



21st Century Group

UK-Japan 21st Century Group 36th Annual Conference, 2019

Chairmen's Summary

The 36th Annual meeting of the UK-Japan 21st Century Group was held at the University of Kent in Canterbury on 6 - 8 September, 2019. The meeting was chaired by the Rt Hon Lord Lansley, UK Co-Chairman, and Mr Yasuhisa Shiozaki, Japanese Co-Chairman.

The 19 British and 21 Japanese participants included parliamentarians and senior representatives from business, the media, academia, think tanks and the diplomatic service from both countries.

London Programme

The Japan Society and the Japanese Chamber of Commerce & Industry hosted a luncheon meeting for the Group at the National Liberal Club on 5 September. The discussion was chaired by Martin Hatfull, Deputy Chairman of the Japan Society, and was attended by conference delegates, corporate members and other guests as a prelude to the conference discussions.

On the evening of 5 September, a Reception to welcome the Japanese delegation was hosted by the Foreign & Commonwealth Office.

The London programme concluded with a dinner for both Japanese and British conference delegates, hosted by His Excellency Ambassador Koji Tsuruoka at his residence.

Due to the parliamentary schedule at the time of the conference, the Japanese participants were not able to meet senior UK political leaders. In future, this element should be reinstated.

Canterbury Conference

In their opening remarks, the Co-Chairmen spoke of the positive developments in UK-Japan relations since the last conference which had helped contribute to the implementation of several of last year's recommendations. The Group's sponsors, both Foreign Ministries and respective Ambassadors provided valuable support throughout the year. There had also been some progress in diversifying the membership.

The relationship between the two countries remains strong, but we have to recognise the scale of the threats we face: the undermining of global institutions and the rule of

law; climate change; nationalist and protectionist policies, particularly from the United States; and the risks from a disorderly UK exit from the EU. It will be important to draw on our shared interests and values, and for the UK and Japan to offer global leadership which is presently lacking.

Since our last meeting, the two countries' Prime Ministers had met five times, including most recently at the G7 in France; and there had been regular telephone contact. Collaboration on security and defence was well established and there were good examples of deepening cooperation in research, such as that between the Alan Turing Institute and Riken Institute on Artificial Intelligence and Robotics.

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

Introduction to the University of Kent and to Canterbury

David Nightingale, the University's Senior Deputy Vice-Chancellor and Provost, welcomed the participants and provided an introduction to the University's history, its activities and its most famous alumnus - and as yet only Nobel prize winner - Kazuo Ishiguro.

He highlighted the broad academic portfolio at the University, its recent expansion in areas including medical science and pharmacology and its objective of becoming a leading civic university. The university's physical and academic closeness to Europe meant the effects of Brexit on staff, students and research would be strongly felt. Professor Nightingale supported the Group's previous recommendations on higher education. He outlined the strengths of the British universities, including their independence. He welcomed participants' support for greater government flexibility on student visa lengths.

Session 1: Latest Developments in UK Politics and the Economy

The Group discussed ongoing political developments in the UK. Recent opinion polling had demonstrated the close relationship between Brexit as an issue and the changing political stance of each party. Coalitions had persisted, for and against leaving the EU. Alienation and identity had assumed greater prominence in politics. The strains in Westminster had created not only party management issues, but also changes in the nature of political activity, including a rise in populism, intra-party insurgency and more inter-party volatility. To an extent, the electorate was identifying less with political parties and more with ideology. Remain/leave sentiment had become more significant in creating divisions that had in the past been subsumed to party loyalties.

Since the European elections in May 2019 and subsequent opinion polls, the two largest UK parties had reacted, with Labour edging towards a 'remain' stance, and the Conservatives committed to leaving the EU, regardless of an agreement.

Following the change of Prime Minister in July, the government has announced significant expenditure increases which might influence any forthcoming general election.

The Group also considered the potential effects of Brexit on the union of the UK, with increasing support for Scottish independence; as well as frustration elsewhere in the Union, and particularly Northern Ireland, that Brexit could expose tensions.

Group members stressed the damage the Brexit debate was causing to the UK's image. The UK's future relationship with the EU and its cross-border relationship with Ireland were considered crucial in preparing for its future relations with the wider world. Representatives of the private sector had noted a trend to relocate some activities to other European capitals, notably in the financial sector; and, in some cases, seek business opportunities in other markets such as the Americas and Asia at the expense of the European Market.

An adverse impact was being felt in key sectors. For example, life sciences were strategically important to the UK which needed to maintain its ability to innovate through collaborative research. SMEs were poorly prepared, and regulatory skills were being lost from the UK.

The referendum outcome had been influenced by sovereignty more than economics; but economics and business would determine the UK's future relationships.

Session 2: Latest Developments in Japanese Politics and the Economy

The Group considered recent political and economic developments in Japan. A new era began with the present Emperor ascending the throne in 2019. The ruling parties maintained their majority in the Upper House elections and had secured stable government management. The tenure of Prime Minister Abe is the longest in Japan's postwar politics.

Despite Japan's ageing society and low birthrate, there had been steady capital investment and a growth in productivity. Unemployment was low – as in the UK – with greater participation by the elderly and by women. However, fiscal stability and revitalisation at the local level remained major challenges.

The Group noted there had been significant change to Japan's immigration policy, allowing the gradual increase in foreign labour because of a shortage of human resource in Japan. But there remained a need for a broader nationwide discussion on demographic and immigration-related issues.

Short-term economic growth meant there was stability in politics, but growing populism and dissatisfaction with the existing political parties meant that in the longer term, the government needed to build voters' trust in its economic policies and social security systems, and to convince voters that problems were not simply being passed on to future generations.

Group members noted that, with shared liberal democratic values, Japan and the UK could learn from their respective experiences on key domestic issues. Social security was an issue which affected both Japan and the UK, as well as other developed and emerging economies. Japan and the UK have a leading role in tackling issues such as dementia and non-communicable diseases through joint initiatives and advanced technologies, just as both countries had a continuing responsibility in promoting democracy and human rights.

Session 3: Trade, Investment and the Global Economy

The Group considered developments in UK/Japan trade and investment. Post war, punitive tariffs, quantitative controls and regulatory requirements had hindered trade; and restrictions on foreign investment in Japan had been the norm. That changed significantly in the mid 1980s with exchange rate realignment and subsequent domestic liberalisation in Japan; opening of the Japanese market to foreign companies; and encouragement to Japanese companies investing in the UK.

There remains a positive atmosphere in which Japanese investment is welcomed. Japanese companies have devoted considerable attention to the Brexit process in the UK and EU, and most, including financial institutions, have taken steps to protect future business. There are new areas of activity, including asset management development; fintech, green finance, shareholder engagement; cyber regulation and big data management. Companies are also conscious of the need for environmental governance and correcting some of the negative aspects of globalisation. However, concern remains regarding the negative impact of Brexit on Japan's manufacturing presence in the UK, especially in the automobile sector.

Japan has become a leader in trade liberalisation. Businesses sought government support on trade policy through the free trade agreements which have become central to Japan's trading relationships. Japan now has 15 bilateral agreements in addition to the EU/Japan EPA.

Group members focussed on the need for a smooth transition in UK/EU relations following Brexit and the desirability of an ambitious UK/Japan EPA based on the EU/Japan EPA. There remained the possibility of UK membership of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). But the latter would need parallel discussions with member countries not all of whom were entirely positive. Business representatives expressed their concern as to whether UK resources were adequate for the significant scale of trade negotiations.

Session 4: Energy: Security, Sustainability and Economy

UK and Japan have a shared interest in maintaining energy security in the medium-term in the face of geopolitical instability; and to diversify supply in the longer-term.

A comparison of UK and Japanese energy policy revealed potential areas for cooperation and lessons to be learnt on both sides. There were similarities and significant differences. The UK had benefited from natural gas and had deregulated

its supply system. Its decarbonisation agenda had been led by the Climate Change Act in 2008, overseen by the Committee on Climate Change. Its recent target of 100% decarbonisation by 2050 was attainable. Offshore wind generation remained the most competitive renewable energy source, whereas in Japan solar was more important. Despite sensitivities, both countries will continue to rely on nuclear generation because renewables output is intermittent. The storage of renewables generation, to offset its variability, will be required.

Like the UK, the trend in Japan was towards decarbonisation, with responsible investment and rapid moves towards renewables and EVs. Japan too had ambitious targets, but there remained some challenges, including high renewables costs, insufficient grid network to allow renewables to become a major source of supply and the slow pace of reopening nuclear plants.

Group members considered areas for possible collaboration, including electrification, digital technology as a means to match energy supply and demand, network strengthening to cope with increased reliance on renewables, offshore wind generation and nuclear. An alternative to large-scale investment in nuclear might lie in small modular reactors. The challenge of renewables storage would eventually be met, including hydrogen storage once costs could be successfully reduced.

Session 5: Russia and China: Security Challenges for the UK and Japan

The Group discussed the security challenges from Russia and China and the response from Japan and the UK. Increased interference in democratic societies from outside was perceived to be from both state and non-state actors.

US/China tensions had increased challenges for the rest of us. The US was tightening export controls and restrictions concerning dual-use technologies. At the same time, geo-political rivalry over maritime security, infrastructure finance in developing countries, and digital networks was intensifying as the US has become alarmed about China's increasingly assertive posture in those areas. In this regard, joint defence exercises between the UK and Japan during 2018 have added a degree of security in the Asia-Pacific region.

Russia continued to act in a way that had raised the concerns of G7 countries. It has argued that it needs a buffer zone on its borders, which effectively meant retained influence over neighboring states. There were signs, eg in Ukraine, that Russia had become more aggressive and bolder in its behaviour towards some of those neighbours. In the longer term, though Russia's energy-dependent power might weaken, its stance and objectives were for the moment expected to remain unchanged.

Recalling last year's recommendation supporting the resilience of democracy and protection of an unfettered media, Group members suggested that the UK and Japan should work to defend democratic values. Concern was expressed about the situation in Hong Kong, including its implications for Taiwan.

Session 6: Policy Responses to the Digital Revolution

Japan's response to the digital revolution is exemplified in its smart transformation plan - Society 5.0. This outlines plans for data utilisation in areas such as planning, mapping, caring and transport management and control. However data utilisation raises issues on the free flow of data, privacy protection and cyber security which highlight potential future risks of high level crime, unintended consequences of profiling or the need for greater risk awareness.

The UK's national industrial strategy had involved international manufacturing and innovation policy workshops to learn about emerging policy approaches, share lessons and identify opportunities for collaboration. BEIS and METI held a joint workshop in 2017, and Prime Ministers Abe and May have signed an agreement in support of advanced manufacturing. As part of the UK's "Grand Challenges" – areas of high growth that build on UK strengths – AI and data driven policy aims to put the UK at the forefront of the AI and data revolution through its "Made Smarter" programme. This aims to boost UK manufacturing, increase sector growth and create jobs through industrial digitalisation.

Group members welcomed the developments in both countries and considered possibilities for sharing information on data usage and cross-sectoral approaches. There was already a broad range of activity between the UK and Japan. More would be welcome. Health data was vitally important. There was scope to share best practice in this and other areas.

Session 7: Chairmen's Summary Dialogue

Since the UK Japan 21st Century Group's last conference in Kamakura in September 2018, there have been significant exchanges and contacts at official and non-official level, several of which have helped to take forward recommendations of the Group's last conference.

2018

7th Strategic Dialogue between Foreign Ministers Kono and Hunt in Tokyo (September 2018)

Meeting between Prime Ministers May and Abe at UNGA (September 2018)

7th Annual Japan-UK Nuclear Dialogue in Tokyo (October 2018)

Telephone call between Prime Ministers May and Abe (November 2018)

Meeting between Prime Ministers May and Abe at G20 Summit in Buenos Aires (December 2018)

2019

Visit by Prime Minister Abe to the UK (January 2019)

UK-Japan Three-star Pol-Mil and Mil-Mil Talks in London (February 2019)

UK-Japan Strategic Development Dialogue in London (February 2019)

Meeting between Prime Minister Abe's Special Adviser Sonoura and Deputy National Security Adviser Turner in London (March 2019)

Meeting between Foreign Ministers Kono and Hunt at G7 in Dinard (April 2019)
Meeting between Foreign Ministers Kono and Hunt in Tokyo (April 2019)
UK-Japan Infrastructure Dialogue in Tokyo (May 2019)
Meeting between Foreign Minister Kono and International Trade Secretary Fox at G20 Meeting on Trade and Digital Economies (June 2019)
Meeting between Prime Ministers May and Abe at G20 Summit in Osaka (June 2019)
Meeting between Foreign Ministers Raab and Kono at ASEAN Foreign Ministers meeting (August 2019)
Telephone call between Prime Ministers Johnson and Abe (August 2019)
Meeting between Prime Ministers Johnson and Abe at G7 Summit in Biarritz (August 2019)

A number of the specific recommendations made at the Group's 2018 conference have been taken forward in the areas of trade, investment and finance, including working together in the G20 Trade and Investment Working Group to further discussions on WTO reform; joint cooperation between export credit agencies and joint participation in the International Working Group on Export Credits; and close cooperation between the UK and Japan on objectives for TICAD7 in August 2019.

On defence and security, the UK has continued to deploy an increasing number of Royal Navy ships to Japan; the UK and Japan have acknowledged the scope for closer collaboration on humanitarian response; and the UK and Japan are working closely together on demining activities in Africa.

On global health, the UK and Japan remain close partners on Universal Health Coverage (UHC) and anti-microbial resistance (AMR), working together with the co-chairs to ensure that the High Level Meeting on UHC at UNGA 2019 will further galvanise political and financial support for UHC.

As Japan hosts the 9th Rugby World Cup in 2019 and prepares to host the Olympics and Paralympics in 2020, Japan will stage a season of cultural activity in the UK in 2019-2020, coordinated by the Japanese Embassy. The UK will run a 'UK in Japan' campaign to promote UK culture, business and science, incorporating the season of culture announced last year.

Other recommendations continue to remain of relevance, and in a number of cases are reiterated here.

UK-Japan 21st Century Group 36th Annual Conference: Recommendations

The following recommendations emerged from discussions at the 36th Annual Meeting of the UK-Japan 21st Century Group in Canterbury.

- Looking to the longer-term promotion and development of shared values, the Group would like to open a dialogue with both governments with a view to establishing an annual forum for Japanese and UK youth. The Group looked forward to further discussion on enhancing the exchange of young people between the UK and Japan.

Brexit

- The Group reiterates the recommendations of the 35th Conference relating to Brexit, and notes the need for a smooth transition in the UK/Japan relationship, depending to a considerable extent on the UK/EU relationship post Brexit.

Trade and Investment

- The UK and Japan remain firmly committed to the basic principles of free trade in the face of serious challenges at present.
- The Group supports early agreement of a new UK/Japan Economic Partnership Agreement higher in ambition than the EU/Japan EPA, and re-emphasises the recommendations of its 2018 conference in this respect. The Group saw value in the initiation of public consultation in the UK, and establishment of a joint study group, with input from government, business and academia, as a complement to formal discussions.
- The Group noted the crucial importance of sequencing of future trade agreements. Whilst a UK/EU agreement must precede a bilateral UK/Japan Economic Partnership Agreement, preparations for the latter should continue in parallel. Progress towards UK accession to the CPTPP would also require bilateral exchanges with TPP members.
- Recognising that Japanese parliamentarians and officials have more recent experience in trade policy negotiations than their UK counterparts, we recommend exchanges between the Houses of Parliament in the UK and Japan to share the knowledge Japanese legislators have, and to assist UK MPs and officials to develop policy and scrutiny of trade rules and negotiating remits.
- The UK and Japan should promote an approach to global trade which incorporates government and business commitments to zero-emission targets and environmental protection, and ensures that mitigating strategies are fully supported. Both governments should also continue to work together to remove barriers to trade and ensure that their trade policy supports the delivery of the UN Sustainable Development Goals. It will also be important to undertake public consultation.

- The Group reiterates that WTO reform remains essential, particularly in areas of dispute settlement, surveillance and notification, the status of developing countries, e-commerce and trade in services.

Energy: security, sustainability and economy

- Continued investment in energy infrastructure and innovation will be vital in both countries if we are to have the necessary security of supply. If we are to meet ambitious emission targets and keep costs down, government policy must be driven by the need for investment, competitive pricing, secure supply and innovation.
- The UK and Japan should exchange views on technological and business development, market design and regulatory procedures. Collaboration between the UK and Japan on nuclear energy remains essential as part of the energy mix for decarbonisation.
- Electrification is key to decarbonisation in the fields of power supply, aerospace, and automotive: there should be ambitious timelines for this. Digital technology will help bring benefits by making the balance of supply and demand more efficient. The UK and Japan should work together to address risks and obstacles and to improve energy efficiency.
- Exchanges of expertise and experience between our two countries should be promoted, focusing on offshore wind power technology and the use of hydrogen for storage and fuel cells.
- Public education, particularly of the younger generation, on energy issues is of vital importance given the serious impact of climate change.
- Internationally, inconsistent electricity supplies are one of the main barriers to sustainable growth in many developing countries. In their priorities for Official Development Assistance (ODA), the UK and Japan should invest in boosting non-carbon energy generation and supply, particularly by utilising the potential for small-scale hydro, geo-thermal, and solar power in Africa.

Defence and Security

- A more unilateral, transactional US foreign policy means that the UK and Japan should consult more frequently on their joint and respective relations with the US, and also work together on collaborative defence and security projects and technology development.
- The strengthening of export controls by the US on critical technology is likely to have a significant impact on Japanese and British companies and universities with China links. The Group recommends the UK and Japan should jointly consider the effects of these changes and relevant bodies should work together on optimal export control policies.

- The Group also recommends that the UK and Japan should explore further joint research and development initiatives including, where appropriate, with other partners, and share best practice.
- The development of initiatives in the Indo-Pacific region particularly by Japan, can be strengthened by enhanced cooperation between the UK and Japan in this area and including the US, India and Australia amongst others.
- As a matter of urgency, the Group recommends increased efforts by both governments, via public diplomacy, the use of soft power and support for civil society, to enhance democratic resilience against the growing threat of rising authoritarianism worldwide.

The Digital Economy

- The UK Competition and Markets Authority and the FTC in Japan should work together on the structure of competition in digital markets: to share experience in setting up digital markets units which can track changes in technology and markets; and to promote OECD initiatives to agree principles for the ex-ante regulation needed to promote competition and consumer interests in the digital economy.
- Ministers with space responsibilities should meet to discuss potential for collaboration in space technology and uses of space-related data.
- It would be helpful for the UK government to share with the Japanese government its legislative and regulatory plans relating to the protection of the public from online harms.
- The Group saw value in government-to-government discussions relating to the operation of a digital services tax.

Health Cooperation

- The Group recommends joint work on social care, including on the character of state-backed insurance for personal care costs and the use of technologies and Artificial Intelligence to support a sustainable ageing society.
- We commend the continued efforts on the part of the two Governments to follow up on our recommendations from the 35th Conference. The UK and Japan's joint work on Global Health care should be reflected by its inclusion as a permanent item on the G20 agenda.

Life Sciences

- The Group recommended, at its 35th annual conference in 2018, the development and publication of mutual recognition agreements (MRAs) on product testing/site inspection and R&D Country Associate Status in time for the UK's exit from the EU. This remains a priority.

- Post Brexit, the UK and Japan should work together in the development of harmonised global standards for the life science sector, illustrating how this can help to offset the risk of non-tariff barriers to trade.
- The Group welcomes forums such as the UK/Japan Young Scientists' Workshops which have met since 2001 in the UK and Japan.

Mobility and Migration

- Japan and the UK will benefit from a diverse workforce with access to skills on a global basis; albeit in varying numbers, skills and sectors. The two Governments should hold consultations to discuss and share experience on issues concerning the treatment of foreign workers.
- The two countries should promote work on international labour mobility to support managed migration of workers rather than unmanageable flows of economic migrants.
- Having heard from the University of Kent of the effects of Brexit on students and staff, the Group urges the UK Government to introduce greater flexibility on the length of visas granted to students coming to the UK, including post-study work visas.
- Tourism and Education should both be key elements of the trade focus, given the huge export value of both sectors for both countries, and Japan and the UK should work together on eliminating restraints in both sectors, including visa simplification.

The Group wishes Japan every success in hosting a successful Rugby World Cup in 2019, Olympics and Paralympics in 2020.

The 37th Annual Conference of the UK-Japan 21st Century Group is provisionally planned to take place in Japan from 11-13 September 2020.