

Check against delivery

Key Considerations in the UK-Japan relationship
Lecture by Ambassador Keiichi Hayashi
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I am honoured to be here today at this D Group lecture. I was posted to London as Minister Extraordinary and Plenipotentiary in March 2010 and was directly promoted to Ambassador in January 2011. At that time some people with a taste for history noted that it had been my namesake, Tadasu Hayashi, who signed the Anglo-Japanese Alliance in 1902 as Minister Extraordinary and Plenipotentiary and, thanks to the extraordinary success of this alliance in the conduct of the Russo-Japanese war, Anglo-Japanese diplomatic relations were upgraded in 1905 and Minister Hayashi was immediately promoted to become the first Japanese Ambassador to the Court of St James's.

I am not related to Count Tadasu Hayashi, unfortunately, but the sense of affinity caused by this parallelism has somehow obliged me to keep trying to enhance the Japan-UK relationship, if possible to the level of an Alliance.

But what do I actually mean by an alliance in this context? What it is NOT, is a military alliance against apparent or potential enemies after the fashion of the past century. What I believe it should be is a close partnership based on wide-ranging coordination and cooperation geared to peace and prosperity based on our shared fundamental values of freedom and democracy. In more practical terms, I envision:

- (1) Mutually beneficial business/economic ties based on the free flow of investment and trade in both directions;
- (2) Cooperation/coordination on diverse global and regional issues, political, economic and developmental, including defence/security cooperation as common allies of the United States; and,
- (3) Cultural interaction to deepen mutual understanding, including collaboration in the academic and sports fields.

With these objectives in mind, let us review recent developments in our bilateral relationship.

1. (Japan-UK) political relationship

In late January, the first bilateral Foreign and Defence Ministerial ('2+2') Meeting was held in London, in accordance with the agreement last year by the two Prime Ministers. It coincided with the crisis involving two Japanese nationals taken hostage

by ISIS terrorists, which was destined to end in horrific tragedy. It highlighted, however, the common ground Japan and the UK share in the fight against terrorism and the quest for enduring peace in the Middle East.

At the '2+2', the four Cabinet Ministers shared views on a wide range of security- and defence-related topics and issued a joint statement, in which they agreed to intensify collaboration as regards defence equipment and technology, maritime security and cyber defence, and to conclude an agreement in order to facilitate mutual logistical support between our forces as soon as possible.

Another high-profile event was the Duke of Cambridge's first visit to Japan from late February to early March. It was a great success in that his visit symbolised the long-standing friendship and ever-growing bilateral relationship between our two countries. The visit started with a boat trip to observe from the waterways the sites for the Tokyo 2020 Olympics/Paralympics. The two Governments had in fact earlier concluded a memorandum of understanding to step up bilateral cooperation for the 2020 Games following the success of London 2012. On the second day he was invited to a lunch hosted by Their Majesties the Emperor and Empress at the Imperial Palace, followed by an audience with TIH The Crown Prince and Princess, highlighting our unique affinity through royal connections.

He then proceeded to visit the Tohoku region, much of which had been devastated by the giant earthquake and tsunami of March 2011, reaffirming the robust support – financial, technical, physical and moral – extended by the Government and people of the UK to the victims of the natural disaster and the subsequent nuclear accident. The fact that HRH paid an overnight visit to the region itself massively cheered up the victims and helped restore the reputation of the local food products, which had been unfairly damaged by groundless fears of radioactivity.

These recent events should be seen in the context of the increasingly frequent high-level visits exchanged between our two countries in the five years since my arrival, including the visit to London by Their Majesties the Emperor and Empress in 2012 and exchanges of visits by Prime Ministers and Foreign Ministers.

Through such greater top-level interaction, visible, overall progress in our bilateral relations has been made. Significantly the UK has demonstrated clear support for Japan's growing posture in international security based on Prime Minister Abe's strategy of "Proactive Contribution to Peace".

2. Japanese economy

Now let me turn to the Japanese economy. Almost every day British newspapers carry articles about the current economic situation in Japan, understandably so because the Japanese economy is still the third largest in the world and provides huge

opportunities for British businesses. After two decades of stagnation the Japanese economy finally seems to be on track for recovery under Prime Minister Abe's radical programme dubbed "Abenomics". Mr Abe has tried to revitalise the economy through the synergy of the "three arrows" of: (1) monetary easing, which ended many years of excessive yen strength and resuscitated many export-oriented companies; (2) fiscal stimuli, which created sizeable immediate demand; and (3) a growth strategy for sustainable economic expansion based on structural reforms.

As a result, helped by the sharp fall in crude oil prices, the Nikkei index has recently soared over the 20,000 yen threshold for the first time in fifteen years, which has brought about record-high corporate earnings as well as real wage increases, which in turn is expected to stimulate all-important domestic consumption. All in all Japan's economy shows real promise of exiting the deflationary spiral and achieving revitalisation in parallel with the progress towards fiscal consolidation. Abenomics seems to be working.

However, as the Prime Minister himself admits, for this economic recovery to be sustainable the "third arrow" of structural reform needs to succeed. Some cynics have suggested that, like the Prime Minister's name ABE, the first arrow of monetary policy deserves an "A" grade, while the second arrow of fiscal policy merits a "B", but the third arrow of structural reform no more than an "E". In my view, giving him an "E" – or, for that matter, putting him into the "D" Group – would be harsh in the extreme. This is because structural reforms by their very nature require a considerable time to bear fruit. What is more, the Prime Minister has already embarked on unprecedented, hands-on structural reforms in such sensitive but critical sectors as agriculture, health and energy. In this sense "E" should stand for "Excellent"!

3. (Japan-UK economic relations)

Perhaps I do not need to remind you of Japan's impact on the British economy. There are currently more than 1,000 Japanese companies operating in the UK, which have created around 160,000 jobs.

Japanese companies are attracted, of course, by the UK's superior investment environment and its position as the gateway to the EU. Since my posting to London five years ago, the inward investment flow from Japan to the UK has increased more than threefold – to an annual average of 8 billion pounds in the 2011-13 period from 2.5 billion pounds in the previous five year period, lifting total cumulative Japanese investment to the tune of 40 billion pounds.

Japan hopes that this positive trend will be reciprocated by UK investors. Prime Minister Abe has declared his goal of doubling inward investment into Japan by 2020 and for that purpose, he emphasises, Japan is taking concrete steps to create a much more favourable environment for foreign capital.

4. (Japan-UK) cultural relations

In addition to our flourishing political and economic relations, much headway is evident as regards cultural exchange between our two countries. Since *Washoku*, or traditional Japanese cuisine, was registered by UNESCO as part of the world's cultural heritage at the end of 2013, my Embassy has been actively promoting Japanese food and drinks. In fact, London is said to be already home to 800 Japanese restaurants. Meanwhile, sake (or rice wine) is becoming increasingly popular among British people.

Conscious efforts are being made to strengthen and upgrade academic cooperation at the highest level. During his visit last year PM Abe took part in a university summit conference held at UCL for this purpose, which was attended by thirty heads of the very top universities of our two countries, and a follow-up conference is soon to be held in Japan. Many bilateral agreements on academic exchange have been signed or are in the offing. As I see it, research and development in the most advanced areas of science and technology is one of the most promising areas for Japan-UK cooperation.

The “Japan House” of London, a showcase facility for Japan's charms in all their manifestations, will open within two years now that its funding has just been approved by the Diet. It will aim to present the British public with the “Best of Japan” – from traditional arts to ultra-modern technology, from performing arts to Japanese food and drinks, and from snowy Hokkaido to subtropical Okinawa.

5. (Conclusion)

This year marks the 70th anniversary of the end of World War II. It should be a solemn occasion to reflect on that enormous tragedy, which should never be repeated, but also an opportunity to celebrate the fact that, through the conscious efforts for reconciliation, our traditional friendship has been fully restored and is now flourishing to such an extent that our two countries can join hands to strengthen the peace and prosperity of the world.

In fact Japan and the UK now share the fundamental values of freedom, democracy and the rule of law. We hold similar views on most of the major regional and global issues. As advanced democracies we have been working together as partners for peace and stability in Afghanistan, off the coast of Somalia and elsewhere. As prosperous economies we have also been joining our efforts in the fields of climate change, global health, Ebola and other epidemics as well as for sustainable development in Africa and disaster relief in the Philippines. Japan and the UK remain both firmly committed to free trade, open markets and freedom of navigation.

What is critical is the fact that we both have the will and the capacity to strive for a better world in every respect. And we can do the job better if we work together. In the final analysis, that is the vision I have for the future of the Japan-UK partnership.