

Chairmen's Summary

The 31st Annual Meeting of the UK-Japan 21st Century Group was held in Hakone from 16-18 May 2014. The meeting was chaired by the Rt Hon Lord Howard of Lympne, UK Co-Chairman, and the Hon Yasuhisa Shiozaki, Japanese Co-Chairman.

The 19 British and 23 Japanese participants included parliamentarians and senior representatives from business, the media, academia, think tanks and the diplomatic service from both countries.

Tokyo programme

On the evening of the 14th of May, a Reception to welcome the UK delegation was hosted by the Foreign Minister, Mr Fumio Kishida, at the Iikura Guest House.

The British participants, accompanied by Mr Shiozaki, called on Prime Minister Abe on the morning of the 15th of May. The Prime Minister spoke of his recent visit to the UK and of his fruitful dialogue with Prime Minister Cameron. In his reply, Lord Howard noted that the UK-Japan Joint Statement issued following the visit would provide a valuable framework for the discussions at the Group's annual conference in Hakone.

A lunch for both British and Japanese delegates and other guests was hosted by His Excellency Ambassador Tim Hitchens at the British Embassy. The Ambassador welcomed members of the Group and announced the launch of an annual lunch for corporate sponsors to enhance the dialogue with supporters of the UK-Japan 21st Century Group.

At an afternoon meeting with senior officials at the Ministry of Defence, the UK delegates were welcomed by Mr Minoru Kihara, Parliamentary Vice Minister of Defence. A full discussion followed with Mr Masamori Nishi, Administrative Vice Minister of Defence, on the security issues facing Japan, progress in UK-Japan defence and defence industrial cooperation and the new and meaningful opportunities that were emerging for joint activity between British and Japanese forces.

Hakone Conference

In their opening remarks, the Co-Chairmen spoke of the significant developments in UK-Japan relations since the last conference and the importance of the recently-issued UK-Japan Joint Statement which set out a detailed agenda for furthering UK-Japan cooperation.

The Japanese Co-Chairman, Yasuhisa Shiozaki spoke of the relevance and topicality of the session themes and the value of generating specific proposals for subsequent implementation. He noted that many of the proposals from the 2013 conference of the Group had been acted upon by the two governments. Lord Howard welcomed new participants to the meeting and the fresh perspectives they would bring to the subjects under discussion.

Mr Akio Okawara, appointed President of the Japan Center for International Exchange (JCIE) in April 2014, was introduced and welcomed to his first meeting of the Group.

Session 1: Latest Developments in the Japanese Political Situation

The Group discussed developments in the Japanese political situation since the last meeting. The timing of this meeting coincided with the historical announcement by Prime Minister Abe on his resolution to kick-start a process within the coalition government and the Diet to initiate discussions on defence legislations so that the SDF could act more effectively, including the possible revision of the interpretation of the constitution to allow the use of collective self-defence. This was announced in the context of Japan's 'Proactive Contributor to Peace' policy. If implemented, this would be a major change in the security policy of Japan.

After a period of six years which saw six different Prime Ministers, Prime Minister Abe has been leading the country robustly since his appointment in December 2012. The stability and strength of the current government which allows Japan to play a much-needed important role in the international community was welcomed by the Group.

The discussion focused primarily on the reasons for the strong popularity which Prime Minister Abe continues to enjoy, and the challenges he faces. Three reasons were pointed out for the high support rate for Prime Minister Abe: strong expectations for his economic policies now known widely as Abenomics; his talent as an effective communicator both domestically and internationally; and the deep disappointment with repeated changes of government. As for challenges, it was noted that firstly, the third and most important arrow of Abenomics for sustainable economic growth was still to be implemented; secondly the right set of policies need to be implemented during the so called 'golden' three years until 2016 during which time there is no general election scheduled; and thirdly how to deal with the history issues and views abroad that see nationalistic tendencies in his government.

Session 2: Latest Developments in the UK Political Situation

The Group discussed the current British political landscape and the key events that would shape UK politics in the coming years. These included the forthcoming European parliament elections to be held in May 2014; the Scottish referendum on independence scheduled for September 2014; and the general election in May 2015. The factors most likely to influence voters were a general disillusionment with politics and politicians and the state of the economy.

The European parliament elections were likely to be dominated by anti-EU and immigration sentiments and the rise of the right-wing nationalist UK Independence Party (UKIP) with potential parallel developments in France, Denmark and the Netherlands.

A similar rejection of the political establishment and a feeling of remoteness from mainstream parties had led to the call for a Scottish referendum. Some of the complex issues that would be faced by an independent Scotland include currency union, membership of the EU and the need for a new approach to pensions, taxes and security. In economic terms, a vote for Scottish independence would lead to a reassessment of the UK as a whole and could also have a potential impact on separatist movements in other parts of Europe.

The 2015 general election results would depend largely on economic growth and recovery in the UK but the outcome of the Scottish referendum could have a profound impact on the political map of Britain with the fortunes of each of the main parties greatly affected by the result.

With integrated markets providing the basis for Japanese inward investment in the UK, the Scottish referendum and a possible future referendum on Europe were giving Japanese investors cause for concern.

Session 3: Stimulus or Austerity – Priorities for Sustainable Economic Growth

The Group discussed Japan's macroeconomic policy and the revision of growth strategy planned for late June 2014. While the Japanese economy has been recovering since the introduction of Abenomics to combat deflation, the third arrow, the growth strategy will be the key aspect of the government's plan to open Japan to trade and investment opportunities. The negotiations for the TPP and the EPA were progressing and great importance was attached to the successful conclusion of these free trade agreements.

With Japan's economy reaching a new stage, planned regulatory reforms, including the creation of Special Economic Zones, would provide a framework to support foreign investors and the sourcing of high-skilled human resources from overseas with the aim of doubling foreign direct investment by 2020.

As part of this process, just as Britain's success in attracting Japanese investment was due to a strategic decision by the government that Japanese companies would be treated as UK companies, foreign companies in Japan should be treated as Japanese companies, with the same arrangements and access to national research projects.

During 2012 and 2013 the economic and political debate in Britain and much of the rest of Europe was about whether to press down hard on fiscal deficits in spite of the absence of economic growth or whether to dilute fiscal retrenchment in the hope that returning growth would provide more space to cut public spending and/or raise taxes. With recovery under way in most of the continent – stronger in Britain than in mainland Europe – the stimulus versus austerity debate is now more muted.

Britain's recovery and the prospect of a general election next year have changed the political arguments. Claiming credit for sticking to their fiscal guns, the Conservatives are holding out the prospect of future tax cuts; the opposition Labour party has refocused its political fire on weak living standards and the uneven distribution of gains from growth.

In the Eurozone the tail risks of a break-up of monetary union are seen as much diminished and foreign investors have returned as buyers of debt in peripheral economies. Growth has resumed, albeit not at a pace sufficient to dent very high levels of unemployment in weaker economies.

If Europe's economic crisis has eased, the challenges remain. Electorates have grown tired of austerity and want to see a return to rising living standards. Many economies still face a competitive challenge if they are to establish sustainable current account balances. Eurozone governments have yet to complete the architecture of a sustainable monetary union. Finally, Britain needs to rebalance its economy away from credit expansion, house price inflation and consumer spending towards productive investment, renewal of infrastructure and export growth.

Session 4: Regional Issues for East Asia: the Global Impact

The Group discussed regional issues in East Asia, and what impact these were having in other parts of the world, namely in the US and Europe. There was consideration of whether the US focus on Asia had been diminished or not, along with whether they will continue to be committed to the security of Japan in the long term. Japan's worrying relationship with South Korea and positive partnership with South East Asian countries were touched upon, but the discussion was primarily focused on the dynamics surrounding China.

With China pursuing expansion of its influence in the region, tension was mounting between Japan and China over the Senkaku Islands and history issues. Tension between China and other countries in the region such as the Philippines and Vietnam was also high. It was suggested that China's perceived aggressive external policy was closely linked to its domestic situation and internal political struggles. What is clear is that relations between Japan and China remain difficult and the prospects for reducing tensions in East Asia remain uncertain.

However, as concern for an accidental collision is increasing, and given that there is no way to change the geographical realities within the region, it is understandable that Japan wishes to increase its defence capability but there was recognition of the importance of continuing to engage with China and establishing confidence-building measures whenever possible.

Attention was drawn to propaganda which portrayed Japan and certain actions of the Abe government as nationalistic. There was, for example, a potential danger that the excellent reputation Japan has established in the UK over recent decades, which has basically erased the negative image following the Second World War, could be eroded. It is important to correct any misunderstanding on issues that may lead to the creation of negative perceptions about Japan. It is also necessary that the UK and Japan continue to cooperate on specific bilateral projects as trusted and reliable partners.

Session 5: Regaining Trust and Building Confidence Towards a Comprehensive Nuclear Strategy

The Group discussed the efforts being made to restore public trust in the nuclear industry in Japan following the 2011 accident at Fukushima Daiichi nuclear power plant. Since the accident, three major independent accident investigation commissions were established and have produced their own separate reports. A new independent Nuclear Regulatory Authority (NRA) was created in 2012 with new regulatory standards set in 2013. The utilities established the Japan Nuclear Safety Institute (JANSI) in 2012. Yet these efforts appear to be insufficient in the face of anti-nuclear public opinion.

While a new energy policy was announced earlier this year, the future of nuclear energy policy is still uncertain and many issues remain unresolved. A reduction of dependence on nuclear energy by expanding renewable energy, energy efficiency and more efficient fossil power plants is a key aim but other factors that must be taken into consideration are stability of energy supply, cost reduction, climate change and human resources to maintain safety. In

addition, spent fuel and plutonium management remains one of the most serious issues facing Japan.

The UK experience of rebuilding public trust and confidence in the nuclear industry suggests that efforts to become more trustworthy must be tackled from within the industry itself. The first step is to create a partnership of leaders across government, regulator and industry. Each should remain independent but they should share a common determination to make a break with the past and a common commitment to the task of building greater industry trustworthiness. Particular attention was drawn to the importance of the highest standards of safety for any civil nuclear development in the developing world.

Our industries have a long history of working together and remain closely linked. A number of British and Japanese firms are collaborating in this sector; for example, AMEC is already working with Hitachi to help it bring Japanese reactor technology and industry investment to the UK reactor build programme. In Japan AMEC is working with a number of Japanese companies at Fukushima, providing proven clean-up and waste management services. Such joint cooperation between British and Japanese industry in the civil nuclear field can aid in building better systems and ensure future industry trustworthiness.

Session 6: Women in Public Life: Gender Diversity in Politics and Business

The Group discussed the situation of women in public life and the challenges in achieving gender diversity in politics and business in the two countries. A lively discussion took place with female presenters and participants sharing their personal experience. In both countries, the respective current Prime Ministers have made public commitments on the promotion of women in public life. In Japan this issue is debated against the backdrop of mounting concern surrounding the low fertility rate and on the other hand the increasing necessity to bring more women into the workplace to fill the gap in the labour market. Although the UK is far ahead of Japan in this quest, it was understood that there is room for further improvement.

Obstacles to female participation that were identified range from cultural reasons related to employment patterns, conflict with caring responsibilities, unequal remuneration, desired lifestyles in preference to work on the part of some women, and an inadequate work-life balance in society not only for women but also for men.

There was a shared recognition amongst the Group that not one but a combination of issues had to be tackled in order to attain the goal of gender diversity. However, when it came to the specific issue of whether government intervention in the form of affirmative action, active discrimination or setting up of quotas was the appropriate route towards success, there were shades of opinions on how far it should go. The Group acknowledged that the experience and knowledge of the UK in this area would be useful for Japan, and a request was made to come up with specific ways in which to move this agenda forward.

The Group welcomed the news that Prime Minister Abe is going to host an international conference in September 2014 on the empowerment of women in political and economic areas.

Session 7: Initiatives and Collaborations in Global Health for the Developing World

The Group discussed the evolution of Japan's health policy targets and the post-war achievement of Universal Health Coverage (UHC) in 1961. As a prosperous ageing society with the longest life expectancy of any nation, Japan is now well placed to share experience and to encourage emerging economies to tackle health and social welfare challenges. At a government level, Japan has been engaged in a number of initiatives in the area of global health diplomacy and took the lead in advancing policy recommendations to the G8 in 2008. The Japan-World Bank Partnership Program on UHC of 2012-2013 identified and shared lessons on UHC across 11 countries. International cooperation in this area has the potential to spread good practice and develop human resources across a wide range of sectors. Japan's particular experience in dealing with ageing-related issues can be of particular benefit to Asian countries facing similar demographic trends.

It was argued that universal access to health care for all citizens, regardless of income, was not only a right, but the foundation of the economic growth required to eradicate poverty. It was the duty and role of governments to ensure that health coverage and access were made truly universal. This required investment in infrastructure and equipment, and the development of effective policies, organisations and human skills. However, efforts to drive healthcare improvement fail without a strong intent to drive through radical change among national decision-makers. Only when leadership for change exists can external investment and indigenous capacity, spanning public, private and civil society sectors, be mobilised and optimised.

Nowhere is leadership for change more critically necessary, than in finding ways to finance a nation's healthcare. Financing models must be specific to the context, allow for innovation, incentivise the increase of healthcare access, balance quality and quantity, and avoid placing an intolerable financial burden on national economies. Increased collaboration in the development assistance efforts of leading contributors, such as Japan and the UK, would combine to harness and share a wealth of best practice and technical know-how, whilst exerting influence upon leaders to take ownership and be accountable for driving through change. The governments of Japan and the UK could work together to develop and encourage best practice in this field, to make explicit the link between effective and uncorrupt financing and effective health care, and to encourage developing countries and donor institutions to focus investment on the most pressing needs.

Session 8: Investments for the Next Generation: Promoting UK-Japan Educational Exchanges

The Group engaged in a detailed discussion on the bilateral relationship in the area of education, covering student mobility, collaboration in higher education and language education. It was noted that a set of significant achievements had taken place since the last meeting such as the dropping of the proposal for a mandatory list of foreign languages for primary schools in England that did not include Japanese. This item was included in the 2013 recommendations of the Group and contributed to influencing a final decision in favour of

maintaining wider language choices at primary level. Other positive achievements included the successful celebration of the 150th anniversary of the Choshu Five, the Japan-UK Universities Conference at UCL on 1 May this year attended by Prime Minister Abe, the estimated 10% increase in the number of UK nationals accepted on the JET scheme, and the decision to launch a British Council training programme for JET assistant language teachers.

On the other hand, it was recognised that there were challenges which should be tackled, and in particular the decrease in the number of Japanese students coming to study in the UK was noted with concern.

In addition to the various items to be included in this year's recommendations, suggestions were made for the development of joint and double degrees in disciplines such as medicine and engineering, provision of studentships for graduate studies by the private sector, and an improvement in the current visa regime in the UK for students, researchers and lecturers.

There was a strong recognition that contacts which are made through educational exchanges are vital for the strengthening of the bilateral relationship.

Session 9: Chairmen's Summary Dialogue

This has been a particularly active year in UK-Japan relations and significant progress has been made in taking forward the recommendations from the 2013 conference.

On an official level, there have been visits to Japan by the Foreign Secretary; the Secretary of State for Energy and Climate Change; the Minister for the Cabinet Office; a Defence Minister and a Home Office Minister; and the First Minister and the Deputy First Minister of Northern Ireland.

In the defence arena, there have been visits to Japan by the Chief of the Defence Staff, the First Sea Lord, the Chief of General Staff, and the Commander Joint Forces Command.

Prime Minister Abe visited the UK on two occasions, once in connection with the G8 Summit in Northern Ireland in June 2013. In addition to delegations from the House of Councillors and the House of Representatives, other official visitors from Japan have included the Deputy Prime Minister and Minister for Finance; the Minister for Economic and Fiscal Policy; the Minister for Education, Culture, Sports, Science and Technology; as well as Senior and Parliamentary Vice Ministers for Foreign Affairs, for Defence, for Health, Labour and Welfare, for Land, Infrastructure and Transport, for Economy, Trade and Industry, and the Cabinet Office.

Negotiations towards an EU-Japan Economic Partnership Agreement (EPA) have progressed through five rounds over the last 12 months, with a number of areas addressed, including particular non-tariff barriers of concern to EU companies exporting to Japan. A one-year review is now being conducted by the EU, following which Member States will determine whether sufficient progress has been made for negotiations to continue. The UK-Japan Joint Statement of May 2014 has taken this process one step further by committing to a target date of 2015 for reaching agreement in principle on key issues of the EU-Japan EPA.

Building on the institution of 2+2 Foreign and Defence ministerial meetings and the signing of a Defence Cooperation Memorandum in June 2012 and defence industry collaboration agreements in July 2013, a framework is being developed for specific collaborations in the areas of defence and security. As set out in the UK-Japan Joint Statement, negotiations are planned to take forward an Acquisition and Cross-Servicing Agreement to provide logistic, technical and administrative support to each other's forces. Meanwhile, the work continues to identify a range of appropriate defence equipment projects for joint development and production.

A separate UK-Japan Joint Statement on Climate Change and Energy Cooperation was agreed by the two Prime Ministers in May 2014. This has paved the way for further collaboration in dealing with energy issues, particularly in the civil nuclear field. The next UK-Japan Energy Dialogue will be held in London in July 2014.

The UK and Japan continue to work together in the area of development, particularly in Africa, and are currently exploring ways to collaborate with global partners to maintain momentum in tackling hunger and undernutrition in the follow up to the Olympics and Nutrition process started during the London 2012 Games and leading up to the Tokyo 2020 Games.

Meanwhile, Japan is set to follow the UK's lead this year in hosting a follow-up event to the 2013 G8 Dementia Summit.

In the higher education field, successful collaborations between British and Japanese universities and opportunities for the future has been highlighted at a major conference held at University College London on the 1st of May 2014, the Japan-UK Universities Conference for Collaboration in Research and Education.

The Group welcomed such initiatives as the new GB Sasakawa Foundation five-year Studentship Programme for UK universities designed to support the further development of Japanese Studies in the UK.

UK-Japan cultural collaboration has been particularly rich over the last year with important exhibitions and other visual and performing arts events travelling in both directions and two highly successful cultural initiatives in the UK, the one celebrating the 150th anniversary of the arrival of the Choshu 5 in London in 1863 and the other, *Japan 400*, marking 400 years of UK-Japan trade relations.

The following recommendations emerged from discussions at the 31st Annual Meeting of the UK-Japan 21st Century Group.

Recommendations

Japan-EU Economic Partnership Agreement

- Recalling the significant economic benefits the EPA would bring to both the EU and Japan, the Group reaffirmed its strong support and looked forward to negotiations continuing towards a successful conclusion in the course of 2015.
- The Group urged the European Commission and Member States to take both the progress made on the non-tariff barriers roadmap and the benefits of liberalisation into account when assessing the progress made for the one-year review.

Trade and Investment

- The Group considered that Japan's drive to double foreign investment by 2020 would be aided by a commitment to treat foreign companies in Japan as Japanese companies, with the same arrangements and access to national research projects.
- The Group encouraged the relationship between Japanese investors in UK regions and local secondary and tertiary educational establishments to provide training and a skills base for the future.
- The Group encouraged Prime Minister Abe to make ambitious proposals on the Growth Strategy in June.
- The Group recommended that the UK and Japan should continue to seek opportunities to cooperate in Africa on trade and investment as well as development.

Defence Cooperation

- The Group welcomed the detailed proposals on UK-Japan defence cooperation in the UK-Japan Joint Statement of May 2014 and asked that the six-monthly defence cooperation updates provided to the Group by the FCO and the Japanese Embassy in London be continued.
- The Group encouraged the UK and Japanese governments to take ambitious decisions at this year's Foreign and Defence Ministerial meetings.

Civil Nuclear Cooperation

- The Group recommended greater cooperation between Japan and the UK in the areas of Fukushima Daiichi decommissioning and cleanup, spent fuel management and nuclear restart programmes and development of a programme of exchanges of students in the area of nuclear technology.

Global Health

- The Group recommended that the two governments examine the potential for cooperation in improving health provision in Myanmar/Burma and elsewhere.

- The Group recommended that the two governments should share their expertise of results-based finance in order to develop more effective models.
- The Group recommended that joint efforts should be made to create health management qualifications, potentially validated by academic institutions, for delivery to interested developing countries.

Women

- The Group recommended that opportunities for cooperation in the promotion of gender diversity in public life be pursued to facilitate transfer of experience and knowledge between the UK and Japan in this area.
- The Group encouraged high-level UK representation at the meeting hosted by Prime Minister Abe on Womenomics in September.

Education and Exchanges

- The Group recommended the setting up of a working group by the British Council and the Japanese authorities to look at how to overcome current barriers to student and researcher mobility.
- The Group asked that consideration be given to setting up schemes for the UK and Japan along the lines of Generation UK as well as a young researcher links programme.
- The Group suggested that British experts could share their experience of judging the academic equivalence of a variety of secondary school qualifications for university entrance, including 'A-levels', with the Japanese educational authorities.
- The Group recommended that a PGCE be set up in the UK for the teaching of Japanese.
- The Group recommended that IELTS should be among those international English tests adopted for use by Japanese universities for entrance purposes.
- The Group expressed concern that two of the most popular English language proficiency tests in Japan (TOEIC and TOEFL) can no longer be used to obtain student visas in Britain, following the termination of the Home Office contract with ETS in April 2014. It was hoped that this situation would be quickly resolved but, in the meantime, it should be closely monitored.