



21st Century Group

Chairmen's Summary

The 28th Annual Meeting of the UK-Japan 21st Century Group was held at Warwick University from 20-22 May 2011. The meeting was chaired by the Rt Hon Lord Howard of Lympne, UK Co-Chairman and Mr Hitoshi Tanaka, Acting Japanese Co-Chairman.

Meeting of the Japanese side with Prime Minister and other cabinet ministers

On 19 May, the Japanese participants led by the Hon Seiji Maehara called upon Prime Minister David Cameron and discussed UK-Japan relations. The Prime Minister expressed his deep sympathies to the Japanese people for the terrible earthquake and tsunami in March, and stressed Britain's wish to be of help to Japan in its recovery.

On the evening of 19 May, Lord Howell, Minister of State at the Foreign and Commonwealth Office hosted a reception in honour of the Japanese visitors.

On 20 May, the Japanese participants, together with the UK Directors of the Group, had a working breakfast with Business Secretary Vince Cable and Culture Secretary Jeremy Hunt.

Session 1: Latest developments in the UK and Europe

The Group discussed the experience of coalition government in the UK. Most participants believed the coalition government would probably last for the five years of the current parliament, but that there would be continuing stresses between its two parties. The British experience of coalition government both currently at Westminster and previously in Scotland could provide lessons for Japan where there were calls for a grand coalition government.

In Europe, the eurozone's problems remained acute. A solution would require considerable strength of political will and the possible options were all painful. It was likely that decisions would not be taken until the last moment. The Group noted that in the UK, other European countries and Japan, the need for decisive political leadership was the key to surmounting the pressing challenges.

Session 2: Latest developments in Japan and East Asia

The Group concentrated, in an extended session, on the impact of the Great East Japan earthquake and its consequences. The huge disaster had not only been a terrible human tragedy, but also had serious continuing consequences for the Japanese economy because of the disruption to industrial supply chains and the loss of a great deal of electric power capacity from the shutdown of nuclear power stations. The impact had been made worse by exaggerated media stories of the danger from nuclear radiation. The Japanese had appreciated the more measured scientific assessments published by the UK's Chief Scientific Officer and the action of the British Embassy in staying put when other foreign Embassies were closing down and leaving Tokyo. It was important that the rest of the world should understand that Japan remained open for business and safe to visit. The Japanese government had made particular efforts to be transparent about the situation. So too had Japanese companies with their overseas subsidiaries.

Japan would regain its confidence; it had surmounted worse shocks before. Key questions for the longer term were would the opportunity be taken for fundamental economic restructuring, what were the fiscal deficit implications and what was the future for nuclear power? It seemed likely that companies would diversify their component supply locations both within Japan and to East Asia. There were calls to use the opportunity to make fundamental changes to agricultural and fisheries policies and

to increase the openness of the economy. But those displaced wanted to minimise any change. Government would face hard decisions on how to raise revenue to pay the huge cost of rebuilding.

Nuclear power would remain one of the four pillars of Japan's energy policy, but popular support for it was now less certain. What happened in Japan would have a major impact internationally on the acceptability of nuclear power. The nuclear industry globally now recognised that mutual help and cooperation was essential to get the best solutions. Japan should be encouraged to work with its international partners on its nuclear problems. The crisis would also spur efforts to promote renewable technology and reduce energy use. There was a potential opportunity for UK and Japanese companies to collaborate on this also.

Session 3: How well are the West and Japan responding to the new global political and security challenges?

The Group considered that the West and Japan needed to respond more creatively and with greater confidence and unity to the rise of the emerging nations and the consequent shift in international power. There should be greater flexibility in putting together new partnerships and developing confidence-building measures to deal with particular issues. The West and Japan also needed to be ready for possible new challenges. The Japanese side stressed that it would like to see the UK involve itself more as a partner on East Asian matters in the way that Japan was doing in the Middle East e.g. most recently in Libya. There was a danger that the world would return to an era of great power politics in which the global rules-based system and the norms of international law would be undermined. The aim should be to bring the emerging powers into the global system. It was important to uphold having a global system and to set out a vision for the way forward on key questions, as President Obama had recently sought to do on the Middle East. Countries like UK and Japan needed to strengthen their language skills and expertise on regional affairs in order to play an effective part.

The Group noted the variety of security challenges facing the two countries. The threat of cyber warfare was a further one. There was a growing need for the West and Japan to recognise that the US no longer had sufficient primacy to be able to safeguard global security on its own. There needed to be more of a team effort and more regional cooperation.

Session 4: Challenges for British and Japanese economic policy in coping with fiscal pressures and competition from the emerging economies

The Group recognised that both the UK and Japan faced major economic problems. The UK needed to restructure its economy away from consumer spending and over reliance on banking. The challenge was to get growth against a background of reducing household and government debt. More needed to be done to improve competitiveness and skills in order to increase exports. There were no quick fixes. The new carbon targets held risks for industrial costs. Japan faced a major government-financing requirement for the rebuilding of the tsunami stricken northeast region. There was a political issue of "silver politics" as to whether this should be paid for by the current generation or the burden placed on the next generation by issuing bonds. Japan needed to refocus its agriculture towards smaller high quality /high value production. More could be done to use the potential of women in the workforce, but the political pressures against immigration remained strong.

Both countries had a common interest in the emerging economies becoming part of the global open market system and observing its norms and rules. Some of the emerging countries were themselves becoming significant overseas investors. Chinese and Indian investment in overseas resources reduced the upward pressure on world commodity prices that had resulted from their rapidly growing domestic demand, but also competed with Western and Japanese investment. The growth of Chinese investment in developed economies was likely to raise political and security questions in some countries. The UK tradition was to be open to foreign investment and it was encouraging Chinese and Indian investment.

The UK and Japan should respond to the growing global competition by forming bilateral business partnerships to exploit new technologies, for example those needed for the low carbon economy. The forthcoming UK-Japan Energy Dialogue was a potential opportunity to promote the involvement of business from both countries and encourage business partnerships. Two way UK-Japan investment would help both countries stay competitive internationally by raising domestic capabilities. The UK should ask its Japanese investors to help it by identifying potential hindrances to investment in the UK.

Session 5: Prospects for UK-Japan relations and progress in developing bilateral collaboration

The UK side expressed their great admiration for Japan's dignity and determination in responding to the March disaster. The British people had been both impressed and moved. Three UK-Japan organisations – the JET Alumni Association; the Japan Society; and the Daiwa Anglo-Japanese Foundation – had been particularly active in raising funds and providing scholarships for those affected.

UK-Japan relations would remain a high priority for the UK coalition government and it had termed Japan "Britain's closest partner in Asia". Japan had much appreciated the UK's response to the earthquake disaster, including the special message from The Queen. The two countries took very similar positions at the UN, and the UK strongly supported Japan's bid for Security Council membership. The UK had welcomed Japan's participation in the Libya Contact Group and its associated humanitarian aid. Other key areas for international cooperation included non-proliferation, combating international terrorism and responding to climate change. There should be a renewal of bilateral cooperation on development aid, an assessment made of it and a framework established for it. Japan hoped that the UK could help it to broaden its contacts with the Commonwealth, which would soon be having a Heads of Government Meeting in Australia.

The UK had strongly supported the proposal for a EU-Japan economic integration agreement at the recent European Council, but the issue of addressing Japanese non-tariff barriers remained a key obstacle with some EU member states. Parliamentarians and others in the UK should give the issue close attention in order to promote the conclusion of such an agreement.

The Group saw greater scope for bilateral cooperation on defence and security. It was suggested that the two governments think about a possible mechanism, such as an MOU, that would institutionalise this. Given the financial pressures on military budgets there was advantage in promoting bilateral defence industry collaboration. The UK side welcomed the transparency of the procurement process for the new Japanese fighter aircraft. If Japan chose the Eurofighter, this would provide a good platform for partnership.

Both the Prime Minister and Business Secretary Vince Cable had spoken to the Japanese participants of the importance of strengthening UK-Japan trade and investment. The Group discussed ways of encouraging more partnerships and collaboration between UK and Japanese companies. The proposals for setting up business/government working groups made at previous Group conferences remained valid and needed action. The recently established UK-India Business Leaders Climate Group provided a possible model for promoting bilateral business cooperation on the low carbon economy. British participants expressed strong concerns about the slow progress in removing regulatory barriers to doing business Japan. These were preventing the sale of products, in for example the medical field, that were widely accepted elsewhere in the world. The Group welcomed the UK government's decision to exempt intra-company transfers of staff from annual limit on non-EU immigration to the UK, but remained concerned that this temporary exemption should be renewed.

The Group reiterated the importance of bilateral educational and cultural links. The British Council was promoting new university partnerships. There might also be consideration of trilateral links that would include China in science and technology. Participants spoke from personal experience of the importance of strengthening the JET programme. They also wanted to see more Japanese students coming to the UK: only 1% of the foreign students at UK universities were Japanese. The Japanese side expressed concern about impact of the new UK visa rules on both Japanese students and university staff coming to the UK. There had been some improvement for students, but this needed to be maintained and continued attention given to the matter. There was also a danger that without new funding previously established Japanese studies posts at a number of British universities would be lost. Culturally, there were opportunities for Japan to become involved in the Cultural Olympiad that was taking place in Britain in the run up to the 2012 Olympics.

The Group wished to see more intensive and substantive bilateral parliamentary exchanges.

They welcomed the Japanese government's decision to proceed to ratification of the Hague Convention on Child Abduction.

Recommendations

Great East Japan earthquake

The UK side expressed its deepest sympathies at the terrible loss of life as a result of the Great East Japan earthquake and its resulting tsunami. They expressed their admiration of the courage, dignity and resilience of the Japanese people in responding to this huge disaster.

The Group highlighted the importance of getting across the message outside of Japan that Japan was safe to visit and is very much open for business. In this connection it would be helpful to:

- Organise high profile visits by senior British figures to Japan to underline these facts. For example, the forthcoming visit by Business Secretary Vince Cable to Japan would provide a good opportunity to publicise the message. Other high profile VIP visits including to the affected Tohoku area should be considered.
- Make use of authoritative and scientifically based assessments of the nuclear reactor situation in Japan in order to counter alarmist and exaggerated comment. In this connection, the forthcoming visit of the UK's Chief Scientific Officer to Japan was helpful.
- Use business organisations and networks to get the message across to the business community.

Nuclear reactor remediation and recovery

The UK side emphasised the British wish to be of as much assistance as possible to Japan in its recovery from the disaster. Prime Minister David Cameron had made this clear when he met the Japanese side before the conference. The UK had a great deal of experience and expertise in managing remediation and clean up of nuclear reactor sites both in the UK and abroad as a result of its long civil and military nuclear history. The Group recommended that the British Embassy in Tokyo should work with the Japanese government to organise a seminar for the Japanese government and nuclear industry in the next three months so that British nuclear industry experts and representatives could make clear what assistance and expertise that the UK could provide.

Japan-EU Economic Integration Agreement

The Group emphasised that the early conclusion of an economic integration agreement between the EU and Japan would be of great benefit to both sides by greatly increasing trade and business opportunities between them. The Group welcomed the strong support being given by the British government to the proposal and called for redoubled efforts to bring forward substantive negotiations between Japan and the EU.

The UK side emphasised that Japan's readiness to address concerns about trade barriers would be essential to achieving this.

UK-Japan Energy Dialogue

The Group welcomed the plan for a UK-Japan Energy Dialogue. They recommended that every effort be made to draw senior business leaders from both countries into parts of this Dialogue and that it be used to facilitate industrial collaboration between UK and Japanese businesses. The Group saw the potential for such collaboration in a range of areas connected to achieving future low carbon economic growth. These included smart grids, renewable energy, nuclear power, carbon capture and storage, energy efficient transport technology and the development of low carbon infrastructure. The business sector should be encouraged to produce reports on the potential for such collaboration. It was also important for the government to set out soon a clear plan and timetable for facilitating business involvement in the dialogue and establishing working groups in specific areas for this purpose.

International Development

The Group urged that the British and Japanese aid authorities should renew bilateral discussion on ways of increasing the efficiency and effectiveness of their development assistance to poor countries and on opportunities for UK-Japan collaboration on aid projects. The Group once again highlighted the

importance of health and human security in this context, and saw Africa as an important focus for bilateral cooperation.

International Political Situation and Security

The Group once again emphasised the importance of the UK and Japan cooperating closely in key international fora such as the UN, G8 and G20, and in efforts to prevent international terrorism and nuclear weapons proliferation. The UK side welcomed Japan's recent participation in the Libya Contact Group. The UK side reiterated too its strong support for Japan's bid to become a Permanent Member of the UN Security Council.

The Group reiterated the value of increasing bilateral defence and security cooperation at a time of growing challenges and resource constraints. They recommended that the two governments look at having a new mechanism to formalise this. There were good opportunities too for both countries to collaborate more closely in the development of defence capability through industrial cooperation. The Group also drew attention to the growing threat of cyber warfare and urged greater UK-Japanese discussion and cooperation in countering this potential threat.

Educational and cultural links

The Group welcomed the initiative by the British Council to create a framework for encouraging increased links and collaboration between UK and Japanese universities. They recommend that this initiative be well publicised and promoted among universities in both countries. The possibility should be considered also of encouraging UK-Japan-China university collaboration. Similarly, the Group again welcomed the effort by the Japanese government to increase once again the number of British JET scheme graduates invited to Japan. They urged the Japanese government to continue and increase this effort. The Group reiterated the importance of not allowing budget cuts and changes in higher education funding in the UK to damage the fostering of Japanese language teaching and Japanese studies in the UK. It was essential to recognise the long-term benefits of maintaining expertise in this strategic and vulnerable subject. The Group was concerned that new visa regulations were making it difficult to recruit suitably qualified staff to, for example, the new Japanese Studies courses in the University of East Anglia. The Group urged that such regulations be applied in a way that did not damage the promotion of area expertise. The Group welcomed the recent easing of the application of the new visa conditions for Japanese students to study in the UK, but noted it was important to maintain this. The Group noted that there was a Cultural Olympiad taking place in Britain in the run up to the 2012 Olympics next summer in the UK. They hoped that Japanese groups would take part in this major festival of cultural events.

Other matters

The Group welcomed the decision by the Japanese government to proceed to ratify the Hague Convention on Child Abduction.

The Group recommended that further efforts be made to promote UK-Japanese parliamentary exchanges and the sharing of experience on the workings of the two countries' systems of government. The Group welcomed the action taken by the British government to address the problem of Intra-Company transfers under the new visa system and noted the continuing importance for companies in the UK of being able to bring in key Japanese staff. The Group urged the government to continue to consult such companies on the workings of the system.