain awareness and piracy, as this author has learned from EU sources. On the agenda are, for example, joint naval port calls at the Horn of Africa, joint capacity-building initiatives for Vietnam, Indonesia and other countries in Southeast Asia. Furthermore, Brussels and Tokyo maintain a dialogue on cyber security and hybrid threats. Along with India, Indonesia, South Korea and Vietnam, Japan is a partner country of the EU's plan to intensify security cooperation with Asian countries. The

2 See Japan: *The EU and Japan Meet to Advance their Strategic Agenda*; European External Action Service (EEAS) Brussels 31 January 2020; https://eeas.europa.eu/delegations/japan/73807/japan-eu-and-japan-meet-advance-their-strategic-agenda_en%20.

EU's Action Plan called 'EU Security Cooperation in and with Asia', adopted in October 2019 - involved are the EU Commission as well the EU External Action Service (EEAS) - foresees EU cooperation with the above-mentioned Asian countries in areas such as maritime security, counter terrorism, crisis management, hybrid security, cybersecurity and the non-proliferation of chemical, biological, radiological and nuclear weapons.³

The South China Sea – Exercises yes, Joint Patrolling no (at least for now)

The South China Sea on the other hand, this author learned from EU sources, is unlikely to become a theatre for joint EU-Japan maritime security initiatives and policies. In other words, and this is what the discourse has largely been about in recent years, there will be no joint EU-Japan patrolling in disputed territorial waters in the South China Sea any time soon. To be sure, European and Japanese naval forces certainly have the capacities and ability to jointly patrol the South China Sea in times of very assertive and indeed aggressive Chinese policies and actions related to territorial claims in the South China Sea. However, that will remain a no go for most EU member states, except maybe for France, whose then Minister of Defence Jean-Yves Le Drian back in 2016, during the annual IISS (International Institute for Strategic Studies) Asian security conference in Singapore launched the idea of joint European-Japanese patrolling in the South China Sea. One can speculate whether joint patrolling in the South China Sea is off the table because of European fear of Chinese political and/or economic retaliation, or whether it is because the EU thinks that it cannot make a significant contribution towards keeping China from building civilian and military facilities on disputed islands claimed as non-negotiable parts of Chinese national territory. To be sure, Japan is currently not- neither alone nor jointly with the U.S. – patrolling the South

3 See Action Document for 'Security cooperation in and with Asia'; European Commission October 2019; https://ec.europa.eu/fpi/sites/fpi/files/annexe_3_security_cooperation_in_and_with_asia_part1_v2.pdf; also see Enhancing Security in and with Asia; European External Action Service (EEAS) 17 October 2019; https://eeas.europa.eu/sites/eeas/files/factsheet_eu_asia_security_october_2019.pdf.

China Sea either. Concerns about violating Japan's pacifist constitution⁴ and diplomatic tensions complemented by economic retaliation might be why Tokyo has so far opted to refrain from patrolling some of the disputed territorial waters in the South China Sea.

Chinese Economic Retaliation

Joint EU-Japanese patrolling in the South China Sea would not necessarily and automatically lead to Chinese economic retaliation – economic dependence or interdependence is certainly not a one way street with Japan and Europe on the receiving end of possible Chinese economic retaliation and/or sanctions. However, China is no stranger to immediate economic retaliation and blackmail and it has in recent past demonstrated more than once to be prepared to have its economic interests damaged for the sake of 'teaching others a political lesson', as the Chinese rhetoric usually goes in these cases. In 2016 e.g., China temporarily interrupted banana imports from the Philippines after the Permanent Court of Arbitration (PCA) ruled that China's territorial claims over much of the South China Sea have no legal basis whatsoever.⁵ Mongolia too in 2016 got a good taste of what 'offending' Beijing could lead to. As a predominantly Buddhist country, Mongolia decided to host a visit from the Dalai Lama, to which Beijing unsurprisingly responded in kind and instantly by imposing punitive tariffs on Mongolian exports. Given Mongolia's near-complete economic dependence on the Chinese market for its commodities (above all coal) Mongolia opted for giving in to Chinese blackmail politics, apologized and promised not to receive Tibet's exiled spiritual leader ever again. Beijing appreciated the 'gesture' and

4 Article 9 of the Japanese constitution, which strictly speaking does allow Japan to maintain 'normal' armed forces. The reason why Tokyo's military is called 'Self-Defense Forces.'

5 China of course dismissed the verdict as 'irrelevant', ignored it and decided to accelerate the construction of civilian and military facilities on the disputed islands the PCA ruled are not part of Chinese territory. For details see also Zhao, Suisheng, *China and the South China Sea Arbitration: Geopolitics versus International Law*; *Journal of Contemporary China*, Volume 27, 2018, pp.1-15; The court also ruled at the time that China cannot claim what it calls 'historical rights' over territories in the South China Sea that are also claimed by a number of other countries, among them the Philippines (which in 2013 submitted the case to the PCA).

revoked the tariffs.⁶ Hosting the Dalai Lama – from Beijing’s perspective a separatist challenging China’s territorial integrity – falls under what Beijing defines as defending the country’s non-negotiable ‘core interests’⁷ and back in 2008 France too, had its Dalai-lama ‘experience.’ Beijing at the time called off the EU-China Summit in Lyon (France held the EU Presidency during that period) when it decided that then President Nicolas Sarkozy was guilty of having announced to meet Tibet’s spiritual leader during his Europe visit at the time.⁸ In 2019 Australia too found itself on the receiving end of Chinese anger and vengeance when Canberra – together with other countries – became vocal about human rights abuses in the Chinese province of Xinjiang. Relations deteriorated further when Canberra in the same year accused Beijing of seeking to recruit and plant a spy in the Australian parliament and when it continued to ban the Chinese telecommunications company Huawei from supplying equipment to Australia’s 5G mobile network. China reacted to all of this with the decision to reduce commodity imports from Australia.⁹ This author has heard many times when interacting with Chinese scholars and policymakers that the European navy showing up in the South China Sea – alone or alongside the Japanese or U.S. navy – would not be appreciated in Beijing, to say the very least.

6 See Crabtree, James, *Mongolia Needs Allies to Withstand China’s Looming Threat*; *Nikkei Asian Review*, 9 October 2019.

7 *China has decided that Tibet, Taiwan and large parts of the South China Sea are integral and indisputable parts of Chinese territory and at the center of China’s ‘core interests’. Consequently, challenging China’s territorial claims has in the past led and will continue to lead in the future to harsh sanctions imposed on those who ‘dare’ to contest the definition and expansion of Chinese national territory as defined by China. For an analysis on China’s ‘core interests’ see e.g. Breslin, Shaun, Zeng, Jinghan, *Securing China’s Core Interests: The State of the Debate in China*; *International Affairs* 91 (2) March 2015, pp. 245-266.*

8 See e.g. Traynor, Ian, 27 November 2008; *China Cancels EU Summit over Dalai Lama Visit*; *The Guardian* <https://www.theguardian.com/world/2008/nov/27/china-dalai-lama-nicholas-sarkozy>.

9 For details see e.g. Zhou, Christina, *China-Australia Relations Became Complex in 2019 with Spy Claims and Human Rights Abuses*; *ABC News* 7 January 2020.

Already Doing it

Short of patrolling in the South China Sea there is more European and Japanese naval forces can do and already have done in Asian territorial waters. In May 2019 e.g. French¹⁰ and Japanese naval forces¹¹ – together with their counterparts from the U.S. and Australia – conducted a joint naval exercise Bay of Bengal in the Indian Ocean.¹² UK naval forces too have in 2019 (in March of that year) - together with U.S. Naval forces - conducted a joint exercise in the Western Pacific.¹³ To be sure, none of this means that we can expect joint European – Japanese patrolling in the South China soon or not so soon, but it means that naval forces from Europe and Japanese are equipped and willing to collaborate and the experience that are gained through joint exercises are in any event and for any future joint mission useful.

Big Time Connectivity

‘Connectivity’ in every shape and form is probably the highest priority among the above-mentioned priorities of EU-Japan on the ground cooperation. In September 2019 Brussels and Tokyo adopted the ‘EU-Japan Partnership on Sustainable Connectivity and Quality Infrastructure.’ The EU-Japan infrastructure building agreement will be backed by a €60 billion EU guarantee fund, which Brussels announced would be used to attract further investments from development banks and private investors. Without mentioning China’s Belt and Road Initiative (BRI), Japanese Prime Minister Abe Shinzō and then EU Commission President Jean-Claude Juncker at the time stressed the need for the projects to be ‘environmentally and financially sustainable’, provide ‘rules-based connectivity’, foster ‘free and open trade’

10 France’s nuclear aircraft carrier *Charles de Gaulle*.

11 Japan Maritime Self Defense Force’s (JMSDF) biggest vessel, the helicopter carrier *Izumo*.

12 See e.g. Stashwick, Steven, *French, US, Australian, Japanese Warship Drills in Bay of Bengal*; *The Diplomat* 19 May 2019; <https://thediplomat.com/2019/05/french-us-australian-japanese-warships-drill-in-bay-of-bengal/>.

13 See Gady, Franz-Stefan, *Japan, UK, US Hold Anti-Submarine Warfare Exercise in Western Pacific*; *The Diplomat* 13 March 2019; <https://thediplomat.com/2019/03/japan-uk-us-to-hold-anti-submarine-warfare-exercise-in-western-pacific/>.

and a 'mutually-beneficial' relationship. Arguably these principles are the very opposite of what many critics would say about how China operates and dominates BRI-sponsored infrastructure development projects in Southeast, South and Central Asia. The agreement talks about 'quality infrastructure' projects that physically link transport networks, digital service connectivity in cyber space and the connectivity of people by increased people-to-people exchange in fields such as education, culture and tourism. The Western Balkans, the Indo-Pacific region and Africa were identified in the agreement as the geographical areas the EU and Japan would focus on when jointly pursuing 'quality infrastructure' projects. In parallel the European Investment Bank (EIB) and the Japan International Cooperation Agency (JICA) signed an agreement aiming at working together on transport, quality infrastructure investment, microfinance and renewable energy sources.

Work in Progress - The Framework Partnership Agreement (FPA)

The EU-Japan Framework Partnership Agreement (FPA) too is back on the agenda, at least to a slight extent. The agreement – sometimes on and then off again from the EU-Japan agenda over the last three to five years - would create the legal framework for Japanese institutionalized contributions to EU Common Security and Defence Policy (CSDP) missions. However, EU sources caution that negotiations on this agreement still have a long way to go before conclusion as the EU and Japan still do not agree on the modalities of the contribution of Japanese Self-Defense Forces (SDF) to CSDP missions. Brussels and Tokyo, however, have not yet given up on the FPA, and are, as the author learned from EU sources, now seeking to focus on Japanese contributions to civilian CSDP missions. A joint seminar scheduled to take place later this year is planning to explore possibilities for expanding Japanese contributions to civilian CSDP missions, this author has learned from EU sources.

Whether and the FPA will transform into one of the flagships of EU-Japan cooperation remains yet to be seen. To be sure, even if it never does Tokyo can still – like it currently does – contribute to EU CSDP missions on an ad-hoc basis. Without the FPA, the EU and Japan are legally speaking not conducting a 'joint mission' but are instead engaged in what Brussels refers to as 'parallel coordinated action.' In the past Japan has contributed more than once to EU CSDP civilian missions. In April 2014 for example, the EU dispatched a civilian CSDP mission aimed at improving Mali's security capabilities. In March

2015, Japan started contributing to that very mission, providing grant aid amounting to ¥492 million to fund Mali's national police school.¹⁴ Tokyo also provided humanitarian and technical assistance operations to the EU's CSDP mission in Mali and the Democratic Republic of Congo. Tokyo also joined the EU in contributing to capacity-building measures aimed at strengthening the national military forces of Mali, jointly supported the peacekeeping school of Bamako with the EU, and jointly assisted in the improvement of security and antiterrorism legislation and the enhancement of the judiciary in Mali. Finally, Japan assisted the improvement of security, antiterrorism laws and enhancement of the judiciary in the framework of the EU's CSDP mission EUCAP Sahel in Niger.

Conclusions

Tokyo has recently, and for the first time, deployed a Japanese military attaché to Japan's EU Delegation in Brussels. This is relevant as an officer from Japan's SDF exchanges information and data with his counterparts from EU member states. To be sure, one might be tempted to ask: "so what?" as military-to-military exchanges do not automatically result in more on the ground EU-Japan military cooperation. Maybe, but Japanese direct and real-time access to European colleagues is nonetheless better -to put it simply – than not having such kind of access. That becomes particularly important and relevant if and when the EU and Japan decide to pursue actual military-to-military on-the-ground cooperation.

Clearly, the EU and Japan are making the right moves in the above-mentioned priority areas of cooperation. However, if Brussels and Tokyo want to make a sustainable difference in international politics and security, the above-mentioned dialogues must in the not-so-distant future be followed up by joint policies. The above-mentioned EU action plan, *EU Security Cooperation in and with Asia*, where the EU's 'natural ally'¹⁵ Japan is an important - if

14 See Berkofsky, Axel, *The Strategic Partnership Agreement: New and Better or More of the Same EU-Japan Security Cooperation*; in: Berkofsky, Axel, Hughes, Christopher W., Midford, Paul, Söderberg, Marie (ed.), *The EU-Japan Partnership in the Shadow of China. The Crisis of Liberalism*; Routledge 2019, pp. 17-39.

15 *Japan and the EU have been referring to each other as 'natural allies' at least since they adopted the 'EU-Japan Action Plan' in 2001.*

not the central – partner is without doubt a step in the right direction as regards concrete and concerted action. The devil, however, is in the details and Brussels and Tokyo are now charged with the task of following-up with substance and policies in order to spend time, resources and taxpayers' money efficiently. Consultations and dialogues without joint policies in the above-mentioned areas are simply and no longer good enough. In fact, they were.

A large, stylized graphic of the number '12' in the top left corner. The '1' is a solid teal shape, and the '2' is a hatched teal shape. The background features abstract teal geometric shapes and patterns.

12

The EU-Japan Strategic Partnership and Brexit: A View from Tokyo

Michito TSURUOKA

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A large, abstract teal geometric pattern in the bottom right corner, consisting of several overlapping triangles and quadrilaterals in different shades of teal.

Introduction

The Japan-EU Strategic Partnership Agreement (SPA), signed in July 2018, is expected to lay a new foundation for political and security cooperation between Brussels and Tokyo. Tokyo was initially not enthusiastic about the EU's idea of adopting the SPA as a legally-binding agreement for political and security cooperation, but later reluctantly accepted it as a price to be paid for a free trade agreement (FTA) that Tokyo desperately wanted. Nonetheless, the SPA has become an important pillar of Japan-EU relations. This paper briefly examines from a Japanese perspective what the SPA is intended to achieve and what impact Brexit will have on the future of Japan-EU political and security cooperation. It also discusses remaining hurdles for the partnership to flourish.

The Connectivity Partnership

Now that the SPA is in place, and provisionally being applied since February 2019 pending final ratification, the challenge for both Japan and the EU is to add substance to this partnership. The agreement lists 40 areas of cooperation, ranging from peace and security and cyberspace to tourism and culture (Articles 2-41). It makes sense to try to cover as many areas as possible, so that the two sides would not need to revise the agreement to accommodate new areas of cooperation in the future. The SPA is designed to be permanent in nature. At the same time, however, the fact that the agreement is wide-ranging suggests that there needs to be a clear prioritisation for the new framework to be effective and visible.

The first priority area of cooperation for both Tokyo and Brussels has turned out to be 'connectivity' between Europe and Asia. The EU has been committed to the idea of connectivity in its engagement with the vast areas stretching from Europe to East Asia, including the Western Balkans and Africa.¹

1 *European Commission and High Representative of the Union for Foreign Affairs and Security Policy, Joint Communication to the European Parliament, the European Council and the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank: Connecting Europe and Asia - Building blocks for an EU Strategy, JOIN(2018)31 final, Brussels, 19 September 2018.*

Regarding the overlapping areas, Prime Minister Abe Shinzō is championing the vision of a 'Free and Open Indo-Pacific (FOIP),' which constitutes one of the major pillars of Japan's foreign policy. Abe gave a keynote address at the Connectivity Forum in Brussels European Commission President Jean-Claude Juncker hosted in September 2019 and there the two leaders signed a document creating a Japan-EU 'Connectivity Partnership.'² Neither Abe, Juncker nor the document named China as an object to contain or counter, but it was all clear that the two sides had China in mind.³ The 'Connectivity Partnership' is in many ways a Japan-EU joint response to China's Belt and Road Initiative (BRI). This is indeed a remarkable development given the fact that China as a factor in Japan-EU relations up to this point was more likely to be a source of disagreement rather than as a catalyst for cooperation.

When Japan and the EU talk about 'sustainable, connectivity, it suggests that someone else – without naming who – had been pursuing projects in an unsustainable way, including those pushing recipient countries into debt traps. Likewise, the term 'quality infrastructure' implies there are many low-quality infrastructure projects. The EU in its strategy document of September 2018 refers to the 'European way,'⁴ which turns out to be quite similar to what could be called the 'Japanese way' in the context of the aforementioned FOIP

Yet, it is important to note that Tokyo's vision of FOIP – and for that matter, the Japan-EU connectivity partnership – is not just an instrument to counter China's initiatives in the region, it goes much beyond this.⁵ In practical terms, Japan and the EU do not try to expel China from areas where the two partners intend to cooperate, be it in Southeast Asia or Africa. First, it is now simply impossible to exclude the Chinese presence from the wider Indo-Pacific area. Second, what Tokyo and Brussels want to ensure is that there are always alternatives by not allowing the 'China model' to dominate these regions as the only option.

2 *The Partnership on Sustainable Connectivity and Quality Infrastructure between Japan and the European Union. Brussels, 27 September 2019.*

3 *Japan and EU sign deal in riposte to China's Belt and Road; Financial Times, 27 September 2019.*

4 *Connecting Europe and Asia, pp. 2-3.*

5 *On a broader meaning of FOIP, see Koga,, Kei Japan's 'Indo-Pacific' question: countering China or shaping a new regional order?; International Affairs, Vol. 96, No. 1 (2020).*

Having launched the connectivity partnership, the biggest and most urgent task for Tokyo and Brussels now is to start the first set of concrete projects together. While their plans are likely to be affected by the COVID19 pandemic in the coming months, discussions at the bureaucrats' level have been taking place since September 2019. Tokyo seems to be interested in working with the EU first in the Western Balkans. Prime Minister Abe in his address to the Connectivity Forum mentioned the Western Balkans more than several times and the region is where the EU has much expertise, on which Japan could rely.⁶ Though starting with small projects makes practical sense, something visible is also needed.

The establishment of the connectivity partnership is a good indicator that the Japan-EU partnership has now entered a new stage. However, longstanding hurdles for Japan-EU development cooperation will not disappear overnight. On the occasion of the Connectivity Forum in September 2019, EU and Japanese development authorities issued a document on development cooperation.⁷ A Memorandum of Understanding (MOU) was also signed between the Japan International Cooperation Agency (JICA) and the European Investment Bank (EIB) regarding infrastructure financing. Despite all these new signals of commitment to development cooperation – and repeated calls in this regard over more than a decade – the fact remains that direct Japan-EU development cooperation has been quite limited and experts in the Japanese development policy community remain sceptical about the prospect of cooperation with the EU. This stems from various differences between Japan and the EU, most notably different priorities: basic human needs vs. economic infrastructure. A new element of the connectivity partnership is that it will focus on economic infrastructure, which could bring Japan and the EU closer. At the same time, however, it means that there will be a bigger number of stakeholders, including private contractors. How the Japanese and EU authorities could manage this process together needs to be understood as a major challenge.

6 *Shinzō Abe, Japan and the EU: The Strong and Steady Pillars Supporting Many Bridges, Keynote Speech by the Prime Minister at the Europa Connectivity Forum, Brussels, 29 September 2019.*

7 *Japan-EU Cooperation in the Field of Development, September 2019.*

Brexit Challenges

Since Britain has long been a gateway to Europe for Japan – talking to the EU through London – Britain's departure poses a serious challenge to Japan's approach to the EU. One option would be to devote more energy and attention to Brussels, rather than going through national capitals. The SPA gives a new reason to strengthen Tokyo's direct approach to EU institutions. Second, if Tokyo still feels necessary to talk to member states, then obvious choices would be Paris and Berlin, but other significant players like Rome and Warsaw would also have to be considered more than before. Tokyo, in short, needs a new mindset toward Europe, which is still a challenge. However, it is too early to dismiss the UK as interlocutor, particularly when it comes to Europe's engagement with Asia or the broader Indo-Pacific region. The need to keep the UK involved in this regard is clear, and it is in the interest of the EU to do so, so that it could draw on Britain's assets and resources. Britain after Brexit is eager to expand its relationships with partners outside Europe. Concluding an FTA and strengthening security and defence ties with Japan are something that the Johnson government has committed to, and Tokyo is equally eager to reciprocate, although the adoption of a bilateral Japan-UK FTA could turn out to be more complicated than expected.⁸ Tokyo also wants to keep London involved in Japan-EU political and security conversations, particularly on Asia, as the UK has always been one of the most active and committed European countries regarding Asia. In addition, keeping the UK involved in Japan-EU conversations makes sense for the sake of efficiency as well, so that Tokyo would not have to talk to Brussels and London separately.

There are two major ways to accomplish this. First, making use of the Group of Seven (G7) framework – bringing together Japan, France, Germany, Italy and the EU (other than Canada and the US) – is one option.⁹ Second, a potentially more effective and flexible framework would be an 'E3+Japan.' The 'E3' is a grouping born out of the nuclear negotiations with Iran, involving France, Germany and the UK – and in most cases the EU (European External Action Service (EEAS) or the High Representative for Foreign Affairs and Security

8 Tsuruoka, Michito, *The Shape of a Japan-UK Free Trade Agreement: Limiting damages or designing a bold future?* *The Diplomat*, 2 April 2020.

9 Tsuruoka, Michito, *Japan and the UK as Strategic Partners after Brexit*, *Asia Pacific Bulletin*, No. 410, 9 January 2018.

Policy (HR/VP) as its ministerial level representative as well. E3 cooperation in foreign policy is becoming more active and its role is set to increase further following Brexit.¹⁰ Regarding Asia, the E3 issued a statement expressing concerns about the situation of the South China Sea in August 2019.¹¹ In concrete terms, maritime security and defence capacity-building constitute a good example of areas where the UK has considerable capability and expertise that Japan and the EU could utilize. Therefore, an establishment of a new framework bringing together Japan, the EU and the UK is needed. Although Tokyo is not in a position to say anything on the final shape of EU-UK foreign and security policy cooperation after Brexit, Tokyo might be able to take the initiative to establish a new framework of Japan-EU-UK or 'E3+Japan.'

Conclusions

In terms of developing the strategic partnership based on the SPA between Japan and the EU, now is the time to move to a stage of concrete practical cooperation. Nonetheless, facing what is called the 'strategic competition' between the United States and China, transatlantic tensions and the pandemic fallout, the strategic relevance and role of Japan-EU cooperation in a broader context is also something the two partners need to define in the coming months and years.

10 Whineray, David, *How Transatlantic Foreign Policy Cooperation Could Evolve After Brexit*; Carnegie Endowment for International Peace, 3 September 2019.

11 See E3 Joint Statement on the Situation in the South China Sea, 29 August 2019; <https://www.gov.uk/government/news/e3-joint-statement-on-the-situation-in-the-south-china-sea>.



Japan's Indo-Pacific Diplomacy and Europe

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Introduction

The original architect of Japan's Indo-Pacific Diplomacy is Abe Shinzō, who served as Prime Minister twice (September 2006 - September 2007, and from December 2012 to September 2020). The essence of Abe's thinking is to check China's assertive behavior, primarily, if not exclusively, in the East and South China Seas, by forming the so-called Quad framework with the United States, Australia and India. In Abe's Indo-Pacific approach, the Quad is obviously a counter China strategy. However, upon tracing its evolution to date, I would argue that the substance of the Quad could be called 'middle power cooperation' for the lack of a better concept. As a result, observers have often been confused by the gap between occasional explicit wordings voicing a 'China threat' on the one hand and a de facto middle power agenda of Indo-Pacific diplomacy, on the other. Eventually, however, words have to match behaviors, and Abe's Indo-Pacific diplomacy has shifted from an explicit counter-China strategy to a policy of regional and global cooperation, particularly during his second term in office. In this context, Europe is part of Abe's recent regional and global strategy.

From China Strategy to Regional Policy

Before examining the evolution of Abe's Indo-Pacific diplomacy during his second term, let us briefly look at the two important antecedent policies during the first Abe administration: Abe's address at the Indian Parliament in August 2007, and the signing of 'Japan-Australia Joint Declaration on Security Cooperation' in March 2007. In his speech titled the 'Confluence of the Two Seas' delivered at the Indian Parliament on August 22, Prime Minister Abe said:

"The Pacific and the Indian Oceans are now bringing about a dynamic coupling as seas of freedom and of prosperity. A 'broader Asia' that broke away geographical boundaries is now beginning to take on a distinct form. Our two countries have the ability -- and the responsibility -- to ensure that it broadens yet further and to nurture and enrich these seas to become seas of clearest transparency."¹

1 See *Confluence of the Two Seas; Speech by H. E. Mr. Shinzō Abe, Prime Minister of Japan at the Parliament of the Republic of India 22 August 2007*; <https://www.mofa.go.jp/region/asia-paci/pmv0708/speech-2.html>.

Essentially, this address was an invitation for India to join Quad, as well as the kernel of what later evolved into Abe's Indo-Pacific diplomacy. With Australia Abe had signed, before his visit to India, the Japan-Australia Joint Declaration on Security Cooperation on March 13, 2007, which affirmed that "the strategic partnership between Japan and Australia is based on democratic values, a commitment to human rights, freedom and the rule of law, as well as shared security interests, mutual respect, trust and deep friendship." In September 2007, Abe had to resign due to health problem without being able to substantiate his Quad idea. As soon as he came back to power in December 2012, however, Abe's belief in the Quad as a counter-China policy strategy was unequivocally expressed in his posting at Project Syndicate titled Asia's Democratic Security Diamond (December 27, 2012)². At the time Abe declared:

"Peace, stability, and freedom of navigation in the Pacific Ocean are inseparable from peace, stability, and freedom of navigation in the Indian Ocean. Japan, as one of the oldest sea-faring democracies in Asia, should play a greater role – alongside Australia, India, and the US – in preserving the common good in both regions."

And he continued:

"Yet, increasingly, the South China Sea seems set to become a 'Lake Beijing' which analysts say will be to China what the Sea of Okhotsk was to Soviet Russia: a sea deep enough for the People's Liberation Army's navy to base their nuclear-powered attack submarines, capable of launching missiles with nuclear warheads. Soon, the PLA Navy's newly built aircraft carrier will be a common sight – more than sufficient to scare China's neighbors."

However, in marked contrast to Abe's most explicit expressions of a 'China threat' and of 'Quad' as a 'security diamond,' the actual development of the Quad into a full-fledged multilateral strategy has turned out to be rather slow and less confrontational against China. More significantly, the first Quad dialogue, held in November 2017, was preceded by four rounds of Japan-

2 Shinzō Abe, *Asia's Democratic Security Diamond*; Project Syndicate, December 27, 2012) <https://www.project-syndicate.org/onpoint/a-strategic-alliance-for-japan-and-india-by-Shinzō-abe?barrier=accesspaylog>.

Australia-India dialogue since June 2015: the First Japan-Australia-India Trilateral Dialogue of Senior Officials (administrative vice-ministers) was held in New Delhi on June 8, 2015, followed by the Second Dialogue in Tokyo on February 2016, the Third Dialogue in Canberra on April 29, 2017, and the Fourth Dialogue in New Delhi on December 13, 2017. In these dialogues, the three countries confirmed that they share “fundamental values and strategic interests,” and agreed on the principle of ‘a rule-based, free and open order in the Indo-Pacific,’ and discussed ‘trilateral cooperation on the international stage such as the East Asian Summit and G20.’³

Then, in 2017, the Japan-Australia-India Trilateral Dialogue evolved into the Australia-India-Japan-U.S. Consultations on the Indo-Pacific, also attended by administrative vice-ministers of foreign affairs of the Quad countries. The First Japan-Australia-India-U.S. Consultations on the Indo-Pacific took place in Manila on November 12, 2017, as a side event at the occasion of the ASEAN-related summit meetings. This was followed by the Second Quad Consultations in Singapore on November 15, 2018, and the Third Consultations in Bangkok on May 31, 2019. As for the substance of the dialogue agenda, the Japanese Foreign Ministry summarized key points from the Third Quad Consultations in May 2019 as follows⁴:

1. Senior officials met for consultations on their collective efforts to advance a free, open, and inclusive Indo-Pacific.
2. The four countries recalled their shared commitment to preserving and promoting the rules-based order in the region. ***They noted initiatives from each country to provide tools and opportunities to quality infrastructure investment in accordance with international standards and leverage the potential of the private sector.
3. The four countries highlighted their efforts to maintain universal respect for international law and freedom of navigation and overflight.

3 Ministry of Foreign Affairs of Japan, *The Third Japan-Australia-India Vice-Ministerial Consultation (Outcome)*, (1 May 2018) <in Japanese>, https://www.mofa.go.jp/mofaj/a_o/ocn/au/page4_002969.html

4 Ministry of Foreign Affairs of Japan, *Japan -Australia-India-U.S. Consultations (May 31, 2019)*, https://www.mofa.go.jp/press/release/press4e_002464.html.

4. The four countries agreed to continue to explore opportunities to enhance various cooperation, including regional disaster response, cybersecurity, maritime security, counterterrorism, and nonproliferation.
5. The four countries welcomed the efforts made by ASEAN member countries towards an ASEAN Indo-Pacific Outlook.

Implications of these points for China are mixed. Using such key words as 'free and open' and 'rule-based' as elements of the Indo-Pacific order, 'quality infrastructure investment in accordance with 'international standards', and 'universal respect for international law and freedom of navigation and overflight,' as articulated in points 1, 2 and 3, are obviously critical elements of a counter-China strategy. Points 4 and 5, however, reveal a possibly softer stance on China. As discussed below, agenda and issues raised in point 4 are the ones listed in a series of bilateral declarations on security cooperation between regional middle powers, which are mostly related to non-traditional security cooperation and do not have direct impact on the balance of power game vis-à-vis China.

In addition, the term 'inclusive' in the reference to a 'free, open, and inclusive Indo-Pacific' in point 1 resonates a deference to the so-called 'ASEAN Way' in point 5. They essentially mean a non-confrontational approach toward China, attempting to seek a way to coexist with China. As indicated in point 5, the Quad countries endorsed this approach by welcoming an 'ASEAN Indo-Pacific Outlook.' Such Outlook⁵ was eventually adopted by ASEAN in June 2019, which emphasized, as 'Areas of Cooperation' maritime cooperation, connectivity, UN Sustainable Development Goals (SDGs), and economic and other possible areas of cooperation. Amitav Acharya argues that "ASEAN is telling the world that ASEAN has its own way of developing the Indo-Pacific idea — previously pushed by outside powers such as Japan, Australia, India and the United States — and that it won't let outside powers dominate the 'discourse' on the Indo-Pacific."⁶

5 See ASEAN, *ASEAN Outlook on the Indo-Pacific*, 23 June 2019); https://asean.org/storage/2019/06/ASEAN-Outlook-on-the-Indo-Pacific_FINAL_22062019.pdf.

6 Acharya, Amitav, *Why ASEAN's Indo-Pacific Outlook Matters*; East Asia Forum August 11, 2019; <https://www.eastasiaforum.org/2019/08/11/why-aseans-indo-pacific-outlook-matters/>.

Thus, Japan's Quad strategy that started with Abe's hardline concept of a 'security diamond' in late 2012 has evolved into a compromise with the ASEAN Way, a more conciliatory vision toward China. As a result, the Abe administration began to use the term 'Indo-Pacific Vision' instead of 'Indo-Pacific Strategy' sometime in mid-2018. This outcome, however, should not necessarily be seen in a negative light for Japan's regional policy. For one thing, this shift in Japan's Indo-Pacific diplomacy has meant a virtual change in Japan's China policy from a confrontational one to the policy of 'engagement competition' with China vis-à-vis other states in the broader region. The flip side of this development was the warming-up of relations between Japan and China. However, this could be regarded as merely a 'tactical cease fire' from both sides, as they are redeploying their diplomatic resources to respective regional policies, i.e., the Indo-Pacific diplomacy of Japan and China's 'Belt and Road Initiative' (BRI). Against this background, for Japan, and of course for China as well, reaching out to Europe should have important merits.

Reaching out to Europe

In this what I call 'engagement competition' with China, Japan's competitive edge exists in its de facto middle power approach. In fact, if only unwittingly on the part of Prime Minister Abe, Japan's actual diplomatic agenda has been that of middle power diplomacy since his first administration. The "Japan-Australia Joint Declaration on Security Cooperation" issued in March 2007 is a case in point. The Joint Declaration listed the following items under the section 'Area of Cooperation,' almost all of which are typical agenda of non-traditional security cooperation between middle powers:

- (i) law enforcement on combating transnational crime, including trafficking in illegal narcotics and precursors, people smuggling and trafficking, counterfeiting currency and arms smuggling;
- (ii) border security;
- (iii) counter-terrorism;
- (iv) disarmament and counter-proliferation of weapons of mass destruction and their means of delivery;
- (v) peace operations;
- (vi) exchange of strategic assessments and related information;
- (vii) maritime and aviation security;
- (viii) humanitarian relief operations, including disaster relief;

(ix) contingency planning, including for pandemics.

Although often unnoticed, it is quite significant that the 'Japan-Australia Security Declaration' has become a precedent for a series of similar bilateral declarations: the 'Joint Declaration on Security Cooperation between Japan and India' (October 2008), the 'Joint Statement on Enhanced Global and Security Cooperation between Australia and the Republic of Korea' (March 2009), and the 'Joint Declaration on Security Cooperation between Australia and India' (November 2009). Although space is too limited to examine in detail here, but if one did, it would emerge how similar their agendas of cooperation are. Furthermore,, these bilateral security declarations have become a template for deepening Japan's security cooperation with European countries. Although, due to legal and other limitations on Japan's traditional security role involving the use of force, the substance of security cooperation still remains within the domain of middle power cooperation focusing on non-traditional security issues, the areas of cooperation have become much wider and global with Europe. The 'Japan-UK Joint Declaration on Security Cooperation,'⁷ signed on August 31, 2017, listed the following items as 'areas of cooperation':

1. Exchange of strategic assessment and relevant information
2. Joint exercises
3. International peace cooperation activities including UN Peacekeeping operations
4. Humanitarian assistance and disaster relief
5. Overseas development
6. Defence equipment and technology cooperation
7. Disarmament, non-proliferation and export control of arms, dual-use items and technologies
8. Capacity-building of developing countries
9. Maritime security and safety including maritime domain awareness (MDA) and counter-piracy
10. Coordinated international activities for countering terrorism and violent extremism, including aviation security
11. Cyber security
12. Space
13. Prevention of sexual violence in conflict

7 See <https://www.gov.uk/government/publications/japan-uk-joint-declaration-on-security-cooperation>.

14. Women, Peace and Security
15. Combating serious and organised crime, including modern slavery and online child sexual exploitation
16. Major event security

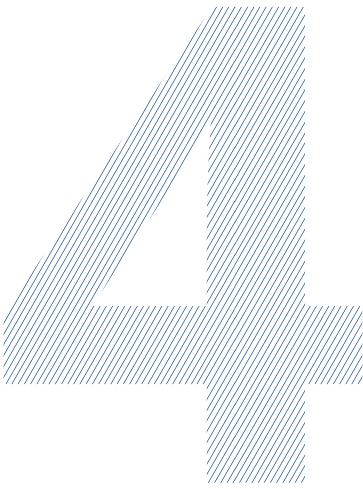
Equally important developments between Japan and individual European countries were the signings of bilateral 'Acquisition and Cross Servicing Agreement' (ACSA) designating specific forms and means of cooperation between the SDF and partner European militaries. Japan and the UK signed an ACSA on January 26, 2017⁸, which was followed by the adoption of one between Japan and Canada on April 21, 2018⁹, and one between Japan and France on July 13, 2018.¹⁰ The evolution of Japan's Indo-Pacific diplomacy thus reveals that the original preoccupation with a 'China threat' has gradually broadened, initially into a regional policy. Then, by extending this approach to Europe, its horizon has become global, both geographically and issue-wise. So far, while arrangements of security cooperation are limited at the bilateral level, in the coming years, Japan and the countries concerned should make efforts to multilateralize existing bilateral frameworks, which would come to form an important infrastructure for the Indo-Pacific region.¹¹

8 <https://www.mofa.go.jp/mofaj/files/000241583.pdf>.

9 <https://www.mofa.go.jp/files/000449219.pdf>.

10 <https://www.mofa.go.jp/mofaj/files/000381724.pdf>; <https://www.mofa.go.jp/mofaj/files/000381726.pdf>.

11 *For an extended argument of this point, see my upcoming article , Middle Power Cooperation in the Indo-Pacific Era, in Issues & Studies, (forthcoming).*



4

Japan's Values-driven Strategy and Japan-EU Relations

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Introduction

In Japan's national security strategy aimed at the maintenance of an international rules-based order in which Japan's own security is anchored, values have come to play a central role.¹ In the past decade and a half, Japan has utilized various types of assistance to advance or support liberal regional orders, and has become increasingly vocal in its pledge to play a 'proactive role' in the maintenance of a rules-based order. Increasingly, values are considered the glue with which to form collaborative relations among "like-minded countries," such as those in Europe and the middle powers of Oceania, as well as India, forming the basis of an international rules-based order. What are the links between Japan's values-driven strategy and the quality and scope of Japan-EU relations and cooperation in international politics and security? This paper reviews the contours of relevant Japanese diplomacy and, after considering how Japan's National Defense Program Guidelines (NDPG) adopted in late 2018 can be viewed as the latest manifestation of this strategy,² examines how a values-driven strategy may serve future relations between EU and Japan through defence-related tasks. Japan-EU relations, indeed, are of critical importance to how rules-based order will be created. To help forge such ties, there needs to be not only a conceptual basis founded upon the recognition of common values and goals by the two parties, but also painstakingly shaped practical cooperation in areas of mutual interest. While security cooperation remains an important potential area to explore,³ strategic communications is emerging as a field of paramount importance. Some

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- 1 On Japan's value diplomacy and the inherent discrepancies in Japanese and EU values, see Midford, Paul, *Abe's pro-active pacifism and values diplomacy: implications for EU-Japan political and security cooperation*; in Berkofsky, Axel, Hughes, Christopher W., Midford, Paul, Söderberg, Marie (eds.), *The EU-Japan Partnership in the Shadow of China: The Crisis of Liberalism*; Routledge London and New York 2019.
 - 2 Government of Japan, *National Defense Program Guidelines for FY 2019 and Beyond* (18 December 2018).
 - 3 For an earlier exploration of the potential for cooperation in capacity building assistance, see Fukushima, Akiko, *Japan-Europe Cooperation for Peace and Stability: Pursuing Synergies on a Comprehensive Approach*; The German Marshall Fund of the United States, Asia Program, April 2015.

of the critical challenges facing values-based cooperation between EU and Japan are outlined in the following section.

Contours of Japan's Values-driven Strategy

Japan's foreign and defence policies have been associated with realism, and with a rather 'passive' stance where it is seen to be following international rules, rather than leading in making the rules. However, even within these confines Japan in the past decade has become more proactive advocating a world order based on international rules, and has presented itself as a supporter of the status-quo liberal world order that has long ensured its safety and prosperity.⁴ It has advocated values as the basis of a rules-based international order, pledging its efforts for the maintenance or restoration of order when instability threatens it. Over the last 15 years Japan has sought to expand diplomatic frontiers and find new ways of engaging with a greater number of countries with a view to supporting such an order. One of the most ambitious initiatives was the Arc of Freedom and Prosperity (AFP), launched during the first Abe administration and announced by then Foreign Minister Asō Tarō, and which sought to bring stability and prosperity to broad areas stretching from North and Eastern Europe to Central Asia to Oceania, and in its own neighborhood in the Asia-Pacific region. The same vision continues in the Free and Open Indo-Pacific (FOIP) initiative. Japanese presence is now more evident along the sea lanes stretching from Southeast Asia through the Indian Ocean to Djibouti (where Japan has a base) through the missions that its naval ships make to visit ports and protect commercial ships from piracy. Japan's security partnerships and cooperation are expanding with other countries in the Indo-Pacific⁵ Especially notable in this regard are Australia and India. In Europe, the Japan-EU Economic Partnership Agreement (EPA) and Japan-EU Strategic Partnership Agreement (SPA) were concluded in 2018. In July that year, Donald Tusk, then President of the European Council, described the EPA as "a light in the increasing darkness

4 Recent Japanese efforts to save the Trans-Pacific Partnership or TPP may be an example here; see also. Allison, Graham, *The New Spheres of Influence: Sharing the Globe with Other Great Powers*; *Foreign Affairs* February 2020.

5 Midford, Paul, Vosse, Wilhelm, *Japan's New Security Partnerships: Beyond the Security Alliance*; Manchester University Press 2018.

of international politics. We are sending a clear message that you can count on us. We are predictable—both Japan and [the] EU.”⁶ To enhance relations with NATO also, Japan began stationing staff officer at its headquarters in 2014, and appointed an ambassador in 2018. Various forms of concrete security cooperation with individual European countries, most notably the United Kingdom and France, are underway, ranging from joint exercises and training, to multilateral or bilateral capacity building. Japan is also now trying to build security partnerships with various European and other ‘like-minded’ countries in outer space, cyberspace, and in various areas of scientific cooperation.⁷ These efforts represent the linchpin in Japan’s current security strategy of expanding values-based engagement with countries far beyond its traditional partners in Asia. Although the rapid rise of China has become a central factor influencing the calculation of means, the strategy has a much broader basis. That basis lies in Japan’s recognition that supporting a rules-based order in association with like-minded countries, with rules-based relations with antagonists, is the surest way to security, reduction of uncertainty, and mitigation of some of the risks inherent in current international relations. Among such risks are the (potential) shift in how the United States, Japan’s sole alliance partner, perceives its interests, especially in terms of global engagement. The decline in both relative and absolute terms of Japan’s own power (as exemplified by its dwindling population and slower economic growth) is also a decisive factor. A broad-based perception abides among Japan’s elites that the country’s national security critically hinges on the promotion of a rules-based order.

2018 National Defense Program Guidelines (NDPG) and Beyond

The revision in late 2018 of the National Defense Program Guidelines (NDPG) is the latest addition to Japan’s values-driven strategy. The 2018 NDPG represented what would be one of the last building blocks of the current Abe Shinzō administration’s security architecture. The second Abe cabinet beginning in 2012 opened an era of what many analysts called ‘normalization,’

6 Cited in *Japan-EU Trade Deal Light in darkness’ amid Trump’s protectionism*; *The Guardian*, 17 July 2018.

7 Heng, Yee-Kuang and Sakai, Nobuyuki, *Japan’s Science Diplomacy and Drivers for EU-Japan collaboration*; Presentation at the European Union, March 2019 in Brussels.

'new realism,' and 'renaissance' in security affairs.⁸ First, there was legal reform. Especially the cabinet decision in July 2014, which changed the long-held interpretation regarding use of the right of collective self-defence, and the subsequent passage in 2015 of security-related laws that among other things legally enabled that interpretation, were significant. Second, national security institutions were also updated. Japan's National Security Strategy was adopted in 2013, and the National Security Council was established. Alongside it, the National Security Secretariat (NSS) was established within the Cabinet office with the aim of planning and coordinating national security-related policies.

In terms of defence capabilities, in the 2013 NDPG Japan followed through with the idea of building up mobile defences (an idea that was first adopted by the then DPJ-led government in the 2010 NDPG), which significantly expanded Japan's defence efforts to cover its southwestern islands with the newly created amphibious force, formed within the Ground Self Defense Forces. It and the previous 2010 NDPG emphasized further capacity building as a SDF role.⁹ The 2018 NDPG remains couched in the principles endorsed in the 2013 National Security Strategy, which still remains unrevised. The 2018 NDPG expanded Japan's defence to new domains, with the focus on strengthening its cyber, space and the electromagnetic capabilities, under the concept of a multi-domain defence force. Further, the 2018 NDPG streamlined Japanese defence along the peace-conflict spectrum and aligned means and capabilities along this spectrum. Specifically, the NDPG identified the objectives of Japanese defence as: 'create, deter and counter.' The NDPG 2018 states: the first objective of Japanese defence is "to create, on a steady-state basis, [a] security environment desirable for Japan by integrating and drawing on the strengths at the nation's disposal."¹⁰ It is implied in

8 See Hughes, Christopher W., *Japan's Foreign and Security Policy Under the 'Abe Doctrine': New Dynamism or New Deadend?*; Palgrave, London 2015); also Oros, Andrew L., *Japan's Security Renaissance: New Policies and Politics for the Twenty-First Century*; Columbia University Press New York 2017); Austin, Michael, *Japan's New Realism: Abe Gets Tough*; *Foreign Affairs* 95:2 (March/April 2016).

9 Fukushima, *Japan-Europe Cooperation for Peace and Stability*, p. 3.

10 Cabinet Office, the Government of Japan, *National Defense Program Guidelines for FY 2019 and Beyond* (December 18, 2018), p. 8. http://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/20181218_e.pdf

this definition that ‘create’ starts during peacetime (including grey-zone contingencies) and is not mutually exclusive with “deter” and “counter,” but rather positioned along a continuum. It also requires combining of all aspects of national power, military, diplomatic, and economic, among others.

Regarding implementation, the ‘create’ category will likely overlap with values-based diplomacy and other actions of the Japanese government. The “create” category is linked, for example, with strategic communications,¹¹ now defined as a defence task in the same document. It can also be linked with ‘security cooperation’ (anzenhoshō kyōryoku), now emphasized with a link to the on-going FOIP vision. Defence cooperation and exchange activities ranging from capacity building, joint exercises, training, interchanges among military branches—often linked with values and connecting with like-minded countries—are now linked with the ‘create’ purpose in the defence document.¹² Security cooperation, therefore, is linked with strategic communications through the ‘create’ category so that defence engagement will help shape perceptions about Japanese actions or the security environment.

Implications for Japan-EU relations

The EU and Japan share common values and the aspiration for a rules-based order. In light of this it is notable that Japan now has a range of diplomatic as well as defence tools that could benefit Japan-EU relations, especially regarding the aforementioned ‘create’ category). The same capacities may also pose some challenges for advancing such collaboration. Security cooperation (or defence engagement) could be an important area where Japan could further focus and gain expertise. The areas where the SDF has already been operative, such as in defence diplomacy, capacity building and joint exercises for various contingencies, could be areas where further Japan-EU collaboration could be devised at the practical level. Specific purposes could vary, depending upon policy contexts and the geographical areas of

11 On Japanese practice of strategic communications, see Aoi, Chiyuki, *Japanese Strategic Communications: Its Significance as a Political Tool; Defence Strategic Communications 3* (Autumn 2017), pp. 69–98.

12 See 2018 NDPG, p. 15 (English version). Other peacetime operations listed include enhanced intelligence, surveillance and reconnaissance (ISR) activities and flexible deterrent options (p. 11).

operation, but this category of activities is broad enough so that the parties may find areas of interest that converge. Strategic communications is another broad emerging area where closer coordination and collaboration between Japan and the EU could be envisaged and is needed. Defined as “the use of words, actions, images, or symbols to influence the attitudes and opinions of target audiences to shape their behavior in order to advance interests or policies, or to achieve objectives,”¹³ strategic communications is the defining feature of international relations in both Europe and Asia, but with different contexts and nuances. In Europe, strategic communications attracted much attention in the recent past largely in relation to the hybrid conflicts and threats faced in Europe arising from both state and non-state actors, but with Russia as a key state competitor in this area. In Asia, the picture is more nuanced and actions in this area are less coordinated, but the importance of communication in defence and foreign affairs is nonetheless recognized, given also technological advancements in the communications sphere. Public diplomacy has long been actively used by state actors in the region, including toward contentious issues of history and territory. Further, China’s military rise has created complex dynamics in which communications are organized in a nuanced way by different actors in the region, reflecting strategic calculations mingled with a degree of reluctance to directly challenge Beijing. The constitutive functions of strategic communications that shape international relations, nonetheless, are clear, and both Japan and the EU need to realize that sustaining a rules-based order significantly depends on the persuasive use of communications in light of the rise of great powers in both regions with different visions of regional order. Japan and the EU will therefore face situations that will require them to coordinate their messages and actions.

Challenges Ahead

The above discussion begs a further set of questions, that may be difficult to immediately address. One issue is the difficulty of precisely defining the content of the ‘values’ in question. For example, can values and a ‘rules-based order’ be envisaged without the components of democracy and human rights? For example, Japan has been consistently reluctant to discuss these issues

13 Farwell, James P., *Persuasion and Power: The Art of Strategic Communication*. Georgetown University Press Washington DC 2012.

with Southeast Asian partners.¹⁴ Such practices may at times be perceived as being inconsistent with some of its seemingly liberal rhetoric. Japan needs to come to terms, in addition, with what values-driven strategy actually entails in light of the rapidly evolving maritime order. Where Japan stands in terms of the Freedom of Navigation Operations or the UN Convention on the Law of the Sea is at times not perceived as clear and consistent.¹⁵ At the heart of current Japanese interest may be the challenges faced in furthering the FOIP concept. FOIP is currently the main vehicle through which Japan's values driven strategy is implemented, but in terms of the main message that it sends, there has been some confusion. For example, FOIP started as a project primarily of self-explanation—making clear the values Japan stands for in terms of the maritime order, development assistance, and investment. Japan's key partners, however, tended to interpret FOIP differently, some interpreting it as having 'othered' China, or confusing FOIP with a later US-advocated version that is more alliance-inclined. Pinning down common projects to implement with European countries in the context of FOIP has been a running concern among practitioners. This all suggests the centrality of strategic communications in how both Japan and the EU address pressing issues. The crucial question is how the two could project their images as like-minded entities, given the still unclear definition of their "common" values and their different approaches to implementation. On the Japanese side, in particular, efforts must be made to ensure that an image is projected—accompanied by not only messages but actions—that Japan is a valuable partner for the EU and the Western world in efforts to maintain international peace and stability. This has been achieved, for example, by implementing its own strategic pledge—the 'Proactive Contribution of Peace' set forth in the National Security Strategy of 2013—and subsequent guidelines. Though subject to how the matter is framed in domestic political contexts, some may interpret the current lack of Japanese SDF units in UN peacekeeping missions as contradictory to the declared purposes.¹⁶ So is the general lack of operational experience by SDF personnel more broadly. Japan now deploys a few headquarters staff to the Multinational Force and Observers in the Sinai, marking a departure from the past policy of not sending personnel

14 *Japan has historically adopted a policy of 'constructive engagement' towards Myanmar, for example.*

15 *Midford, Abe's pro-active pacifism and values diplomacy.*

16 *Midford, Abe's pro-active pacifism and values diplomacy.*

to multinational forces (the dispatch took place under the revised Peace Cooperation law). Yet, to more fundamentally remedy such reticence would require Japan to overcome its basic risk-averse approach, as well as its residual, though declining, 'expectation deficit'¹⁷ that the EU is not yet a full-fledged strategic partner. Security cooperation, however, has now entered the mainstream defence lexicon, making a marked recent improvement in the conceptual underpinning of Japan's defence.

Conclusions

This brief overview identifies some fundamental conditions for envisaging the future shape of Japan-EU relations, as well as for grasping the challenges inherent in such conditions. In these turbulent times, however, the tasks facing Japan-EU relations are of unprecedented importance. Sincere efforts to re-consider common values and practical steps to enhance such values are urgently needed, along with practical steps to increase cooperation both at the diplomatic/strategic level and the ground (field) level. The former has exemplified the need to coordinate strategic communications. The latter may be advanced through mutual collaboration in security cooperation and defence engagement. Such cooperation, however, could only advance significantly when there is sufficient political will to endure costs and take risks where necessary. Mature societal-level dialogue and exchange would also be helpful. To develop further Japan-EU relations, leaderships on both sides will want to remember that sound strategy always entails commitment to proactively shaping events and reality, not merely reacting to evolving balances of power.

17 Tsuruoka, Michito, *Expectation Deficit in EU-Japan Relations: Why the Relationship Cannot Flourish*; *Current Politics and Economics of Asia* 17:1 (2008), pp. 107-26.



EU-Japan Cooperation for Promoting Renewable Energy: Concrete Policy Recommendations

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Introduction

The European Union and Japan, along with China, are the largest economies committed to reducing Green House Gas (GHG) emissions and promoting renewable energy. They are also both trying to reduce their dependence on imported fossil fuels for reasons of energy security as well as sustainability. The EU and Japan, as the two leading champions of the liberal international order must play a leading role in both combating climate change and promoting renewable energy. Already there is significant cooperation on renewable energy occurring between them, but much untapped potential as well. There is still much the two sides can learn from each other in terms of promoting renewable energy domestically, and great potential for EU-Japan cooperation to enhance global connectivity and the rapid adoption of renewable energy in third countries, especially in developing countries in the Indo-Pacific region.

Renewable energy includes forms of energy that do not rely on fuel, either fossil or nuclear, to produce energy. Three leading forms are electricity produced from hydropower, photo voltaic solar panels (PV solar) and wind power. Other forms include direct solar (heating fluid through mirrors reflecting sun light), tidal, and geothermal (using heat from the earth's mantle to power generating turbines). These sources, except for geothermal and to a significant extent hydropower, produce electricity at fluctuating levels in real time, creating challenges for integrating them into existing electricity grids that assume constant levels of electricity generation and have relatively few electricity storage assets. Consequently, the energy transition to renewable energy also involves fundamental restructuring of electricity grids and the relationship between consumers and producers. It also involves the complete electrification of transportation, with batteries and hydrogen fuel-cell powered automobiles, trucks, trains, and in the longer run planes. The EU and Japan are making progress in most of these areas, but also face significant challenges. Through greater cooperation they have the opportunity to emerge as global leaders in renewable energy, thereby helping to stop, if not begin to reverse, human caused climate change, while also emerging as the commercial leaders in renewable energy, smart grids, and the hydrogen economy. The rest of this paper provides some background on EU-Japan GHG and renewable energy ambitions, their progress and cooperation to date in making the transition to renewable energy, and what they can learn from each other.

The concluding section outlines some policy recommendations for EU-Japan cooperation for promoting the energy transition away from fossil and nuclear fuels and toward renewable energy domestically, and in third countries.

EU and Japan's GHG and Renewable Energy Goals

The EU has pledged to reduce GHG emissions by 20% for 2020 under the Kyoto Protocol's second commitment period. In fact, Europe is exceeding this target with a 23% reduction in emissions. Already, Europe's share of global emissions has declined from 14% to 9%, and since 1990 has been able to simultaneously cut GHG emissions and realize economic growth. Regarding longer term GHG targets, the EU aims to achieve a 40% reduction by 2030, 60% by 2040, and 80% by 2050.¹ The EU set a goal of producing 20% of its total energy consumption from renewable sources by 2020, up from 8.5% in 2005. Already by 2013 the EU had raised the share of energy produced from renewable sources to 15%. For 2030 the EU has set a target of producing 27% of total energy consumed from renewable sources, with 45% of electricity generated from renewables. The EU has also set a goal of 15% of national grid capacity interconnectivity (relative to installed capacity) with other national grids. Expanding tie-lines between national grids is important for integrating variable renewable energy because that variability can be more easily managed over a larger grid.² For example, excess German solar electricity on sunny days can be exported to the UK and Norway, and on windy nights the UK can export off-shore wind power to Germany, and Norway can act as a green battery by ramping up its hydropower generation when the sun sets on German solar or the wind dies down in the UK. Related to greater grid interconnectivity, the EU has also set a 2030 target of promoting transnational short-term markets such as next day and intra-day and markets for grid balancing, markets that arguably should be modeled after NordPool, which is the electricity market linking the Nordic countries.

1 Delbeke, Jos, Vis, Peter, *EU's climate leadership in a rapidly changing world*; in Delbeke, Jos, Vis, Peter, (eds.), *EU Climate Policy Explained*; Brussels: European Union, 2016), pp. 7, 11-13, 16, 20.

2 *Ibid.*, pp. 20, 23; also Planete energies, *The European Commission: Electrical Interconnectors*; https://www.planete-energies.com/en/medias/close/european-commission-electrical-interconnectors#form_id=media_node_form.

Turning to Japan's GHG goals, Japan has pursued more modest initial goals, calling for a 3.8% reduction in 2005 GHG emissions by 2020, and a 26% cut in 2013 level emissions by 2030. However, Japan is also aiming to reduce GHG emissions 80% by 2050, a goal identical with that the EU has set for itself, except that the base year for Japan's 2050 target has not yet been specified. Japan has also set a goal of reducing transportation sector GHG emissions 90% by 2050 through greater electrification, a goal that assumes near 100% use of electric passenger vehicles by then.³

Japan's 2018 Basic Energy Plan calls for renewable energy to make up 22-24% of electricity production by 2030, a figure significantly lower than the EU's goal for that year. Indeed, Japan's goal is so low that it may be reached by 2022, including traditional hydropower. The figure for 2018 was already 17.4%. The Basic Energy Plan calls for Japan to produce 20-24% of its electricity from nuclear power by 2030, a goal that looks unrealistically high, even though Japan had produced nearly 30% of its electricity from nuclear power before the Great East Japan Earthquake, tsunami, and Fukushima Daiichi nuclear accident of March 11, 2011. This appears to be driving a Japanese government policy that contradicts its GHG reduction goals, namely plans for installing up to 15 GW of coal-fired electricity generating plants,⁴ although local, national, and international opposition, and perhaps the rapid spread of renewables, will mean that most of this capacity will never be built. A large majority of the Japanese public is willing to support the expanding use of renewable energy even if electricity prices increase as a result: 65% favor increasing use of renewables even if electricity becomes more expensive, versus 19% who do not favor expanded use if it raises prices.⁵

3 *Climate Action Tracker, 'Japan,' as accessed April 30, 2020; <https://climateactiontracker.org/countries/japan/>.*

4 *Ibid.*

5 *Yoron Chōsa: Shitsumon to kaitō, Asahi Shimbun, June 13, 2011; also Midford, Paul, The Impact of 3-11 on Japanese Public Opinion and Policy Toward Energy Security; in Moe, Espen, Midford, Paul (eds.), The Political Economy of Renewable Energy and Energy Security; Palgrave Macmillan New York 2014, pp. 80-84.*

Bilateral Cooperation to Date

Sustained exchanges of energy experts & technology began in 1987, and has continued since. Fast forward twenty years to 2007 and the level of cooperation, especially regarding renewable energy, began to grow significantly. That year saw the inauguration of the EU-Japan Energy Dialogue. March 2009 saw the launch of the EU-Japan Joint Strategic Workshop on Energy Research & Technological Development, including a focus on PV solar and electricity storage. In the wake of 3-11, and Japanese Prime Minister Kan Naoto's initiative toward riding Japan of reliance on nuclear power, the May 2011 EU-Japan Summit reenergized renewable energy cooperation between the two sides. In June 2012 the 4th EU-Japan Energy Dialogue was raised to the ministerial level for the first time. During this dialogue they discussed joint research and development of PV solar and electricity storage technology. They also stressed need to improve exchanges on the European experience of liberalizing electricity markets and the development of smart grids.⁶

What Europe and Japan Have Learned from Each Other?

The most important thing Europe has learned from Japan in terms of renewable energy is the PV solar technology expertise and know-how itself, which Japan pioneered in developing during the 1970s and 1980s with its 'Sunshine' research project. In the 1990s Japan then pioneered the commercialization of PV solar, about a decade ahead of Germany and other European countries. It even offered subsidies for roof-top solar panels on homes and small businesses. However, this subsidy program ended in 2005, and a year later Matsushita lost its position as the world's leading PV solar manufacturer to a German company. Soon thereafter Chinese companies became dominant globally, and now account for more than 60% of global PV production.⁷

6 Vosse, Wilhelm 'Renewable Energy Strategies Leading to Closer Europe-Japan Cooperation after 3/11,' *Asian International Studies Review*, Vol. 19, no. 2 (December 2018), pp. 61-85, at pp.67-70.

7 Asano, Kenji, *Early Promoter of Solar Photovoltaics: Forty Years of Development of Policy and Technology in Japan*; in Moe, Espen Midford, Paul (eds.), *The Political Economy of Renewable Energy and Energy Security*; Palgrave Macmillan New York: 2014), pp. 157-174.

Probably the most important thing Japan has learned from Europe is the Feed-in-Tariff (FIT) for promoting renewable energy, which was pioneered by Germany. Japan's 2011 FIT law closely resembles Germany's. The FIT sets high purchase prices for a fixed period for energy produced from renewable sources to encourage new investment from private companies, but gradually reduces these purchase prices for new investments over the course of one to two decades until the higher price disappears, at which point renewable energy should be price competitive with other forms of renewable energy. The German-style FIT has been spectacularly successful in Japan with respect to PV solar, although not so with respect to wind or other renewables such as geothermal. From 2012, when the FIT was implemented in Japan through 2019 approximately 63 GW of installed PV solar capacity has been added in Japan, giving Japan the third largest capacity behind China and the US.⁸ For comparison, the generating capacity of a nuclear reactor is approximately 1 GW, although a nuclear reactor, when it is in service can produce this amount 24 hours a day, while PV solar can only generate during daylight (and less on cloudy days). The rapid expansion of solar power in Japan has brought Japan face to face with second stage renewable energy challenges as it moves from being a niche form of energy to replacing fossil and nuclear forms of generation: how to integrate large-scale intermittent power onto electricity grids, a challenge that some European front-runners, like Denmark with its high reliance on wind power, and increasingly Germany, are now also facing.

What Can Europe and Japan Learn from Each Other Going Forward?

The EU-Japan SPA that was concluded in 2018 addresses energy cooperation between the two partners in Article 26. It mandates cooperation "in the area of energy, including energy security, global energy trade and investment, the functioning of global energy markets, energy efficiency and energy-related technologies." Article 17 also mandates exchange of views and best practices regarding their respective industrial policies for "energy efficiency." The two partners became far more specific in 'The Partnership on Sustainable

8 *'Domestic solar and storage on the rise as Japanese market bounces back.'* PV Tech, January 22, 2020; <https://www.pv-tech.org/editors-blog/domestic-solar-and-storage-on-the-rise-as-japanese-market-shifts-gear>; International Energy Agency, *Trends in Photovoltaic Applications 2019* (IEA, 2019) p. 12.

Connectivity and Quality Infrastructure Between Japan and the EU,' which they concluded in September 2019. In Point 8, the two partners pledged to "continue their cooperation in areas such as hydrogen and fuel cells, electricity markets regulation...and support sustainable energy connectivity building on the existing Japan-EU energy dialogue. They intend to discuss sustainable energy infrastructure investments, with a view strengthening... energy innovation in order to facilitate the transformation to low-carbon energy systems." This statement encapsulates important aspects of the agenda ahead for EU-Japan cooperation in promoting renewable energy domestically as well as in third countries: expanding the capacity of grids to absorb more renewable energy, improving electricity markets and their regulation, and realizing the hydrogen economy. This also builds on a long history of cooperation.

What Japan can most learn from Europe is help reforming its electricity grid, learning that is already taking place. In 2015 Japan established a new national regulatory body to regulate the grid, entitled Organization for Cross-regional Coordination of Transmission Operators (OCCTO). OCCTO is modeled after Nordic grid regulators. Similarly, Japan liberalized its retail electricity market in April 2016 (allowing households and small businesses to select their electricity generator). Again, Japan's retail liberalization largely follows Nordic models.

Despite these innovations, Japan's national grid remains very balkanized, with very limited inter-regional connections between grids owned by regional electric power companies (EPCOs), and is further hampered by two power standards, (60 vs. 50 Hertz) in western and eastern Japan. These characteristics hamper the further integration of renewable energy into the grid and have caused Kyushu EPCO to begin curtailing the amount of electricity it accepts from PV solar generators. Norway's experience of integrating separate regional grids in the 1980s may be useful for Japan's own efforts to more closely integrate regional grids. Japan can also learn from European experiences and policies linking national grids, including the use of undersea interconnections, such as the 711 km (1.4 GW capacity) seabed cable being built between Norway and the UK. Japan can also benefit from regional European electricity markets covering several countries, such as NordPool Spot, which is the leading power market in Europe for day-ahead and intraday electricity sales. Linking regional grids, and building interconnectors between Japan and neighbors such as Korea, Russia, and perhaps China, enhances supply security and facilitates expanded use of renewable energy.

Another concept that Japan might perhaps learn from Europe is the so-called “green battery” concept championed by Norway⁹. This uses conventional hydropower (rather than pump-hydro) for electricity storage. In this way conventional hydro power can be used as a reserve power source to back-up variable wind and solar power. When the sun sets on German solar or the winds die down in Denmark and the UK Norwegian hydro can compensate by ramping up production and sending electricity via undersea connectors to these countries. The only significant drawback is that hydropower is less available in drier years.

A key area where the EU and Japan can learn from each other is in developing and promoting smart grids, including smart meters. Smart grids help promote renewable energy by allowing demand management, as fluctuations in renewable energy production can be mitigated by correspondingly varying demand by using price signals. Smart grids also make it easier for homeowners to sell electricity produce from roof-top solar and electricity market liberalization by tracking in real time power purchases. The electricity targets in Japan’s 2018 Basic Energy policy include an unusually large percentage of base-load power (especially nuclear or fossil fuel generation), reflecting an inflexible grid in need of modernizing. Japan can learn from, and contribute to, the European Electricity Grid Initiative (EEGI), a European research, development and demonstration program. On the other hand, Europe can learn from Japanese smart grid technology: in recent years up to 45% of smart grid patents have been from Japan. Europe can also learn from Japan’s advances in reducing transmission losses on high voltage lines through using superconducting materials.

The most important area where the EU can learn from Japan moving forward relates to the hydrogen economy. In March 2014 Japan became the first country to announce a national hydrogen strategy, Japan’s Road Map for Hydrogen and Fuel Cells, which set the goal of establishing a hydrogen society by 2050. Japan has a long history of promoting hydrogen as a clean energy carrier (producing energy from hydrogen only produces water as a byproduct) and storage medium for electricity, going back to 1974. Surplus solar and wind electricity can power electrolysis to produce environmentally

9 Gullberg, Anne Therese, *Therese, The Political Feasibility of Norway as the “Green Battery” of Europe*; *Energy Policy* 57 (2013), pp. 615-623.

friendly “green hydrogen”¹⁰ from water, hydrogen that can then be used to produce electricity in fuel cells, or by burning it like natural gas.

Japan’s commercialization of hydrogen began in earnest just before the turn of the century with the establishment of the Fuel Cell Commercialization Conference of Japan (FCCJ) composed of 112 firms in 1999. Two important commercial applications that Japan has pioneered since then are ENE-FARMS and fuel cell powered electric vehicles. ENE-FARMS are a fuel co-generation system that produces electricity through a chemical reaction between oxygen and hydrogen extracted from natural gas. Japan was the first to develop and market ENE-FARMS, and had installed units 200,000 by 2017, including many home systems that also function as water heaters. ENE-FARMS have very low, but not zero, CO₂ emissions. Japan is also the first country to mass market fuel cell automobiles, starting with the Toyota Mirai in 2014. Honda has also produced limited numbers of the fuel cell version of the Honda Clarity. The Japanese government is supporting large-scale fuel cell for powering apartment buildings, hospitals, and even cities. The Olympic Village for the 2020 Tokyo Olympics (now scheduled for 2021) will be powered by electricity produced by fuel cells by using green hydrogen produced from renewable energy in Fukushima Prefecture. Former Tokyo Governor Masuzoe Yoichi well summarized Japan’s Hydrogen Economy aspirations: “The 1964 Tokyo Olympics left the Shinkansen high-speed train system as a legacy. The upcoming Olympics will leave a hydrogen society as its legacy.”¹¹

Hydrogen is one promising solution to the problem of how to reduce curtailment and maximize the use of variable solar and wind power. Excess solar and wind power can be stored as hydrogen and turned back into electricity at night or when the wind dies down. The 10 MW hydrogen plant that went online in Fukushima in March 2020 near the site of the nuclear accident is powered by 20 MW of solar panels, and produces 100 kg of hydrogen an hour, is an important milestone in Japan’s 2014 Hydrogen Roadmap. The Roadmap sets the goal of storing 250-300 TWh of surplus electricity as hydrogen in the 2020s, building full-scale hydrogen plants by 2030, and by 2050 storing 500 TWh of excess renewable energy as hydrogen

10 Brown hydrogen refers to hydrogen produced from fossil fuels such as coal.

11 Daugherty, Cyrus, *Hydrogen is the Energy of the Future for Japan*; International Association for Hydrogen Energy 8 (3) (2016), p. 1.

(Japan's current total electricity demand is a bit over 1000 TWh). The Roadmap sets the goal of achieving a self-sustaining hydrogen economy by 2050 that no longer needs subsidies.

So far there has been remarkably little cooperation between the EU and Japan on the hydrogen economy. The September 2018 "Partnership on Sustainable Connectivity" is one of the first significant bilateral documents to stress hydrogen and fuel cells. This lack of EU-Japan cooperation to date is surprising given that there has been an annual Sino-Japanese hydrogen seminar and significant cooperation between them. There is real trade potential here as well. For example, "stranded wind power" in Northern Scandinavia that cannot be easily connected to grids further south can be used to produce green hydrogen that can then be exported to Japan via the Arctic, as it is currently the case with Norwegian natural gas. Norway already exports green hydrogen produced from hydro-electric dams.

Conclusions

As this paper demonstrates, the EU and Japan have engaged and learned much from each other regarding renewable energy, which is crucial for reducing GHG and combat human induced climate change. Both partners now face similar so-called 'second stage' challenges expanding variable solar and wind power from niche sources of power into sources that can replace fossil and nuclear fuel power sources. They both need to fundamentally restructure their electricity grids, turning them from supply focused to demand focused through demand management made possible by deploying smart grids. The two sides can learn from each other's smart grid initiatives and Japan can learn from Europe's inter-regional grid integration and electricity markets. Europe on the other hand can learn much from Japan's far-sighted 2014 Hydrogen Economy Roadmap. Finally, the EU and Japan can cooperate through their "Partnership on Sustainable Connectivity" to help third countries, especially developing countries transitioning to renewable energy. EU-India solar energy cooperation could be a potential model for the EU and Japan to base their cooperation in third countries.

Finally, this paper makes four policy recommendations. First: **Establish an Annual EU-Japan Hydrogen Dialogue**. There is a multilateral Hydrogen Ministerial Dialogue, and a nascent trilateral dialogue with the US, but

currently no EU-Japan bilateral dialogue. Concrete areas the EU and Japan should focus on include use of hydrogen fuel cells to power automobiles, trucks, trains, and ships. This would be a two-directional exchange as in some areas, like fuel cell powered trains and ships Europe is ahead of Japan.

Second: **The EU should formulate its own hydrogen strategy.** There are already voices in some European states, notably Norway, calling for national hydrogen strategies. The EU-Japan Hydrogen Dialogue could aid the EU in formulating its own hydrogen strategy.

Third: **Establish an EU-Japan annual seminar on hydrogen technology and commercial applications.** On a smaller scale there has already been a Japan-Norway hydrogen seminar.

Finally: **Establish an EU-Japan Dialogue on Sustainable Energy Connectivity** to focus on promoting infrastructure that helps third countries replace fossil and nuclear fuel-based energy production with renewables. These infrastructure areas include distributed electricity production in off-grid and small local grids, with a focus on storage. On a larger scale this includes smart-grid development, extensive grid development, inter-regional grid connections, electricity market liberalization, including the development of spot and day-ahead markets, and the promotion of electricity storage, especially hydrogen. Concrete examples of cooperation regarding hydrogen could include promoting Ene-farms in developing countries, promotion of fuel cell powered trains and ships, establishing hydrogen production facilities that use excess wind and solar power, use of fuel cells for electricity storage and for supply security in the case of typhoons or other natural disasters. Enhancing disaster preparedness and resilience through distributed power generation would thus be another objective of this connectivity initiative. Another area for cooperation would be helping Japan with its announced goal of establishing 10,000 hydrogen filling stations worldwide for fuel cell vehicles within 10 years.



Going Digital and Going Global: Next Steps for EU-Japan Connectivity

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Introduction

Through the EU-Japan Partnership on Sustainable Connectivity and Quality Infrastructure, a focus on cooperation in the digital sphere is in place. Now is the time to engage actively on all three practical elements of digital connectivity – namely telecommunications infrastructure, business and regulation – at both the practical and strategic level, and beyond the bilateral agenda. This means pushing cooperation to the multilateral level and into third countries, in particular emerging economies in Asia and Africa. As a requirement for success, more lines of communication are needed to facilitate deeper engagement between European and Japanese stakeholders' on digital connectivity's defensive strand. The challenge is even starker after the outbreak of the global COVID19 pandemic. As governments and people turn to digital tools that have proven potential to protect our health, care should be taken to ensure that these instruments work for citizens while not instituting surveillance regimes with totalitarian characteristics. Also, the pandemic exposes a lack of digital capacity and unequal access to modern information and communication technology, and thereby adds urgency to the need to address the digital divides.

Connectivity Moving up the Agenda

The EU and Japan have come a long way in broadening and deepening their bilateral relationship. After decades wherein lofty rhetoric trumped real action, the dual challenge posed by an increasingly strong and assertive China and the 'America-first' approach of the United States inserted the necessary political willingness of European and Japanese leaders to deliver – as symbolized by the Economic Partnership Agreement, finalized in 2017. In September 2019, the two partners launched the EU-Japan Partnership on Sustainable Connectivity and Quality Infrastructure,¹ vowing to cooperate based on 'sustainability as a shared value, quality infrastructure and their belief in the benefits of a level playing field'. The European Investment Bank

1 See *EU-Japan Partnership on Sustainable Connectivity and Quality Infrastructure*, 27 September 2018, https://eeas.europa.eu/headquarters/headquarters-homepage_en/68018/The%20Partnership%20on%20Sustainable%20Connectivity%20and%20Quality%20Infrastructure%20between%20the%20European%20Union%20and%20Japan.

(EIB) and the Japan International Cooperation Agency (JICA) signed a similar agreement.² Cooperation arrangements and memorandums between the EIB and the Japan Bank for International Cooperation (JBIC), and between the EIB and Nippon Export and Investment Insurance were already adopted in 2018.

Moving from paper to practice, the vast digital agenda in particular offers practical opportunities to further shared objectives. Beyond the bilateral agenda, the focus should be on the promotion of data security and trust in data flows at the global level, and on nurturing competitive digital businesses with a strong global presence. Furthermore, the two sides should give attention to collaboration on the digital development agenda (in areas such as data for development, digital capacity building and digital financial inclusion) in third countries – particularly emerging economies in Asia and Africa. Substantive and sustainable engagement with each other's strategic thought – including on digital connectivity's defensive strand – is needed for success in these fields. This requires that new platforms are created to facilitate discussions between stakeholders.

Society-centred Policies

Set against the context of an intensifying US-China trade-tech conflict, the ongoing fourth industrial revolution³ (characterized by a range of new technologies that are fusing the physical, digital and biological worlds) is changing fundamentally the way in which people live, work, and interact. As most technological development today is done by companies, governments need to ensure that these technologies continue to benefit ordinary people. This means devising policies that are not technology-oriented, but socially-oriented – aspiring to build what the Japanese government calls a 'human-centred digital society.' Like Japan, the EU and its member states stress values such as openness, sustainability and inclusiveness. This 'citizens-first' approach differentiates the two partners from the United States, which prioritizes companies, while in China technology is harnessed to serve the

2 See EIB expands its partnership with Japan's JICA, 27 September 2019; <https://www.eib.org/en/press/news/eib-expands-partnership-with-japan>.

3 Schwab, Klaus, *The Fourth Industrial Revolution*; <https://www.weforum.org/about/the-fourth-industrial-revolution-by-klaus-schwab>.

party-state. As Chinese technology champions – such as Huawei, Alibaba, ZTE and Tencent – expand their presence in third countries with massive financial support from the Chinese state, action is needed to prevent harmful digital protectionism and the leveraging of investments in network infrastructure abroad to further restrict visions for data governance that are associated with political and social control. The human-centred approach is even more critical in what will become the post-COVID19 world, where digital tools will be used more often also to protect people's health by facilitating social distancing and to stop epidemics. Many Asian governments, including in Singapore and Taiwan, have made use of tracking applications, relying on the willing co-operation of a well-informed public. Others, including the Chinese and Israeli authorities, have gone much further, closely monitoring people's smartphones, making use of hundreds of millions of face-recognizing cameras, and obliging people to check and report their body temperature and medical condition. Clearly, the challenge of balancing the opportunities of Artificial Intelligence (AI) technology and data-analytics with ensuring a human-centred digital society is only increasing.

Digital Focus

In implementing the EU-Japan connectivity partnership, the EU and Japan would thus do well to focus on the digital field. After all, infrastructure connectivity in the fields of transport and energy is well under way – as illustrated by Japan's Partnerships for Quality Infrastructure and the EU's Trans-European Networks for Transport and for Energy. Also, as is apparent from the ASEM Sustainable Connectivity Monitor⁴, the human dimension – exchanges and cooperation in education, research, innovation, culture and tourism – is well-developed. Looking for promising new areas and projects to pursue, a better understanding of digital connectivity and shared objectives in this field is needed. This requires a closer look at each of the three practical elements of digital connectivity⁵ – namely telecommunications infrastructure, business and regulation. These parallel connectivity's three strands of

4 See ASEM Sustainable Connectivity Portal; <https://composite-indicators.jrc.ec.europa.eu/asem-sustainable-connectivity/>.

5 Okano-Heijmans, Maaïke, *How to Strengthen Europe's Agenda on Digital Connectivity*; The Hague: Clingendael Institute, 11 July 2019; <https://www.clingendael.org/publication/how-strengthen-europes-agenda-digital-connectivity>

physical, institutional and people-to-people links.⁶ Importantly, each element has a strategic dimension that should incentivize European and Japanese stakeholders to act in these fields – individually and jointly. As illustrated in Figure 1, the strategic dimensions are cyber security, norms and standards, and innovation and AI.



Figure 1. Source: Okano-Heijmans 2019 (see footnote 6).

Regulation

Shared EU-Japan objectives are most obvious in the field of regulation, where cooperation is well on track. Here, key questions are how to ensure the free, open and secure flow of data in the digital domain; how to reconcile regulatory difference between countries; and how to shift to multi-layered, multi-stakeholder, approaches that address the gap between incumbent regulations and rapid technological innovation. The EU has been a leading force internationally to promote privacy protections through the General Data Protection Regulation (GDPR). It leverages its regulatory power through

6 See *Master Plan on ASEAN Connectivity 2025*; Jakarta: the ASEAN Secretariat, 2016; <https://asean.org/wp-content/uploads/2016/09/Master-Plan-on-ASEAN-Connectivity-20251.pdf>.

the attraction of its single market combined with adequacy decisions – that is, a decision on whether a non-EU country has an adequate level of data protection. In doing so, the EU furthers free flows of data between the Union and countries with a comparable level of protection of personal data – its first success being the mutual adequacy decision with Japan in early 2019 – and thereby spreads its norms on data privacy beyond its borders. Countries worldwide – ranging from India to Singapore and even the United States – are taking the GDPR as a starting point and inspiration for regulation within their own borders. For its part, Japan has proposed the Data Free Flow with Trust (DFFT), which Prime Minister Abe Shinzō launched in Davos in 2019.⁷ Since then the Japanese government has been promoting conversations worldwide – cooperating with like-minded partners like the EU and US, but also engaging the likes of China and Saudi-Arabia through the G20. Clearly, on data regulation there is a convergence of interests and approach between the EU (Member States) and Japan. Towards the future, the challenge for EU and Japan is to ensure that they are not just rule-promoters but also players in the digital market.

Problem-Solving Business

Europe and Japan do not have big tech-companies like Google and Amazon in the US or Tencent and Alibaba in China that grow ever-stronger thanks to their ability to garner enormous amounts of personal data, which help them to improve their services. Nonetheless, while the EU and Japan may have lost the battle for personal data, they are preparing to do better in the emerging battle for industrial data. Acting on the awareness that AI x data equals innovation,⁸ both are investing in AI – as an enabler of innovation while addressing its negative aspects – and promoting the transfer of research success into business applications.⁹ Aiming to nurture and retain digital (problem-solving)

7 Speech by Prime Minister Abe at the World Economic Forum Annual Meeting, *Toward a New Era of "Hope-Driven Economy"*, 23 January 2019; https://www.mofa.go.jp/ecm/ec/page4e_000973.html.

8 *G20 Osaka and beyond: addressing opportunities and challenges in the digital age*, presentation by Director-General Tetsuro Fukunaga at the Ministry of Economy, Trade and Industry of Japan. (unpublished).

9 See European Commission; *Artificial Intelligence*, <https://ec.europa.eu/digital-single-market/en/artificial-intelligence>.

businesses, the EU and Japan are also devising policies to assist promising start-ups and to avoid losing them to American or Chinese giants during scale-up. After all, the two partners rank high in research and development, but lag in commercial adoption of AI technology.¹⁰ Beyond AI and innovation, the question is how to harness the full potential of data and the digital economy while maintaining a level-playing field and avoiding protection of inefficient domestic players. Specifically, this involves a reconsideration of competition policy, privacy protection and taxation – each of which involves a certain trade-off between the interests of individual citizens and companies. The EU and Japan stand to benefit from more engagement with each other's strategies and best practices in these fields. More and regular meetings between government officials, experts, and representatives of business (federations) and banks in so-called Track 1.5 settings, combined with joint research, will contribute to realizing the benefits of this engagement. Furthermore, coordinated action and greater presence in third countries is desirable – in particular in Southeast Asia and the so-called Ring around Europe, spanning from Eastern Europe and Central Asia, through the Middle East to Africa. After all, Chinese companies are increasingly present in those regions and/or investing heavily in local unicorns¹¹ – thereby gaining access to (local) data and spreading their norms. Only with greater presence, can the EU and Japan appeal for the long-term benefit to the people of inclusivity, transparency and openness in the digital field.

Telecommunications Infrastructure

Whereas telecommunications networks of the EU and Japan are a primarily domestic matter, the security of those networks is a sensitive but vital topic where both sides stand to gain from information-sharing and best-practice learning. This is a reason for more engagement on digital connectivity's

10 *Artificial Intelligence Index: Annual Report 2019*; https://hai.stanford.edu/sites/default/files/ai_index_2019_report.pdf; also Castro, Daniel, McLaughlin, Michael, Chivot, Eline, *Who Is Winning the AI Race: China, the EU or the United States?*; Center for Data Innovation August August 19, 2019; <https://www.datainnovation.org/2019/08/who-is-winning-the-ai-race-china-the-eu-or-the-united-states/>.

11 *China's Digital Silk Road*, CSIS event, 5 February 2019; <https://www.csis.org/events/chinas-digital-silk-road>. A unicorn is a privately held startup company valued of over \$1 billion US dollars.

defensive strand, which involves issues to be reckoned with at home, such as cyber security, competition policy and export controls. This calling attention to the fact that governments need also to act on the (security) challenges that come with digital connectivity, mainly due to divergences in modalities, standards and norms. After all, balancing costs and risks in IT infrastructure, and upholding norms and standards in a more digitally connected world must – in specific cases and for specific purposes – also include a willingness to impose limits on certain connections. A key issue in this regard is the security of next-generation telecommunications infrastructure, and the role of Chinese equipment provider Huawei in this context. Even if the EU and Japan share concerns about Huawei as an operator that is not an independent ‘ordinary’ private company but instead one seen to be closely linked with the Chinese government, the decision-making process regarding whether to allow Huawei to supply equipment for domestic 5G networks has been quite different. Nonetheless, in the long term, ultimate decisions about how to treat and how to work with Huawei might eventually not be fundamentally different. The Japanese government effectively shut out (although not formally banned) Huawei by allowing only ‘trusted operators’ for reasons of national security, while at the same time looking to grow domestic technology solutions. For their part, EU member states – which have the competence to act in this field instead of the EU – have been less straight-forward in their considerations and priorities. Many European governments attempted to avoid a hard decision, thus contributing to a very public and politicized debate on whether or not to use Huawei telecommunications services. EU-level guidance came only in October 2019, with the publication of a coordinated risk assessment for the cyber security of 5G networks, followed in January 2020 by an EU toolbox of risk mitigation recommendations.¹²

In considering their future paths, relevant actors in the EU and its member states stand to benefit from information and best-practice exchange with Japanese counterparts, who face similar challenges and know China better than most Europeans.

12 *Cybersecurity of 5G networks – EU Toolbox of risk mitigating measures*, European Commission, 29 January 2020; <https://ec.europa.eu/digital-single-market/en/news/cybersecurity-5g-networks-eu-toolbox-risk-mitigating-measures>.

Going Global

Shared objectives in the digital field extend beyond the borders of the EU and Japan, and include third countries – in particular, emerging economies in Asia and Africa. This is reason for these two like-minded partners to focus on the regions where they have the biggest political, economic and strategic stakes, as well as a strong presence and historical memory. The Connectivity Partnership specifically mentions the Western Balkans, Eastern Europe, Central Asia, the Indo-Pacific and Africa. Consequently, in implementing the connectivity partnership, why not push for an Open and Connected Ring around Europe (OCRE)? This may be promoted as the other side of the coin to the Free and Open Indo-Pacific concept championed by Japan and the United States.

By way of digital Official Development Assistance (ODA), the EU and Japan can provide technical assistance to developing countries, helping them to address the digital challenges that developed countries also face. The reasons to do so are twofold: first, to ensure that these countries' development also benefits from the data revolution; and second, to further cooperation that also contributes to a convergence of norms. This is not a new idea. In fact, Japan's digital agenda for development dates back to 2000, while the EU and certain member states, including [the Netherlands](#), developed a Digital4Development agenda in recent years.¹³ That said, these digital ODA programmes need to be properly equipped, budgeted and staffed (which is not the case today) in order to be successful. In addition, both European and Japanese actors should update their policies in this area. They also stand to benefit from better coordination of their efforts.

Cooperation between JICA and the EIB – which aims for cooperation on microfinance and technical cooperation – can be instrumental towards

13 *Promoting ICTs for Development - Japan's Cooperation*, JICA; <http://www.itu.int/net/wsis/docs/geneva/misc/jica.pdf>; *Digital4Development – A European Strategy*, EEAS, 16 April 2018; https://eeas.europa.eu/delegations/un-geneva_en/43048/Digital4Development%20%E2%80%93%20A%20European%20Strategy; and *Digital Agenda for Foreign Trade and Development Cooperation (BHOS)*, Government of the Netherlands, 31 July 2019, <https://www.government.nl/documents/policy-notes/2019/07/31/digital-agenda-for-foreign-trade-and-development-cooperation-bhos>.

this end. Nonetheless, it is unlikely to be successful without guidance at the policy-level, between the European Commission's development and telecommunications directorates-general (DG DEVCO and DG CONNECT) and Japan's ministries of foreign affairs and of economy, trade and industry (MOFA and METI), as well as between their (policy-oriented) research divisions. In addition, EU-Japan cooperation in this field should extend to EU member states, and also involve companies and (development) banks. In the regulatory field, the digital ODA-agenda should focus primarily on digital capacity building – that is, assisting third countries with establishing data protection structures, both in the hardware (networks) and through regulation. Adding to this a business-dimension could help to ensure that these emerging economies also benefit from data and develop a tech-industry of their own, rather than allowing foreign companies to gather local data and use it for their own benefit. Separately, digital financial inclusion is a promising agenda, where trilateral cooperation with Indian companies with a proven track record could facilitate improved access to countries with large Indian diaspora and/or Muslim populations.¹⁴ Finally, on the telecommunications infrastructure side, digital ODA can play a role in helping to design 5G infrastructure.

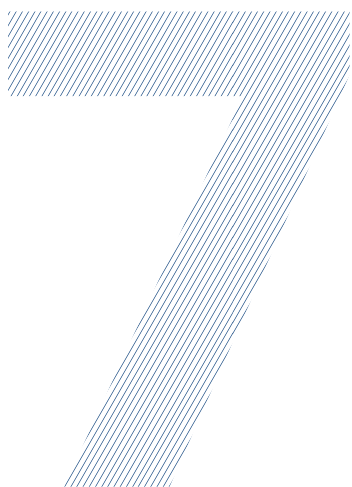
Conclusions

As the fourth industrial revolution unfolds and the US-China strategic rivalry intensifies, governments need to balance the opportunities and pitfalls offered by AI technologies and data-analytics in a post-COVID19 world. Set in this context, EU-Japan cooperation on digital connectivity is a valuable instrument to further shared objectives and values of the two like-minded partners. The implementation of the aforementioned 2019 Connectivity Partnership should extend beyond the bilateral level, towards multilateral settings and in third countries. Multilaterally, a joint push for human-centred, ethical AI can help promote data security and trust in data flows – that is, their shared regulatory agenda. In that way they can promote norms and standards that fend off digital protectionism and provide a level-playing field for digital businesses. In third countries, multi-stakeholder coordination may

14 Okano-Heijmans, Maaike, Jagannath P. Panda, *Development Cooperation Partnerships: Forging an EU-India-Japan Trilateral in Africa*, April 2020; <https://euindiathinktanks.com/wp-content/uploads/2020/04/Development-Cooperation-Partnerships-Forging-an-EU-India-Japan-Trilateral-in-Africa.pdf>.

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further the presence of European and Japanese digital companies, while ODA in each of digital connectivity's three strands could offer a promising way to further values-based cooperation. Success in these fields requires deeper strategic engagement between the EU and its member states and Japan also on digital connectivity's defensive strand.



The Japanese and EU Flags Raised Together over Field Hospitals

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Introduction

Recently the world has been obsessed with the COVID19 virus which also has spread widely in both Japan and Europe. For Japan and Europe this obsession is only natural considering our normative values and the way we both value health and human life. The EU-Japan Strategic Partnership Agreement (SPA) concluded between us points the way toward further cooperation. Why not do it by sponsoring a number of field hospitals, perhaps led by our respective militaries, that could be sent out into the world with our flags at the top? Doing that would create an immense amount of goodwill for Japan and the EU, as well as for the liberal world order. Health is at the top of the world agenda at present. This is a field where EU and Japan should cooperate not only now but in the medium- and long-term range as well.

The power structure of the world has been changing in the past decade. This is causing uncertainty and, in some places, also unrest not only in developing, but also developed countries. With the Brexit decision and the refugee crises in Europe, the liberal world order is being questioned. The Russian invasion of Ukraine led to greater concerns regarding security in Europe. In Asia the rise of a more assertive China is also causing security concerns. In the US, Donald Trump's so-called America-first policy raises further questions about the viability of the liberal world order. Trump started his mandate in 2017 by scraping two free trade agreements that had been under negotiation for many years, namely the TPP (Trans Pacific Partnership agreement) that included Japan and many other Pacific nations as well as the Transatlantic Trade and Investment Partnership (TTIP) with Europe. The US's two most important allies and partners consistently committed to upholding the global liberal order were made aware of the fact that they were not going to get these envisaged agreements and that multilateralism was no longer a priority for the US that would soon break the Iran nuclear deal, the Paris climate agreement and is trying to destroy the WTO by refusing to allow the appointment of new judges to their dispute resolution system. This situation, however, facilitated the conclusion of the EU-Japan bilateral Economic Partnership Agreement (the EPA) and the Strategic Partnership Agreement (SPA) covering political and security cooperation. Although both the EU and Japan have been relying on the US as their military protector, it now seems that they have realized

that they will have to do more –on their own and become more strategically independent.¹

As both have a broader perspective on security, including civilian socio-economic aspects, more European-Japanese cooperation should be possible and indeed desirable. The question is whether the changing world order as well as the institutional changes that have taken place recently will lead to broader and deeper cooperation. It certainly could, if both made a mutual and sustainable effort. One starting point would be the COVID19 pandemic. Any initiative in this field would indeed be welcomed not only by taxpayers in the EU and Japan, but also by people and governments all over the world. In this field Official Development Assistance (ODA), which both parties champion, could be used. EU and Japan could take the leadership in creating a longer-term multilateral framework to deal with future pandemics. ODA could also be used to help developing countries recover from the aftereffects of COVID19. Our cooperation efforts should of course not be limited to this field, but it could be a promising starting point. First some background on EU-Japan cooperation.

Historical Background²

European-Japanese cooperation after WW II resumed in 1952 when Japan regained independence and various West European countries re-established diplomatic relations with Tokyo. Japan watched the formation of the EEC (European Economic Community) in 1957 with the suspicion that it would lead to a protectionist common external tariff, while the Europeans feared a Japanese economic invasion. It was not until the 1960s that Japanese exports boomed and the European states started signing trade agreements with Japan and revitalizing bilateral contacts. These individual national approaches overlapped, and occasionally clashed, with the drive for a more assertive role on the side of the EEC, which attempted to deal with Japan in a unified European fashion. In 1969, when the EPC (European Political

1 See Berkofsky, Axel, Hughes, Christopher W., Midford, Paul, and Söderberg, Marie (eds.); *The EU-Japan Partnership in the Shadow of China; The Crisis of Liberalism*, London and New York: Routledge, 2019.

2 This overview is mainly based on Söderberg, Marie and Midford, Paul, (eds.); *Japan Forum*, Vol. 24, Special Issue: *EU-Japan Relations*, Taylor & Francis, London, 2012.

Cooperation) was established, the EU Commission was authorised to enter into negotiations for a trade agreement between the EEC and Japan. This was further strengthened by the EEC's Common Commercial Policy that emerged in the 1970s. However, special rules permitting the retention of certain national measures, some of them directly targeted at Japan, hampered these attempts. The 1970s was a decade of continued trade disputes between Japan and the EEC, but also produced a new high-level bilateral dialogue. The Japan-EEC Joint Communiqué issued after Japanese Foreign Minister Ohira's visit to Brussels in May 1973 was not only focused on trade, but also included other areas of cooperation, such as East-West issues, as well as cooperation in the financial and energy sectors. When the Berlin Wall fell and the Cold War ended, relations further intensified.

The collapse of the Soviet Union catalysed change in the Japan-USA relationship and EU-USA relations. Although the apparent Cold War enemy had been vanquished, the USA, burdened with huge military expenditure and the failure of its macroeconomic policy, did not appear as a strong victor. In this context of international political restructuring, interest grew both in Japan and in the EEC for wider international cooperation, and in creating a wider circle of allies beyond the USA. The 1991 "Hague Declaration" has been considered a watershed in European-Japanese relations, and it did indeed lead to political cooperation in various forms, such as the joint proposal for an arms register that was successfully institutionalised by the UN. Overall, however, the political relationship between Japan and the EC (or, after the entry into force of the Maastricht Treaty in 1993, the EU) remained lukewarm. Japan might have ranked high on the agenda for businessmen in the EC or EU countries, but from a political point of view interest was low.

At the dawn of the twenty-first century both the EU and Japan experienced significant changes.

In Europe, with partial economic and monetary union having been achieved, preparations were being made for enlarging the EU's membership. The degree of political integration had increased among EU Member States and the EU was predicted to form the world's largest market, a fact of interest for Japan that was afraid of being shut out. The 'Decade of Japan-Europe Cooperation' was launched as a new initiative and an 'EU-Japan Action Plan' was adopted in 2001 that was to become the main steering document for the relationship during the forthcoming ten-year period. The Action Plan was a

7. The Japanese and EU Flags Raised Together over Field Hospitals

detailed document covering all areas where the EU and Japan sought future cooperation. Following the attacks on the World Trade Centre in New York on 11 September 2001, the international environment shifted again and the fight against terrorism became the focus rather than EU-Japan joint civilian-centred approaches to peace and security. Although some joint initiatives were launched, very little of the content of the Action Plan was realised.

In 2011 Japan and the EU decided to start negotiations for a comprehensive agreement on cooperation. This aforementioned Strategic Partnership Agreement (SPA) was negotiated in parallel with an Economic Partnership Agreement (EPA) and the two were adopted at the same time in 2018.

Current Situation

The EPA, is, in terms of market size, the world's largest free trade agreement ever concluded, covering 30% of the world GDP. The EU-Japan EPA is a document to use as a basis for ensuring EU-Japan conditions for a fair and free trade policy. It signals the commitment of Japan and the EU to powerfully advance free trade while striking a blow against protectionism. The SPA is much less precise. The European side was the one pushing for it and said that they would not sign the EPA unless the SPA was signed at the same time. Unlike the EPA, there is no firm roadmap for the SPA, although it is to serve as the legal basis for promoting cooperation on matters of mutual interest in a wide range of areas, between Japan on the one hand and the EU and its Member States on the other. Shared normative values and principles of democracy, the rule of law, human rights and fundamental freedoms are values underpinning the agreement. Based on the principles of mutual respect, equal partnership and respect for international law, Japan, the EU and the Member States shall cooperate in and coordinate policies in more

than 40 different areas³ according to the SPA. The agreement provides a legal framework for cooperation and a Joint Committee has been assigned to oversee this cooperation. At the first meeting in Tokyo in March 2019, security cooperation was pointed out as an important area.

EU military cooperation is a complex issue, as some countries are NATO members and others are not, while other European countries, such as Norway, are NATO members, but not EU members. The EU is at present in the process of intensifying military cooperation between member states and might even establish a European army in the future. Japan, under Prime Minister Abe Shinzō, also seems to be changing its post war posture of not sending its military overseas for possible combat operations, and has announced a policy of 'proactive contribution to peace.' Thus, the EU-Japan SPA is a perfect fit, enabling the two sides to identify new ways through which they can promote peace and security. The EU and Japan have already cooperated in counterpiracy activities in waters off the Horn of Africa and in providing security assistance in Niger and Mali. Other issues that the recently established 'EU-Japan Joint Committee' has said that it is ready to tackle are cyber security, climate change and nuclear disarmament as well as connectivity and infrastructure development in third countries. Progress so far has been slow as attention in both the EU and Japan at the moment is totally focused on COVID19. So why not start from there?

3 *These are the areas pinpointed: • Promotion of shared values and principles • Promotion of peace and security • Crisis management • Non-proliferation of WMD and disarmament • Transfer control of conventional weapons • Investigation and prosecution of serious crimes • Counter-terrorism • Chemical, biological, radiological and nuclear risk mitigation • International and regional cooperation and reform of the UN • Development policy • Disaster management and humanitarian action • Economic and financial policy • Science, technology and innovation • Transport • Outer space • Industrial cooperation • Customs • Taxation • Tourism • Information society • Consumer policy • Environment • Climate change • Urban policy • Energy • Agriculture • Fisheries • Maritime affairs • Employment and social affairs • Health • Judicial cooperation • Combating corruption and organised crime • Combating money laundering and financing of terrorism • Combating illicit drugs • Cyber issues • Passenger name records • Migration • Personal data protection • Education • Youth and sport • Culture*

Official Development Assistance (ODA) is coupled with power and possibilities for influence. This creates political motivations for the EU and Japan to cooperate. They share normative values and want to promote a liberal world order built on values such as transparency, sustainability, democracy and human rights. There are also security reasons for cooperating: they do not want to let a too strong and powerful China dominate world affairs. But besides this, through the COVID 19 virus, health issues have become a prime international concern.

Conclusions

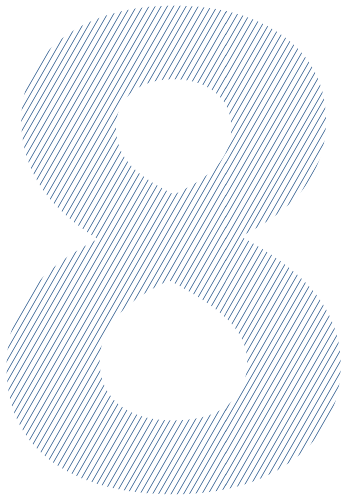
The health sector, and at this moment assisting the battle against COVID19, and preparing for a resurgence of this virus, and for subsequent pandemics, would be an ideal field for EU-Japan cooperation. Both are now struggling with this domestically, but through sharing experiences the two partners could also assist others. A short-term immediate action for EU and Japan could be to purchase/assemble a number of well-equipped field hospitals (including respirators) which they could donate or loan to others who would really need them. At top of each hospital the Japanese and the EU flags should be raised. It would be a symbol of our normative values and something that people in third countries would remember. From a broader security perspective this could also be a place to start cooperation between the Japanese Self Defense Forces and various European military personnel. The medical unit of the Ground Self Defense Forces in Japan were deeply involved in assisting the passengers of the cruise ship Diamond Princess with COVID19 affected passengers that were anchored off the coast of Japan. Many of the civil people working with the passengers got infected whereas no one did among the military personnel. The military medical unit even compiled a handbook on how to deal with the infection on the Defence Ministry's webpage.⁴ In my own home-country, Sweden, military personnel has, together with civil personnel, been deeply involved in combating COVID19 assisting with among other things building field hospitals to be able to care for all the infected people when civil hospitals were overcrowded. An initiative like this should of course not exclude other multilateral initiatives that should be pursued at the same time. Both EU and Japan strongly support multilateralism. WHO, has an important role to play in combatting COVID19 and will be supported

4 Asahi Shimbun 15 April 2020; www.asahi.com/ajw/articles/13299582.

by both EU and Japan, even if the US in a very unconstructive way decided not to contribute.

Besides a short-term initiative like providing field hospitals, cooperation in the health sector should also be provided in a medium and long-range perspective. EU and Japan could provide education to people in general as well as doctors in the developing world concerning health issues. ODA, which they both are champions in, should be an excellent tool to use here. They should assist in providing on the ground assistance as well as creating long term perspectives and plans for how to stop pandemics from spreading and deal with them in a structured way in the future. Bilateral cooperation could be the basis for expansion into multilateral cooperation by bringing other countries into participate. This cooperation should also be opened to NGOs such as the Red Cross, Doctors without Borders or the Sasakawa Foundation etc. There is no reason to stop there. Besides state led initiatives, private companies from the EU and Japan should be interested in participating and being associated with combating COVID19. How about a Mitsubishi or an Astra Zenica Hospital in Africa? Information on the field hospitals and other health projects should be widely spread through social media and various campaigns to showcase Japanese and EU actions. Success would depend on the broadmindedness of the people involved as well as the will of politicians to implement unconventional ideas.

The world is changing at a rapid pace and development cooperation must change with it to stay relevant. EU and Japan have the knowledge, education and experience as well as economic resources to play CenterStage in this process and make a strong contribution to a sustainable world order.



Japan's Trade Strategy in A Troubled World Market: The Role of the Japan-EU Economic Partnership Agreement

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Introduction

When the authors of this volume gathered in Tokyo in November 2019 on the occasion of the conference organized by the Konrad Adenauer Stiftung (KAS) and the European-Japan Advanced Research Network (EJARN) to discuss the future of Japan-European Union (EU) cooperation, we had no idea what kind of extraordinary situation we would confront today, only several months later. Due to the new type of corona virus, COVID19, spreading globally, it seems that we all now live in a completely different world. This paper examines the implications that the COVID19 pandemic will have on Japan- EU trade relations, and will end with some policy proposals for safeguarding stability for world trade.

The COVID19 and Trade

U.S. President Donald Trump has escalated his attacks against China by alleging that the COVID19 originated from a laboratory in Wuhan and suggesting that he would raise tariffs against China again.¹ Accordingly markets fear a renewal of the trade war between the United States and China that had once been brought to a ceasefire in January this year. As an editorial of the Financial Times warned, “COVID19 is bringing out protectionist instincts.”² According to this editorial, the Global Trade Alert team at Switzerland’s University of St. Gallen identified 75 countries that have introduced some export curbs on medical supplies, equipment or medicines this year. They include most EU countries, India, China, Brazil and Russia. The United States rang alarm bells in April when it invoked the Defence Production Act – a law dating back to the Korean War – to order 3M to produce more of its sought-after N95 respirators. The US President also demanded the company stop selling the masks to Canada and Latin American countries, which is a clear violation of GATT Article XI that prohibits quantitative restrictions on exports as well as on imports. Protectionism can go to the highest levels, just like President Trump’s pressure on 3M to stop selling masks to other countries and an alleged intervention by the US to ‘confiscate’ a consignment of respirators en route from China to the Berlin city police during a stopover in Bangkok,

1 See *Global Stocks Fall on US-China Rift; Financial Times Asia edition*, 2-3 May 2020.

2 *Editorial of the Financial Times Asia edition*, 20 April 2020.

which Andreas Geisel, Germany's interior minister described as "an act of modern piracy".³ Protectionism can also go to the lowest levels, as COVID19 is disrupting the world food market. There has been a sudden and sharp increase in demand for certain food items, such as pasta and couscous, on a global scale as families in cities from the Maghreb region to the Philippines rushed to buy and stockpile these items to ensure their survival from what they anticipated would be the fallout of the pandemic. Countries like Algeria, Morocco and the Philippines have stepped up efforts to top up their grain reserves as big producers including top wheat producer Russia and the world's third-largest rice exporter Vietnam have imposed restrictions on overseas sales, according to a report in the Financial Times.⁴ Large importers have also been spooked by logistical bottlenecks including a lack of truck and train drivers and port staff in France, another leading wheat exporter, the report says. Quantitative restrictions on foodstuff trade essentially contravenes GATT Article XI in principle, but they could be justified under Article XX (General Exceptions) for sustaining human life, or under Article XXI (Security Reasons), the article President Trump used to protect the US steel industry in 2018. It is this author's view that there could be potentially negative consequences stemming from any further restrictions on international flows of goods that would only exacerbate the situation.

Post-COVID19 World and the International Trade

It is still premature to talk about the aftermath of the pandemic as the authorities everywhere in the world are striving to contain further spread of the Corona virus. Martin Wolf rightly pointed out that the lockdowns were necessary to save health systems from collapse and get the disease under control but they had to be brief.⁵ Martin Wolf further argued in his commentary saying: "As in war, one must survive the present if there is to be a future worth having." He enumerated three essential considerations;

3 *COVID19 is bringing out protectionist instincts; Financial Times Asian edition, 20 April 2020*

4 *Food security pushed up agenda as stockpiling bottlenecks spook states; Financial Times Asian edition, 6 April 2020.*

5 *Wolf, Martin, We must Focus Attention on our Next Steps; Financial Times Asian edition, 8 April 2020.*

first, protect the weak, both within countries and among them, second, do no harm, particularly in respect to the international trading system, and third, suggesting even 'helicopter money' might well be fully justifiable in such a deep crisis.⁶ Wolf warned that an emergency like this would be used by would-be tyrants to strengthened their grip. Trade restrictions as mentioned above are concrete examples of that trend.

Japan – A Hesitant Free Trader

Japan has been pursuing free trade policy in a more pro-active way since the beginning of the 21st Century. The basic trade policy architecture was a hybrid approach combining both the multilateral approach of trade liberalization via WTO instruments and regional approach of deepening bilateral economic partnership by way of adopting Japanese-style Economic Partnership Agreements (EPAs), free trade agreements (FTAs). Japan was a late-comer to the club of FTAs. It had been placing priority on global level trade multilateralism embodied in the GATT and subsequently in the WTO, reflecting its quite balanced trade shares across diverse geographical regions scattered throughout the globe. Japan had been reluctant to negotiate any preferential trade arrangements even with the United States, the country's largest trading partner over many decades. China replaced the US as Japan's major trading partner in the early 2000's. Adherence to the principle of multilateral trade was one important reason for Japanese reluctance toward bilateral agreements, but, maybe more significantly there was another reason; agriculture. In the post-World War II era, Japan's trade policy has been conducted through a double standard dual approach: liberal trade policy for industrial goods coexisting with highly protectionist policies for agricultural products. Import duties on industrial goods have been quite low; zero duty on passenger vehicles, computer and computer-related products, electric appliances and so force, while extremely high tariffs have been imposed on sensitive agricultural products such as 778 percent on rice, 250 percent on wheat and so on. Prior to the 'tariffication' requirement agreed to in the Uruguay Round Negotiations (1986-1994), where most of the quantitative restrictions (QRs) were replaced by tariffs, many agricultural products were subject to QRs. Rice for instance was subject to a complete import ban. Rice has been viewed as 'sanctuary' in domestic politics and consequently all political parties agreed not to put rice onto the negotiation table of any multilateral or

6 *Idem.*

bilateral trade negotiations. Thus, although a potential FTA with the United States appeared to be a very profitable prospect for Japan's manufacturing sector, it was impossible even to discuss such a trade arrangement because the United States was the main agricultural exporter to Japan even without such a trade deal. FTAs had therefore been non-starters for Japanese trade policy for a long time.

Japan's FTA Strategy in the Early 2000's

Things could change over time, however, and a major exchange-rate realignment in the mid 1980's played a role of "game-changer. It was the Plaza Accord of 1985 when finance ministers and governors of the central banks from five major industrial countries (G5) decided to have the Japanese Yen appreciate by roughly 25 percent against the US Dollar. Consequently, Japanese manufactured exports became more expensive and thus lost competitiveness in foreign markets. In response to significant appreciation of the Yen and to mitigate the negative effects of losing competitive edge abroad Japanese manufacturers started significant foreign direct investment (FDI), first in Southeast Asian countries such as Thailand, Malaysia, Indonesia, the Philippines, and later in Northeast Asian countries such as China, South Korea and Taiwan. Particularly Japanese companies producing parts and components for assembly of cars and electric appliances invested extensively, and those parts and components produced in these countries have been traded across national borders. The movement of goods and services among these countries was further facilitated by the process of implementing a free trade arrangement among countries of the Association of South East Asian Nations (ASEAN) during the second half of the 1980's and the 1990's.

Thus, production networks started to emerge linking Japan, the countries of the ASEAN, China, South Korea, and Taiwan through FDI, local production and intra-regional trade of goods and services, that resulted in, what this author called 'de-facto FDI-driven integration' across the countries of wider East Asia. By the end of the 20th Century, Japan's total trade with the East Asian region superseded its trade with the United States and with the European Union. Prior to the Plaza Accord, almost all Japanese branded products were manufactured in Japan, but subsequent to the Accord Japanese manufactured goods have been produced not only in Japan, but also produced and assembled abroad, taking advantage of highly developed production networks that constitute

value chains. Indeed, the Plaza Accord was the trigger for the development of de-facto business-driven integration. The Japanese business community became increasingly interested in establishing free trade arrangements to consolidate the benefits of existing production networks and further develop them by eliminating duties and other restrictions on trade and investment in the countries involved.⁷ Being pushed forward by the private sector, the Japanese government finally adopted an FTA policy to complement its efforts to liberalize trade as well as to facilitate the activities of Japanese companies abroad through its traditional multilateral approach embodied in the WTO. At first, however, Japan was quite cautious in its initial phase of adopting an FTA policy. It was Singapore, a free-port city state, that Japan chose as the first country to negotiate with for an FTA. Why Singapore? It was because Singapore was not particularly interested in exporting its agricultural products for obvious reasons. Japan hesitated also whether the bilateral agreement should be called FTA. The Japanese government at the time was fully aware of the GATT Article XXIV, which stipulates that the agreement leading to establishment of a free trade area shall cover “substantially all trade” of countries concerned. Agriculture trade as such cannot be excluded from the coverage of the trade agreement. There was no problem in this regard in negotiating a bilateral FTA with Singapore, but even then the Japanese government preferred to use the term ‘Economic Partnership Agreement’ (EPA) to nuance the content of future FTA negotiations on agriculture market access. The negotiations with Singapore were conducted throughout 2001, and Japan’s first EPA came into force in November 2002. In the same month, new negotiations with Mexico were launched with their first round, and after that it took twenty-three months to conclude negotiations. It was actually a very difficult negotiation because agricultural market access was a real issue. Roughly 20 percent of Mexican exports to Japan were agricultural products, and the Mexican side was prioritizing pork for greater market access in Japan, while pork was a highly sensitive item for Tokyo. Following lengthy talks, a pragmatic solution was agreed to deal with sensitive products by introducing preferential tariff-rated quota (TRQ) by which the most-favoured nation (MFN) tariff rates would be lowered and applied to certain quantities of imports of such products. It was nothing but a pragmatic compromise, but created a common ground where both parties could accept with some degree of comfort for dealing with domestic politics. (see Table 1)

7 It was in October 2000 that the Keidanren, the Japan Business Federation, held the first symposium on free trade agreement (FTA).

Table 1: Japan's EPAs: achievements so far (as of January 2020)

- Japan-Singapore EPA (in force since 2002.11)
- **Japan-Mexico EPA (negotiations started in 2002.11, in force since 2005.4)**
- Japan-Malaysia EPA (in force since 2006.7)
- Japan-Chile EPA (negotiations started in 2006.2, in force since 2007.9)
- Japan-Thailand EPA (agreement in substance 2005.9, in force 2007.11))
- Japan-Indonesia EPA (negotiations started in 2005.7, in force 2008.7)
- Japan-Brunei EPA (negotiations started in 2006.6, in force 2008.7)
- Japan-ASEAN EPA (negotiations started in 2005.4, in force 2008.12)
- Japan-Philippines EPA (agreement in substance 2004.11, in force 2008.12)
- Japan-Switzerland EPA (negotiations started in 2007.5, in force 2009.2)
- Japan-Vietnam EPA (negotiations started in 2007.1, in force 2009.10)
- Japan-India EPA (negotiations started in 2007.1, in force 2011.8)
- Japan-Peru EPA (negotiations started in 2009.5, in force 2012.3)
- Japan-Australia EPA (negotiations started in 2007.4, agreement in substance in 2014.04, in force 2015.01)
- Japan-Mongolia EPA (negotiation started in 2012.6, signed in 2015.02, in force 2016.06)
- **Japan-EU EPA (negotiation started in 2013.03, agreement in principle reached in 2017.07, in force since 2019.02)**
- **Japan-US Trade Agreement on Goods (negotiation started in 2019.04, agreed in 2019.09, came into force 2020.01.01)**
- Japan-Korea EPA (negotiations started in 2003.12, suspended in 2004.11)
- Japan-GCC EPA (negotiations started in 2006.9)
- Japan-Canada EPA (negotiation started in 2012.10)
- Japan-Colombia EPA (negotiation started in 2012.12)
- Japan-Turkey EPA (negotiation started in 2014.12)

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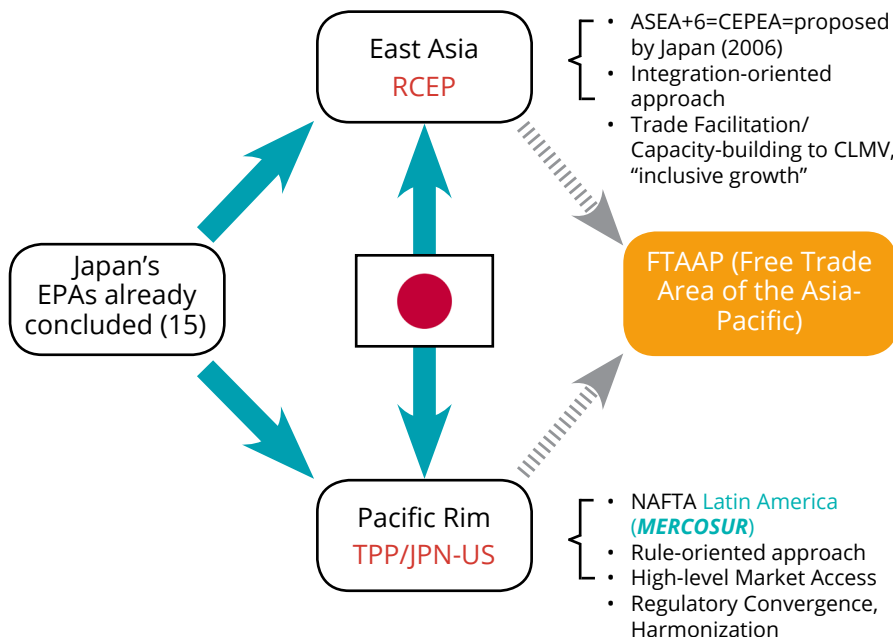
From Bilateral EPAs to Inter-regional EPAs: TPP and Japan-EU EPA

In contrast to regional economic integration in Western Europe that could be described as 'de jure institution-driven integration', the pattern of regional integration in East Asia at its initial stage was 'de facto business-driven integration' enhanced by Japanese FDI in response to the aforementioned

Plaza Accord. However, market integration in East Asia in subsequent stages became increasingly a 'de jure integration as the number of FTAs developed across the region. For instance, the ASEAN countries have successfully established a fairly high-quality FTA among themselves, while both China and South Korea have each concluded more than a dozen FTAs. After achieving multiple bilateral FTAs in the region, East Asian countries started to look for a wider free trade area embracing of the ten ASEAN countries, China, South Korea and Japan. It was a 2004 Chinese initiative that gave life to the 'ASEAN plus Three' framework for an East Asian free trade area. Japan tabled its own version of an East Asian free trade area in 2006 by adding three more countries to the 'ASEAN plus Three' framework, namely Australia, New Zealand, and India, which was then called the 'Comprehensive Economic Partnership in East Asia' (CEPEA). Following lengthy discussions over time, 'ASEAN plus Six' became a new framework for what is now called the 'Regional Comprehensive Economic Partnership in East Asia' (RCEP), and negotiations started in May 2013.

The United States under the Obama administration had been increasingly worried about Chinese dominance in East Asia and the Pacific, not only in trade matters, but also about China's expansive military presence in the region, notably in the South China Sea. In 2008 the US hastened to join the Trans-Pacific Partnership (TPP) trade talks that were initiated by smaller countries in APEC (Asia-Pacific Economic Cooperation), such as Chile, Singapore, Brunei, and New Zealand. The United States became the locomotive to promote that multilateral FTA following the model of NAFTA (North American Free Trade Agreement). Participation in TPP negotiations gradually increased to twelve countries, as Japan finally joined the TPP negotiation in July 2013. The global share of GDP of the TPP participants grew substantially, reaching almost forty percent of world GDP in 2014. Participating in the TPP talks for Japan was a very important step forward toward becoming a truly free trade nation. The most difficult part of the negotiations was on agriculture, particularly with the United States. This was, however, counter-balanced by deals on cars and car parts, where the United States was quite defensive. The Japan-US market access talks hit a politically correct balance between the sensitivities of the two sides: agriculture for Japan and the auto industry for the United States. This pattern remained unchanged even in the bilateral Japan-US trade talks under the Trump administration in 2018 following the US departure from TPP. (see Chart 1)

Chart 1: Japan's EPA Strategy
 --Japan as a Pivotal Centre between **TPP** & **RCEP**--



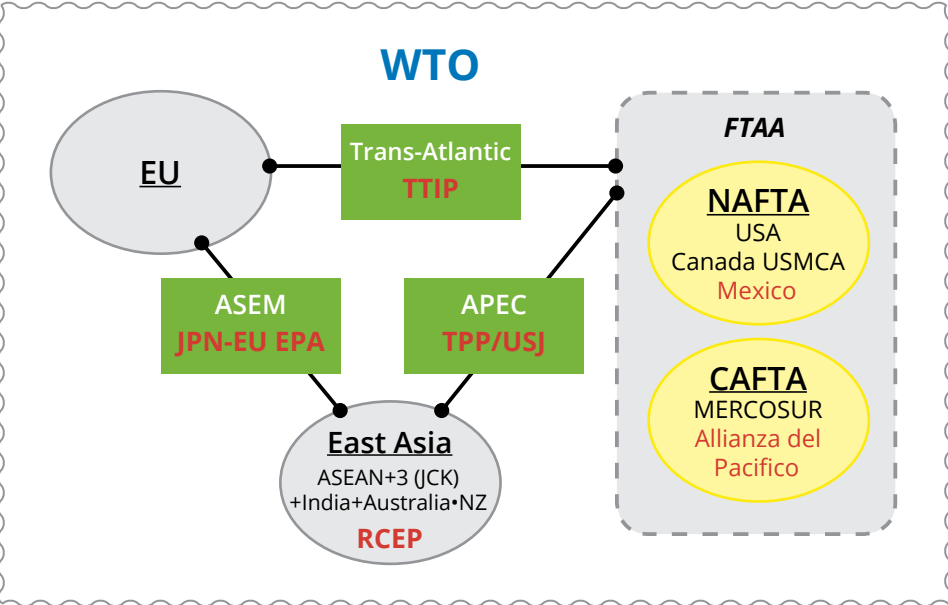
Yorizumi Watanabe, Keio University

The Japan-EU EPA as the Corner Stone of the Multilateralism

The European Union had never been enthusiastic about a possible FTA with Japan because of the asymmetrical tariff structure covering bilateral trade between the two. Approximately 70 percent of Japanese products were subject to fairly high tariffs imposed by the European Union, such as 10 percent on vehicles and 14 percent on electric appliances like plasma TVs, while most European manufactured products, including cars and electronics enjoyed duty-free entry to the Japanese market even in the absence of an FTA. There was strong opposition to entering into FTA negotiations with Japan, particularly after the EU concluded an FTA with South Korea in 2007. It was only after Japan started to prepare for TPP negotiations during the last phase of the DPJ (Democratic Party of Japan) government led by Prime Minister Noda Yoshihiko in late 2011 that the European Union proposed to start a 'scoping exercise'. The purpose of this exercise was to measure what

was referred to as ‘level of ambition’ of the Japanese government: namely, how much Tokyo could offer the EU regarding what it perceives as non-tariff barriers on agricultural products, public procurement and other areas. As the outcome of the ‘scoping exercise’ was considered good enough, the European Commission got a mandate from the Council to launch negotiations in April 2013. The Japan-EU EPA has significance for the entire global trading community, not only because the two parties together make-up roughly 30 percent of world GDP and almost 38 percent of world trade, but also in the sense that the two parties fully share liberal values such as human rights, rule of law, democracy, and market-economy principles. Those are duly reflected in the separate political agreement known as the ‘Strategic Partnership Agreement’ (SPA). (see Chart 2)

Chart 2: Multilateralizing regionalism



Conclusions

Japan and Western Europe have clearly distinctive backgrounds in their nation-building and economic performances that often led to misunderstanding and frictions in the past. Now the two parties have a common ‘language’, namely

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an agreement on free trade and investment with legally binding obligations that ensure the benefits accrue to both parties. The world economy is being threatened by a long-running trend of protectionism, uncertainty in Europe following the UK's departure from the EU, and most recently the devastating situation caused by the pandemic. Based on both the EPA and the SPA, Japan and the European Union should work even more closely to strengthen multilateral institutions, notably the leading global international trade institution, the World Trade Organization (WTO). Without proper functioning of the WTO, especially the dispute settlement mechanism, uncertainties in international trade cannot be overcome. That is the priority area where Japan and the European Union share responsibility for restoring confidence in the world economy.⁸

8 Urata, Shujiro, *Japan-US trade frictions: The past, the present and implications for the China-US trade war*; *Asian Economic Policy Review*, 15 (1) 2020; Uri, Dadush, *Strengthening the Rules-based Trading System*; Policy Center for the New South May 28, 2019; <https://www.policycenter.ma/publications/strengthening-rules-based-trading-system>

