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Good Global Governance in Japan's Pursuit of Enhanced Partnership with the Global South



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Our next issue in May/June 2026 will focus on the theme "Entertainment Business in Asia – Building Close Links Among the Asian Nations". Shared fun and pleasure could create close links between people, so could Asian pop culture be an important soft power linking Asian nations? Colorful authors and interviewees respond to the question. The next issue will be published on our website on May 10, 2026.

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Can cooperation between the Global South and Japan contribute to the world?

By Masakazu Toyoda

My answer is, of course, yes.

For sure, such cooperation would contribute to the world, despite Japan's relative decline in world economic power over of the last few decades. For example, using real GDP (in USD), Japan ranked second power after the United States in 1990. Moreover, at that time, the US GDP was roughly twice that of Japan. By 2025, the US remains first with China second and Japan third. The US GDP is now five times larger than Japan's GDP.

Despite its decline in world economic power, the perception of trust towards Japan to "do the right thing" for Southeast Asia, according to the Yusof Ishak Institute (ISEAS), has been rising and remained high for the past seven years. ASEAN experts ranked Japan as the most trusted country or regional bloc. Notably, in the 2025 survey, 67% of the respondents considered Japan as a trustworthy nation while only 17% expressed distrust. Comparing the trust/distrust levels for other major countries, the European Union (EU) ranks second at 52/28%, followed by the United States at 47/33%, China at 37/41%, and India at 35/36%.

The reasons for trusting Japan, in order of importance, include: "A responsible stakeholder that complies with and upholds international law", "Possesses the economic strength and will to exercise global leadership", and "Respect Japan and admire its civilization and culture". Furthermore, as "a country people want to visit on vacation," Japan ranked first at 30%, with ASEAN second at 16%, and South Korea third at 10%.

Unfortunately, a high level of trust does not necessarily translate into an assessment of high influence which would be related to economic power. In Southeast Asia, the perceived distribution of influence is as follows. China holds the highest perceived level of influence at 56%, followed by the United States at 15% and ASEAN also at 15%. Japan's perceived level of economic influence is estimated at only 6%. How can we relate being highly trustworthy while poorly influential from an economic perspective? To answer that we need to look at the three main points/issues raised in the roundtable discussion.

The first was the rebuilding of a rules-based economic order.

The second was about balancing climate change measures and energy security.

The third was about high-quality aid, not quantity.

From this, it is obvious that the expectations of the Global South nations (or at least the people in Asia), and the reasons why Japan is trustworthy, coincidentally align.

The First issue addresses the current state of the rules-based international order, and Canadian Prime Minister Carney's speech at Davos clearly stated and summarized the current situation: "The multilateral institutions on which the middle powers have relied – the WTO, the UN, the COP – the architecture, the very architecture of collective problem solving are under threat." For

middle powers, however, this statement is nothing but adding to the confusion. For the past two years or so, quite a few people including me have been arguing that CPTPP countries and the EU need to cooperate to rebuild a rules-based international order. Discussions on such a move are gradually beginning on a private sector basis. In this case, the countries of the Global South face the same problems as the Middle Powers and cooperation between the two would be more than desirable. As mentioned earlier, if Japan is trusted despite its limited economic influence, it should be possible for Japan to play a bridging role between the Middle Powers and the Global South as one of the leading countries in this movement. As Prime Minister Carney said earlier, "Countries, especially intermediate powers like Canada, are not powerless.... The power of the less powerful starts with honesty." Influence is created through the cooperation of many honest and trustworthy countries.

The Second point calls for realistic climate change countermeasures. Some countries are beginning to lessen the importance of climate change at the expense of seeking economic growth. Over the past decade or so, there has been a tendency to forget about energy security and to pursue unrealistic energy and environmental policies. For developing countries, however, cheap and stable energy is essential and economic growth crucial. The key is to balance climate change measures with energy security policies. Japan has not given up on decarbonization by 2050, but many people in Japan have argued that it is unrealistic to force developing countries to do the same. Here too, the trust placed in Japan by the Global South is a valuable sign that Japan can serve as a bridge.

The Third point stresses the need for high-quality aid rather than quantity, often in the form of financial aid. What the Global South likely currently seeks from Japan is precisely this high-quality assistance. In the past, Japan provided its support through infrastructure development, industrial investment, and human resource training. Around 1990, ASEAN's GDP was one-tenth of Japan's and now, thirty five years later, ASEAN's GDP is poised to surpass Japan's. Japan can no longer provide the same kind and level of quantitative support to other Global South regions like Africa and Latin America as it did earlier to Asia. However, it is prepared to share its qualitative development know-how, primarily centered on human resource development.

I am confident that cooperation between the Global South and Japan to address issues such as the rule of law, climate change, energy security and foreign aid would not only contribute to the region, but also contribute to the world. **J.S**

Masakazu Toyoda is chairman and CEO of the Japan Economic Foundation (JEF). He previously served as chairman and CEO of the Institute of Energy Economics, Japan, after having been vice minister for International Affairs at the Ministry of Economy, Trade and Industry.

Exclusive Interview

LEADERS IN JAPAN

No. 13

Japan Association for the 2025 World Exposition

Hiroyuki Ishige



EXPO 2025 OSAKA, KANSAI, JAPAN: Assessment & Legacy

By Naoyuki Haraoka

On Oct. 13, 2025, the EXPO 2025 OSAKA, KANSAI, JAPAN concluded its six-month run as a major event that will shape Japan's future international standing. In this Leaders Interview, we spoke with the secretary general of the Expo, Hiroyuki Ishige, about its success and legacy.

(Interviewed on Feb. 12, 2026)

Defying Expectations

Haraoka: I understand that attendance at the Osaka-Kansai Expo is projected to exceed 29 million visitors, significantly surpassing the approximately 22.05 million visitors at the 2005 Aichi Expo. While initial expectations weren't necessarily high, ultimately it seems to have received international acclaim, wouldn't you agree?

Ishige: I believe the expectations about the Expo 2025 Osaka, Kansai, Japan, before its opening, particularly in the Japanese domestic media, were not high and caused concern among other nations. But as you pointed out, the result was a record attendance of 29.02 million visitors. Among Expos since 2000, excluding the Shanghai Expo which was on a completely different scale, this far exceeded the numbers for Dubai, Milan, Aichi, and Hannover. It surpassed the Dubai Expo by 5 million visitors and significantly exceeded the Aichi Expo's 22.05 million. Furthermore, with no major incidents occurring, participating countries have given it high praise.

Haraoka: How was the preparation environment?

Ishige: The preparation environment was quite challenging. The previous Dubai Expo was postponed by one year due to the Covid-19 pandemic. Normally, the preparation period between Expos is four and a half years, but since Dubai is hot in summer, the event was

also scheduled for a half-year later, reducing our preparation period to just three years. Moreover, preparations took place amid a world increasingly divided by events like Russia's invasion of Ukraine and the war in Gaza.

Haraoka: In such a demanding environment, were we able to meet the world's expectations?

Ishige: Despite those circumstances, we opened and held the Expo as scheduled. We received high praise for the large number of visitors mentioned earlier, the absence of major accidents, and the fact that we avoided running a deficit. This allowed us to fully meet the expectations of the countries that chose Japan when bidding for the Expo. I believe we also met the expectations not only of those countries that chose Japan, but of countries around the world.

Participating nations also expressed their appreciation after the Expo concluded, stating, "Despite the difficult times, Japan executed the event thoroughly as planned and delivered outcomes." As organizers, we are relieved about this. It means we were able to meet the expectations placed upon Japan.

Haraoka: I believe you have made a significant contribution to enhancing Japan's presence in the international community. What are your thoughts?

Ishige: Regarding Expo diplomacy and business, the number of visiting heads of state, heads of government, and monarchs reached

Photo: Video courtesy of the Japan Association for the 2025 World Exposition



Myaku-Myaku statue – waku waku

91, significantly surpassing the 48 who attended the Aichi Expo. I believe exchanges progressed in a very relaxed manner, with mutual visits to each other's pavilions and joint participation in cultural events. It also provided an opportunity to advance diplomacy in a form quite distinct from conventional diplomacy, such as international conferences. Furthermore, business exchanges flourished during the Expo. I believe hosting this event greatly contributed to enhancing Japan's presence within the international community.

Legacy of the Expo

Haraoka: The economic ripple effect was also quite substantial, amounting to approximately 3.6 trillion yen. I believe this represents about 0.6% of Japan's nominal GNP. What do you think?

Ishige: The estimated economic ripple effect figures are as you mentioned. This also significantly exceeds the 2.9 trillion yen figure predicted before the opening. It's said that visitor numbers were higher than anticipated, and the effect of stimulating consumption was greater than expected.

Haraoka: Beyond the economic impact from

consumption at the Expo site, I believe the indirect effects – such as construction demand driven by infrastructure development – were also significant.

Ishige: Beyond effects like increased consumption, it's extremely important that hosting the Expo led to improved transportation access, which in turn advanced infrastructure development. Particularly with the extension of the Osaka Metro's Chuo Line to Yumeshima, the construction of a new station there, the installation of platform doors on all subway platforms, and the introduction of new rolling stock fundamentally improved the quality of transportation services. I believe the effects of these improvements will continue permanently even after the Expo ends.

Regarding subway service, the Osaka Metro's Chuo Line achieved 2.5-minute intervals. Before the Expo, 2.5-minute intervals probably didn't exist; the shortest interval was likely around 3.5 minutes. The effort to make this happen and achieve it gave Osaka Metro a significant boost of confidence in accomplishing something major.

Regarding infrastructure, bridges like the Yumemai Bridge and Konohana Bridge, which provide access from the north side of the Expo site, were widened to accommodate more vehicles. These improvements will also contribute to expanding transportation capacity in the Yumeshima area.

Haraka: Beyond infrastructure, what other effects do you think will remain in the region?

Ishige: What I just mentioned pertains to the physical infrastructure. But in terms of what will endure more permanently, if I were to pick a few examples – though I don't necessarily think we need to limit ourselves to things that remain in the region – above all else, the immense confidence and pride gained from successfully hosting the Expo during such a difficult period must be profound for the Japanese people, and especially for the people of Osaka and the Kansai region.

One other thing confirmed by hosting this Expo is that while some had argued before the opening that Expos were outdated or perhaps “over-the-hill”, both visitors and participants were able to recognize the real value Expos hold. This served as a tremendous encouragement for those who will be involved with Expos going forward.

Furthermore, I'd like to touch on the value of a participatory Expo, its value as an Expo that creates connections. We've always said it's “an Expo created by everyone, for everyone”. Symbolizing this, visitors initially felt like mere spectators, but as the event progressed, participants increasingly became involved in the Expo itself, helping to energize it and making it their own.

Organizing an Expo involves an enormous number of stakeholders. I feel these stakeholders themselves shifted from

merely telling the Association “this is how it should be done” to taking initiative in Expo organization, actively shaping the Expo in their own vision. Live events are popular everywhere now, but I believe people go there because they want to share an experience, to enjoy something together. I think we confirmed that the Expo was the ultimate embodiment of this.

Haraka: I believe the Osaka-Kansai Expo was designed as “A laboratory for future society”, with various cutting-edge technologies demonstrated and implemented throughout the venue. Specifically, what kinds of technologies can be cited?

Ishige: As you mentioned, I think this served as an opportunity for social experimentation and implementation of new technologies. Specifically, we installed perovskite solar cells on the roof of the West Gate transportation terminal and other locations, demonstrating their practical applicability. Since these solar cells can be used on curved surfaces, I think this could be a catalyst for their widespread adoption. Additionally, there is a technology called methanation, developed primarily by Osaka Gas, which mixes CO₂ and hydrogen to create a single energy fuel. This was demonstrated at a facility called the Carbon Recycling Factory, where the fuel was used as energy in the kitchen of the Guest House.

Photo: Video courtesy of the Japan Association for the 2025 World Exposition



Flag parade



Advanced Air Mobility

Moreover, for direct CO₂ capture, a new technology called Direct Air Capture (DAC) is being developed primarily by the Research Institute of Innovative Technology for the Earth (RITE). We also conducted social experiments and implemented innovative technologies such as hydrogen fuel cell ships powered by a hybrid system combining electricity generated by fuel cells and plug-in power, and charging infrastructure for operating large fleets of EV buses.

I think the Advanced Air Mobility and heart models using iPS cells also heightened expectations over how these technologies might develop in the future.

Haraoka: Could this also be seen as contributing to the development of future talent?

Ishige: This Expo is expected to have been an opportunity for nurturing diverse talent. Just as the 1970 Expo produced individuals who later became top leaders, this time too we selected many young people in fields like architecture, design, and contents creation to play active roles. I believe these young people will grow into top leaders in the future.

On the visitor side, many elementary and junior high school students have attended. We certainly hope this experience will spark aspirations for their future careers.

Impact on Tourism

Haraoka: As you know, inbound tourism is said to be having a very positive impact on the Japanese economy right now. I suspect this Expo contributed to boosting tourism throughout the Kansai region,

but did it also have a positive long-term effect on tourism? What are your thoughts on that?

Ishige: Of course, during this Expo period we've seen an increase in inbound visitors to the Kansai region, especially Osaka. Beyond just seeing the Expo itself, over 550 municipalities from Hokkaido to Okinawa participated in exhibition events within the Expo grounds. They showcased the appeal of their local food, traditions, industrial culture, nature, and environment. It became an opportunity for people to learn about Japan's various regions, and I believe this served as a catalyst for people to think, "I want to go there now."

I've heard that staff members visiting from participating countries traveled extensively throughout Japan. If these individuals share their firsthand experiences with friends and others, spreading the word, it will help convey that Osaka, Kansai, and indeed all of Japan are full of fascinating places.

For example, Tottori Prefecture proposed the "Sand Alliance", a collaboration between pavilions sparked by a "sand" exhibit, leading to partnerships with seven countries, including Jordan. Additionally, while Noto suffered devastating damage from the earthquake, we displayed the surviving large Wajima-nuri lacquered globe ("Earth at Night") within the venue. This serves as a symbolic emblem of Noto's earthquake recovery, and we hope it will help attract visitors to the Noto region.

Also, we must not forget that many staff members and their families and relatives visited Japan for the Expo and participated in sightseeing. I think the Expo has clearly heightened international interest in Japan, which should lead to expanded tourism. Particularly since Japan is part of Asia, we should consider focusing on attracting tourists from Asia.

High Satisfaction Levels

Haraoka: With satisfaction levels exceeding 70%, what were the major factors contributing to this success? Also, I understand the repeat rate was exceptionally high, so what were the reasons for that?

Ishige: I always say there are three main reasons why our customer base grew. First, the overwhelming appeal of our content. Second, the effort to make daily improvements, which allowed us to see tangible progress. And third, I think the significant incentive was deepening our connections with many international visitors, including our foreign staff.

Haraoka: Please introduce some of your most compelling content.

Ishige: When it comes to overwhelmingly captivating content, the Grand Ring at the venue was undoubtedly the most compelling. Even visitors who couldn't get into the pavilions climbed up to the Grand Ring. Seeing the pavilions from around the world nestled inside its structure, I believe they could sense the message – “Unity in Diversity” – even amidst talk of a divided world.

The architecture, exhibits, and events of the international pavilions were a major draw of the Expo, and I felt visitors were deeply captivated by them. Related to this, events ran every day for the 184 days. National Days and Special Days, in particular, proved extremely popular. Looking back at the crowds at National Days during previous Expos, even the organizers didn't initially have such high expectations for them this time, but they were a huge hit.

Perhaps reflecting the Japanese people's strong curiosity, the overseas pavilions and National Day content were exceptionally compelling, drawing large crowds.

The Signature Pavilion, encompassing architecture, exhibits, and events, directly addressed the

theme “Designing Future Society for Our Lives”, particularly focusing on the core concept of “life”. It posed fundamental questions like “What is life?” and “How do we think about life?” through its displays. Reactions from visitors, such as “It made me think”, suggest it became a highly compelling exhibit. The Japan Pavilion, the Osaka Healthcare Pavilion, the Kansai Pavilion, and the pavilions of the 13 companies and organizations participating as non-official participants were also innovative.

Photo: Video courtesy of the Japan Association for the 2025 World Exposition



The Grand Ring

Photo: Video courtesy of the Japan Association for the 2025 World Exposition



Japan Pavilion

We put a lot of thought into attracting more nighttime visitors, so we operated nightly water shows and drone shows every day. Fireworks also greatly enhanced visitor satisfaction. I believe these elements were key to drawing in visitors.

We established theme weeks for participants to engage with. For example, sessions like “Let’s Think About Well-being” or “Peace and Human Rights Diplomacy” addressed themes less commonly tackled by past Expos. We invited representatives from the Nihon Hidankyo (Japan Confederation of A- and H-Bomb Sufferers Organizations), and these initiatives received significant media coverage.

In this way, content that blends enjoyable, surprising, and educational elements is extremely important, and I feel we have successfully achieved this.

Haraoka: You mentioned daily improvements. Specifically, what points did you prioritize in your efforts?

Ishige: While we strive for daily improvement, we continuously make adjustments based on feedback from our visitors. A particularly new initiative for this Expo was the introduction of a reservation system for visitors, implemented electronically, due to the limited venue space and transportation capacity. This initiative itself drew initial reactions like, “Why are we doing something this difficult?” However, implementing it created an environment where we could more easily gather concrete feedback from customers. And we asked every visitor to send us their impressions and evaluations each and every time.

We collected these impressions as text input, gathering a total of 1.2 million responses. This averaged about 7,000 messages per day. Reading them all manually would have been

overwhelming, so we used AI to analyze the trends. We reported these findings immediately to our daily operational meetings. We cross-referenced them with various reports from the field and made quick fixes wherever possible. As a result, visitors began giving feedback like, “They actually fixed what I mentioned” and “This doesn’t feel like typical bureaucratic work.”

Photo: Video courtesy of the Japan Association for the 2025 World Exposition



Osaka Healthcare Pavilion

Photo: Video courtesy of the Japan Association for the 2025 World Exposition



null² Pavilion

This was our daily improvement mechanism. While the Aichi Expo also emphasized daily improvement, using such electronic tools as the core for improvement was, I believe, a completely new approach for an Expo. This significantly reduced visitor stress. While the Expo offered extraordinary experiences, it also presented various stresses. Stress from everyday actions is particularly unpleasant, so reducing it was crucial, and we tackled this head-on.

Haraoka: I believe one of the attractions was the opportunity to interact with many people from overseas. What do you think?

Ishige: At the Expo, the major appeal was the direct interaction with people from other countries. Many visitors specifically noted how kind the foreign staff were. In particular, this time was different from the 1970 Osaka Expo or the 2005 Aichi Expo. Foreigners visiting from overseas or residing in Japan were employed at the pavilions and spoke extremely fluent Japanese. This level of interaction wasn't seen to this extent at the 1970 Osaka Expo, let alone the 2005 Aichi Expo. Such direct exchanges with international visitors proved highly appealing to attendees. The high repeat visit rate stemmed from the reasons I just mentioned. In fact, around 75% of respondents in our survey expressed a desire to return, and nearly half of those actually did come back.

Haraoka: It has been pointed out that social media

played a significant role in the high repeat rate. What are your thoughts on this?

Ishige: Regarding assessment on social media, I believe this Expo was truly one of the social media era. Back in 2005 for the Aichi Expo, social media didn't play such a significant role, and neither Dubai nor Milan gave the impression that social media greatly shaped their environments. This time, however, social media overwhelmingly shaped the Expo environment itself. Assessments were made there, and that created a major momentum.

From my perspective, the turning points that dramatically changed the Expo's reputation were the 100,000-person test run just before opening and the "Media Day" for journalists. When we encouraged them to freely share and report their impressions, we saw evaluations emerge on SNS saying, "What we're seeing is completely different from what we'd heard or expected."

Through SNS, ordinary people also became more directly involved with the Expo. For example, there was an unofficial map created by a visitor called "Tsuji-san's Map". This kind of movement was unprecedented in past Expos. This trend of a "collectively created, collective Expo", an Expo where everyone participates, probably wouldn't have emerged without the SNS environment.

Haraoka: Thank you very much for your valuable insights.

JS



Closing ceremony

Written and translated by Naoyuki Haraoka, editor-in-chief of *Japan SPOTLIGHT*, with the cooperation of Tape Rewrite Co.

Good Global Governance in Japan's Pursuit of Enhanced Partnership with the Global South

By Naoyuki Haraoka

Against the background of increased geopolitical risks, such as the wars in Ukraine and the Middle East and rising protectionism among the superpowers, we need to strengthen our efforts to stabilize the global economy. The economy is faced with a serious risk of inflation caused by high tariffs due to the US trade policy and rising energy and food prices triggered by wars. Under such circumstances, we need international cooperation on economic policies, as no single country in this globalized world can enjoy the fruits of economic growth and prosperity merely by itself. A country can only gain these through international mutual dependency built up through trade and investment. Though it is true that there are negative aspects to globalization, such as increased income inequality, globalization has contributed to economic growth and prosperity overall.

Therefore, to cope with the risk of inflation, we will need international rules in trade policy to avoid protectionism such as high tariffs and we will need to take into consideration a country's fiscal and monetary policy's impact on the rest of the world. Or, in order to cope with common challenges like the global environment, we will need to pursue cooperatively a balance between economic growth, energy security and the environment. However, today, this international cooperation mechanism does not seem to be working well. The United States has been seen as a global leader in this international cooperation mechanism, in other words good global governance, during the post-World War II era, but it has ceased to be so during the past few years due to domestic political issues, rising nationalism and anti-globalization. Whether or not this domestic political situation continues, as many nations increase their weight in the global economy through their high growth benefitting from globalization and innovation, we will need a new global governance mechanism that does not depend so heavily on the US.

With the growing weight of the developing economies, their responsibility in global governance is also increasing. Most of these economies are part of the so-called Global South today, and include ASEAN, India, and the Middle East, African and Latin American nations.

Developed nations must attract these growing nations to good global governance, but this is not so easy. Many of the Global South nations were former colonies of some of the developed nations in the past, and may find it difficult to trust the West. We will need to find common economic interests among all nations, whether they are developed or developing, but in real politics, economic interests alone may not be enough to win trust.

Japan has the potential to win trust among the Global South, thanks to its peace-loving foreign economic policy. Could Japan be in good position to mediate the Global South and the West? Rather, should Japan be more active in doing so? In order to achieve this, the Japanese must first start learning about the Global South, not only their economies and politics but also their history, culture and languages. Japanese universities should accept more students from these nations and also provide their language courses in their curriculum.

This issue, apart from this fundamental challenge to Japan, highlights policy proposals prepared by JEF's Global South Research Group, a voluntary study group consisting of experts on various economies, clarifying a co-creation path for Japan and each region of the Global South. Commonalities of such co-creation paths are first, Japan's contribution to their job growth and second, innovation through technology cooperation, in particular in the domain of the environment and energy. Japanese contributions to their economies would make Japan an invaluable partner for them and win trust.

Following these policy proposals, there is a roundtable discussion article among experts on the issue. We were also lucky to have an interview with the Ghanaian ambassador to Japan, H.E. Mrs. Genevieve Edna Apaloo, which highlights the ways in which trust can be created between Japan and the Global South. We are thankful to Prof. Mukesh Williams for his help with this interview.

Naoyuki Haraoka is editor-in-chief of *Japan SPOTLIGHT* & executive managing director of the Japan Economic Foundation (JEF).



Policy Proposal: To Achieve Japan's Sustainable Growth Through Co-Creation with the Global South (Nov. 27, 2025)

By Global South Research Group

1. Why Is Cooperation with the Global South Necessary?

(1) The Growing Influence of the Global South

Against the backdrop of heightened geopolitical risks stemming from the “struggle for hegemony” between superpowers, the possibility of supply chain disruption is increasing. Risks associated with trade dependency on specific countries, along with the accompanying risk of economic coercion, are becoming apparent. Establishing an international economic order based on the “rule of law” rather than “rule by force” has become a critical task. This would also enable the strengthening of supply chains, which hold the key to the Japanese economy.

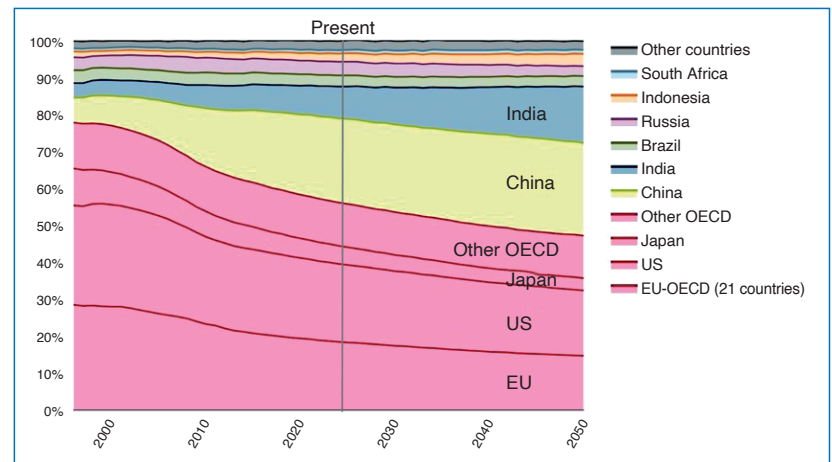
Meanwhile, the share of OECD advanced economies like the United States and EU in the global economy is declining and is projected to decrease further in the future (Chart 1). Since the 21st century began, the real GDP growth rates of emerging and developing economies have consistently outpaced those of advanced economies (Chart 2). Among these, ASEAN, India, the Middle East, Africa, and Latin America are often referred to as the Global South. Pursuing their own interests, they increasingly voice their own opinions. Even amid US-China or US-Russia rivalries, they avoid aligning with either side and are gradually gaining significant influence. A typical position is to condemn Russia's invasion of Ukraine as a violation of the UN Charter while refusing to participate in sanctions against Russia. China sometimes positions itself as a representative of the Global South. However, in this context, China is positioned alongside Russia as a challenger to the international order established by the US and its allies. It is not a “non-aligned neutral” developing country, nor is it part of the Global South.

(2) From US-Dependent Growth to a Middle-Power-Centered World Order

Amid this, the influence of the US, once the leader shaping the international order, has waned, accelerating the world's “drift away from America”. Particularly, President Donald Trump's prioritization

CHART 1

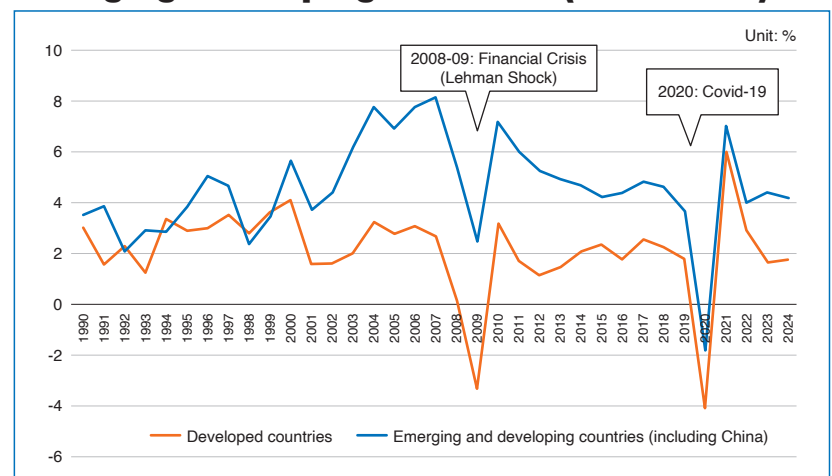
Share of global GDP: past & future projections



Source: OECD Outlook No. 95 – Long-term baseline projections (2014)

CHART 2

Real GDP growth rates of developed & emerging/developing countries (1990-2024)



Source: IMF WEO Database, October 2024

of “America First”, mutual tariffs, and reduction of foreign aid – all indicative of a disregard for international cooperation – have diminished America’s soft power and could further accelerate this global “drift away from America”.

In this multipolar world, Japan, grappling with a sluggish economy, must redouble its efforts to strengthen the resilience of its supply chains, which hold the key to its economy. Moreover, as mentioned earlier, geopolitical risks – such as the US-China rivalry, the Russia-Ukraine war, and instability in the Middle East – have become extremely heightened, making it increasingly necessary to integrate economic and security considerations. With American leadership waning, Japan must now pursue a new economic security diplomacy to simultaneously ensure the safety and sustainable growth of its economy.

The most critical task is rebuilding the “rule of law” and a “rules-based international economic order”. Achieving this requires cooperation with like-minded countries, particularly middle powers like those in Europe. In this context, it is vital to persistently persuade the US – which currently tends to downplay the rule of law and a rules-based international economic order – without excluding it, through forums like the G7. Within this multipolar world, Japan must strengthen its autonomy and originality in foreign strategy and play an active role in shaping the international order.

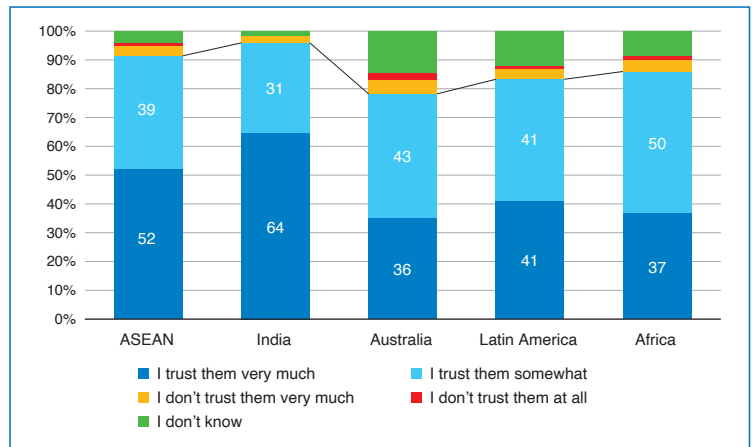
(3) The Need for Cooperation with the Global South as a Middle Power

Within this foreign strategy, another group of middle powers gaining prominence globally is the Global South. For Japan, alongside cooperation with the EU, collaboration with these nations is a critical task. It is necessary to build a new ecosystem based on “co-creation” with the Global South. In doing so, we must not forget that Japan’s longstanding economic exchanges, which do not rely on pressure or force, have provided Japan with important intangible foreign assets that neither the US nor Europe possesses. For example, goodwill stemming from Japan’s history of respecting partner nations’ uniqueness without imposing its own ideology; trust in the quality of Japanese industrial products and the integrity of the Japanese government; the development of human resources in developing countries fostered by Japanese corporate and government development cooperation; Japan’s consistent peace-oriented stance built over 80 years since the war; and the cultural symbols embodying this, such as films, music, and anime – in short, Japan’s soft power. Leveraging these assets is crucial for realizing co-creation with the Global South going forward (Chart 3).

Building on these soft power assets, Japan should fulfill its role as a “hub” connecting Western nations and the Global South. This involves respecting diversity, promoting tailored solutions that address challenges on the ground while acknowledging each country’s unique circumstances, and implementing cooperation that

CHART 3

Trust in Japan (results of public opinion survey on Japan)



Note: Survey conducted in 2023, except for Africa where the survey was conducted in 2022.
Source: Ministry of Foreign Affairs’ survey results on public opinion toward Japan.

aligns with actual conditions. It also entails building trust, facilitating mutual learning, and fostering exchanges between the next generation. The Global South comprises diverse nations. Their interests are not always aligned, nor do they consistently act in concert. Therefore, it is necessary to examine the future nature of cooperation and co-creation with Japan for each major region or country within the Global South.

Furthermore, as we advance cooperation and co-creation with the Global South, it is essential to clarify a basic policy framework centered on the significance and direction of immigration policy, as well as social integration policies, without overlooking movements that could potentially lead to the exclusion of foreigners, which has recently drawn attention. In doing so, we encourage reference to the proposal “Considering Solutions to Japan’s Depopulation”, compiled through a study group on Japan’s population issues hosted by the Japan Economic Foundation in 2024.

2. Desired Directions for Concrete Cooperation with the Global South

Many countries in the Global South aspire to reach the level of developed nations before their populations aging significantly. In this sense, cooperation and co-creation with the Global South should advance collaboration while supporting their development in the following areas:

(1) Promotion of Trade and Investment

Concluding free trade agreements is desirable as a framework for promoting trade and investment. In Japan-ASEAN relations, the Japan-ASEAN Economic Partnership Agreement exists, having entered into force with all countries in 2018. An agreement with India entered into force in 2011. Negotiations for a free trade agreement with the Middle East began in 2014 but have not yet led to

conclusion. While momentum exists with Latin America and Africa, negotiations have not yet commenced. Early negotiation commencement and conclusion are also anticipated in regions where agreements are unsigned or negotiations have not started. Furthermore, joining existing free trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and RCEP (Regional Comprehensive Economic Partnership) should be considered.

(2) Human Resource Development

Japan has long cultivated many industrial professionals through economic cooperation. In recent years, however, the importance of developing human resources in the fields of DX (digital transformation) and GX (green transformation) has grown significantly. This point was emphasized at TICAD 9 in August 2025, particularly in relation to Africa, where cooperation had been relatively slow.

(3) Educational Cooperation

Regarding fundamental human resource development, promoting study in Japan is crucial. The number of international students in Japan, which had been stagnant due to the Covid-19 pandemic, has recovered to approximately 330,000 by 2024 (excluding technical interns), with a particular increase in students from Asia. As the US began restricting visa issuance for international students under the Trump administration, an increase in students from other Global South countries is also anticipated going forward. A framework for accepting more students than ever before is now required.

Furthermore, it is vital that human resource development and educational cooperation lead to the effective utilization of the talent cultivated in each region. For instance, when individuals trained through such programs become experts within their respective regional or national governments and collaborate with Japanese government agencies to formulate long-term development strategies for their countries, this lays the foundation for crucial future co-creation relationships with the Global South. It is essential to pursue human resource development and educational cooperation with this long-term perspective.

When implementing human resource development and educational cooperation with the Global South, it is extremely important to cultivate Japanese individuals who are well-versed in local economic and social conditions through study abroad programs and volunteer activities from Japan to the Global South.

(4) Energy and Global Environmental Cooperation

Securing energy is essential for economic development, yet the importance of climate change countermeasures is also recognized, making it crucial to balance both objectives. In Japan's relations with Asia, cooperation under the Asian Zero Emission Community (AZEC) is advancing, and striking a balance between energy security and climate change countermeasures is equally important for other countries. The Middle East, as a producer of natural gas and oil,

faces the challenge of how to decarbonize these resources. Meanwhile, in relations with Africa and Latin America, securing critical minerals is a key priority.

(5) Rebuilding a Rules-Based International Economic Order

The Trump administration's second term, with its tariff negotiations disregarding the WTO, has caused global turmoil. For the time being, rebuilding a rules-based international economic order with regions outside the US is necessary. It is essential to promote the use of panels as dispute settlement bodies within the WTO and participation in and utilization of the Multilateral Dispute Settlement System (MDSS). Furthermore, expanding the CPTPP and strengthening cooperation with the EU are required to further enhance and expand the dispute settlement system and the framework for legislative functions.

Meanwhile, on the security front, the Security Council has become dysfunctional, with divided opinions regarding Russia's invasion of Ukraine, widely seen as a violation of the UN Charter. Views within the Global South are also split. While many countries supported the condemnation resolution following Russia's invasion, they oppose or abstain when it comes to economic sanctions against Russia.

Below, we will organize the characteristics and directions for cooperation for each of the five major regions or countries within the Global South.

3. Five Regional Characteristics of the Five Global South Regions & Directions for Cooperation

<1> ASEAN

(1) Current Situation

Among ASEAN countries, those classified as part of the Global South are nine nations excluding Singapore: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand, and Vietnam.

According to IMF projections, ASEAN's nominal GDP is expected to reach \$4.383 trillion by 2025, surpassing Japan. This would place it on par with India in economic size, following the US, China, and the EU. Looking at trade trends by partner, China and the US have seen their shares surge over the decade: from 13.9% and 8.1% respectively in 2013 to 19.7% and 11.3% in 2023. In contrast, Japan's share has declined from 9.5% to 6.8% (JETRO survey). Furthermore, examining the trend in global inward foreign direct investment (FDI), ASEAN's share has risen reflecting its economic development, increasing from just over 8% in 2013 to over 16% in 2023. By destination country, based on the average share from 2019 to 2023, Japan's share stands at 8.5%, following the US at 17.8% and ASEAN at 10.7%. Looking at the stock of FDI in ASEAN countries, Vietnam's increase is particularly notable. While development gaps within ASEAN remain significant, the region harbors strong aspirations to join the ranks of advanced economies and is expected to do so sequentially. ASEAN is actively leveraging the benefits of globalization to pursue economic development and

possesses the potential to become a leading advocate for adhering to the “rules-based international economic order” championed by Japan.

As previously noted, while trade ties with the US and China deepen, ASEAN has traditionally pursued a strategy that Southeast Asian nations should remain neutral and not become a battleground for competition between major powers as US-China tensions escalate. The geopolitical risk posed by the Ukraine crisis has made it clear that maintaining this strategy is becoming increasingly difficult.

First, it has become clear that the international community possesses extremely limited means to stop unilateral military invasions by major powers. The failure of global governance in addressing regional conflicts, not limited to Ukraine, has been laid bare by the dysfunction of the United Nations. Furthermore, the double standards of advanced nations in responding to military invasions in Europe versus others, such as those in the Middle East, have become apparent, leading to distrust from ASEAN countries.

Second, countries like ASEAN, which are not major powers, are forced to make many sacrifices in the arena of competition among major powers at the UN. This exposes the limitations of the “rule of law” centered on the UN and reaffirms the double standards applied to Europe and other regions. Consequently, it has led to the recognition that for their own security, these countries can rely on economic power – a power that offers significant benefits to super powers and makes the use of military force seem irrational. For ASEAN, this signaled the end of an era where growth strategies could be based on the premise of separating international politics and economics. Achieving prosperity before facing imminent security threats and before declining birth rates, aging populations, and population decline make high economic growth unattainable became an urgent security imperative. Confronted with the food and fertilizer supply crises stemming from the Ukraine crisis, ASEAN has recognized the limitations of its neutrality strategy amid great power competition. It has come to understand the importance of regional frameworks, including multilateral arrangements among like-minded regional partners, to ensure food security.

Furthermore, amid an uncertain international environment, risk hedging through individual diplomatic diversification or diversification via ASEAN is expected to advance further. Examples include strengthening ASEAN-GCC cooperation, participating in cooperation with the expanding BRICS, and moves toward OECD membership by Thailand and Indonesia.

(2) Future Challenges & Cooperative-Co-Creative Relations Between Japan & ASEAN

How can Japan become an indispensable partner for ASEAN? If building an economic scale and structure where the use of military force seems highly irrational contributes to ASEAN’s security, then contributing to this is paramount for establishing cooperative-co-creative relations between Japan and ASEAN. The Economic Research Institute for ASEAN and East Asia (ERIA) was established to facilitate this. Cooperation between Japan and ASEAN, including

other member countries (Australia, New Zealand, India, South Korea, China), is steadily progressing.

For example,

① Promoting Trade & Investment

Japan and ASEAN are bound by the Japan-ASEAN Economic Partnership Agreement. Furthermore, four ASEAN countries have already joined the CPTPP promoted by Japan, with Indonesia and Thailand expressing interest. While boosting trade and direct investment remains key to economic growth, ASEAN has recently emphasized its desire to build an economy capable of generating innovation independently. Japanese corporate investment is increasingly shifting toward local production for local consumption as ASEAN economies develop. It is crucial to aim for investments that are more closely integrated with local economies and generate innovation on the ground.

② Human Resource Development

We will promote cooperation in the DX and GX fields, which ASEAN is particularly focusing on for future economic development. We will cooperate in developing the necessary high-quality infrastructure, both in terms of software and hardware, with human resource development being especially important on the software side.

③ Educational Cooperation

The number of international students in Japan reached 330,000 in 2024, with nearly 60,000 coming from ASEAN countries (approximately 50,000 from Vietnam, 6,000 from Indonesia, etc.).

Should science and technology cooperation between ASEAN and the US become more difficult under the second Trump administration, it is crucial for Japan to strengthen cooperation in areas such as higher education, science and technology, policy research, and economic intelligence that foster innovation.

④ Energy & Global Environmental Cooperation

Energy and security cooperation is one of the most critical issues for ASEAN in achieving both environmental sustainability and economic growth. The Asia Zero Emission Community (AZEC) initiative is highly beneficial in this regard. Considering not only decarbonization but also the balance of various energy supplies from the perspective of reconciling economic growth and environmental protection meets ASEAN’s needs. Policy cooperation that takes ASEAN’s position into account is essential.

⑤ Rebuilding a Rules-Based International Economic Order

It is crucial to reject arbitrary protectionism, exemplified by the reciprocal tariffs of the Trump administration’s second term in the US, and to ensure that at least among third countries, the rules-based international trade order is upheld. Simultaneously, it is vital to share with ASEAN nations the recognition that a rule-based international trade order is the most effective growth strategy for reducing uncertainty in the business environment surrounding enterprises and promoting economic growth. In doing so, it is vital to address ASEAN countries’ suspicions that the so-called “rules-based international order” or “rules-based international trade order”

India's economic scale

- Nominal GDP: 5th largest globally (projected to rank 3rd by 2027)
- GDP at purchasing power parity (PPP): Already 3rd largest globally

2024 Nominal GDP (IMF statistics)

Ranking	Country	Unit: million US\$
1	US	29,184,900
2	China	18,748,009
3	Germany	4,658,526
4	Japan	4,026,211
5	India	3,909,097
6	UK	3,644,636
7	France	3,162,023
8	Italy	2,372,059
9	Canada	2,241,253
10	Brazil	2,171,337

2024 GDP at Purchasing Power Parity (PPP) (IMF Statistics)

Ranking	Country	Unit: million US\$
1	China	38,154,219
2	US	29,184,900
3	India	16,187,183
4	Russia	6,905,073
5	Japan	6,530,591
6	Germany	6,004,553
7	Brazil	4,734,653
8	Indonesia	4,662,893
9	France	4,359,302
10	UK	4,286,574

Source: World Nominal GDP Country Rankings and Trends (IMF) - [GLOBAL NOTE](#) (left); World GDP Purchasing Power Parity Rankings and Trends by Country (IMF) - [GLOBAL NOTE](#) (right)

established by Western nations is often characterized by double standards and is unreliable. To dispel these concerns, Japan – which has earned the trust of ASEAN nations – must persuasively demonstrate how it has benefited by adhering to these principles without falling into double standards. It must also emphasize that the order-building initiatives Japan is spearheading will form the very foundation for future co-creation between ASEAN and Japan. Concrete measures include revitalizing regional initiatives such as restoring the functionality of the WTO, expanding participation in the MPIA, broadening the CPTPP and linking it with the EU, and establishing a CPTPP secretariat.

⑥ Other

To build collaborative relationships for jointly solving a wide range of economic issues, it is crucial to enhance the policy advocacy functions of various think tanks, including those in ASEAN countries that are exploring solutions to their unique challenges. Within this context, while striving to build a network among such think tanks, the policy recommendation function and the drive to promote policy implementation and leadership of the aforementioned ERIA – often referred to as the Asian version of the OECD – are crucial. ERIA engages in a wide range of activities, from “trade and investment” to “health”, and its further functional enhancement is anticipated.

Specifically, the following points can be considered.

- Regarding the financial system, as Russia has been excluded from SWIFT due to sanctions against it over the Ukraine crisis, and as countermeasures are being considered, a new financial system is emerging as a counterweight to the dollar-based currency system. It is important for Japan and ASEAN to cooperate and take the initiative in transforming financial governance at this time.

- As declining birthrates and aging populations become increasingly serious challenges for ASEAN countries, it is also important to build cooperative relationships among Japan, South Korea (which faces similar severe social security issues), and ASEAN.
- While Japan reportedly receives 40 million foreign tourists annually, the number visiting for medical tourism purposes remains extremely limited. One reason is the communication barrier with doctors. Harmonization of medical licenses is necessary to enable doctors from ASEAN to practice medicine in Japan in collaboration with Japanese doctors.

<2> India

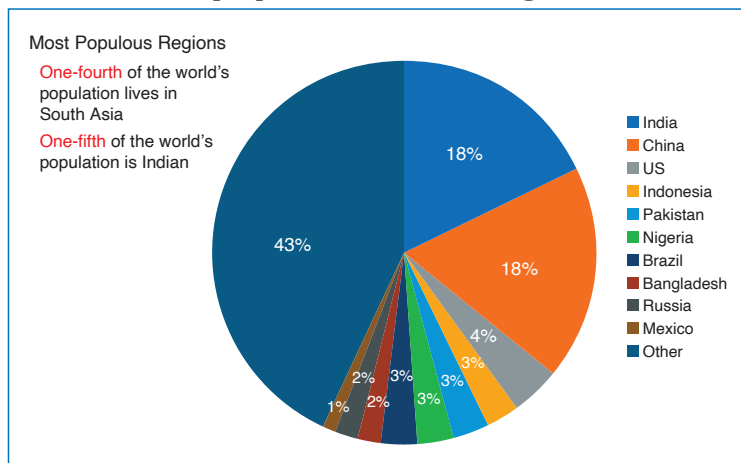
(1) Current Situation

According to the IMF, India’s nominal GDP is projected to reach approximately \$3.9 trillion in 2024, ranking fifth globally. However, it is expected to surpass Japan and Germany by 2027, becoming the world’s third-largest economy. In terms of GDP measured by purchasing power parity (PPP), India is already the third-largest economy, following China and the US ([Chart 4](#)). This economic scale is underpinned by population: one in five people globally is Indian. Other major South Asian nations outside India also have large populations – Pakistan has twice Japan’s population, and Bangladesh has 1.5 times. Combined, these two countries account for one in four people worldwide, concentrated in the South Asian region ([Chart 5](#)).

The size of the population indicates the region’s importance as a market, but looking further at the demographic composition, India’s population is young, with 120 million people in their early 20s. Other major South Asian nations like Pakistan and Bangladesh show similar trends. Considering that population aging and declining birth

CHART 5

2023 world population rankings



Source: Total Population (World Bank Statistics) - GLOBAL NOTE

rates are not expected to begin in this region for about 30 years, this means the region can anticipate growth driven by its demographic dividend in both the labor market and consumer market for the next 30 years or so.

Thus, the region possesses not only immense economic potential but also significant geopolitical importance. It is a pivotal point for maritime routes connecting Europe and the Middle East, holding the key to maritime security in the Indian Ocean. Furthermore, it serves as a junction between ASEAN and Africa, harboring the potential for supply chains centered on South Asia. Furthermore, China and India, which represent Japan's greatest economic security concerns, share a land border. While India, like Japan, tends to prioritize economic cooperation with China for growth, it shares Japan's security concerns. Currently, India's wariness toward China is growing, mirroring Japan's stance. This shared perspective underscores the importance of Japan-India cooperation for both economic security and supply chain resilience.

On the other hand, attention must also be paid to the geopolitical risks India itself faces in South Asia. The India-Pakistan border dispute has, over the past quarter-century since both countries declared themselves nuclear powers in 1998, reached a point where unpredictable terrorism and the possibility of escalation to nuclear use cannot be ruled out. Indian Prime Minister Narendra Modi asserts that a military response to terrorism is the "new normal". Japan must take this risk into account.

Another risk India faces is its approach toward China. While India has growing concerns over China's Belt and Road Initiative, posing economic security challenges, it also recognizes that imports of components from China and Chinese investment are indispensable for upgrading its economic structure toward higher value-added production. We must closely monitor which of these perceptions gains greater prominence depending on shifts in economic and security conditions.

Additionally, regarding India's domestic political situation, we

must consider the risks posed by the authoritarian tendencies of Modi's administration leading to democratic backsliding, stricter visa policies, and heightened friction with Islamic nations like Bangladesh and Pakistan due to strengthened Hindu nationalism.

Regarding India's stance on the "rule of law" and a "rules-based international economic order", considering its failure to condemn Russia's invasion of Ukraine and suspicions surrounding targeted killings allegedly carried out by Indian intelligence agencies in Canada and the US, it appears India currently seeks to modify these principles, if not outright challenge them. From this perspective, the Trump administration in the US is currently urging the EU and Japan to impose similar tariffs, threatening to impose a 50% tariff on them unless India stops importing oil and gas from Russia.

(2) Future Challenges & Cooperative, Co-Creative Relationship Between Japan & India

A strategy is needed to ensure India recognizes Japan as indispensable.

① Promoting Trade and Investment

- Japan has a Free Trade Agreement with India that entered into force in 2011.
- Furthermore, some view India's participation in the CPTPP as potentially easier than joining the RCEP, precisely because China is not a member. It is important to deepen India's understanding of the benefits of joining the CPTPP while encouraging its participation.
- Japan will promote investment in advanced technologies in India and expedite the international division of labor with India. It will also realize investments in high-quality infrastructure development needed by India, such as the construction of Japan's high-speed Shinkansen railway system.
- Recognizing the importance of medical tourism for India, Japan will promote tourism to India for Ayurveda (the method for longevity of life), a unique Indian treatment, and increase inbound tourism from India seeking Japan's high-level medical services. This will be achieved by improving the capacity of Japan's medical tourism-related sectors, such as hospitals, to accept foreign patients.

② Human Resource Development

Amid its declining population, Japan cannot avoid accepting foreign workers. It faces shortages of both highly skilled professionals and unskilled laborers. Meanwhile, India possesses an abundant supply of young labor, including many highly skilled IT software engineers. Japan must urgently initiate a national debate on its framework for accepting such foreign workers, encompassing integration policies into Japanese society such as Japanese language education. While human resource development in India is important, enhancing training programs for accepted workers in Japan will enable the building of closer ties. In doing so, it is crucial to clarify

the basic principles of immigration policy and establish a framework for accepting foreign workers.

③ Educational Cooperation

Promote student exchanges between Japanese and Indian universities in IT fields such as AI.

④ Energy and Global Environmental Cooperation

Promote the transfer of Japan’s energy-saving and environmental technologies.

⑤ Rebuilding a Rules-Based International Economic Order

Amid the decline of US international leadership, Japan’s relative national power is inevitably waning while facing challenges from China. This necessitates not only the Japan-US alliance but also multilateral cooperation, making India an indispensable key partner. For example, the Quad (Japan-US-Australia-India Strategic Dialogue), where leaders discuss Asia-Pacific security, exemplifies such multilateral collaboration. By 2050, India will come quite close to matching the hard power of the US and China, yet it is not a nation reliant on any single partner. To prevent India from retreating from liberal democracy and to avoid it becoming a “second China” that challenges Western values, it is crucial for Japan to exercise leadership now to reform the existing international order and rules in a manner satisfactory to India. For instance, one approach could be to establish a forum for frank discussions on the benefits of regional trade agreements – a pillar of the rules-based international economic order – to ensure India’s satisfaction.

<3> Middle East

(1) Current Situation

While some countries in the Middle East possess wealth surpassing that of developed nations, significant disparities in wealth exist within the region (Table 1).

TABLE 1
The Middle East as the Global South

•Some countries surpass developed nations in wealth / Income disparities exist within the region

Ranking	Country name	GDP per capita (US\$, 2024)	Population
1	Qatar	71,568	3,115,890
2	Israel	53,111	9,517,180
3	UAE	49,550	11,346,000
4	Saudi Arabia	32,881	34,566,300
5	Kuwait	32,290	5,026,080
6	Bahrain	29,573	1,643,330
7	Oman	20,631	5,494,690
8	Turkey	13,105	87,685,400
9	Iraq	5,947	47,020,800
10	Iran	5,013	92,417,700
11	Jordan	4,682	11,520,700
12	Egypt	3,542	118,366,000
13	Yemen	465	41,773,900
	Average	24,797	

*Lebanon, Sicily, Palestine: No data available
Source: UN, IMF

Among the top seven countries in the Middle East by GDP per capita, six are Gulf Cooperation Council (GCC) nations: Saudi Arabia, the UAE, Bahrain, Oman, Qatar, and Kuwait (the remaining country is Israel).

Since the 1955 Asian-African Conference (Bandung, Java Island), often called the starting point of the Global South, the Middle East has respected opposition to colonialism and solidarity among developing nations, resisted the imposition of Western values from above, and criticized the double standards in Western responses to the Ukraine war and the Gaza conflict. However, the Middle East does not solely prioritize solidarity with Southern nations. On the other hand, Saudi Arabia, a leading GCC member, has been a partner in maintaining the US-led international order through oil money since 1974. Amid talk of the liberal international order’s instability and the rise of the Global South, American hegemony remains firmly intact. Conversely, considering that the US must also address China’s rise in Asia, Middle Eastern countries are beginning to recognize that relying solely on the US for security cannot guarantee their own safety. Consequently, they are placing hopes in the advent of a multipolar world, strengthening ties with BRICS and the Asian Infrastructure Investment Bank (AIIB), and deepening connections with ASEAN. Regarding the second Trump administration, while strengthening ties with Global South nations – as evidenced by Middle Eastern countries pledging massive investments in the US – they also continue to value building good relations with America, recognizing its role in stabilizing the Middle East.

A concern in Japan-Middle East relations is the decline in Japan’s presence in the region, partly due to the rising influence of China and the recent weakening of Japanese companies’ price competitiveness against Chinese and South Korean firms.

However, Japan also sees emerging possibilities for new cooperation with the Middle East, driven by expectations for the arrival of a multipolar world. Accelerating FTA negotiations between the GCC and Japan is crucial for Japan to achieve its desired rules-based international trade system. However, these talks appear to be delayed due to apparent disagreements within the GCC over the benefits of an FTA. In recent years, negotiations have begun toward a Comprehensive Economic Partnership Agreement (CEPA) with the UAE and other countries, aiming to strengthen bilateral economic ties.

(2) Future Challenges & Cooperative Partnerships Between Japan & Middle Eastern Countries

While concerns exist about Japan’s declining presence in the Middle East, Japanese corporate technology continues to command high trust, indicating room for expanded collaboration between Japan and Middle Eastern nations.

“Regional stability” represents a shared interest for oil-producing Middle Eastern countries needing foreign investment and for Japan.

① Promoting Trade & Investment

While advancing FTA negotiations with the GCC is an area for cooperation and co-creation with Middle Eastern countries, various internal conflicts within the GCC have become apparent. Therefore, shifting focus to expanding bilateral cooperation, such as the CEPA negotiations between Japan and the UAE, is one option. In such individual bilateral cooperation, the key to developing bilateral free trade relations lies in promoting structural transformation within GCC countries – shifting from industries with comparative disadvantages to those with comparative advantages.

② Human Resource Development

While promoting DX and AI is crucial for Middle Eastern countries to achieve a high-value-added economy, it is equally important to cooperate in developing the necessary human resources.

③ Educational Cooperation

Cooperation with institutions such as the University of Tokyo and Tokai University is progressing, but as in other regions, efforts to increase the number of students from the Middle East studying in Japan are crucial.

④ Energy & Global Environmental Cooperation

The Middle East remains a vital resource supplier for Japan, providing the bulk of its crude oil supply. However, it is also a partner in building sustainable societies, supporting Gulf oil-producing nations in their efforts toward decarbonization. Japan is collaborating with Saudi Arabia to build supply chains for clean energy sources like hydrogen and ammonia, and has decided to provide financing to the UAE for projects contributing to renewable and next-generation energy supply in third countries.

Interest is also growing in artificial intelligence (AI) to streamline the societal implementation of decarbonization technologies. Strengthening efforts toward a decarbonized society in third countries in Asia and Africa is another option. As mentioned earlier, in cooperation with the UAE, Japan has already decided to provide financing for projects in third countries that contribute to the supply of renewable and next-generation energy. For Japan, it is also crucial to aim for increased presence in the Middle East, replacing China, amid the restructuring of supply chains driven by the US-China rivalry.

⑤ Rebuilding a Rules-Based International Economic Order

Regarding the future construction of a rules-based international order that Japan should pursue, a key area for cooperation and co-creation with Middle Eastern countries is advancing FTA negotiations with the GCC, which is also important as a means to promote trade and investment. As mentioned earlier, given the various conflicts

emerging within the GCC, shifting the focus to expanding bilateral cooperation, similar to Japan’s CEPA negotiations with the UAE, is one option.

<4> Africa

(1) Current Situation

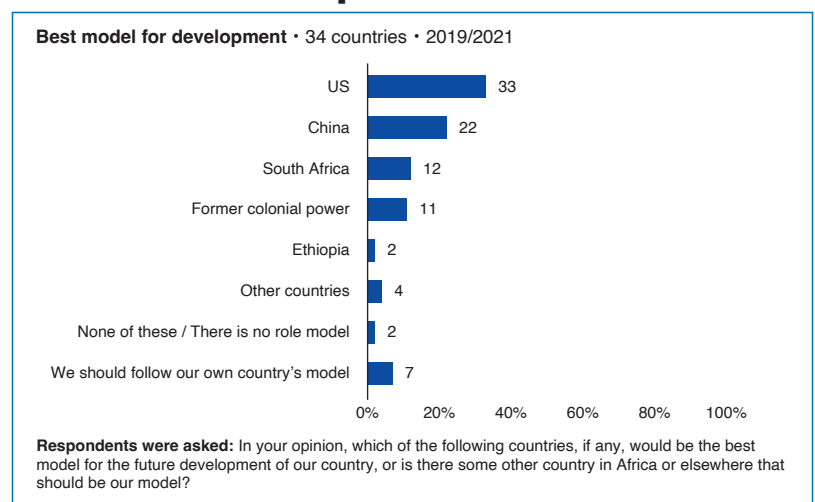
The African continent is 80 times the size of Japan and comprises 54 countries, making it extremely diverse. Within this context, the stance of African nations regarding Japan’s advocacy for the “rule of law” and the establishment of a “rules-based international economic order” can be somewhat inferred from their position on the UN General Assembly resolution calling for Russia’s withdrawal from Ukraine. Regarding this resolution, “abstentions” and “no-shows” accounted for roughly half of African nations. This reflects the diplomatic stance of many African countries: they align neither with the West nor with the “authoritarian bloc of China and Russia” but rather adopt a pragmatic approach, supporting whichever side offers assistance most beneficial to their own development and growth.

African nations have extremely high population growth rates and are projected to become the continent accounting for one in four of the world’s population within the next 25 years.

The nations considered by the people of Africa’s 54 countries as models for development are the US and China, each exceeding a majority (Chart 6). However, while China’s total investment in Africa (outstanding balance) is six times that of Japan, and its annual trade volume with Africa is about 16 times that of Japan, the US presence in Africa is expected to rapidly diminish. This is due to factors such as the de facto dismantling of USAID under the second Trump administration and the expiration of the preferential tariff system, the African Growth and Opportunity Act (AGOA), at the end of September

CHART 6

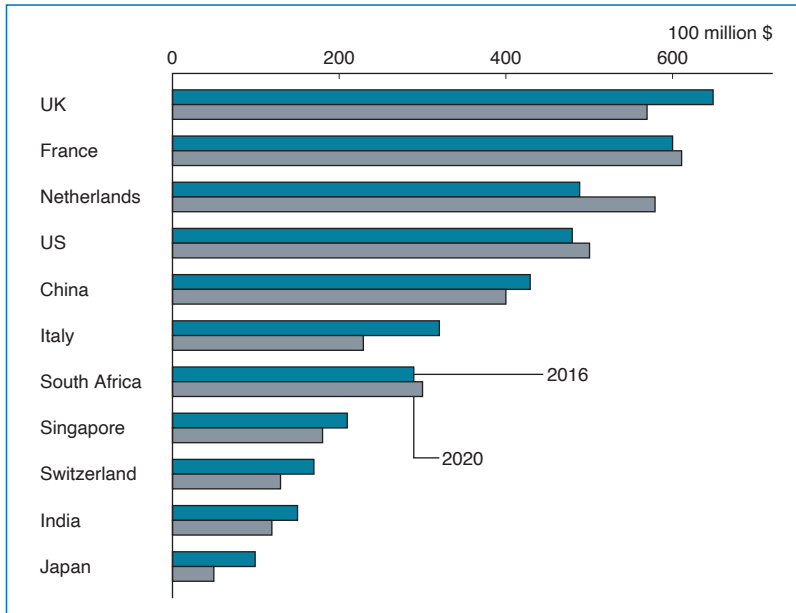
The nation that 34 African countries should model their development on



Source : Afro Barometer, Africans welcome China’s influence but maintain democratic aspirations, 15 November 2021
https://www.afrobarometer.org/wp-content/uploads/2022/02/ad489-pap3-africans_welcome_chinas_influence_maintain_democratic_aspirations-afrobarometer_dispatch-15nov21.pdf

CHART 7

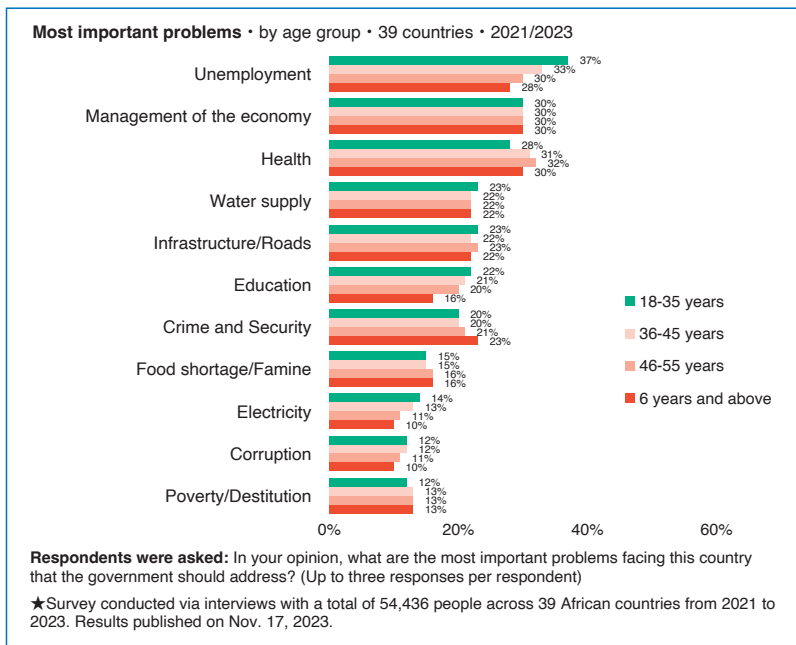
International comparison of investment stock in Africa



Source: UNCTAD, World Investment Report 2024 and JETRO data

CHART 8

Afrobarometer: needs of African people revealed by opinion poll results



Source: <https://www.afrobarometer.org/wp-content/uploads/2023/11/AD734-PAP3-Africas-youth-More-educated-less-employed-still-unheard-Afrobarometer-18nov23.pdf>

2025, with its extension now considered hopeless.

As shown in *Chart 7*, Japan’s investment balance in Africa remains at a very low level. This may be the result of Japanese companies’ business activities, which tend toward low-risk, low-return corporate

behavior compared to Western firms.

Meanwhile, the needs of African people are shifting from “aid to be received” (humanitarian assistance) toward investments that enable them to become workers and members of the productive workforce. The most significant need is reducing unemployment through “job creation” (*Chart 8*).

(2) Future Challenges & Collaborative Partnerships for Japan & Africa

① Promoting Trade & Investment

Concluding FTAs is crucial for building closer economic ties between Japan and African nations. Negotiations could initially focus on the East African Community (EAC), a regional economic community comprising eight East African countries, including Kenya, where Japanese companies show strong interest in expanding. Ultimately, Japan should aim to initiate FTA negotiations with Africa as a whole.

For Africa, shifting from economies reliant on traditional agriculture to developing manufacturing sectors that create jobs and boost productivity is essential. Strengthening trade ties in manufacturing, such as automobiles, through FTAs would act as a catalyst, encouraging Japanese manufacturing companies to establish local operations. For Japan, this would expand supply chains connecting ASEAN, India, and Africa, ultimately creating more resilient supply chains in the future.

② Human Resource Development

As emphasized at the Fifth Tokyo International Conference on African Development (TICAD V, Yokohama 2013), Japanese manufacturing investment brings capital and transfers Japanese companies’ technology, knowledge, and business practices to local African industries, leading to job creation and productivity gains. Crucially, this should not involve foreign companies expanding production without nurturing local parts suppliers. Instead, it should involve local production while developing local industrial talent and managers of domestic enterprises. The “ABE Initiative” (African Business Education Initiative for Youth), proposed at TICAD V to build industrial talent in Africa, plays an extremely important role in this regard. Through this initiative, over 1,900 African youths have been

invited to Japan to date, earning master’s degrees and gaining internship experience at Japanese companies. It has received high praise from many African countries and young Africans. Its continuation and expansion are anticipated. The University of Tokyo’s

focus on supporting start-ups in African countries is to be welcomed.

③ **Educational Cooperation**

The continuation and expansion of the “ABE Initiative” mentioned above is also an important part of educational cooperation.

④ **Energy & Global Environmental Cooperation**

Securing critical minerals.

⑤ **Rebuilding a Rules-Based International Economic Order**

The FTA with Africa will support the establishment of a new, self-sustaining international economic order that covers the broad ASEAN-India-Africa region and contributes to strengthening supply chains.

⑥ **Other**

ODA that contributes directly or indirectly to job creation is also anticipated. In such cases, it is effective for Japan to communicate to African governments and people that its support forms part of a strategy for job creation. Simultaneously, it is important to widely convey to the Japanese public the diplomatic significance of support for Africa.

<5> **Latin America & the Caribbean**

(1) **Current Situation**

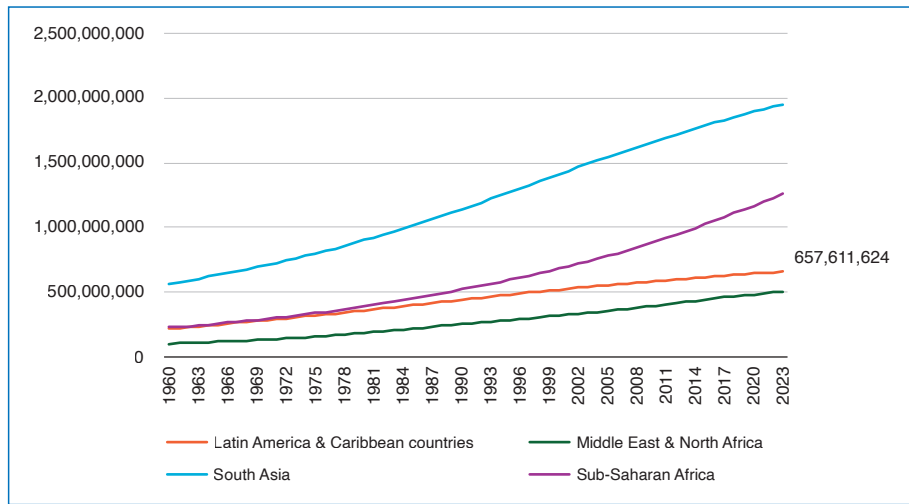
The Latin America and Caribbean region comprises 33 countries. Its population ranks third globally after South Asia and Sub-Saharan Africa, surpassing the Middle East and North Africa (Chart 9). Currently, the region’s population is approximately 657 million and continues to grow. Meanwhile,

among these four regions, it has the largest GDP, estimated at around \$7.1 trillion. This demonstrates the region’s significant scale as both a consumer market and a labor market (Chart 10).

Recently, relations between the US and China have been a major challenge in this region. Once referred to as America’s “backyard”, the region underwent changes in the 2000s, creating distance from the US. As the US-led Free Trade Area of the Americas (FTAA) initiative faltered, cooperation with the US in the war on drugs was established, and the US also gained Latin American support in the war on terror. Consequently, the region is increasingly becoming one where the US does not need to invest significant diplomatic effort.

CHART 9

Population trends by region (Unit: persons)

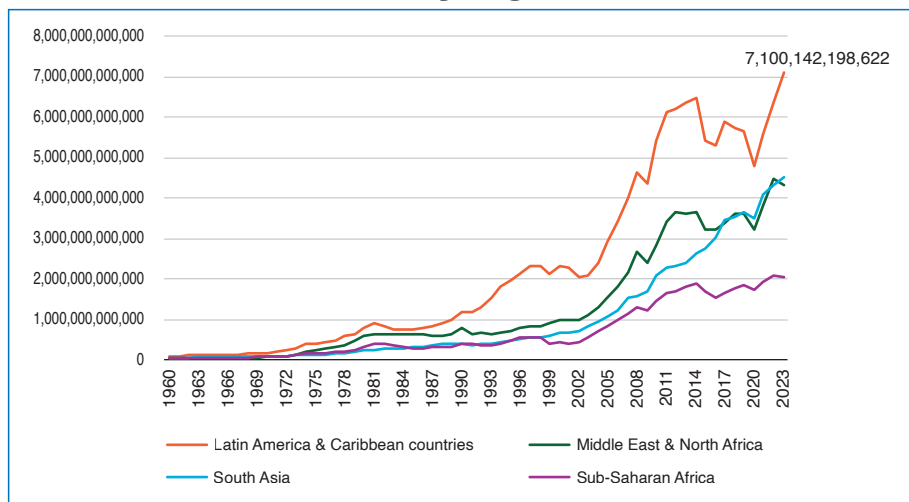


Note: Data from 1960 to 2023

Source: World Development Indicators dataset published on the World Bank website (<https://data.worldbank.org/indicator/SP.POP.TOTL>).

CHART 10

Trends in nominal GDP by region (Unit: current US\$)



Note: Data from 1960 to 2023

Source: World Development Indicators dataset published on the World Bank website (<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>).

Meanwhile, while it is true that left-wing governments have increased in Latin America, they have not necessarily undergone a major “shift to the left”. Crucially, none of these governments came to power through military coups but through democratic elections. Consequently, the US lacks a justifiable reason to intervene and has refrained from doing so.

Conversely, China, under President Xi Jinping, has strategically strengthened its diplomatic and economic ties by making a total of six official visits to Latin America – surpassing the visits of successive US presidents Barack Obama, Joe Biden, and Trump. China has enhanced cooperation with countries like Brazil on its Belt

and Road initiative and established the China-CELAC (Community of Latin American and Caribbean States) Forum. China has also pushed for the severance of diplomatic ties with Taiwan. The number of countries maintaining diplomatic relations with Taiwan has decreased from 18 in 2017 to just seven.

Relations with Japan are fundamentally good, but Japan's presence has declined since the 2000s. Japan's share of Ecuador's total ODA spending in 2018 was 3.4%, relatively low compared to other Global South regions. Furthermore, while Ecuador, Bolivia, Paraguay, El Salvador, and Panama all had Japan as their largest export destination in Asia from 2011 to 2014, by 2022 only Bolivia still counted Japan as its top export market in Asia.

(2) Future Challenges & Collaborative Partnerships for Japan & Latin America

① Promoting Trade & Investment

In economic relations, Japan lags significantly behind China as a trading partner in the region. Focusing on the larger economies of Argentina, Brazil, Chile, and Mexico:

- Imports from Argentina in 2023 included carbonates (lithium), corn, and crustaceans (shrimp, etc.)
 - Imports from Brazil included iron ore, corn, and chicken meat
 - Imports from Chile included copper ore, molybdenum ore, and frozen fish corn, crustaceans (shrimp, etc.), imports from Brazil included iron ore, corn, chicken, imports from Chile included copper ore, molybdenum ore, frozen fish (salmon, etc.), and imports from Mexico included automobiles, pork, and automotive parts.
- Conversely, exports to Argentina in the same year included automotive parts and engine components; exports to Brazil included automotive parts; exports to Chile included automobiles and petroleum refining products; and exports to Mexico included automobiles and automotive parts.

Considering these trade relationships with Latin American and Caribbean countries, it becomes clear that this region is important for Japan as a source of mineral resources and as a destination for exports of automobiles and automotive parts.

Regarding the former, as of 2022, Chile accounted for 30% of global lithium production, while Argentina contributed 4.8%. Increased production is also anticipated in Bolivia, Brazil, and Peru. For copper, Chile and Peru together account for nearly 40% of global production. Latin American countries have diverse lithium policies. Some nations, like Mexico and Bolivia, operate state monopolies on production, while others, such as Chile and Argentina, permit foreign corporate participation. While cases exist where Japanese firms hold stakes, like Toyota Tsusho's 25% rights and interests in Salar de Olaroz (Phase 2) in Argentina's Jujuy Province, China often leads the way in many projects. Therefore, the Japanese government must actively support Japanese companies' participation in local lithium projects. Furthermore, for countries like Chile that can produce lithium but lack the technology for lithium-ion battery manufacturing, the entry of technologically advanced Japanese companies is likely to yield significant mutual benefits. Additionally, the involvement of

Japanese companies in environmental technologies related to mining development is expected to benefit both Japan and Latin American and Caribbean nations.

Regarding the latter, there are two aspects: the automotive market in the export destination country itself is attractive to Japanese companies, and these countries are also attractive as production bases for exports to other markets, such as Mexico (for exports to the US) and Argentina (for exports to Brazil, etc.). In this sense, Japan also needs to support the Mexican government in its tariff negotiations with the US to help Mexico maintain its competitive edge. Furthermore, regarding the South American market, concluding an EPA with Mercosur is expected to be a significant help for Japanese companies. Regarding Mercosur, the EU and EFTA (European Free Trade Association) have agreed on an FTA, and there may be lessons to learn from their negotiation experience.

② Human Resource Development

In terms of cultivating individuals knowledgeable about Japan in Latin America, the Ministry of Foreign Affairs has implemented the "Juntos!! Latin America-Japan Understanding Promotion Exchange Program" since fiscal year 2015. This program aims to identify and nurture pro-Japan and Japan-knowledgeable individuals as part of the late Prime Minister Shinzo Abe's policy to strengthen cooperative relations with Latin America. While strengthening similar programs, fostering individuals knowledgeable about Latin America in Japan will require not only this program but also support for the comprehensive enhancement of Latin American studies within higher education institutions.

③ Educational Cooperation

As will be discussed later, support for Japanese descendants studying in Latin America is provided through programs such as the Nippon Foundation's "Nikkei Scholarship" administered via overseas Nikkei associations and the Japanese descendants quota within the Ministry of Education, Culture, Sports, Science and Technology's "Government-sponsored Foreign Student Program". Furthermore, while the University of Tsukuba's "Trans-Pacific Program" has been adopted as part of the Japan Society for the Promotion of Science's Global Expansion Capacity Enhancement Program, consideration should also be given to creating more comprehensive programs that transcend the boundaries between implementing entities.

④ Energy & Global Environmental Cooperation

Securing critical minerals is crucial, particularly supporting participation in the aforementioned lithium projects and cooperating on lithium application technology development (similar support will likely be needed for copper mine development as well).

⑤ Rebuilding a Rules-Based International Economic Order

Concluding an EPA with Mercosur will strengthen the rules-based international economic order. Furthermore, with Chile and Peru participating in the CPTPP, this could not only contribute to the expansion of the CPTPP but also enhance cooperation with the EU.

⑥ Other

Finally, the presence of Japanese descendants in the region is indispensable when considering Japan's relations with Latin

American and Caribbean countries. According to 2023 estimates, there are 2.7 million Japanese descendants in Brazil, 200,000 in Peru, 79,000 in Mexico, and 65,000 in Argentina (Ministry of Foreign Affairs 2025). Their presence provides a strong foundation for negotiations with these countries and market entry. By strengthening cooperation with Japanese communities in those nations in all aspects, it becomes possible to expect support for Japanese corporate expansion and negotiations with governments (particularly in Brazil, where there are always multiple Japanese-Brazilian members of the lower house).

4. Direction for Japan's Leadership in Future Collaboration with the Global South

Japan must advance cooperation with the above five Global Houses primarily across five key areas, supporting their sound development as middle powers. Given that the Trump administration's disregard for a rules-based international order is destabilizing the world, the fifth area, "Rebuilding a Rules-Based International Economic Order" is crucial both for Japan and for the Global South. To ensure its realization, urgent cooperation with other middle powers like the EU and Australia is essential.

Furthermore, strengthening cooperation with each region requires consistency in the content of rules across relevant sectors from a business perspective. Otherwise, there is a risk of a recurrence of the "spaghetti bowl" of rules, as seen in problems between mega FTAs.

Ultimately, it is essential to establish a "unifying axis" aimed at future multilateral rules (WTO rules) and to promote international cooperation. It is also important to simultaneously advance sector-specific, multi-lateral agreements on key issues.

Japan should demonstrate leadership in building such a "rules-based international trade system" alongside the Global South, while flexibly acknowledging the current realities.

The discussion above focused on how to build co-creation relationships between Japan and each region. However, beyond Japan's government and companies cooperating individually with each region, so-called "cooperation with third countries" – collaborating with governments and companies from other Global South nations, or governments and companies from other countries, to pursue co-creation with the relevant Global South country or company – has recently become an important option. By becoming a hub for cooperation among these countries, Japan could enhance its presence.

5. Overcoming Challenges in Realizing Collaboration & Co-creation with the Global South

Moving forward, a key consideration for co-creation with the Global South is that as such collaborative relationships progress, not only capital but also people will move. Furthermore, this movement of people includes both an increase in foreign visitors to Japan through tourism and a rise in the foreign resident population due to

the influx of foreign workers.

As mentioned at the outset, a major challenge for Japan in advancing cooperation and co-creation with the Global South is clarifying fundamental policies regarding the acceptance of such foreign workers, the significance and direction of immigration policy, and integration policies for these individuals into Japanese society.

Facing inevitable national power decline due to a shrinking population and aging society, Japan must address labor shortages to achieve a strong economy. It must also appropriately respond to crises in its supply chains – the lifeline of the Japanese economy – which are intensifying and deepening due to geopolitical risks arising from superpower rivalry. To prevent supply chain crises and achieve supply chain resilience and economic security, it is crucial to continuously explain to the public, in an easily understandable manner, how important it is to build many "friends of Japan" in the international community through international cooperation, particularly co-creation with the Global South. It is also important to clearly introduce successful cases, such as regions struggling with population decline being revitalized through the acceptance of foreign workers, and to highlight the benefits.

According to the proposal "Considering Solutions to Japan's Population Decline Problem", compiled through a study group on Japan's population issues hosted by the Japan Economic Foundation in 2024, securing foreign talent is a key measure to alleviate labor shortages. To promote the acceptance of highly skilled foreign talent, it proposes introducing a "points system" similar to those in the UK and other countries. The proposal also recommends enhancing education for the children of foreign workers and promoting "Easy Japanese language" to reduce cultural barriers, thereby facilitating the social integration of accepted foreign talent.

It is essential that as many citizens as possible understand the importance of such proposals. While accepting foreign talent carries disadvantages, such as the potential loss of social homogeneity, the significant benefits outweigh these drawbacks. **JS**

Policy Proposal: To Achieve Japan's Sustainable Growth Through Co-Creation with the Global South (Nov. 27, 2025)

By Global South Research Group

Region	Current Situation	Challenges & Approaches to Collaboration and Co-Creation
Overall	<ul style="list-style-type: none"> • The risk of supply chain disruption is rising due to the “power struggle” between superpowers. Rebuilding the international economic order based on the rule of law is essential. • Meanwhile, the weight of developed economies like the US and EU is declining, while growth rates (population and GDP) in the Global South – including ASEAN, India, and Latin America – are accelerating. • With declining US leadership and the Trump administration disregarding the rule of law, rebuilding the international economic order requires cooperation among middle powers. • Beyond Japan-EU collaboration, rebuilding a “rules-based international economic order” through cooperation and co-creation with the Global South is an urgent priority. • Rising anti-foreigner movements must not be ignored; clarifying fundamental immigration policy principles is necessary. <p>(Note) 2024 JEF-sponsored Research Group on Japan's Population Issues</p>	<p>Cooperation and co-creation with the Global South should primarily advance in the following five areas, supporting their path toward developed nation status while fostering collaboration:</p> <ol style="list-style-type: none"> (1) Promotion of trade and investment (2) Human resource development (3) Educational cooperation (4) Energy and global environmental cooperation (5) Rebuilding a rules-based international economic order
ASEAN	<ul style="list-style-type: none"> • Economic development will enable it to achieve a nominal GDP of \$4.383 trillion in 2025, surpassing Japan. • Maintaining a neutral strategy amid the Ukraine crisis is difficult ⇒ Achieving economic strength that offers significant benefits to major powers is what ultimately leads to security. • Expectations are high for it to serve as one of the standard-bearers for adhering to and rebuilding a “rules-based international economic order”. 	<ol style="list-style-type: none"> (1) Trade and Investment Promotion <ul style="list-style-type: none"> • Japan-ASEAN Economic Partnership Agreement in place. Four of the 10 ASEAN countries have already joined the CPTPP. Indonesia and Thailand express interest. (2) Human Resource Development <ul style="list-style-type: none"> • Cooperation in developing talent in DX and GX fields (3) Educational Cooperation <ul style="list-style-type: none"> • Cooperation in higher education, science and technology, policy research, and economic intelligence to foster innovation. Of the 330,000 international students in Japan (2024), approximately 60,000 are from ASEAN. (4) Energy and Global Environmental Cooperation <ul style="list-style-type: none"> • Promoting cooperation within AZEC (Asia Zero Emissions Community) (5) Rebuilding a Rules-Based International Economic Order <ul style="list-style-type: none"> • Restoring WTO functionality, expanding MPIA membership, linking the CPTPP and EU, establishing a CPTPP Secretariat (6) Other <ul style="list-style-type: none"> • Strengthening ERIA's functions is essential, alongside enhancing policy advocacy capabilities of national think tanks, etc. (Note) Cooperation on financial governance reform, cooperation on low birthrate and aging population issues, regional harmonization of medical qualifications
India	<ul style="list-style-type: none"> • Nominal GDP projected to rank third globally by 2027 • Growing youth population indicates significant economic potential • Key maritime transport hub linking Europe and the Middle East; pivotal node connecting ASEAN and Africa ⇒ Geopolitically significant • Not necessarily supportive of the “rule of law” or a “rules-based international economic order”. • Shares security concerns regarding China with Japan. However, Japan finds it difficult to take action regarding border disputes between India and Pakistan. 	<ol style="list-style-type: none"> (1) Promoting Trade and Investment <ul style="list-style-type: none"> • The Free Trade Agreement with India entered into force in 2011 • Regarding participation in the CPTPP, some voices suggest it may be easier to join than the RCEP, which includes China; it is important to encourage understanding on the Indian side • Investment in high-quality infrastructure development, such as high-speed bullet trains • Promotion of medical tourism (2) Human Resource Development <ul style="list-style-type: none"> • Promote the acceptance of highly skilled IT software engineers. In doing so, it is important to clarify the basic principles of immigration policy and establish a system for accepting foreign workers.

Region	Current Situation	Challenges & Approaches to Collaboration and Co-Creation
		<ul style="list-style-type: none"> (3) Educational Cooperation <ul style="list-style-type: none"> • Promote student exchanges between Japan and India (4) Energy and Global Environmental Cooperation <ul style="list-style-type: none"> • Promote the transfer of Japan's energy-saving and environmental technologies (5) Rebuilding a Rules-Based International Economic Order <ul style="list-style-type: none"> • Maintain and promote the Quad (Japan-US-Australia-India Strategic Dialogue)
Middle East	<ul style="list-style-type: none"> • Some nations possess wealth surpassing developed countries, yet significant income disparities exist within the region • Relying solely on the US for security cannot guarantee one's own safety <ul style="list-style-type: none"> ⇒ Strengthen cooperation with BRICS, AIIB, and ASEAN. Meanwhile, maintaining good relations with the US remains a priority • Japan's presence is declining compared to China's rising influence • From the perspective that "regional stability" is a shared interest for Middle Eastern oil-producing nations needing foreign investment and for Japan, cooperation and co-creation are crucial 	<ul style="list-style-type: none"> (1) Promoting Trade and Investment <ul style="list-style-type: none"> • Accelerate FTA negotiations with the GCC (Gulf Cooperation Council). At a minimum, advance negotiations toward a CEPA (Comprehensive Economic Partnership Agreement) between Japan and countries like the UAE. (2) Human Resource Development <ul style="list-style-type: none"> • Develop experts capable of utilizing AI to streamline the societal implementation of decarbonization technologies. (3) Educational Cooperation <ul style="list-style-type: none"> • Make efforts to increase the number of students from the Middle East studying in Japan. (4) Energy and Global Environmental Cooperation <ul style="list-style-type: none"> • Collaborate with Saudi Arabia to build supply chains for clean energy like hydrogen and ammonia. Provide financing with the UAE for projects contributing to renewable and next-generation energy supply in third countries. (5) Rebuilding a Rules-Based International Economic Order <ul style="list-style-type: none"> • While advancing FTA negotiations with the GCC and CEPA negotiations between Japan and the UAE, cooperation and co-creation toward rebuilding the free trade order is crucial.
Africa	<ul style="list-style-type: none"> • 80 times the size of Japan, 54 countries, extremely diverse. Population growth rate is very high. • Many countries adopt a diplomatic stance neither aligned with the "West" nor with "China and Russia", prioritizing support that benefits their own development. • US presence is rapidly declining (USAID dismantled), while China's presence is significant. Japan's investment in Africa remains low. • "Job creation" is the greatest need. 	<ul style="list-style-type: none"> (1) Promoting Trade and Investment <ul style="list-style-type: none"> • FTA negotiations with the East African Community • Promoting investment in manufacturing to create jobs (2) Human Resource Development <ul style="list-style-type: none"> • Developing local industrial experts and entrepreneurs for indigenous industries (TICAD's "ABE Initiative" – African Business Education Initiative for Youth) (3) Education Cooperation <ul style="list-style-type: none"> • Continuation and expansion of the "ABE Initiative" (4) Energy and Global Environmental Cooperation <ul style="list-style-type: none"> • Securing critical minerals (5) Rebuilding a Rules-Based International Economic Order <ul style="list-style-type: none"> • FTA with Africa <ul style="list-style-type: none"> ⇒ Strengthening ASEAN-India-Africa supply chains (6) Other <ul style="list-style-type: none"> • Promoting ODA for job creation in Africa to African nations, and promoting the diplomatic importance of aid to Africa to the Japanese public
Latin America	<ul style="list-style-type: none"> • Latin America and the Caribbean comprise 33 countries. Its population ranks third after South Asia and Sub-Saharan Africa. With a GDP of approximately \$7.1 trillion, it represents a massive consumer and labor market. • Declining US presence, rising Chinese presence, and declining Japanese presence. 	<ul style="list-style-type: none"> (1) Promotion of Trade and Investment <ul style="list-style-type: none"> • Conclusion of an EPA with Mercosur (2) Human Resource Development <ul style="list-style-type: none"> • Strengthening the "Juntos!! Program for Promoting Understanding of Japan in Latin America" (Ministry of Foreign Affairs), aimed at identifying and nurturing pro-Japan and Japan-knowledgeable individuals (3) Educational Cooperation <ul style="list-style-type: none"> • Support for Japanese descendants studying abroad through the "Japanese Descendants Scholarship" (The Nippon Foundation) and the Japanese descendants quota under the "Government-Sponsored Foreign Student Program" (Ministry of Education, Culture, Sports, Science and Technology)

Region	Current Situation	Challenges & Approaches to Collaboration and Co-Creation
		<p>(4) Energy and Global Environmental Cooperation</p> <ul style="list-style-type: none"> • Securing critical minerals. Specifically, participation in lithium and copper production projects, and cooperation in developing lithium application technologies <p>(5) Rebuilding a Rules-Based International Economic Order</p> <ul style="list-style-type: none"> • Promoting an EPA with Mercosur • Strengthening CPTPP-EU cooperation (with Chile and Peru participating) <p>(6) Other</p> <ul style="list-style-type: none"> • Collaboration with large-scale Japanese communities is important

Points to Note

- ① Direction of Japan's Leadership in Leading Collaboration with the Global South: Among the five cooperation areas, "rebuilding a rules-based international economic order" is the most urgent task. In doing so, establishing a "unifying axis" aimed at future WTO rules and international coordination are indispensable.
- ② "Collaboration with Third Countries" – pursuing co-creation with the Global South in partnership with other governments and companies – is also a crucial option.
- ③ A major challenge in promoting co-creation with the Global South is the need to clarify basic policies regarding the acceptance of foreign workers and their integration into Japanese society. It is necessary to clearly explain to the public the benefits of accepting foreign workers, such as alleviating Japan's population decline issue.

JEF initiated the Global South Research Group with prominent Japanese experts in April 2025.

Roundtable on “What Can Japan Achieve Through Co-Creation with the Global South?” (Jan. 21, 2026)

This roundtable discussion was conducted based on information available as of Jan. 21, 2026, and does not necessarily reflect subsequent changes in circumstances.

By *Japan SPOTLIGHT*

Participants: Prof. Emeritus Shujiro Urata, Waseda University
 Prof. Emeritus Izumi Ohno, National Graduate Institute for Policy Studies (GRIPS)
 Sachi Sakanashi, Senior Research Fellow, Director of the Japanese Institute of Middle Eastern Economies (JIME), Institute of Energy Economics, Japan (IEEJ)
 Prof. Keiichi Shirato, Ritsumeikan University
Moderator: Masakazu Toyoda, Chairman & CEO, Japan Economic Foundation (JEF)

Participants



Prof. Emeritus Shujiro Urata



Prof. Emeritus Izumi Ohno



Sachi Sakanashi



Prof. Keiichi Shirato



Masakazu Toyoda

Abstract of Discussion

- **The Global South’s Fundamental Stance**

Global South nations avoid taking sides in conflicts between major powers like the United States and China, instead pursuing omnidirectional, balanced diplomacy focused on maximizing national interests.

- **The Global South’s Perspective on the International Order**

While opposing the collapse of the current rules-based international order, they also express strong dissatisfaction with the existing rules designed under Western leadership, seeking cooperation premised on reform. Multilateral frameworks like the WTO and the UN are still recognized as important, with demands for greater voice and enhanced inclusivity for developing countries.

- **Balancing Climate Change Mitigation and Energy Security**

Global South countries do not view decarbonization and energy security as conflicting concepts, instead prioritizing a phased and realistic approach to achieving both. Oil- and gas-producing nations in the Middle East, Africa, and Asia are pursuing strategies that leverage fossil fuels for the time being while redirecting revenues toward renewable energy, hydrogen, CCUS, and other technologies. Japan’s proposed “diverse transition pathways tailored to each country’s circumstances” align strongly with the approaches of these nations.

- **Japan’s Expected Role and Direction for Co-Creation**

Japan is expected to serve as a “bridge” that translates Western idealism into practical solutions. Rather than competing with massive infrastructure funding, cooperation leveraging Japan’s strengths – such as long-term engagement, human resource development, and support for operational and institutional development – was deemed crucial. Co-creating concrete solutions tailored to each country’s circumstances in areas like disaster prevention, energy transition, and institutional reform was identified as the key to collaboration between Japan and the Global South.

Introduction

Toyoda: Our roundtable discussion is on the theme “What Can Japan Achieve Through Co-Creation with the Global South?” The withdrawal of the US from global leadership has become pronounced. As a result, the “power struggle” between superpowers has intensified, leading not only to a significant reduction in the UN’s capacity for resolving international conflicts and causing confusion in addressing climate change, but also to the dysfunction of the WTO in the international economic sphere. In essence, there is a growing recognition that rebuilding the “rule of law” is essential. To achieve this, cooperation with the rapidly growing Global South – including ASEAN, India, the Middle East, and Africa – is indispensable, alongside collaboration between the EU and Japan as middle powers.

Today, we have gathered experts well-versed in the trends of the Global South to discuss four key themes. First, we will discuss how major Global South nations view the rivalry between major powers, in general terms, and how they position this issue. Secondly, whether they can cooperate in rebuilding a rules-based order, whether at the UN or the WTO. Thirdly, how they balance climate change measures with energy security, and finally we will discuss how the Global South views Japan’s role and what they expect from Japan.

Our panelists are Prof. Emeritus Shujiro Urata of Waseda University, who chaired the study group on “Co-Creation between the Global South and Japan” held at the Japan Economic Foundation; Prof. Emeritus Izumi Ohno of the National Graduate Institute for Policy Studies (GRIPS), who specializes in development cooperation with developing and emerging countries; Ms. Sachi Sakanashi, senior research fellow and director of the Japanese Institute of Middle Eastern Economies (JIME) and the Institute of Energy Economics, Japan (IEEJ), an expert on the Middle East; and Prof. Keiichi Shirato of Ritsumeikan University, who specializes in African studies.

I would like to begin by discussing how the major Global South countries view the rivalry between the superpowers. I would first like to ask Prof. Urata for his perspective on the general, cross-regional outlook. Do the Global South nations adopt a neutral stance, not aligning with either the US or China or Russia, or do they side with whichever best suits their national interests? What are your thoughts? Please also include reactions to the US attack on Venezuela that occurred in the first week of January.

Perspectives on the Rivalry Among Super Powers in the Global South

Urata: Regarding the US-China rivalry and the intensifying conflicts between the US and both China and Russia, I observe that Global South nations are generally adopting a cautious and pragmatic stance. I think many of them are avoiding alignment with either camp, maintaining a neutral or near-nonaligned position. This is less

a value-neutral attitude and more a strategic choice to maximize their national interests.

I see at least three factors behind this. The first factor is economic. Many Global South countries maintain deep trade and investment ties with the US and Europe while also building significant economic relationships with China. Leaning heavily toward either side would entail substantial economic costs.

A second factor, I think, is the influence of historical experience. Having been buffeted by colonial rule and foreign rivalries during the Cold War era, there remains a deep-rooted wariness toward international orders and the imposition of values led by superpowers.

As a third factor, I would like to point to the movement toward multipolarity in the international order. I believe Global South nations strongly favor a multipolar international order – one independent of specific hegemonic powers, independent of the US, China, and Russia – through frameworks like BRICS, in order to enhance their own voice. This stance is evident in their attitudes toward UN resolutions and international conferences concerning the Ukraine war, where many Global South countries have abstained or adopted ambiguous positions.

Furthermore, as Mr. Toyoda mentioned earlier, regarding the US military action against Venezuela this past January, the Global South as a whole showed limited clear support for the US. Instead, many countries expressed concern from the perspective of respecting sovereignty and adhering to international law. This likely reflects vigilance against the possibility that military actions by specific superpowers could set precedents, potentially threatening their own security and sovereignty in the future.

As I mentioned, the Global South does not align itself with any superpower, but instead adopts a basic stance of strategic neutrality, choosing its position based on the situation while considering economic interests, security, and diplomatic autonomy.

Toyoda: Next, Prof. Ohno, from your perspective in observing the Global South through economic and development cooperation, could you offer any insights that might complement Prof. Urata’s views? Also, how do ASEAN and India perceive the US-China rivalry? India, in particular, is facing a 50% tariff from the administration of President Donald Trump due to its increased oil and gas imports from Russia. This appears to result in cooperation with Russia. What are your thoughts on this?

Ohno: First, regarding the positioning of the Global South amid US-China rivalry, I fully agree with Prof. Urata’s views. In addition to the points he raised, since the Lehman Shock, as low growth has become entrenched in developed nations, developing and emerging economies have increasingly shown economic growth rates surpassing those of developed nations. Consequently, the Global South, particularly emerging economies, has assumed a significantly larger role in the world economy. The share of the G7 countries in

the global economy has declined from about two-thirds in the 1990s to just over 40% in recent years. As a result, the Global South has increased its economic power and political voice, gaining substantial influence in the international community.

Furthermore, I believe that the US attack on Venezuela, or the Greenland issue, among other things, is accelerating a shift away from the US and a more cautious attitude toward it. The Greenland issue, in particular, has made the rift between the US and Europe very clear. In that sense, I believe that the current international order is being reorganized, with various players involved in a multi-layered and multi-dimensional way.

Regarding ASEAN and India, both ASEAN and India pursue omnidirectional diplomacy. Rather than aligning with one side in the US-China rivalry, I believe they will collaborate on a case-by-case basis to maximize their economic independence and security interests. For example, in the case of ASEAN, while Japan has put forward the Free and Open Indo-Pacific (FOIP) concept, ASEAN has issued its own guiding principle, the ASEAN Outlook on the Indo-Pacific (AOIP). While the AOIP emphasizes “ASEAN Centrality”, it aims to build highly inclusive and open relationships, including China. In other words, the very mechanism of ASEAN’s regional union and cooperation is designed to work together with diverse actors, including China and the EU. Here too, we see ASEAN’s stance emphasizing strategic autonomy.

India is a very complex case. The relationship between Prime Minister Narendra Modi and President Trump is not necessarily solid and has become quite delicate. India imports Russian oil for energy security reasons, and the US has imposed a 50% tariff as a sanction against this. Certainly, considering energy security, relations with Russia are extremely important, but for India, the US is also a crucial export market.

However, the US itself has taken positions that India finds difficult to concede on. For instance, it has attempted to mediate on issues highly sensitive to India, such as recent tensions between India and Pakistan. Additionally, in trade negotiations, the US has pushed for greater market access for American agricultural products. Considering this, while India understands the importance of its relationship with the US, it must also prioritize its own national interests, including its economy and energy security.

India’s relationship with China is also highly nuanced. While the two nations have various border disputes, they are both members of BRICS and the Shanghai Cooperation Organization (SCO). Economically, Chinese technology is crucial for realizing “Make in India”, yet there is also wariness about being dominated by China. In this sense, India appears to be building its relationship with China by carefully balancing each specific issue.

Toyoda: I’d like to ask Ms. Sakanashi for her perspective on the Middle East? While there is criticism of the US for double standards concerning Israel’s attacks in Gaza, the situation is complicated by the rivalry between Iran and Saudi Arabia in the region, making it

difficult for countries to openly oppose the US. What are your thoughts on this?

Sakanashi: From the perspective of Middle Eastern countries, the current situation is not framed as a forced choice between the US and China, or the US and Russia. At the same time, the war in Gaza has generated strong criticism in the region over what is widely perceived as Western double standards. From their perspective, the stance of the US and European nations – firmly condemning Russia’s actions in Ukraine while tolerating Israel’s military conduct in Gaza– seems inconsistent. This perceptions has significantly undermined the moral authority of the West. I would also like to point out that by criticizing this seeming double standard, countries like China and Russia are presenting themselves as advocates for developing nations.

However, Middle Eastern countries also tend to view the competition among major powers as an opportunity to exercise their strategic autonomy. For instance, regarding the Iran-Saudi Arabia rivalry mentioned earlier, even when tensions peaked in 2019 after Saudi oil facilities were attacked by unidentified actors, the US – Saudi Arabia’s long-standing ally – did not take punitive actions against Iran. Consequently, Saudi Arabia concluded that participating in the US-led efforts to contain Iran did not guarantee its own security. This led it to shift course toward improving relations with Iran. Notably, it was China that mediated the restoration of diplomatic ties between the two countries.

That said, countries such as Saudi Arabia and the UAE have no intention of severing ties with the US. Gulf States have come to recognize that regional stability is indispensable for realizing the economic development they seek, and US involvement is essential to their security. Accordingly, they are pursuing a pragmatic and multifaceted approach: cooperating with the US on security matters, with China on economic engagement, and with Russia on stabilizing crude oil prices.

Toyoda: I understand the situation is extremely complex. I’d like to ask Prof. Shirato about Africa. With the Trump administration dismantling USAID, China’s investment in Africa is increasing. How do they view the US-China rivalry? On the other hand, there seems to be dissatisfaction that Chinese investment doesn’t lead to increased local employment because they bring in workers from China. What are your thoughts?

Shirato: Africa has 54 independent nations recognized by Japan alone. While it’s difficult to find a unified stance when examining the details of each country, fundamentally, an African country is making strategic choices between the US and China to maximize its national interests. I think this line is largely consistent across the entire African region.

Prof. Urata cited three underlying reasons. The first was economic factors, the second historical circumstances, and the third how each

country behaves within the multipolar international order. However, looking at Africa, I think another element should be added: the political leaders of each country.

Africa inherently hosts diverse ethnic and religious groups within its borders, making the very nature of the nation-state – specifically, how to stabilize governance as a modern state – a fundamental challenge. Political leaders in each country face the dual challenges of securing their own regime’s stability and addressing their nation’s security within the African region, which is closely intertwined with that stability. African nations, with their vulnerable borders, are strongly influenced by how neighboring countries behave when determining their own positions. Therefore, it seems that the stability of their own regime and their nation’s security within Africa form a central axis for their actions.

For example, looking at the relationship between Kenya and Ethiopia, as Ethiopia moves closer to the BRICS side, neighboring Kenya has rapidly evolved its relationship with the Trump administration over the past year. Observing these developments, it seems African nations are guided by a dual set of principles: positioning themselves within the broader international order relative to the US or China, and simultaneously determining how to maintain political stability within East Africa or preserve national stability as a state.

Relations with China are naturally influenced by relations with the US. China’s investments in Africa recorded an annual stock of around \$46 billion in 2018 and have since remained consistently in the \$40 billion range. In other words, looking at the flow, while large inflows occur, there are also significant withdrawals. Over the past decade or so, roughly the same amount of investment has continued to flow in annually. Therefore, when viewed as stock, the investment amount shows neither a sharp increase nor a sharp decrease.

On the other hand, trade from China to Africa is noteworthy. According to 2024 statistics, China’s exports to Africa amounted to \$178.8 billion. Meanwhile, exports from Africa to China in the same year were \$116.8 billion. This indicates a massive trade surplus in China’s favor. China is simply exporting too much to Africa.

Looking at the trends in these respective exports and imports between Africa and China, exports from China to Africa increased 1.7 times over the 10-year period from 2014 to 2024. Conversely, exports from Africa to China, particularly mineral resources and crude oil, increased by only 0.9% over the same period. This means China’s trade surplus with Africa is rapidly expanding.

For Africa today, China has become its largest trading partner, surpassing the US and the EU, and goods continue to pour in relentlessly from China. Therefore, the dissatisfaction many African countries actually feel toward China isn’t primarily about China not creating local jobs. Far greater than dissatisfaction over China not generating employment is the massive influx of Chinese products.

This situation naturally becomes a source of discontent toward China. Consequently, China itself hopes that African nations will find ways to produce goods locally, reducing their reliance on Chinese

exports. To this end, China is providing various forms of support to African countries.

On the other hand, China faces overproduction, and the question of where to offload goods that no longer sell domestically has led to a trade surplus with Africa. In 2024, China convened African leaders in Beijing for the Forum on China-Africa Cooperation (FOCAC) summit, attended by President Xi Jinping. Even in such forums, I think China is grappling with how to control trade volumes and stabilize China-Africa relations.

On trade relations with Africa, the US presents a stark contrast. The US imposes tariffs on African products, which naturally causes African political leaders to rapidly shift away from America. But looking at specific cases, we see Kenya strengthening its ties while balancing relations with both the US and Ethiopia. Or, for instance, the presidents of the Democratic Republic of Congo and Rwanda visited the White House last December. They asked Trump to mediate their conflict and, in exchange, signed an agreement allowing American companies to develop Congo’s rare metals and other strategic resources. Looking at specific cases, we also see moves to leverage the Trump administration’s power. I think this represents the overall situation in Africa.

Global South Cooperation for the Reconstruction of Rules-Based Order

Toyoda: Now, I’d like to move on to the second theme. Superpowers possess strength, so they may not require a rules-based order. but I think middle powers, or Asia which is becoming a middle power, cannot afford to think that way. What are ASEAN and India considering? Are they prepared to cooperate with Japan or Europe to realize the reconstruction of the rule of law? What are CPTPP member countries like Singapore, Malaysia, and Vietnam considering? Prof. Ohno, what are your thoughts?

Ohno: Right now, the very concept of the “rule of law” is being severely undermined. In this environment, I believe it is crucial for middle powers, including Japan, to firmly uphold laws and rules to safeguard their sovereignty while simultaneously building international consensus. In this sense, I think the fundamental perspectives of ASEAN and India are quite close to the direction Japan envisions, and also align well with European and other nations.

However, when considering trade aspects, there may be a slight difference in perspective between ASEAN and India. ASEAN has advanced regional cooperation and intra-regional coordination in various ways; so looking at specific issues, I sense some differences in how they approach economic integration.

Regarding the CPTPP, Singapore, Malaysia, and Vietnam are all members, and I think their stance of pursuing high-standard, high-quality trade and economic partnerships is very clear. Furthermore, the United Kingdom joined the CPTPP, which took effect in

December 2024, and the EU is now seeking to advance dialogue, including potential alignment with the CPTPP. I believe this reflects a growing consensus among the member nations that free trade remains critically important, and that its rules must be rigorously upheld even without the US.

It is regrettable that an international order without the US is emerging. Nevertheless, considering the possibility that the EU may join the CPTPP in the future, the expansion of the CPTPP – by countries already participating including Japan – as a framework to uphold free trade remains an important driving force for Japan and is highly valuable. India also fundamentally aspires toward free trade, but given its emphasis on protecting domestic industries, it has not joined either the RCEP or CPTPP at this stage. Its approach may be somewhat more gradual.

ASEAN, for its part, has been significantly strengthening economic cooperation with the Gulf countries, including holding a summit meeting with them in May 2025. China was also invited to participate. In this sense, I believe ASEAN's fundamental approach appears to be pursuing free trade while pragmatically forming alliances with various partners.

Toyoda: Various countries in the Middle East – Saudi Arabia, the UAE, Qatar – are now gaining significant influence. Ms. Sakanashi, how do they view the necessity of a rules-based order? Although they enjoy affluent lifestyles thanks to oil and gas revenues, what is their perspective on the importance of rules? While an FTA with Japan has yet to be concluded, are they prepared to cooperate with Japan in rebuilding the rule of law?

Sakanashi: Major Middle Eastern countries, particularly Saudi Arabia, the UAE, and Qatar, have become extremely wealthy through export revenues from natural resources. They are acutely aware that their influence within the international community has grown significantly in recent years. Moreover, these nations, which benefit from the current international order, are highly wary of unilateral changes to the status quo imposed by superpowers. It is said that the recent US actions against Venezuela reportedly heightened concerns in Saudi Arabia. Gulf States increasingly recognize that the existence of clear rules makes it easier to protect their own interests, rather than relying solely on normative commitments to those rules.

However, what the Gulf States are seeking is not the unconditional acceptance of rules unilaterally set by Western nations. I believe the prolonged negotiations between Japan and the Gulf Cooperation Council (GCC) on an FTA also reflect the Gulf States' strategic calculations on how to advance their own industrial diversification in the most advantageous manner. That said, the FTA negotiations themselves resumed in September 2024, with the second round of talks taking place in July 2025. Furthermore, the UAE president was scheduled to visit Japan in February 2026. It had been anticipated that during this visit, the bilateral Economic Partnership Agreement (EPA) with the UAE would finally be concluded, following the sixth

round of negotiations in December 2025.

[JEF note, Feb. 2, 2026: the UAE president's visit to Japan was postponed due to the announcement of a general election in Japan scheduled for the same day.]

While the GCC consists of only six countries, it is far from a monolithic bloc. Rather than treating the GCC as a single negotiating entity, it may be preferable to prioritize bilateral frameworks, as seen in the ongoing EPA negotiations with the UAE, which is leading the way ahead of the others. Relations between Saudi Arabia and the UAE, two major GCC countries, for example, are currently strained. It is said that the UAE's interventions in countries like Yemen and Sudan have angered Saudi Arabia. In this context, I think Japan can advance discussions with each GCC country, without waiting for the GCC to restore its unity.

Gulf nations are eager to expand cooperation with Japan beyond energy into diverse fields like clean energy, materials, and advanced technologies as they pursue decarbonization. I think they remain highly proactive in pursuing collaboration with Japan.

Toyoda: So the reason the FTA with the GCC isn't going well isn't because of Japan, but rather because the interests within the region itself are difficult to align?

Sakanashi: That is my view. We might have regarded the GCC as a unified bloc, however, precisely as each nation is enhancing its strategic autonomy today, their respective directions might gradually be inclined to diverge.

Toyoda: I would like to ask Prof. Shirato for his view on Africa? You have stated that the nature of TICAD9, held last August, has changed. I understand this shift as a transition from a forum for Japanese support to Africa to one where Japan seeks "mutual benefits". Do you believe it is possible for Japan to cooperate with Africa on rebuilding a rules-based order as their equal partner?

Shirato: Observing the various movements in African nations, I sense that while they themselves are establishing the rule of law as a fundamental principle, they are simultaneously skillfully incorporating what might be called Trump-style deals into their process of achieving partnership with the other nations. Therefore, my view is that if Japan seeks to cooperate with African countries, simply saying "Let's create rules, let's observe them" will likely not lead to a deepening of Japan-Africa relations.

Looking back at historical developments, the external conditions that enable fragile states like those in Africa to function as full-fledged nations are the principles of the modern international order – respect for sovereignty and the assurance that they won't be overthrown by other countries. If these principles aren't upheld, all African nations will collapse.

Venezuela drew significant attention due to the president's detention, but consider this: in 2025, Islamic extremist groups within

Nigeria suddenly faced a US military strike. At that time, the Nigerian government had strongly resisted the US military action beforehand. Unlike Venezuela, where the president was detained, the Trump administration launched a campaign against Islamic extremist groups that the Nigerian government had also been struggling to eliminate. However, the Trump administration initially attempted to proceed with the operation without involving the Nigerian government, meaning, from Nigeria's perspective, the matter was being handled over their heads.

Why did the US attack Islamic forces in Nigeria now? One theory suggests that the Trump administration chose to "attack Muslims, who oppress Christians, in order to save persecuted Christians around the world" as a public relations move aimed at its strong domestic base: Christian evangelicals and conservative white Christian groups. Nigeria may have been used for this purpose. Considering cases like Nigeria's, it becomes clear that unless rules like respecting sovereignty are properly upheld, fragile nations like those in Africa will be exploited indefinitely.

On the other hand, in Africa, there is also a movement to resolve matters through deals. Recent developments surrounding the conflict in the eastern Democratic Republic of the Congo are a prime example. This region has been in a state of civil war for about 30 years, since the 1990s following the Cold War. The UN, neighboring African countries, the African Union, and others have attempted mediation and sent peacekeeping forces, but none of these efforts have succeeded. However, last year, the Democratic Republic of Congo approached Trump and requested his mediation. Seeing conflict resolution as an opportunity to add to his legacy, the US president took an interest and stepped in to mediate.

In December 2025, President Felix Tshisekedi of Congo, President Paul Kagame of neighboring Rwanda, and President William Ruto of Kenya were invited to the White House. There, a peace plan for the conflict was drafted. This marked the first such initiative in this conflict since the end of the Cold War. Crucially, the agreement included provisions for American companies to develop rare earth metals in eastern Congo.

African nations, in a sense, also saw the Trump administration as a tool. They believed that unless they pursued Trump-style negotiations – deals that flouted established rules – their conflicts would remain unresolved. Alternatively, they reasoned that leveraging such power was the more realistic path to advancing resource development.

Even when proceeding based solely on rules, there are cases where companies must consider what benefits lie beyond those rules and conclude necessary agreements to expand their operations. Returning to Japan's situation, I think that unless Japan creates substantive deals to integrate its companies into its vision of advancing a free economic zone from the Indian Ocean to Africa, its relationships with African nations will not deepen.

Toyoda: Prof. Urata, can we say that the Global South in general

shares the sense of crisis about the collapse of a rules-based international order? How do they assess the US attack on Venezuela? In particular, how about Latin American nations' view on the crisis of the collapse of the international order? Brazil, for example, has had one of its nationals as WTO secretary general until recently. Do you think they share the sense of crisis about the international economic order and are ready to cooperate with other nations for its restoration? On the US attack on Venezuela, there seem to be different views, such as Argentine supporting the US and Brazil opposing it. What do you think?

Urata: Generally speaking, I believe the Global South shares a sense of crisis regarding the ongoing destabilization of the international order and the collapse of the rules-based international order. However, the nature of this sense of crisis does not necessarily align with that envisioned by advanced nations like Japan and those in Europe. In other words, for many Global South countries, the critical issue is not whether to preserve a Western-led order, but rather a sense of crisis over the normalization of a situation where superpowers arbitrarily manipulate international law and multilateral rules to justify unilateral force.

It is widely recognized that international law and multilateralism are fundamentally important institutional foundations for small and medium-sized countries and developing nations to protect their sovereignty from pressure by superpowers. Needless to say, if these foundations weaken, the Global South will ultimately suffer the most disadvantage. In this sense, I believe the Global South is wary of the collapse of the order.

As I mentioned earlier, the Global South does not unconditionally support the current rules-based international order. Rather, it harbors dissatisfaction that the present order is designed and operated to favor Western nations. I think many countries in the Global South consider that what is needed is not the maintenance of the order, but reform toward more inclusive and fair rules.

Regarding South American countries' views on the US attack against Venezuela, there is a significant difference between Brazil and Argentina. Specifically, Argentina has taken a position supporting the US. I believe the reason is that prioritizing recovery from its economic crisis and improving relations with international financial markets is its main concern. On the other hand, Brazil has traditionally prioritized strategic autonomy and multipolarism. So based on its principles of non-intervention and respect for international law, I think it maintains a critical stance toward unilateral actions by the US.

Regarding the international trade system, specifically the rules-based framework centered on the WTO, Brazil views this system as a crucial foundation supporting economic growth and industrial advancement for many Global South nations. So Global South nations believe that any dysfunction in this framework caused by conflicts between superpowers would directly disadvantage them. On the other hand, the Global South does not unconditionally

endorse the current international economic order, meaning the substance of the WTO. Many Global South countries perceive rules in areas like intellectual property, the environment, and the digital sphere as being designed and operated in a manner that favors developed nations.

In this sense, their stance seems to prioritize reform over merely maintaining the order or the status quo. While they oppose the collapse of the order, they also hold a dual position that is critical of maintaining the current state of affairs. The appointment of a Brazilian as WTO secretary-general seems to symbolize this stance. Brazil has traditionally prioritized multilateralism, making the enhancement of developing countries' voice a pillar of its diplomatic strategy. Its active engagement with the WTO system was likely based on the judgment that inclusive multilateral rules are indispensable to counter unilateral actions by superpowers. This perspective shares common ground with major Global South nations such as India, South Africa, and Indonesia.

Considering this, I think it is reasonable to assume that countries in the Global South are prepared to cooperate in rebuilding the international economic order. But this cooperation should not be about maintaining the existing Western-led order as it stands, but rather cooperation premised on reforms that reflect the interests and voice of developing countries. For the future stability and regeneration of the international economic order, it is also important to position the Global South not merely as recipients of such an order, but as agents of its reform.

However, observing recent trends, there appears to be a growing movement toward liberalization and market opening even among Global South countries. This stems from the belief that opening markets enhances efficiency and, crucially, enables the attraction of foreign direct investment, which is vital for economic development. One example is South America, where negotiations for an FTA between the EU and Mercosur have recently been concluded. Furthermore, while countries like India still retain some fairly closed sectors, they have become more open compared to the past. They have implemented an FTA with Australia and have reached an agreement in negotiations for an FTA with the EU.

Toyoda: For Japan, rebuilding rules and order is extremely important. However, I fully understand that the situation is quite complex, as maintaining the status quo alone will not necessarily gain support.

Moving on to the third theme: balancing climate change measures and energy security. Until very recently, it seemed that Europe and the US prioritized climate change measures while paying less attention to energy security. But the Trump administration has denied the climate change issue itself, while in Europe, amid soaring energy prices following Russia's invasion of Ukraine, more attention is being paid to energy security.

Japan, while not abandoning its own goal of decarbonization by 2050, has long argued that imposing the same obligations on

developing countries as on developed nations may be excessive, emphasizing the importance of balance. I would like to ask Ms. Sakanashi. Do Middle Eastern countries feel grateful that excessive climate change measures are being reined in? Are they prepared to adopt a pragmatic approach in cooperation with Japan?

Climate Change & Energy Security

Sakanashi: Middle Eastern oil-producing nations have long perceived the West as pursuing decarbonization policies too aggressively. They have felt particularly strong unease about the pace and the uniformity of decarbonization. Consequently, the West's recent renewed recognition of the importance of energy security and its shift toward a more pragmatic approach is viewed as a welcome change by the Gulf States.

However, the Middle East is already experiencing the tangible impacts of climate change, such as extreme summer temperature rises. For Gulf nations, whose major cities are located along the coast, rising sea levels are reportedly regarded as an imminent crisis. As a result, the necessity for countermeasures is fully recognized. At the same time, these countries have consistently called for caution and a measured approach toward initiatives such as divestment – namely, the withdrawal of investment from fossil fuels – which have been particularly promoted by European countries. Within this context, oil-producing nations have also engaged more concretely in shaping new rules for climate change. The UAE's hosting of COP28 is a notable example. Gulf nations have repeatedly emphasized that while they are committed to actively reducing emissions, it is unrealistic to expect the immediate elimination of fossil fuels themselves.

In this context, Japan's long-advocated concept of diverse transition pathways tailored to each country's circumstances is highly compatible with the Gulf States in the Middle East. These countries view fossil fuels as an indispensable energy source for the foreseeable future, while seeking to leverage hydrocarbon revenues to expand investments in renewable energy, hydrogen, CCUS, and other low-carbon technologies.

Saudi Arabia's Vision 2030 is well-known. At the core of its strategy to diversify the economy in anticipation of a post-oil, or decarbonization, era is the use of fossil fuel revenues as capital for economic diversification. By jointly articulating and exploring concrete solutions – rather than mere slogans – to reconcile energy security with decarbonization, Japan and the Middle East can build a robust and enduring partnership.

In the field of decarbonization itself, Middle Eastern countries see significant potential for cooperation with Japan. Moreover, given the existing structure in which Japan relies on fossil fuels from the Middle East, transforming this one-sided dependency into a relationship of mutual interdependence will require close cooperation between Japan and Gulf countries in the decarbonization domain.

Toyoda: In Africa, some countries are rich in fossil fuels, while others possess abundant critical minerals essential for solar panels and batteries. Prof. Shirato, while it may not be possible to summarize it in a single phrase, can we consider it welcome that the importance of balancing decarbonization and energy security is being emphasized?

Shirato: According to the UN Department of Economic and Social Affairs' World Economic Outlook, global GDP growth for 2026 and 2027 is projected to be around 2.7%. However, Africa is forecast to exceed 4%, suggesting the African economy will continue to grow steadily for the foreseeable future. When considering energy issues, it is important to recognize two aspects: Africa is both a producer of energy resources and, due to its economic growth, will see its domestic energy demand rapidly increase.

First, looking at the movement of fossil fuels and renewable energy produced in Africa leaving the African continent, this depends heavily on how the global economy will develop. While the global emphasis on renewable energy has been shifting back toward fossil fuels since the Trump administration took office, it is unlikely this will directly benefit traditional African oil producers like Nigeria. The energy source attracting significant attention for future production growth in Africa is natural gas, rather than oil. In the natural gas sector, Mozambique is a country that, through development efforts, is finally reaching the level of practical production. There are projections that by 2035, approximately 5% of the world's natural gas production could come from African sources, centered on Mozambique.

Next, the expansion of investment in renewable energy remains a key point to watch. Despite some twists and turns, I think this trend will undoubtedly continue. Hydrogen energy deserves particular attention. Solar power stands as a prime example of renewable energy. According to the International Energy Agency's November 2025 outlook, new power generation capacity in Africa is projected to double its previous pace over the decade to 2035, increasing by approximately 24 gigawatts annually. Furthermore, 70-80% of this new capacity is expected to be supplied by renewable energy, primarily solar.

In Africa, electrification has historically been extremely low, barely exceeding 50% across the entire continent. Therefore, as new transmission grids and power plants are built and electricity networks expand throughout Africa, it is anticipated that renewable energy, particularly solar power, will become a major energy source rather than generating power from locally sourced fossil fuels. Regarding solar power generation, the primary investor at present is China.

Furthermore, significant investment is flowing into developing hydrogen energy, primarily in northern and southern African nations like Morocco, South Africa, and Tunisia – countries considered to have relatively high economic standards and technological levels within Africa. The aim is to consume this energy within the region

while exploring potential exports to Europe.

Concerns have also been raised about unexpected side effects surrounding solar power generation. Where systems for supplying electricity generated at large power plants to wide areas via transmission grids are inadequate, the introduction of solar power leads to the proliferation of small-scale local generation and transmission networks. This suggests that instead of building large power plants to supply electricity over wide areas as we might imagine, electricity will be produced and consumed at the village level using solar panels. China is now rapidly exporting solar panels to Africa. In the sense that previously unelectrified areas are becoming electrified, the situation is improving. But on the other hand, this approach cannot meet the electricity demands of large-scale industries, such as factories. So how to organize the overall power generation plan is becoming a major challenge.

Given Mitsui & Co.'s longstanding involvement in Mozambique's natural gas development, further investment by Japanese companies in the natural gas sector is also anticipated in Africa. Simultaneously, enormous demand for renewable energy is emerging year after year across Africa. How will Japanese companies enter this market? While Chinese companies are currently entering with overwhelming momentum, opportunities should exist for Japanese companies as well.

Toyoda: Asia is a region vulnerable to climate change impacts such as flooding, but it also includes countries rich in fossil fuels, such as Indonesia, Malaysia, and Brunei. Prof. Ohno, how do you think they are balancing climate change mitigation with energy security? Are they prepared to cooperate with Japan's proposed Asia Zero Emissions Community (AZEC) initiative?

Ohno: I think climate change countermeasures are not about ideals or principles; what really matters is how we make a realistic transition to them. For example, looking at ASEAN, decarbonization is necessary, but radically abandoning fossil fuels is difficult in reality. Furthermore, we cannot sacrifice economic growth and poverty reduction. This is why technology and funding are needed, and I believe this reflects ASEAN's overall position.

Considering this context, Japan's proposed AZEC is highly likely to be accepted. Indeed, ASEAN has agreed to cooperate on this at the Japan-ASEAN Summit, and concrete actions have already begun through entities like the East Asia-ASEAN Economic Research Institute (ERIA). AZEC is based on the principle of a phased approach tailored to each country's circumstances. It does not demand an overnight decarbonization leap and places importance on transition technologies like LNG, hydrogen, and ammonia. Combining this with technical cooperation, human resource development, and investment from Japanese companies creates significant potential for cooperation within AZEC. Indeed, AZEC represents a practical, reality-based "co-creation" platform where Japan and ASEAN, leveraging their respective strengths and

reflecting their actual circumstances, work together to find solutions to the shared challenge of decarbonization through concrete projects.

In November 2025, I participated in the “ASEAN-Japan Symposium: Co-creation in an Era of Geoeconomics” hosted by the Permanent Mission of Japan to ASEAN, ERIA, and the Indonesian think tank Foreign Policy Community of Indonesia (FPCI). Among the panelists at that time was the head of ERIA’s AZEC Center. He said the ASEAN Power Grid concept is very realistic, and that the first step is to shift to greener energy as much as possible. He also said that, given that ASEAN includes both mainland countries and many island nations, it is extremely important to distribute electricity fairly, overcoming geographical differences, so that it reaches the companies and people who need it. He further noted Japan’s smart system development technology could be very useful in building distributed power sources and power systems, especially for countries with many island regions, where it is difficult to build transmission and distribution systems. I think he emphasized his expectation that Japan would engage in concrete cooperation within the framework of AZEC.

Furthermore, regarding disaster mitigation and flood control, Japan itself is a nation prone to disasters and has accumulated extensive experience and knowledge over many years. So I believe there is significant potential for mutual learning through various forms of international cooperation. Amid significant shifts in the international order, while shared goals like decarbonization and sustainable development exist, challenges remain in how to realistically achieve them. I believe Japan has a role to play in translating the idealistic visions of the West, particularly Europe, into practical, achievable forms.

The Global South is demanding change, and the importance of a rules-based international order is undeniable. At the same time, rather than accepting the existing rules unconditionally, we should adapt them to function effectively in reality. In doing so, Japan should engage with the international community by offering concrete solutions, acknowledging national differences, and working collaboratively with partners. I think this is the path Japan should take.

Toyoda: As a general rule, can we assume that the Global South prioritizes balance? Or should we consider it on a regional basis? Brazil has just concluded COP30. What is its position? Prof. Urata, could you give us a comprehensive explanation?

Urata: Generally speaking, the Global South does not prioritize either climate change mitigation, decarbonization, or energy security. Rather, it takes a position that emphasizes balancing them. Many Global South countries are located in regions most vulnerable to the impacts of climate change, where droughts, floods, and extreme weather threaten economic and social stability. In this sense, the importance of climate change mitigation is widely recognized.

However, simultaneously, economic growth, poverty reduction, job creation, and stable energy supply for their citizens remain the highest priorities for these nations. Introducing radical decarbonization policies under conditions of insufficient access to electricity and fuel risks triggering social unrest and stalling growth. Consequently, I believe a balanced approach – one that seeks to gradually and realistically reconcile climate action with energy security rather than viewing them as opposing concepts – has become prevalent in the Global South.

I don’t think the approach to striking this balance differs significantly among countries in the Global South. For example, oil- and gas-producing nations in the Middle East and Africa view fossil fuels as a crucial means of earning foreign currency and currently position their use and export as a legitimate development strategy. However, the reality is quite different, with significant progress also being made toward directions like renewable energy production. In that sense, I believe there are commonalities with countries like India and Indonesia. In Asian nations such as India and Indonesia, I think they are moving towards expanding renewable energy while still utilizing coal and natural gas.

Latin American countries are seen as having relatively high renewable energy potential, with many demonstrating a proactive stance toward decarbonization, but they still strongly assert their right to development and energy sovereignty. In this context, Brazil, which has just concluded COP30, occupies a distinctive position even within the Global South. Brazil possesses a high proportion of renewable energy sources like hydroelectric power and biofuels, along with global environmental assets such as the Amazon rainforest. Consequently, while demonstrating an active stance on climate change measures to the international community, it also emphasizes the necessity of economic growth through agricultural development and resource utilization.

At COP30, Brazil clearly demanded that developed countries fulfill their responsibilities for financial support and technology transfer, while simultaneously taking a cautious stance toward imposing uniform reduction obligations on developing countries. I believe this reflects a position that does not reject decarbonization, but rather emphasizes a just transition that accounts for differences in stages of development. Brazil likely positioned itself as a representative of the Global South actively engaged in climate action, seeking to serve as a bridge between developed and developing nations.

Overall, the Global South shares a balanced approach to addressing global warming and ensuring energy security, though the specifics are heavily influenced by each country’s circumstances. Brazil’s case symbolizes the realistic and strategic stance of the Global South seeking to reconcile decarbonization with development.

Toyoda: I’d like to move on to the final question. It concerns Japan’s role, or rather the expectations placed upon Japan. While the era when Japan was valued for its large-scale aid has ended, I also hear that Japan is regarded as a trustworthy nation, rich in culture and

guided by the principle of pacifism. How do the Global South nations evaluate Japan, and what do they expect from it? There may be many points, but I would appreciate it if you could share one key aspect. First, Prof. Ohno, Ms. Sakanashi, Prof. Shirato, and finally Prof. Urata, please summarize your thoughts.

Expectations of Japan

Ohno: It's about being a reliable partner. Rather than forcing things through power, like meddling in domestic affairs, it's about working together while taking account of the actual situation of partner countries. Isn't trust in such an attitude the most important thing? I think Japan is that kind of country, and we should think concretely about what we can do, keeping Japan's strengths in mind, and then act on it.

According to the annual report released by Singapore's think tank ISEAS, Japan has been ranked as the most trusted external partner for ASEAN for seven consecutive years, since the survey began. When compared to the US, China, India, and the EU, Japan is evaluated as the most reliable partner, accounting for 66.8% of respondents in the fiscal year 2025. I think it is particularly noteworthy that this percentage has increased from the previous year. However, as a point of caution suggested by the same report, when it comes to the question of whether Japan actually wields influence, the results indicate that its influence within the region, including economically, is not necessarily among the highest. So I think Japan should seriously consider how to leverage this "trust".

In a world without American leadership, I think Japan also needs to approach matters with strategic autonomy. Recently, I read an interview article in the *Nikkei* newspaper with Prof. Joseph Stiglitz of Columbia University. His remarks about international cooperation on climate change and free trade were particularly memorable. He stated that countries other than the US still have room to unite, and that those nations capable of doing so should firmly come together to steer the current system in a better direction.

Furthermore, Amitav Acharya, an Indian scholar of international relations at American University in the USA, recently stated that the current world is not "multipolar" but rather "multiplex". The term "multipolar" conjures an image of several major powers exercising hard power to shape the global order, but Prof. Acharya argues it is more than that. His perspective is that we are already transitioning to a "multiplex" world where diverse actors – not just superpowers, but also middle powers, regional communities and institutions, and civil society – are creating a new order through layered, multi-dimensional engagement.

He emphasizes that the key players are not necessarily only superpowers; it is crucial that each actor builds networks based on their own strengths and "niche", generating change from there. I believe this is precisely correct. Considering this, I think Japan has a significant role to play. By leveraging its strengths in human resources and technology, along with the trust it has cultivated,

Japan can co-create practical solutions. I think it can make meaningful contributions in this changing new world. Japan also has much to offer in areas like strengthening supply chains, addressing climate change and energy issues, and maintaining and strengthening the free trade system.

Sakanashi: Japan's greatest strength lies in its position as a neutral and trustworthy third party, as Prof. Ohno mentioned. As strategic rivalry between the US and China intensifies, the US has increasingly pressured Middle Eastern countries to curtail ties with Chinese companies as a condition for enhanced security cooperation with the US. One prominent example is the imposition of conditions on arms sales, including the refusal to provide F-35 fighter jets unless Chinese firms such as Huawei are excluded. Moreover, President Trump made Saudi Arabia, Qatar, and the UAE the destinations of his first overseas visits after taking office, while simultaneously adopting policies that have, at times, encouraged competition among these three states. For example, the US has extended explicit security assurances only to Qatar. As a result, other regional states seeking deeper cooperation with Washington must carefully assess US expectations and be prepared to accommodate them. Failing this, the US is unlikely to offer the level of cooperation they desire, reflecting the increasingly tough approach the US has adopted toward the region.

However, Japan's engagement with Gulf nations is not driven by such geopolitical calculations. Instead, Japan should fully leverage its reputation as a neutral and reliable partner with advanced technological capabilities. Going forward, we should keep aiming to deepen and diversify our relationships with the Middle East.

Shirato: If I had to pinpoint just one thing, I think the Japanese approach boils down to this. To elaborate a bit further, no matter what kind of country the US becomes, the Japan-US relationship is extremely important for Japan. At the same time, relations with China, the Korean Peninsula, and diplomacy toward neighboring Asian countries are also extremely important. Foreign countries and regions that Japan engages with are fundamental to Japan's national security. In other words, issues in diplomacy with the US, China, and Asian countries will inevitably come crashing down on Japan if left unattended. Japan must constantly continue to address them.

In contrast, problems from Africa rarely directly impact Japan. Therefore, to put it bluntly, Japan's diplomacy could theoretically choose to "avoid engaging with Africa". Looking at initiatives like JICA's Hometown Concept launched after last year's TICAD, it seems public opinion in Japan today includes the view that "in a globalizing world, Japan is no longer a major power, so it's better to minimize foreign relations and avoid interacting too much with foreigners."

In this context, what significance does it hold for Japan to deliberately pursue diplomacy with a region like Africa – a place, to put it bluntly, where Japan wouldn't suffer much if it didn't engage, and where few direct problems come flooding in from? Can the

Japanese people find any benefit or new opportunities in engaging with Africa? This is where Japan's capacity for international vision is truly tested. In the case of diplomacy toward Africa, I think the very question of whether to deepen or not relations with Africa is deeply connected to the point of "what position Japan wishes to occupy in the world".

Personally, as I mentioned earlier, I believe it would be in Japan's own best interest to choose to harness Africa's growth, which is said to be certain to expand at a rate of 4%, for Japan's own benefit. So, assuming we should engage, when considering "what constitutes a distinctly Japanese approach", I believe it lies in differentiating how Japan interacts with Africa from other nations. China, and furthermore Gulf nations like Saudi Arabia and the UAE, possess the financial capacity to provide funding for the foundational elements of a national economy – infrastructure and logistics networks – and build them from scratch. They have already begun doing this.

Japan was once able to do this in Southeast Asia. But attempting to do the same in Africa now would likely be difficult, as Japan no longer possesses that level of financial strength, and gaining public understanding would also be challenging. So competing in this area is not realistic. What can Japan do? I believe we should carefully recall what Japan achieved in Southeast Asia. Japan's strength lies not only in long-term engagement and infrastructure construction, but also in its emphasis on operations. Japan properly executed this in Southeast Asia: maintaining and inspecting infrastructure, ensuring stable operations, and cultivating the necessary personnel.

Finally, I would like to point out the problem that Japan's development elites, who possess extensive experience and knowledge regarding Southeast Asia, are not being involved with Africa. Those involved with Africa at JICA, or researchers, are called "Africanists" and have maintained a long-term commitment to Africa. On the other hand, personnel with vast knowledge, networks, and experience in Southeast Asia are not being assigned to Africa in large numbers, even at field offices like JICA or JETRO. Those of us involved in Africa must genuinely learn from the experiences in Southeast Asia and transplant that knowledge to Africa. Within Japan's various organizations, government agencies, JICA, JETRO, and corporations, there are many senior figures who have cultivated remarkable expertise in Southeast Asia. Building systems within Japan's diverse organizations and industries to redirect the capabilities of these individuals toward Africa is, I believe, a critically important challenge.

Urata: I think the Japanese approach mentioned by everyone, and Japan's role as a reliable partner, are crucial. Particularly regarding Official Development Assistance (ODA), Japan was once a major donor nation. While the amount of ODA has significantly decreased due to fiscal reasons and other factors, I think what matters is not the quantity but the quality – for instance, in areas like institutional design and management, human resource development, trust-building, and peacebuilding. These qualitative aspects are where

Japan possesses co-creation capabilities. I think we must increasingly leverage these strengths.

In this sense, Japan must steadily continue what it has been doing. It is also important to expand the experience gained in Southeast Asia to South Asia, the Middle East, Africa, and Latin America. However, given the diversity of Global South countries in various aspects, co-creation must be advanced in ways tailored to each country.

Regarding economic aid, China overwhelmingly dominates in terms of quantity. But various problems have been pointed out concerning Chinese aid. For instance, in infrastructure projects, China has been criticized for bringing in its own workers instead of hiring local labor, and for imposing very strict repayment terms, including high interest rates. In other words, while China's economic aid is large in volume, it faces significant problems in terms of quality. In contrast to such Chinese aid, Japan's aid, as I mentioned earlier, is highly regarded for its quality. To reiterate, it is crucial to strengthen the competitive edge of Japan's aid, namely its quality.

Beyond that, I think human interaction is paramount. I firmly believe that human interaction gives rise to all sorts of things. Having taught at a university, I keenly understand this, and I think international students play a significant role. For example, among students I know from China or Southeast Asia, some return to their home countries, but many continue living in Japan, starting businesses here, building relationships with their home countries, and expanding those connections. They contribute tremendously to this. It may take time, but Japan needs these steady, person-to-person connections. While Southeast Asian students make up a large portion of international students in Japan, there are relatively few from South Asia, the Middle East, Africa, or Latin America. It is crucial to accept more students from these regions, specifically from the Global South. To reiterate, I want to emphasize the importance of human relationships, particularly in human resource development.

Toyoda: Thank you very much. I think we are entering an era where qualitative contributions are becoming more important than quantitative ones. During my time at the Institute of Energy Economics, Japan, I also experienced many students coming from the Middle East. I still keep in touch with them, and I was listening to Prof. Urata's remarks thinking they apply to all regions. Regarding the shift from quantitative to qualitative contributions, I learned something very significant today. Thank you all very much indeed.

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Written and translated by Naoyuki Haraoka, editor-in-chief of *Japan SPOTLIGHT*, with the cooperation of Tape Rewrite Co.

Designing the Digital Economy: India's DPI-Led Development Model & Its Global Relevance

By Sachin Kumar Sharma, Pankaj Vashisht, Paavni Mathur

Introduction

The phenomenal increase in computing power over the last two decades has unleashed a massive wave of innovations. Technological advances, including high-speed internet, online digital platforms, Blockchain, 3D printing, Artificial Intelligence (AI), and the Internet of Things (IoT), among others, have not only expanded the human imagination but also triggered a wider socio-economic restructuring. On the economic front, this shift has been particularly remarkable as integration of digital technologies across various business processes has given rise to a new economic paradigm, commonly referred to as the “digital economy”. In this paradigm, data, networks, and digital platforms function as core inputs to production and consumption. Reflecting the rapid adoption of digital technologies, the digital economy has been growing at an impressive pace. The size of the global digital economy has already reached US\$16 trillion, accounting for more than 15% of global GDP.¹ This share is expected to rise further as digital technologies are poised to penetrate across regions and industries.²

For developing countries, the rise of the digital economy presents immense opportunities and a formidable challenge. On the positive side, digital technologies are offering unprecedented opportunities to overcome long-standing structural constraints associated with informal economies. They are paving the way to reduce transaction costs, improve service delivery and expand access to information, enabling new forms of economic participation. For example, digital transaction histories and verifiable data trails are creating an opportunity to reduce information asymmetries that have historically excluded informal households and micro, small, and medium enterprises (MSMEs) from formal finance, markets, and state support. Similarly, e-commerce platforms are enabling MSMEs, the backbone of developing economies, to access wider markets without incurring huge sunk costs.

Nonetheless, the benefits of digitalisation for developing countries are not automatic. Most economies of the Global South are constrained by structural factors, including a widespread digital divide, massive skill gaps, limited administrative capacity and limited fiscal space. In addition, ongoing digitalisation, if left to market forces alone, can very much reinforce existing inequalities rather than reducing them. Given the massive economies of scale associated with digital technologies, there is a significant risk that the digital economy may become dominated by a small number of powerful platforms, extracting data and value without building local capacity.

How developing countries pursue digitalisation is therefore central



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to determining whether the digital economy will become a driver of broad-based development or a source of new structural divides. In this context, India's digital journey assumes particular significance. Instead of leaving the evolution of its digital economy solely to market forces, India has deliberately constructed a layered ecosystem of Digital Public Infrastructure (DPI) to promote an inclusive digital economy. Through platforms such as Aadhaar, the Unified Payments Interface (UPI), DigiLocker, CoWIN, and the Account Aggregator framework,³ it has demonstrated how digital infrastructure can be designed not merely to digitise existing processes but reconfigure the relationship between the state, markets, and citizens. India's experience challenges the assumption that digital economies must evolve either through dominant private platforms or through heavy state control. Instead, it shows that digital infrastructure itself can be consciously designed as a public good to promote the digital economy without compromising social inclusion and competition. Against this backdrop, this paper outlines India's DPI-led approach to digital transformation, its achievements, and assesses its relevance for the Global South.

Competing Models of Digital Transformation

Different countries, depending on their political and economic systems, have adopted different pathways to build digital economies. On the one hand, advanced Western economies, particularly the United States, has opted for a market-led approach. In this model, large technology firms like Facebook, Google, and Amazon, supported by a well-developed capital market and relatively light regulatory oversight, have been shaping the digital transformation. While this model has delivered extraordinary innovation, scale, and efficiency, it has also generated serious structural challenges, including market concentration, data monopolisation, weakened competition, and the erosion of national digital sovereignty.⁴

Another approach, followed in China and some other countries,

involves strict state control. Under this approach, though private platforms develop the critical digital infrastructure, the government shapes their direction and functioning through tight regulatory oversight and direct intervention.⁵ Despite visible success in scaling digital services, this model has received criticism for concerns related to state surveillance, limited market competition, and restrictions on individual freedoms.

Neither of the two models mentioned above is ideal for developing countries. A private-platform-led model requires deep capital markets, strong competition regulators, and high consumer purchasing power to succeed, conditions that are missing in most of the developing countries. Consequently, digital markets can quickly become dominated by a small number of foreign platforms, extracting data and value without building local digital capacity. Conversely, state-centric digital models demand high levels of administrative coordination, technological expertise, and huge fiscal resources, all of which are difficult to sustain in low- and middle-income settings.

Between these two extremes lies a third pathway, a hybrid model built around DPI. The core principles of DPI include public ownership of foundational systems, interoperability through open standards, modular design, and competition at the application layer.⁶ By embedding these principles into digital architecture, DPI prevents early monopolisation, reduces entry barriers, and aligns digitalisation with development objectives. For the Global South, DPI offers a way to harness the benefits of digital technologies while avoiding the structural risks associated with dominant platform ecosystems. India represents the most comprehensive and influential example of this approach.⁷

India's DPI-Led Approach to the Digital Economy

India's DPI-led model can best be understood through the "India Stack" framework.⁸ It is a layered digital architecture that treats identity, payments, and data governance as foundational public infrastructure. India Stack is not a single platform or program, but a design philosophy that separates infrastructure from applications.⁹ In this design, the foundational system remains publicly governed and interoperable, while private firms and public agencies are allowed to innovate at the application layer. This separation prevents competition at the infrastructure level while enabling scale.

India Stack has three broad layers. The foundational layer of the India Stack focuses on addressing the absence of verifiable identity, which is the most important constraint to inclusion in a large, diverse and informal economy like India. The rollout of Aadhaar, a universal digital identity system, provided reliable and portable identification to over 1.4 billion Indians,¹⁰ enabling authentication services and geographies. Digital identity was then paired with financial access through the Pradhan Mantri Jan Dhan Yojana and with widespread mobile connectivity. Together, Aadhaar, bank accounts, and mobile phones formed the JAM trinity, creating the foundational infrastructure for large-scale digital inclusion.

Once authentication, financial inclusion and connectivity were in place, India introduced the second layer of the India Stack, the Unified Payments Interface (UPI). It transformed the JAM-enabled population of India into active participants in the digital economy. UPI was

deliberately designed as an open, interoperable protocol rather than a proprietary platform. It enabled licensed banks and fintech firms to offer payment services on common public rails, ensuring competition at the application layer. This design choice proved critical. It has enabled rapid adoption of digital payment and massive fintech innovation by preventing early concentration at the infrastructure level. It has transformed India's transaction economy by enabling instant, low-cost, account-to-account transfers at a population scale.

Subsequently, India constructed what is described in simple words as the "data and governance" layer of the India Stack,¹¹ although in practice this layer encompasses multiple distinct institutional functions. This layer brought together systems for paperless documentation through DigiLocker.¹² It reduced administrative friction, lowered transaction costs, and curtailed discretionary gatekeeping and administrative inefficiencies. The Account Aggregator (AA) framework further extended this architecture by enabling consent-based, interoperable data sharing. By separating data ownership from data custody and placing users at the center of data flows, the framework allowed financial data to be shared securely and purposefully without centralising control. In doing so, the AA framework completed the evolution of India Stack from a set of digital platforms into a coherent institutional ecosystem for a data-driven economy.

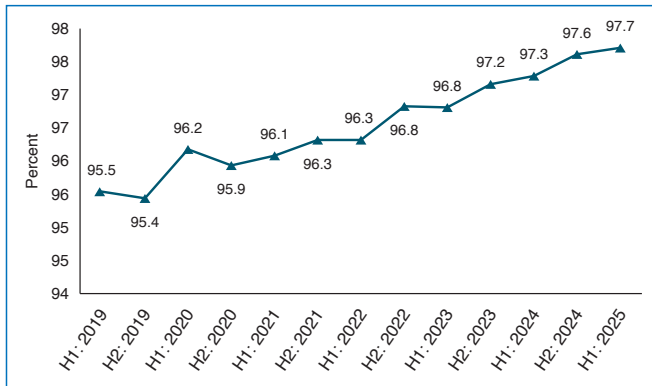
Developmental Outcomes & Economic Impact

India's DPI-led approach has generated significant developmental outcomes by reshaping how welfare is delivered, how markets function, and how firms interact with the state. Transformation of the welfare delivery system has been one of the most immediate impacts of DPI. The first layer of India Stack alone enabled the Indian government to fundamentally transform welfare delivery and financial inclusion by embedding digital infrastructure directly into the core of public delivery systems. The introduction of Aadhaar-enabled Direct Benefit Transfers (DBT) enabled social benefits to be transferred directly into beneficiaries' bank accounts, thereby reducing leakages and improving targeting.¹³ The elimination of millions of duplicate and ineligible beneficiary records has generated substantial fiscal savings while significantly enhancing the efficiency and credibility of public service delivery.¹⁴

The introduction of UPI has marked a structural break in India's transaction economy. It has largely replaced cash-based exchanges with programmable digital payments. The impact of this shift is visible in the scale and speed of adoption. The monthly UPI transactions which were negligible, around 0.09 million (\$0.06 million) in July 2016, increased to 7.3 billion (\$153.9 billion) by October 2022, and further to 21.6 billion (\$321 billion) by December 2025.¹⁵ This expansion did not merely reflect greater convenience; it reorganised the operating environment of the Indian economy around digital settlement. Digital payments now account for over 97% of total payment transactions in India (*Chart 1*), with UPI alone constituting around 85% of all digital payment transactions.¹⁶ MSMEs have been the most significant beneficiaries of this transformation. Survey evidence from RIS indicates that, prior to the introduction of UPI, only a small fraction of MSMEs were using digital modes for making and

CHART 1

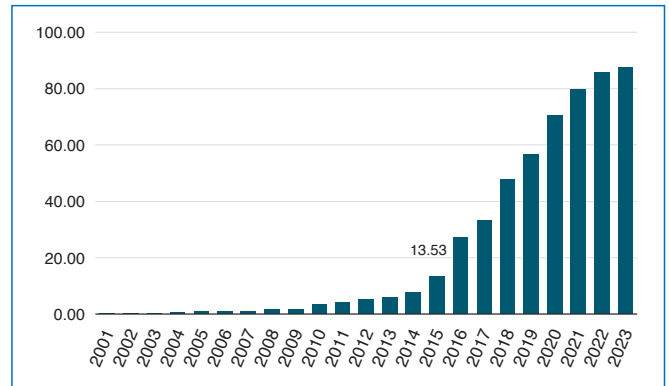
Digital payments as a share of total transactions



Source: Authors' compilation based on Reserve Bank of India Payment Systems Report: Half-Year Ended June 2025

CHART 2

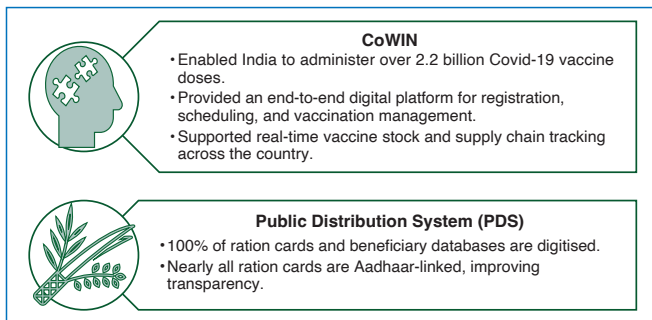
Timeline of digital payment adoption in Indian MSMEs



Source: Based on recently conducted survey by the authors

FIGURE

Examples of India's digital public infrastructure in action



Source: Press Information Bureau (2023),¹⁷ Digital Public Infrastructure (DPI), Ministry of Electronics & IT, available at <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1894907>; Press Information Bureau (2025): since inception, around 191 Crore portability transactions recorded under 'One Nation One Ration Card' plan, Ministry of Consumer Affairs, Food & Public Distribution, available at <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2179514>

receiving payments (Figure). The launch of UPI in 2016, however, triggered a sharp and sustained acceleration in digital payment adoption among MSMEs, with usage rising from marginal levels to over 70% by 2020 and reaching nearly 87.5% by 2023 (Chart 2).

DPI has also unleashed a startup revolution in India. The availability of open and low-cost digital rails has lowered entry barriers for entrepreneurs, enabling rapid scaling across sectors such as fintech, health tech, ed tech, agri-tech, logistics, and climate technology. This democratisation of innovation has spread entrepreneurial activity to tier 2 and tier 3 cities and generated significant employment. This transformation is clearly reflected in startup recognition data, with the number of startups officially recognised by the Department for Promotion of Industry and Internal Trade (DPIIT) increasing vertically from fewer than 500 in 2016 to over 209,000 by January 2026 (Chart 3). These startups have also become an important source of employment, generating more than 2,100,000 direct jobs over the past decade. These outcomes underscore the role of DPI as a general-purpose enabler of innovation rather than a sector-specific intervention.

Implications for the Global South & Pathways for Adoption

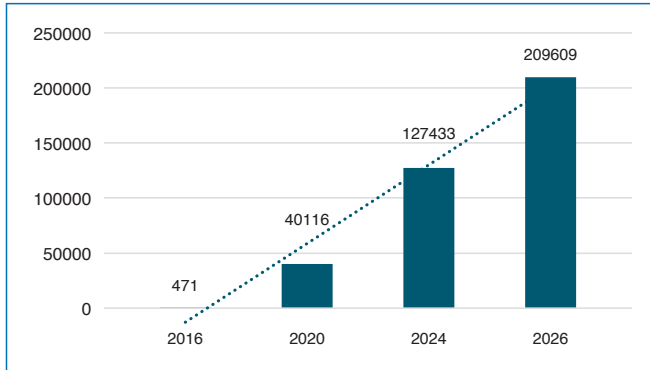
India's experience with DPI offers important lessons for the Global South, not because it provides a ready-made template, but because it demonstrates how institutional design choices shape digital transformation outcomes. A defining feature of India's DPI is that it has emerged as a response to concrete development constraints, namely widespread informality, limited access to finance, and fragmented service delivery, rather than as an abstract technology strategy. The prioritisation of universal identity, basic banking, and mobile connectivity reflected a deliberate sequencing that addressed the most binding constraints first. For other developing economies, this underscores the importance of grounding digital strategies in domestic institutional realities and development priorities. A second implication lies in the modular and interoperable nature of DPI. Since identity, payments, and data governance function as complementary but independent layers, it allows countries to adopt and sequence components according to their economic realities. This flexibility makes DPI particularly relevant for low- and middle-income countries, which often lack the capacity to implement comprehensive digital systems in a single leap.

For Global South economies, DPI offers a pathway to address persistent challenges related to informality, credit access, MSME growth, and welfare delivery. Enabling verifiable identities, real-time payments, and trusted data flows, DPI can lower transaction costs, expand market participation, and improve service delivery, thereby boosting the digital economy without compromising the developmental interests. These benefits are maximised when investments in digital infrastructure are matched by investments in connectivity, digital literacy, and institutional development.

Finally, India's DPI journey demonstrates the value of international cooperation in digital transformation. While national contexts differ, shared principles of openness, interoperability, and public stewardship provide a basis for cross-country learning and collaboration. India's growing DPI partnerships¹⁸ with several countries, including Japan,¹⁹ illustrate how digital public infrastructure

CHART 3

Number of officially recognised startups in India



Source: Authors' compilation from data available on the Startup India portal

can evolve into a platform for collective progress across the Global South.

As digitalisation deepens globally, the central question for developing countries is no longer whether to build digital economies, but how to design them appropriately. India's DPI-led approach demonstrates that digital infrastructure can be consciously structured as a public good, interoperable, inclusive, and aligned with national development priorities, rather than emerging as a by-product of either dominant private platforms or heavy state control. For the Global South, DPI offers a viable pathway that balances market dynamism with public purpose. India's experience shows that thoughtful institutional design can align digital transformation with inclusion, competition, and sovereignty. While not a blueprint to be replicated wholesale, it provides compelling evidence that well-designed digital public infrastructure can serve as a foundation for inclusive and resilient development.

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Interview with Ghanaian Ambassador to Japan, H.E. Mrs. Genevieve Edna Apaloo

Japan is a Trusted Partner of Ghana – a Win-Win Relationship in Investment & Rules-Based Economy

By Mukesh Williams and Naoyuki Haraoka

Introduction

Japan SPOTLIGHT met Ghana's ambassador to Japan, H.E. Mrs. Genevieve Edna Apaloo in Tokyo on Feb. 3, 2026, where she highlighted the collaboration between Ghana and Japan, stretching over a century. Calling Japan a trusted partner, she singled out the developmental role of JICA and the seminal work of bacteriologist Hideo Noguchi in Ghana. The ambassador discussed wide-ranging topics connected to free trade, investment, critical minerals, agriculture, mining, technology transfer, rules-based economy, the Global South, supply chains, climate resilience, African philosophy, and student exchanges. As an emerging leader in West Africa, Ghana has been a reliable partner of Japan in a win-win relationship.

Haraoka: Before Mukesh starts the interview, I want to introduce our organization. We publish *Japan SPOTLIGHT*, a bimonthly, which focuses on international topics. For the April issue we are going to highlight the Global South, which is important for us Japanese. We are going to talk about bilateral relations and make as many friends as possible. We would like to explore future relations with your country in terms of economic, business, and cultural interests.

Williams: Thank you very much for inviting us. Ghana is a very important country for Japan, and the rest of the world. I was asking Haraoka-san to create a small scholarship which would allow Ghanaian student to apprentice at *Japan SPOTLIGHT* and at a Japanese university. This would provide the student with an understanding of Japan and develop a connection with the country.

Ambassador Apaloo: Thank you so much. Your words have really warmed my heart, mainly because I'm trying to find opportunities for students and faculty from Ghana to have interactions with Japanese institutions. This is the core work that we are doing. Education is one of the ways we can put our people together and they can learn from each other. I'm going to look forward to learning from you soon even if the exchange is for one week, as it has a lot of impact on our people who come here. So please let's work in it.



H.E. Mrs. Genevieve Edna Apaloo

Williams: Soon Tokyo Fuji Art Museum is going to hold an exhibition on Ghana called "Pathway to Cultural Exchange with the World" highlighting JICA and Noguchi's legacy.

Ambassador Apaloo: We are opening an exhibition on Friday Feb. 7 at 1 p.m., so please join us. We are promoting trade and investment and other forms of bilateral relations between Ghana and Japan. I can say that the relationship between the two countries has been on the ascendency. You might recall that few months back in August the TICAD 9 Summit was held and Ghana showed a strong presence in it. John Damani, our president, led the delegation chairing

some of the sessions as the second vice chairperson. Besides that, he took advantage of having bilateral meetings with Japan and promoted investment opportunities in Ghana. He met Japanese government officials at the highest level as well as many Japanese business partners, companies, and entrepreneurs on bilateral issues.

Beyond that to be able to reach out to as many people in the business community as possible we also held the Ghana Solo Business Forum in collaboration with JETRO. It was a huge success because it provided a platform for more than 150 participants to come and listen to 'Why invest in Ghana?' 'What Ghana is worth?' 'What Ghana represents in Africa?'

You mentioned the Global South. It is a name that encompasses a wide range of countries – from huge economies to smaller and emerging economies. Even if you take Africa as a continent, it is another vast area – so many countries, different sizes, different

economies, and different resources. I would mention about West Africa – that is Ghana. It is the second-largest economy in Africa. Why come to Ghana in West Africa? The location is the best in the world. We are situated almost at the center of the world. So it is one of the best in the world in terms of access. Travel to Ghana is very convenient. Most of the international airlines go to Ghana daily.

So connecting to Ghana is not difficult at all. Stability, stable government, and friendly people welcome you to come. We have human capacity as well as natural resources. This combination creates business for any technology or investment. Beyond this the legal regime for investment is very, very good. The constitution protects investors. So your investment is secure in Ghana. We have an independent court system – the judiciary is very independent and as reliable as any judiciary anywhere. Issues of conflict are part of human life. But when they do arise you are sure of having a fair hearing. I think within that spectrum of what an investor can find we stand out as one of the best places in Africa. Let me stop here and listen to some of your other questions.

Japanese Investment in Ghana

Williams: Please feel free to add to the questions and we will shape our conversation accordingly. Cooperation between Ghana and Japan, you have already answered. What opportunities Ghana offers to Japanese businesses, you have also answered. So how can Ghana attract Japanese investment?

Ambassador Apaloo: The global supply chain has shifted and is changing constantly. What used to be reliable allies and partners are now very fluid. It means you have to diversify and make sure you don't put all your eggs in one basket. Africa is a resource-rich continent and there is a mad rush to partner with it. Africa is also interested in partnership. We want reliable partners in Ghana, and we love old partners. Japan has been from time immemorial a very dependable partner. That is why we want Japanese investors to come to Ghana because we want to operate in a win-win environment. In the past decades, my experience has shown that in our engagement with Japanese counterparts we have had one of the best outcomes for the country in terms of quality, in terms of loyalty, and in terms of sharing outcomes.

So for us, for Ghana, whether Japanese business chooses us or not, we have chosen the country we want to do business with. We are there as trustworthy partners. We have the resources not only material but also human capacity. We have a population that is well-educated, a youthful population, eager to be trained. Japanese businesses don't have the manpower to live and work in Ghana, but we have the manpower that can be trained to do the work for Japanese businesses. Japanese businesses also have the technology which is suitable for transforming our natural resources into value-

added products. Our objective is to also provide jobs and opportunities to our youth.

In the service sector, we have well-educated youth, good in the use of digital technology. In any service sector or offshoring sector that Japanese businesses want, our people are ready and capable to provide support. Ghana provides diversification of the supply chain for Japan quite reliably. All our past presidents have been friends of Japan. Our current president used to be with the Japanese Embassy as a young man and had a very strong relationship with Japan for a long time. He even maintains a strong relationship with his colleagues who went with him when he was a staff member in the Japanese Embassy in Accra. During his recent visit to Japan, he had afternoon tea with five of them. So that shows how strong our connection with Japan is. Our history with Japan goes back to bacteriologist Hideo Noguchi. Next year and in the coming few years we will have many anniversaries connected with Noguchi's time in Ghana. In 2027 we celebrate the centenary of his arrival in Ghana. The Ghanaians hold him in high esteem, and anything connected to Japan flowing from him is held in high esteem. We hope that with this strong basis of relationship the Japanese can see Ghana as a strategic partner in this resource diversification and supply diversification.

Williams: Are there any bottlenecks that you feel can be removed to accelerate investment from Japan to Ghana and for people from Ghana to come to Japan?

Ambassador Apaloo: The main bottleneck is hesitancy and I want to take this opportunity to assure the Japanese that distance is not an issue in this modern world, language is not an issue as most Japanese speak English and Ghanaians speak English. So the raw material they need for their business is not difficult to procure as Ghana has an abundance of resources to partner with the Japanese. It is a time to test the waters and be confident. The Embassy of Ghana is here to facilitate and assist any Japanese business which is willing to see Ghana as a place of investment. In addition to the Embassy of Ghana we have the Japanese Embassy which promotes effective relations between the two countries. JETRO is in Ghana and therefore we have the machinery, both government and private, to be able to support the activities of any Japanese company that intends to go to Ghana. I think we can move beyond the fear of risk. Africa is not a risky place to do business. As for free trade between Japan and Ghana, we are doing a lot to promote Ghana and Africa as a place for strong investment.

Views on Free Trade

Williams: Free trade has been attacked by big powers. But free trade is an important component business. What is your perspective on it?

Ambassador Apaloo: Without robust trade the international system would grind to a halt. Ghana and Japan share values of multilateralism, international trade and working together as partners in the international community, especially at the UN and other international organizations. We have worked together as strong partners, and promoted openness in international trade and international interaction. We have chosen Japan as one of our partners and want Japan to be strongly visible. We have had Meiji buying cocoa from Ghana for almost a century, and Lotte has been buying cocoa from Ghana for over 52 years. Toyota has been doing business for decades and has now established a small assembly plant in Ghana. Toyota, Honda, and Suzuki are now assembling numbers of cars in Ghana. So with all these companies there, it should give assurance about what companies are doing in Ghana – it's possible, it's profitable and it is good for Japanese business.

Haraoka: Do you think manufacturing companies are more welcome?

Ambassador Apaloo: You are right. Ghana has the space, manpower and other resources that can support any establishment of business, in terms of requirements like power. Ghana has a stable supply of electricity for running businesses. We need light manufacturing industries. We are open to any company that can 1) add value to our raw materials, 2) use our new abundant manpower, and 3) harness our labor force (which is cheap in Ghana).

Williams: Some African countries and the Global South are keen to shift from gasoline-based cars to electric cars. Have there been any requests from Ghana to Japan to invest in e-vehicles?

Ambassador Apaloo: Yes, this is one of the discussions that our president conducted with an automobile company when he came to Japan. He urged them to diversify into e-vehicles in Ghana. There are several automobile companies in Ghana from Japan and other parts of the world like Europe. It is an ambition to make an automobile hub. Not only with Japan but with all other partners we are discussing ways to introduce e-vehicles.

Williams: Would it be a partnership, or would you want Japanese companies to totally invest to create e vehicles?

Ambassador Apaloo: They are most welcome.

Technology Transfers Expected

Williams: What kind of technology transfer would you expect from Japan to Ghana? Which area would be

number one in your mind?

Ambassador Apaloo: Ghana is an agriculture-based economy. Agriculture-based technologies and mineral extraction are the areas where we would like Japan to help.

Williams: What about water-based technology, would that be useful too?

Ambassador Apaloo: That is what I would like. But I think any technology is useful technology. Water is one key area. No one can survive without water. We are also interested in partnering with Japan in AI – sharing our knowledge. We also seek collaboration with Japan in the space sector. Space is one of the strong imagined economic sectors as well. It is one of the areas in which we have signed an MoU with Japan. We hope to be working closely with Japan in this field.

Views on Climate Change

Williams: What are your views on climate resilience or overcoming climate shocks?

Ambassador Apaloo: Ghana, like any other country, is interested in combating extreme climate change based on sustainable development. We are partnering with other like-minded countries like Japan. We try to be compliant with SDGs goals and we are also helping to achieve some of the goals we have agreed together with other international partners.

Williams: Climate change is creating drought in different parts of the world where irrigation is important. How would you like Japan to invest in irrigation and water conservation?

Ambassador Apaloo: Conserving water resources and limiting water wastage is quite important. Beyond that, introducing agricultural products that can survive during long periods of drought is also necessary. We are working with some of the Japanese companies to introduce enhanced agricultural products in Ghana, especially in the northern parts where there are droughts and long dry spells. Recently we have come across some companies which have excellent plants that grow in dry weather. We hope that between the two governments we can collaborate.

We are also looking at universities and research institutions to understand the impact of these new products on agriculture. You rightly said water management is a very important part of addressing climate change and adapting to extreme weather patterns and changes in our rainfall pattern. We have reached a point where if we rely only on rainfall, we will not be able to meet our production

needs. But we can get enough water to grow plants and ensure an adequate harvest if we use of irrigation technology and water conservation. By implementing these methods, we can promote sustainable farming practices that benefit both farmers and the environment.

Student Exchange Between Ghana & Japan

Williams: How can we make student exchange programs between Ghana and Japan stronger and big?

Ambassador Apaloo: Let me say that the embassy is open and ready to assist any university or Japanese institutions looking for partners to explore internationalization. Over the last three or four years we have been making a strong outreach to investors to expand their interactions with Ghanaian universities. The results are showing. Recently we have had several delegations from Ghanaian universities to Japan and vice versa; universities like Tsukuba University have sent numerous delegations to Ghana. This year the University of Ghana sent a delegation which has just left Japan after a successful trip.

One factor that limits exchange is language. We are collaborating with faculties within universities that provide English language programs, both long-term courses and short-term programs. As you rightly said when students go through Ghana or Africa they come back with broadened perspectives and a more focused outlook on life because they meet people who impact their lives. It helps them to see life from a different perspective than what they were used to in Japan – taking everything for granted and living in their secure bubble. So any exchange program between Ghana and Japan will not only benefit Ghanaians but also Japanese. You can take, for example, the Japan Association for African Studies (JAIA) volunteers who go to Ghana and other parts of the world. Next year we will be celebrating the 50th anniversary of the JICA volunteer program in Ghana. We have been able to sustain the program except during the Covid period.

It is safe for Japanese students and faculty members to go to Ghana, experience another culture and come back, and improve their lives, their drive and vision for themselves. For this we need scholarships which would provide opportunities to brilliant but needy students to be able to improve their future. We have many partners from Hokkaido, such as Sapporo University, and in the south of Japan. We have been collaborating with Sakura Science Exchange Program (SSP) too. Some universities can curate programs specifically to the needs of the universities in Japan. What we should be doing is making these programs more well known, creating awareness, as most students are focused on going to the West because that is what they know. They don't know of the opportunities here in Japan. We must create more awareness, which

we are doing with my counterpart ambassador of Japan in Ghana.

Views on WTO

Haraoka: What do you think about the WTO, which is unfortunately losing power but is still important in promoting a rules-based international order which makes business activity predictable? Today the WTO is led by an African woman. What do you think about the WTO?

Ambassador Apaloo: I share your views completely. Business should not be tied to uncertainty. This period we are going through I pray may be a brief phase that we are all witnessing. Coming from a rules-based era, we will move quickly to restore some stability in the world. Ghana will continue to partner with like-minded countries such as Japan to ensure there is calm and stability in the world. That is my brief answer to your question.

Role of African Philosophy

Haraoka: Japanese are very much interested in African philosophy. African philosophy highlights harmonization whereas some Western philosophies highlight problems of confrontation.

Ambassador Apaloo: I think Africa and Asia share lots in common – similar cultures, similar values. The more we interact the more we will be able to ensure that this inherent culture and nature is preserved, because that forms the basis of what we are doing as an embassy to share our culture with the Japanese. And we also expect that the more we promote interactions between Japanese and Ghanaians, the more our Ghanaian children will be able to value our own culture, because Japan is one of the countries which has preserved its culture over the years despite modernization and strong engagement with the West. So I want our children to grow up knowing that we can develop while maintaining our culture, and that is the message we are trying to promote through the frequent interactions we are pursuing between Ghanaians and Japanese. Asia and Africa – same people, same culture and we must preserve that for the future.

Haraoka: Thank you very much.

JS

Prof. Mukesh Williams (ret.) is a poet and media writer who taught literature and cultural history in Japan and India. Formerly a faculty member at Keio and Soka universities, he is now Distinguished Professor at Shoolini University and advisor on academic exchange and global culture.

Naoyuki Haraoka is editor-in-chief of *Japan SPOTLIGHT* & executive managing director of the Japan Economic Foundation (JEF).

Interview with Prof. Choong Yong Ahn, author of *South Korea and Foreign Direct Investment: Policy Dynamics and the Aftercare Ombudsman* (Routledge, 2024)

Aftercare, FDI & Supply-Chain Resilience in an Era of Geo-Economic Fragmentation

By Japan SPOTLIGHT

Introduction

In an era of geopolitical fragmentation, supply-chain disruptions, and rising investor-state disputes, attracting foreign direct investment is no longer sufficient. What increasingly matters is whether host economies can retain, support, and upgrade existing foreign investors. Few countries illustrate this challenge – and opportunity – better than South Korea.

Prof. Choong Yong Ahn, former Foreign Investment Ombudsman of Korea and Distinguished Chair Professor at Chung-Ang University, offers a rare practitioner's perspective on how institutionalized aftercare services can strengthen investor confidence, prevent costly disputes, and enhance supply-chain resilience. Drawing on nearly a decade of hands-on experience resolving thousands of investor grievances, Prof. Ahn explains why aftercare should be treated as an essential economic infrastructure rather than an auxiliary investment incentive.

This interview distills South Korea's lessons for policymakers across Asia and beyond, particularly as mega-regional agreements such as the CPTPP and RCEP seek to adapt to a more volatile global economy. It argues that aftercare services should be recognized as a public good for resilient and sustainable globalization.

JS: Could you briefly explain why you decided to publish a book on aftercare services for existing FDI?

Ahn: I am very pleased to share South Korea's experience with foreign investor aftercare through *Japan SPOTLIGHT*. My book reflects both academic research and my nine-year experience as Korea's Foreign Investment Ombudsman. Its core message is straightforward but often underestimated: aftercare services for existing foreign investors are just as important as investment attraction itself. In an era of geopolitical fragmentation, pandemics, and supply-chain shocks, resilience depends largely on whether incumbent foreign investors can continue operating, reinvest, and expand during periods of uncertainty.

South Korea's aftercare system emerged in the aftermath of the



Prof. Choong Yong Ahn

Asian Financial Crisis. Facing a severe foreign-exchange shortage and the risk of sovereign default, South Korea shifted decisively from loan-based development financing toward proactive FDI promotion. In 1999, South Korea institutionalized one of the world's first comprehensive aftercare systems, recognizing that foreign investors needed a credible problem-solver on their side – someone who could address grievances related to taxation, customs, labor relations, land use, and regulatory interpretation.

Over time, the results became clear. In the past decade, nearly 70% of South Korea's inward FDI has come from reinvestment by foreign firms already operating in the country, a strong indicator of investor confidence. The

effectiveness of South Korea's aftercare system has also been recognized internationally. UNCTAD, the World Bank, and ICSID acknowledged the merits of our aftercare model and awarded me a merit trophy, while the Japanese government and the European Chamber of Commerce in South Korea also recognized my contribution with a national medal and a commemorative plaque. Many foreign CEOs told me directly that while South Korea was a demanding place to do business, the existence of an effective aftercare system gave them confidence to stay and expand. My motivation in writing the book was to document these experiences systematically and to share our lessons with other FDI-seeking economies.

JS: How do you view aftercare as a pillar of cross-border FDI facilitation?

Ahn: Unlike trade transactions, FDI involves long-term physical and organizational commitments – factories, R&D centers, logistics hubs, and regional headquarters – that cannot be relocated overnight. This embeddedness allows multinational enterprises (MNEs) to diversify production locations and respond flexibly to shocks, which is the essence of supply-chain resilience.

However, foreign investors inevitably face administrative frictions arising from opaque regulations, inconsistent interpretation of laws,

or regulatory gaps created by rapid technological change. During my tenure, many grievances were not about discriminatory intent, but about uncertainty and delay. Effective aftercare services provide a reliable institutional channel to resolve such problems quickly, often through administrative coordination rather than legal confrontation. From an investor's perspective, the existence of a trustworthy aftercare institution functions as a form of *institutional insurance*. It reduces uncertainty, lowers transaction costs, and encourages long-term commitment to the host economy.

JS: How is South Korea's experience useful for policy recommendations on aftercare services?

Ahn: Our experience demonstrates that aftercare services are not merely investor-friendly policies but also sound economic governance. Between 1999 and 2020, more than 8,300 investor grievances were formally filed with the Office of the Foreign Investment Ombudsman. Of these, approximately 2,300 cases were resolved through corrective administrative action, over 400 cases required amendments to laws or regulations, and the remainder were addressed through expert consultation.

These efforts improved regulatory transparency and administrative efficiency not only for foreign investors but also for domestic firms. Importantly, South Korea's strong reinvestment performance has been accompanied by a very limited number of investor-state dispute settlement (ISDS) cases – only three to date – suggesting that many potential disputes were resolved upstream through aftercare mechanisms.

JS: What role does cross-border FDI facilitation play in ensuring supply-chain resilience?

Ahn: Firstly, the following facts are to be noted: (1) around **two-thirds of global trade** involves intermediate goods and services, (2) nearly **80% of world trade** is linked to multinational enterprises, and (3) global value chains are governed primarily through **cross-border FDI**, not arm's-length trade. Modern trade is increasingly organized around global value chains. These production networks are created and governed primarily through FDI. As recent global shocks – from the Covid-19 pandemic to geopolitical conflicts – have demonstrated, supply-chain resilience depends less on diversifying suppliers on paper and more on diversifying production capacity on the ground. Cross-border FDI provides this capacity by enabling firms to

reallocate production, adjust logistics, and manage disruptions internally.

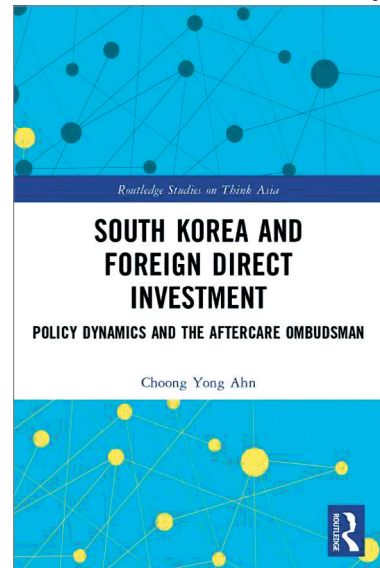
JS: How do you assess the investment rules in the CPTPP and RCEP?

Ahn: From a supply-chain perspective, the CPTPP and RCEP represent two complementary but incomplete models of investment governance. The CPTPP provides strong legal certainty for long-term, efficiency-driven FDI, while the RCEP emphasizes flexibility and inclusiveness for diverse development stages. However, neither agreement fully addresses post-establishment investor support – a gap that has become increasingly visible during recent global shocks.

Both the CPTPP and RCEP recognize the importance of FDI, but they differ significantly in depth and legal enforceability. The CPTPP offers one of the most advanced investment regimes currently in force, with strong provisions on national treatment, investor protection, and ISDS. The RCEP adopts a more flexible and development-oriented approach, emphasizing cooperation, transparency, and facilitation.

However, both agreements remain largely focused on market entry

Photo: Routledge



and legal protection. Neither adequately addresses post-establishment challenges faced by investors during crises. Embedding explicit aftercare provisions in their investment chapters would better align these agreements with the operational realities of supply-chain governance.

JS: Is the institutionalization of aftercare services urgently needed in East Asia and the Pacific?

Ahn: Yes, very urgently. Rising geopolitical tensions, supply-chain disruptions, and growing economic uncertainty have increased risks for investors across the region. In particular, the recent turn toward US isolationism and the weakening of the rules-based global free trade order have placed additional pressure on open and export-oriented economies in East Asia and the Pacific. In this environment, regional economies cannot afford fragmentation. They need to act collectively to salvage and uphold a free, open, and liberal economic order. Strengthening cross-border investment facilitation is one of the most practical ways to do so.

For this purpose, the institutionalization of aftercare services offers a fast and feasible policy option. Unlike complex tariff negotiations or treaty renegotiations, aftercare mechanisms can be implemented relatively quickly through administrative coordination, dedicated investor-support units, and information-sharing arrangements. Such measures are low-cost, easily scalable, and immediately visible to investors. By embedding aftercare services across the region – particularly within the CPTPP and RCEP frameworks – East Asian and Pacific economies can reinforce mutual trust, encourage reinvestment, and stabilize regional production networks at a time when global economic governance is under strain.

JS: Can aftercare services help prevent ISDS disputes?

Ahn: Yes. Many ISDS cases originate from unresolved administrative grievances rather than outright expropriation. South Korea's experience shows that timely and credible aftercare mechanisms can resolve such issues before they escalate into costly international arbitration.

In one notable case, foreign firms faced relocation pressures due to urban redevelopment plans. Through dialogue and regulatory coordination, a flexible solution was found that allowed R&D-oriented and non-polluting firms to remain in place, avoiding

disputes that could have escalated internationally. In this sense, good governance and effective aftercare services are the most reliable form of ISDS prevention.

JS: Do aftercare services contribute to improving domestic regulations?

Ahn: In South Korea, many investor grievances revealed structural weaknesses in existing regulations. Addressing these grievances often required revising outdated rules or correcting administrative practices. Over time, aftercare services became a channel for continuous regulatory improvement.

This process benefited not only foreign investors but also domestic firms, by creating a more predictable and transparent business environment aligned with international best practices.

JS: What are the merits of adopting the Korean model in other countries?

Ahn: Many countries already offer generous incentives to attract FDI. South Korea's experience shows that effective aftercare services can function as one of the most powerful non-financial incentives for investors. In one case, the resolution of an improper customs duty on imported industrial gold led a German CEO to publicly remark that South Korea's aftercare system was the best investment incentive he had experienced. Several countries, including Brazil and Kazakhstan, have since drawn lessons from the Korean model, underscoring its broader relevance.

JS: In the Physical AI era, why does sustaining foreign investment via aftercare services matter more than attracting it?

Ahn: The Physical AI era transforms trade and foreign investment from one-time transactions into continuous, system-based operations and capital intensive. The AI-driven manufacturing and services depend on tightly integrated machines, software, data flows, skilled labor, and stable regulation. Under these conditions, aftercare services therefore assume a strategic role, more critical than its initial attraction. Even small disruptions can quickly halt production and disrupt cross-border supply chains. Proactive aftercare helps resolve such issues early and encourages upgrading and reinvestment, enhancing supply-chain resilience in an increasingly

AI-driven global economy.

JS: How do you evaluate the inclusion of aftercare services in the CPTPP or RCEP going forward?

Ahn: I strongly support the explicit inclusion of aftercare provisions in both the CPTPP and RCEP. As supply chains become more vulnerable to systemic shocks, investment policy must evolve from a narrow focus on attraction and protection toward retention, upgrading, and crisis management. Recognizing aftercare services as a public good for supply-chain resilience would strengthen investor confidence, enhance regional cooperation, and contribute to long-term economic stability.

Lastly I would like to emphasize the following:

— In today's supply-chain-centric global economy, cross-border FDI has become a cornerstone of economic resilience. Aftercare services are no longer optional; they are essential infrastructure for sustaining investment, preventing disputes, and ensuring stable growth in an era of uncertainty.

— My book was written with this objective in mind – to provide policymakers with a practical, evidence-based guide on how aftercare services can strengthen investment retention, reduce disputes, and safeguard supply-chain resilience in an increasingly fragmented global economy.

— Positive remarks from readers:

"In particular, South Korea's foreign investment aftercare system needs to be widely shared for cross-border investment liberalization and facilitation. This is a 'must read' for government officials, business, and academics worldwide." – Carla A. Hills, former US Trade Representative and chair and CEO of Hills & Company

"The author, a renowned senior economist, lucidly documents South Korea's entire FDI policy dynamics and institutions from a restrictive to a liberalized regime, most notably the highly effective foreign investment aftercare Ombudsman system." – Dr. Il SaKong, chairman emeritus, Institute for Global Economics and former Minister of Finance, South Korea

"Choong Yong Ahn uses his considerable experience and insights to cover often neglected aspects of FDI. Although late to FDI, Korea's innovative use of an Aftercare Ombudsman allowed it to deal with a

wide range of vexing issues." – Danny M. Leipziger, professor of International Business, George Washington University and former Vice President of the World Bank

"While a great deal has been written on how countries can attract FDI, much less – indeed nothing – has been written on how countries can provide 'aftercare' for the FDI once it is in place. This book is rich in examples and explanations of how and why an FDI Ombudsman really should be part of every nation's FDI package. I heartedly recommend this book to all scholars as well as government and corporate economists dealing with FDI." – Richard Baldwin, Professor of International Economics at the Graduate Institute, Geneva and Founder & Editor-in-Chief of VoxEU.org

"This book presents innovatively empirical axioms for why business grievances for foreign investors in host economies continue to arise. The author eloquently suggests that a successful aftercare service should be connected with government deregulation efforts and pins this down explicitly in the investment chapter of free trade deals to mitigate rising investor-state disputes..." – Jang Hee Yoo, member of Korea National Academy of Sciences and professor emeritus of Economics at Ewha Woman's University

"Professor Choong Yong Ahn is really an unsung hero of the Korean economy. Much has been written and said about the miracle of the Korean economy, but Professor Ahn was on the front lines constantly battling for reform and liberalization of a very tight regulatory system that was choking foreign investment opportunities in Korea. – Jeffrey Jones, international lawyer at Kim & Chang and Board Chairman of American Chamber of Commerce in Korea

"In our first Investment Advisory Series publication back in 2007, UNCTAD recognized the Foreign Investment Ombudsman (FIO) system of the Republic of Korea as a best practice. That same year, FIO received a joint UNCTAD-WAIPA Award. The Korean experience is a highly valuable reference to FDI seeking economies and effective measures for cross-border investment facilitation." – James X. Zhan, director, Investment and Enterprise, and lead, World Investment Report at UNCTAD

JS

Written by Naoyuki Haraoka, editor-in-chief of *Japan SPOTLIGHT* & executive managing director of the Japan Economic Foundation (JEF)

Can East Asian Philosophy Help the World to Avoid Disruption? (Part 1) – Lessons from Deng Xiaoping’s “Socialist Market Economy”

By Guo Sizhi



Author Guo Sizhi

Introduction

What was the “socialist market economy” advocated by China’s leader Deng Xiaoping in 1992? He made a famous speech in Shenzhen in southern China in February 1992, highlighting that national economic planning also exists under capitalism with a market economy and that a market economy could exist under socialism. Based on this thought, the Chinese Communist Party (CCP) officially adopted China’s economic policy goal at its 14th National Convention in the autumn of 1992. Since then, China, a socialist superpower with nearly 1.2 billion people, has been on a high economic growth track, marking a significant distinction from Russia and East European former socialist nations that fell into chaotic and stagnant economic situations with the collapse of socialism and transition to a market economy.

What then, in essence, is a “socialist market economy”? In general, a market economy means a “free market” economy and “socialism” means a “planned” economy. Thus, a “socialist market economy” is not logical. It is often referred to as a political economic system mixing Communist Party dictatorship and a capitalist economy, which appears to be logically inconsistent. However, no one has ever clearly analyzed the specific nature of this system based on the facts. The argument that this is logically inconsistent is only theoretical, namely in the light of Western philosophy that often emphasizes dualism in thoughts and ideologies.

This essay tries to examine the nature and role of a “socialist market economy” in the light of East Asian philosophy, providing a holistic approach beyond dualistic values such as socialism or capitalism.

Western Philosophy & East Asian Philosophy

I think there is a fundamental difference between Western and Eastern thought in understanding the world and living life. Logical thinking is a distinguishing characteristic of Western thought and is based on logic represented by mathematics. Western people try to elucidate the truth of the world through words. They distinguish between subject and object, decomposing the world into elements in pursuit of the truth. It is a view that perceives everything other than oneself as an “object”. Like Christianity, the beginning and end of the world are clearly marked, and the world is viewed in a linear way.

While Western thought is characterized by philosophy as a “discipline”, Eastern thought is characterized by philosophy as a

“teaching”. In Eastern thought, emphasis is placed on life practices such as “how to live” and “how to learn” rather than logic. It is a way of thinking that does not separate the subject and the object, but seeks the truth within the subject. In Buddhism and Lao Zhuang thought, “self” and “world” are not distinguished but are regarded as one big thing. When Easterners want to know something, they think of it as a whole rather than a part and think of coexistence and co-prosperity rather than conflict. Just as there is day because there is night, they have a perspective that recognizes each other in the whole. Like Buddhist reincarnation, there is no concept of beginning and end; it perceives the world in a circular way. There is also the concept of “causality”, which states that actions in previous lives affect future lives.

Western philosophy is likened to a “staircase” where logic is piled up in search of the ultimate truth. On the other hand, Eastern philosophy is sometimes described as like a “pyramid” in which a person intuitively arrives at the truth one day and this truth is passed on to later generations as a lesson. East Asian philosophy is in total a collection of all the thoughts and philosophies of the region east of Europe, and mainly in Asia. It consists of a wide range of thoughts such as Confucianism, Buddhism, Taoism, Zen, and Shintoism.

According to East Asian philosophy, anything has a reason to exist and anything has a good aspect. Its core is a golden mean by which one must have balanced thinking towards anything. Nothing is extremely good, while nothing is extremely bad. Therefore, we should be neutral in judgements, while the dualism in Western philosophy is likely to differentiate between the “good” and the “bad”.

East Asian Philosophy & a Socialist Market Economy

The ancient Chinese philosopher Zhuangzi said that making a distinction between the good and the bad could lead to senseless arguments and this should be abandoned as the wrong way of thinking. He also emphasized the equality of all kinds of phenomena and views, and said the world should be taken as a whole without any conflict or discrimination. This could be an important view regarding diversity in our modern society.

I would like to give an analysis of China’s socialist market economy in the light of East Asian philosophy, avoiding dualistic value judgements and emphasizing the importance of diversity and fusion of all kinds of thoughts and values. The following are

characteristics of China's socialist market economy – fusion, flexibility and transience.

1. Fusion

Fusion means mingling among many different organizations or ingredients. This creates a new holistic function by mutual dependency and mutual recognition among those different factors. The fusion of a socialist market economy is mainly represented by the co-existence and mixture of conflicting concepts of the existing socialist economy and a capitalist economy, diversified ownership, and distribution of earned and unearned income.

a. Fusion of Conflicting Values

In China in the past, the concepts of socialism and capitalism were different and contradictory. This is because socialism depends upon a planned economy whereas a market economy is categorized under capitalism, and thus once a market economy is introduced in China it would be capitalism. So the idea of the introduction of a market economy in China was condemned in China as a theoretical base for turning the Chinese economy into capitalism. However, a socialist market economy is to introduce the market economy as practiced in capitalism into China under Communist Party leadership, keeping the socialist system as it is. This idea is to create a fusion of socialism and capitalism, without forcing Chinese people or society to choose either of them.

b. Fusion of Ownership

Ownership or business management in China before 1992 consisted of national ownership and group ownership by local governments, township companies and collective ones, all of a centralized nature. This was integrated public ownership and only a few private and individually owned companies existed, since the Chinese government restricted private companies, depending on the political situation, instead of promoting them. Therefore, private companies were limited to the distribution and service sectors. After the 1990s, under a socialist market economy, a wide range of ownership has been promoted. There are now eight kinds of ownership now – national, collective, private, individual, association, shareholder, and Hong Kong, Macau and Taiwan invested and foreign subsidiaries.

With the separation of ownership from management, companies can be vitalized to raise their productivity and under any kind of ownership, public or private, they now compete against each other on an equal footing in a shared market and social environment brought about by policies and regulations. In addition, there are

some public elements among some private companies, such as with dispatched public officials to provide public guidance, alliances with national companies, a certain percentage of shareholding by national enterprises, and the rent or sale of part of a national company to private or individual businesses.

This is how public and private businesses cooperate and mingle with each other, pursuing a fusion of different elements of business in the realization of a socialist market economy.

c. Fusion of Income Distribution System

In Communist China, income was distributed among the people in accordance with their labor and the income of non-labor was limited, since it was considered exploitation under capitalism. However, in socialist capitalism, the distribution system has been turned into one in which, with distribution by labor as a base, cares for efficiency and equity by compensated non-labor income distribution, such as earnings from securities or real estate. Socialist capitalism, while it encourages efficiency and rationalizes income gaps by inspiring model workers, tries to achieve a wealthy state gradually. It aims to realize both market efficiency and social equity at the same time.

2. Transience

Transience means the progressiveness of a phenomenon that does not belong to any of the two systems, socialist or capitalist. It has the connotation of a system “in the process” from an existing one to a new one and that has not been established yet.

Socialist capitalism is not independent either from a planned economy or from a free and mature market economy, but a mixture of the two. It is also a conjunction between the political dictatorship often observed in a planned economy and the multipolar political system of a free market economy. It is the step in transition from a socialist economy to a mature free market economy. In this transient economy, the capacity of production is adjusting to a new, more expansionary system of production.

This transience is also to be observed in the ownership and distribution system. Ownership has been diversified into the eight kinds mentioned above, with the promotion of private ownership of the means of production. In addition, fully nationalize enterprises are partly privatized and their productivity is encouraged to rise by separating ownership from management. The elimination of limitations on non-labor income distribution encourages people to be engaged in economic activity.

China's socialist capitalism system has a more transient nature than Russian or East European direct liberalization policies. For example, while 70% of industrial production in China was subject to

market pricing early in the 1990s, by the late 1990s the government was planning gradually to transform its controlled pricing into market pricing. Thus, China was successful with this progressive and transient price system transformation by avoiding the destructive impact of market-influenced price liberalization.

3. Flexibility

Flexibility means the agility to adjust to diversified and complex changes in the economic environment without being bound by rigid preoccupations or orders. Another characteristic of socialist capitalism is the less clear distinction among policy concepts, and thus it is not limited to a simple orderly framework.

Socialist capitalism should be considered as a system with diversity. With this diversity, a multi-faceted heterogeneous socialist capitalism system is now emerging, replacing a single-facet social economic system. This has brought flexibility to China's economic system. I believe this is proved by two issues – the decentralization of the administration and a changed corporate authority.

First, decentralization. In the planned economic system in Communist China, it was the centralized homogeneous economic system that ruled over decision-making on allocation of resources. A single designated plan by vertically integrated central government administrations worked in this system. So there was no effective resources allocation for local regions with care for their specific economic and social environments, and their economic development was limited. Local diversity was ignored. But under socialist capitalism, a more flexible and diversified economic system has been created and discretionary power over production, distribution and consumption has been transferred from the central government to local governments. With this, it has become possible to meet the needs of local economies in a flexible manner.

Second, on the changed corporate authority of national enterprises, this is reflected in (a) the separation of the CCP's political authority and corporate management authority, and (b) expanded corporate autonomy.

(a) *The separation of the Communist Party's political authority and corporate management authority of national enterprises.* Under the socialist planned economic system, the CCP alone controlled all organizational units ranging from central ones to local ones all over China. All the administration units and enterprises were faithful practitioners of the CCP's decisions. For long time, the CCP was the ultimate decision maker for enterprises as well as their supervisor. Those enterprises activities were not the result of decisions based on full-fledged market mechanisms. In the middle of the 1980s, as reform was underway in China, a corporate responsibility system

was introduced but each management decision was taken under the CCP's supervision. So management was not yet independent. But under socialist capitalism, with the separation of an enterprise's ownership and management, CCP influence over management has gone and its supervisory function has been weakened. Since the 1990s, the CCP has been limited to providing assistance to management, and thus management's corporate authority has expanded.

(b) *Expanded corporate autonomy.* Needless to say, it is important for a company to pursue its own business strategy under a market mechanism as a production unit of the whole society and also a responsible unit for innovation. But under China's planned economy, corporate autonomy was not realized, but was treated as part of the central administration. Such an organization evidently lacks incentives for innovative management and flexible reactions to changing business environments. This leads to a lack of motivation for R&D. In the current economic system, with the separation of the ownership and management of a company, many large national enterprises are in transition to a market economy from a planned economy. To achieve realization, since 1992 the Chinese government has given 14 autonomies to business firms, namely: clearance and managerial decision-making; product and service pricing; product sales; purchase of goods and materials; investment decision-making; disposal of retained funds; disposal of assets; alliances/absorptions/mergers; employment; personnel management; bonus and prizes distribution; disposal of intra-firm organizations; exports and imports; and rejection of burden assignments. A company can also adopt any of the three corporate management systems – subcontractor, leasing management and limited company. Small national enterprises can be sold to a group or an individual and thus be owned by them. Companies are thus at the moment in China free from government plans and orders, and can respond to changes in complex business environments autonomously in a flexible manner.

Conclusion: the Light & Shadow of the Chinese Economy

This socialist capitalism has been driving privatization and price liberalization. With this, FDI in and out has rapidly increased. China was successful in joining the WTO in 2002 as it had been expecting and achieved around 10% economic growth from 1992 until the beginning of the 2010s with its entry into globalization. In 2010, it became the second-largest economy in the world. It had more than 10 million private companies at the beginning of the 2010s. Their value-added exceeded 60% of GDP and their increased industrial

production was more than 15%, greater than that of national companies' 6.4%.

It is now private firms in China driving the economy. They account for more than 50% of national tax revenues, 60% of GDP, 70% of innovation, 80% of employment and 90% of all firms. In particular, as the main players in innovation, their patent applications and effective patents have reached nearly 80% of the total.

It has been said recently that the stagnation of China's economy today is due to excessive production and a shortage of domestic demand. But I believe the declining functions of socialist capitalism invented by Deng Xiaoping is the main reason. The current Chinese administration has now strengthened the leading role of national companies and the CCP's role in management, restricting private companies' activities over concerns about weakened national companies as the base of a socialist administration.

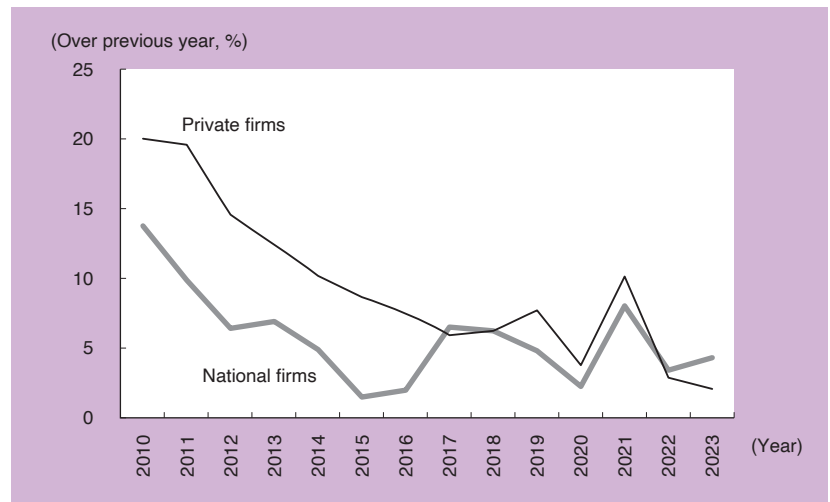
It has been noted today that private companies are falling into stagnation against the backdrop of strengthened regulation and a business recession. Private investment in January-July in 2023 declined over the previous year, and in industrial sectors the status of national companies and private companies was reversed in the rate of value-added or profits (Charts 1 & 2). The government's restrictions on large private IT companies has had a negative impact on business activity as well.

However, national companies' inefficiency matters. The proportion of national manufacturing companies with deficits reached 24.5% at the end of 2022, higher than in the case of private firms at 18.5%. The most urgent matter for China from now on is to improve the original functions of socialist capitalism – fusion, flexibility and transience – and accommodate a long-term business environment in favor of private business innovation.

Article translated from the original Japanese by Naoyuki Haraoka, editor-in-chief of Japan SPOTLIGHT & executive managing director of the Japan Economic Foundation (JEF).

CHART 1

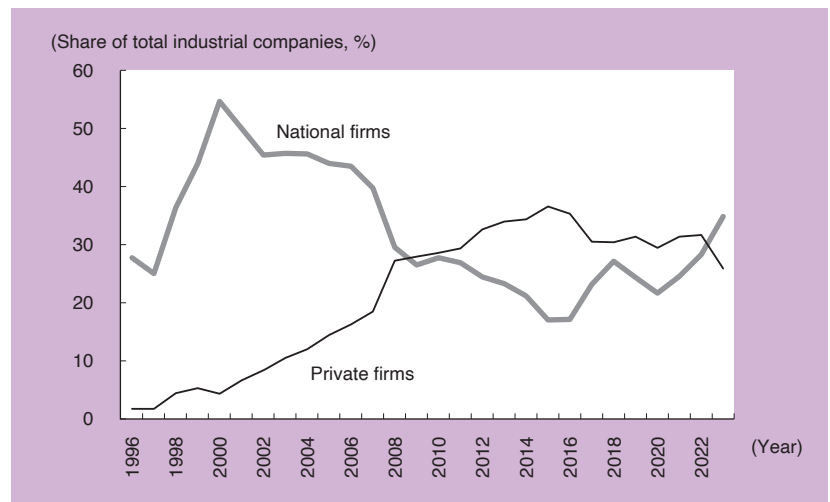
Rate of increase in value-added



Source: RIETI

CHART 2

Profits



Source: RIETI

Dr. Guo Sizhi is specially appointed professor at Teikyo University Okinaga Research Institute, and consulting fellow at the Japan Economic Foundation (JFE). He specializes in the international economy, the energy economy, and the Chinese economy. His current research focuses on the transformation of the international political and economic order, new energy, and economic security toward carbon neutrality, and decarbonization technology innovation. He is the author of numerous books, including *A History of the Industrial Revolution: The Transition of the International Order as Seen Through Innovation* and *The Decarbonizing Industrial Revolution*.

Kolkata Crimes



Author Aftab Seth

by **Krishnan Srinivasan**
(Har-Anand Publications, 2025)

By **Aftab Seth**

Talented Author & Distinguished Diplomat

Krishnan Srinivasan – Kris to those who know him – has had an extraordinarily distinguished career as a diplomat, as well as an author of scholarly works relating to various aspects of international relations. He has had diplomatic experience in parts of the Middle East, and several spells as head of missions in Africa. His tenure, at a turbulent time in the history of Bangladesh, resulted in a major book dealing with the fall of Gen. Hussain Ershad, the military ruler of Bangladesh. Apart from describing the situation of civil society in that revolution, the author included a memoir of his years as head of the mission in Dacca, now Dhaka. In later years, after serving as foreign secretary, he wrote a book about this period called *Diplomatic Channels* (2012).

After his tenure of several years as deputy secretary-general of the Commonwealth of Nations in London, he wrote a scholarly work titled *The Rise, Decline and Future of the British Commonwealth* (2005). During his long academic career, Kris spent time at Wolfson College and at the Centre for International Studies at Cambridge, and was also for a time – as was I – at Christ Church, Oxford.

Just before Covid struck the world in 2020, he was engaged in a scholarly work published as *Values in Foreign Policy* (2019). I had the privilege of being associated with this project and made a small contribution to it. Kris has continued all these years to publish articles on subjects relating to international matters in the leading newspapers of India. After such a storied diplomatic and academic career, it is a refreshing surprise to learn that he has also written several volumes of detective stories! The book under review is the eighth in this series.

Kolkata Crimes – Venues & Characters

Kolkata Crimes is a volume of a little under 300 pages comprising seven detective tales, which are racy, mysterious, and full of suspense, unfolding mainly in the Calcutta of the past, now Kolkata. The author takes us to many areas of this teeming metropolis, which in the early 20th century was called “the city of palaces” – a reference to the magnificent buildings in central Calcutta. He describes places such as Gariahat, a middle-class area with a strong

Bengali population, and the ancient Tollygunge Club features in more than one story (its golf course is said to be the second-oldest course in the world after St. Andrews in Scotland).

There are two main characters in *Kolkata Crimes* who appear in each story, and who are in fact in all the author’s earlier detective novels. One is a former Somali diplomat who has suffered immense personal tragedy: Ambassador Michael Marco has had a few postings abroad and one in India as a trade consul. He stays in Calcutta at an establishment colorfully called the “Wise Owl”. In the course of these stories, Marco makes utterances which often are reminiscent of his abode. His conversations with Koel Deb, the other main character, are replete with rare insights into human behavior, nuggets of wisdom and sometimes scintillating wit.

Deb herself is a brilliant young woman who has a prosthetic arm, the result of an earlier serious accident. She came first in the civil service exams, but chose not to join the higher civil services including the Foreign Service. Instead she opted for the Indian Police service. After her debilitating accident, she set up shop as a private detective, using her experience and contacts made while in the police, as well as in other echelons of Calcutta society. Deb’s chosen mode of transport, rather unusually, is a large Harley Davidson motorcycle on which she buzzes about the labyrinth of Calcutta’s streets and lanes.

The author draws sketches, with much facility, of some of the fascinating characters who people these pages. There is Mrs. Shahnaz Sarodana in Bombay, for example, most likely a Parsi, a racehorse owner who is concerned about her prize filly “Catalytic” and its safety. The Mahalakshmi Race Course in Central Bombay is the place where her valuable horse is stabled. There are fears that some persons might take action to harm this horse, and this is how Deb the detective is brought into the story.

The first meeting with Shahnaz Sarodana is described by Deb: “Mrs. Sarodana rose with a smile as I entered the terrace. It did not light up her face suddenly, but seemed to suffuse it by deliberate degrees. Her hair was presumably dyed because it was jet black and sleek and shining and sculpted around the ears. She was slim and held herself upright, but it was her beringed hands that most clearly betrayed her age that was in the late 50s, because they had none of a young women’s soft roundness.” Talking of the fashionable Mrs.

Sardona and her position in society: “In her circle, her social decrees were law, but she was said to have too many admirers not to have an equal number of enemies.”

Then there is the former Swiss diplomat, Hans Hartman, who learned Sanskrit in Benares and became a specialist in the languages of the Kuki and Mizo tribes of Northeast India. To add an air of mystery and barely disguised menace, Hartman is described thus: “Not everyone regarded Hartman as a harmless elderly scholar. To some who claimed to be in the know, he was a man of violent mood swings, an odd character who alienated people by being abrupt and who had generated gossip for decades, someone considered unstable and unfit for social life.” This Swiss scholar has an adopted daughter acquired from the orphanages of Kalimpong and Kurseong in northern Bengal. The girl is apparently of European descent, judging from a description of her physical features. Hartman and his daughter are the central figures in this particular story, which also involves a cast of other characters.

There is also a Japanese person by the name of Nakamura Sato. He buys art by famous Indian artists and invests in a Rabindranath Tagore painting. Sato is described by Parul, the lady looking after the art gallery: “These Japanese people are so smart and hi-tech and sell their products all over the world, and they have made so much money that they have more dollars than they know what to do with. Their latest fashion is to invest in art from abroad.” Parul is in fact referring to a type of Japanese who made huge amounts of money during the “Bubble Era” in the 1980s. That was a time when land values in Japan hit astronomical heights; the Imperial Palace in central Tokyo, for example, was valued as equal to almost all of Manhattan! Nakamura is obviously a Japanese of the Bubble Era ilk. He and the gallery are involved in alleged forgery and a network of con artists, which leads to unexpected situations.

There is also the incredibly smooth, glib, slightly shady society dentist Augustin. Augustin has little time for the hoi polloi, mixing as he does with Calcutta high society. His posh friends, heads of the top clubs in the city, the odd diplomat and other big business tycoons, have swinging parties at his special flat maintained ostensibly for such purposes. What actually happens at such fun parties is the subject of this story. The characters in the book also include some from the underworld of Calcutta. The bar owner of the Olympia Café,

Shirish Saha, is a case in point, “with a flat face and thinning hair ... with a loud voice, big paunch and a broad false smile ... like other bars in this area, it could have been a front for drugs, women and small arms. The local police were always welcome to use the place gratis, and were compensated sufficiently to look the other way.” In this part of the book there is a display of an uncanny familiarity with the nefarious activities in the seamy slums of Calcutta.

There are also scenes in picturesque places such as Kala Bhavan at Shantiniketan, the university set up by Nobel Laureate Tagore in the early 20th century. At Kala Bhavan, the Fine Arts center, there is an encounter between dour, humorless lawyer Anirban Raha and detective Deb, who describes the meeting thus: “Raha greeted me with all the enthusiasm of an usher at a funeral! ... waiting with the saturnine Raha could not help anyone’s mood, but there was nothing for it except to sit as far apart as possible ... and listen to Raha expounding the laws of consumer fraud.” This meeting relates to the same story which is set in the art gallery of Calcutta mentioned above.

Domestic Politics

As might be expected of an author who has spent a lifetime dealing with politicians of varying hues, there are perceptive comments on domestic political situations in India. In one story the following description is illustrative of this: “The Kolkata Police Commissioner was obliged to hold a press conference on the instructions of the Chief Minister who felt, perhaps unwisely, that it was better to head off any criticism or false rumours by revealing what could be revealed ... Commissioner Prasanta Chandra, flanked by a laconic Dutta and Shankar (who remained silent under the nation’s Home Minister’s strict injunction) did the best he could in front of a querulous crowd of journalists.” Many such journalists “had been confidentially briefed by the New Delhi Union government, to make things uncomfortable for the West Bengal state government.”

Those familiar with current domestic politics in India would see the accuracy with which the tenuous juxtaposition between the central government in Delhi and state government in Bengal is described.

Art, Literature & Music

Running through the book are dalliances of various varieties, extramarital affairs galore, some tender with a degree of depth, others imbued with starkly dark malice. Almost all such liaisons are inextricably intertwined with high intrigue, bloodcurdling danger, and in some cases death. Many of the stories in the book have a number of literary and musical references which lighten the narrative with attractive interludes. Ambassador Marco responds to Deb's statement about an occasion when she listened to Verdi's *Aida* in Italian in Delhi, with the following: "Ah Minnie [the name he uses for Deb] how satisfying, "If only my dream might come true, and to you my heavenly Aida, to return crowned with laurels." Similarly while talking to a young student HiraK, Marco says: "Some rise by sin, and some by virtue fall." HiraK's quizzical look is answered by Marco with aplomb: "Shakespeare, HiraK, 'Measure for Measure'."

Again, while driving in HiraK's car Marco says in response to a remark by the young student: "Perhaps you are right, HiraK. But as Chinese Premier Zhou Enlai said when asked about his assessment of the French Revolution: 'It is too soon to say.' HiraK, needless to say, is duly impressed by the erudite ambassador.

There are many more such quotes from literature and from Latin with which the author shows much familiarity. In the story about the art gallery in Calcutta, he displays his admiration of the work of some of the greatest Indian artists, including Raja Ravi Verma, M. F. Husain, K. K. Hebbar, Francis Souza, Laxma Goud and K. C. S. Paniker.

Tensions & Enigmas

As one might expect in detective stories, there are several points of palpable tension in the narrative. This is so in the story about a group of actors touring in Cooch Behar. Here is an example: "Satish played a card game of Solitaire by himself. Prabhat filed his nails and sulked. Asha stared at her mobile phone as if it explained the mysteries of the universe. And they seemed to be warily watching each other as well, creating an intense atmosphere ... they seemed to be sticking to each other, because each of them was afraid to leave the others alone for some reason."

No detective stories would be complete without a fair share of deaths, suspected murders and an occasional suicide. *Kolkata Crimes* does not lack any of these. On the contrary, there is a detailed litany of gory and at times grisly accounts of murders, which show a familiarity with medical detail: "Dutta gently opened the blouse to examine the cuts on her chest. As he did so, he and the paramedic leaped up in shock. The sternum of the corpse had been cut open and many of the ribs broken, exposing the interior cavity of her body." Equally macabre, when the body was removed to a hospital, there is the following olfactory description: "The smell of antiseptic and cleanliness gave way to the smell of the dead and damaged ... whether Indian or Swiss, poor or rich, the odour of the dead human being was identical."

The last story, "The Unravelling", which is the longest in the book, ends on a delightful, even if slightly enigmatic note. To savour the many joys of reading this book one has to go through each story carefully, in order to unravel the mysterious conclusions at the end of each chapter. In the case of this reviewer, some of the more complicated stories had to be read more than once! But it can be said without any hesitation that it was well worth the effort. **JS**

Aftab Seth is a former Indian ambassador to Japan, and has served in nine other countries around the world. Educated at St. Stephen's College and as a Rhodes Scholar at Christ Church, Oxford, he has also been both a student and professor at Keio University, and is a leader of several educational and cultural organizations in Japan. In recognition of his outstanding contributions to bilateral relations for more than half a century, he received Japan's highest decoration, The Grand Cordon of the Order of the Rising Sun, from the emperor in November 2015.

Review of JEF Forums in 2025 – Resisting Power-Based International Governance



Author Naoyuki Haraoka

By Naoyuki Haraoka

Future historians might note 2025 as a year of power-based international chaos. Ominous signs of global depression due to rising protectionism, such as the US tariff policy and China's economic coercion and inflation triggered by the tariffs, emerged around the world. While a global economic recovery from deflation due to the Covid-19 pandemic was still weak, inflationary pressure and tightening monetary policy to curb it threatened the global economy with stagflation. The developed nations' government debt skyrocketed following attempts to erase deflationary pressure stemming from the pandemic-hit economy.

The Japan Economic Foundation (JEF) has been working to address such economic disasters brought about by power-based protectionism and advocating for the restoration of a rules-based international trade regime to ensure global economy stability and sustainability. A power-based international regime benefits only superpowers, while middle and smaller powers' interests are ignored.

For example, US President Donald Trump's tariff policy is discriminatory and arbitrary, and as such is a clear violation of the WTO's MFN principle which has been important in protecting the interests of small powers. In addition, the trade policy of the United States today is a cause of intolerable unpredictability in the business environment. Business in middle and smaller powers in particular would suffer from loss of profits that would have been secured in a more predictable business environment. Would such unpredictability discourage even superpower nations from pursuing stable business earnings? In many cases, yes, though in the short term a superpower's unpredictable protectionist policies could benefit its business; but with possible retaliation by other powers and also the possible decline of its profits due to stagnant business among its partners, even the superpower initiating protectionist policies would suffer. So a power-based international economy would be disastrous not only for middle and small nations but also for superpowers.

Since the end of World War II, democracy has been playing a major role in peace and prosperity, in particular in the Western powers, and nobody has imagined that imperialism would be reborn. It is an irony, nonetheless, that it is democracy itself that can give rise to authoritarian political leaders. How is it that people prefer authoritarian leaders seeking imperialistic solutions to

international issues and choose them in democratic elections? How is it that nationalism is their solution for economic and social challenges?

The current economic challenges faced by nations today are all rooted in this political question.

What we call populism is one outcome of politics in some developed nations, but we must not regard it as entirely negative: we need to respect what populism is aiming for and think about the best solutions. At JEF, we believe the best answer is internationalism and not nationalism. After all, what populism seeks primarily is economic benefits. One of the causes of populism is inequality, and we need to correct it. But a power-based economic regime will not be the answer.

Today, all developed nations face limited growth due to population growth decline and domestic market decline, and in trying to stimulate their economies they will find severe fiscal constraints. The best way to make a nation wealthy is to expand international trade and investment, as in the case of the many rising markets among developing or emerging economies. All political issues can be resolved by wealth, and thus seeking wealth by free trade and investment endorsed by a rules-based international regime could lead to allaying the desire for political populism.

Today's trade policy discussions are exactly opposite to this thought. Restricting trade and investment by protectionism would be the wrong answer to the inequality issue faced by many developed nations. Expanded international trade and investment would increase effective demand in each domestic economy, and with this there would be a decline in income inequality, as global trade expansion would benefit not only the wealthy but also the poor people if the growth in overall GDP is equally distributed among the nation. This is what Japan's high growth era has demonstrated.

JEF's roundtables and panel discussions organized in collaboration with overseas research institutes in FY 2025 were arranged based on this shared belief. We believe that our mission is to correct misunderstandings about international trade and showcase the merits of a rules-based international trade regime, resisting the major trends of protectionism and nationalism.

We would need to enhance our communication capacity to convince a wide range of people of the merits of a rules-based international trade system. We would need to create a trend in

which populism supports a rules-based free trade. This is not unrealistic. When late Japanese Prime Minister Shinzo Abe took the leadership in concluding the CPTPP in 2017 after the US had withdrawn from the TPP agreement, Japanese leaders were then successful in creating a populist trend in Japan supporting the CPTPP, a regional free trade agreement, that turned long-standing political protection of the agricultural sector into the opposite trend by emphasizing the merits of FTAs and strengthening the competitiveness of Japanese agriculture. This is a good example highlighting the possibility of reversing trends of populism.

Europe-Japan Forum

The Europe-Japan Forum in FY 2025 was held in Paris on July 8-9, 2025, titled “Charting New Paths: Europe and Japan in an Evolving Landscape” in collaboration with the Aspen Institute France. Three issues were discussed: climate change and energy security, demographic growth in an aging society, and enhancing rules-based global trade amidst rising imperialism.

The seeming US withdrawal from global leadership under the Trump administration and the emergence of China as an aggressive authoritarian player in the global economy were in the background of the discussions. The changes in the geopolitical landscape were truly beginning to affect all the policy agenda. Globalization will remain a reality, and thus domestic issues cannot be separated from the international landscape.

On climate change and energy security, Europe and Japan would need to pursue the convergence of decarbonization, energy security and geopolitical instability. With the US reinforcing fossil fuel competitiveness, Europe and Japan should intensify their efforts for mitigation of CO₂ emissions and at the same time cope with China’s aggressive industrial policy by encouraging competitiveness for such goods as solar panels or EVs through enhancement of industrial and strategic resilience. Economic security, including energy security to deal with geopolitical crises, complicates solutions for global environment and economic growth.

On demographic growth, Europe and Japan are both facing low fertility rates and the risk of productivity decline in an aging society. They would need to continue their efforts to sustain the growth of

their domestic economies by maintaining growth in working populations and productivity. Both should pursue the possibility of “silver growth” with more aged but healthy people in their work forces or maintain or increase the flow of immigrant labor with relevant policy measures to avoid social conflicts, or strengthen efforts to raise labor productivity by expansive use of AI.

Finally, on trade policy, it was emphasized that Europe and Japan would need to work together to strengthen their alliance for the restoration of a rules-based global trade regime. A so-called middle power alliance to achieve a rules-based approach amid the unpredictable trade policies of superpowers is well represented by the Europe-Japan alliance under a malfunctioning WTO.

US-Japan Forum

The US-Japan Forum in FY 2025 was held in Washington D.C. on Oct. 5/6, 2025, in collaboration with Prof. John Ikenberry at Princeton School of Public and International Affairs. Prof. Ikenberry is a distinguished international political scientist at Princeton University and we benefited from his worldwide reputation and also collaboration with academics and students in the organization of our roundtable.

The forum was titled “The US-Japan Forum in the Midst of Drastic Changes of Economy, Technology and Strategy” and we were asked to discuss the intertwined relations among economic interests, emerging high technology and geopolitics. What would be the consequences of these relations? How would we reconcile diverging national interests among the superpowers and middle powers? How could the US-Japan alliance evolve under these intertwined relations?

There were three sessions in this forum. Session 1 highlighted the importance of US-Japan technology and industrial cooperation to cope with China’s aggressive industrial policy. In particular, for the US and Japan, strengthening supply chain resilience in strategic sectors like critical minerals and semiconductors must be a common priority for both nations.

Session 2 was a discussion on the future of US-Japan national security cooperation in the Indo-Pacific Ocean. The critical question was whether the nature of the US-Japan alliance for national



Europe-Japan Forum



US-Japan Forum

security has been changed or not under the Trump administration. In order to strengthen this alliance against the background of rising geopolitical risks, Japan, as an ally, would need to strengthen its commitment to national security.

We had an informal session not open to the public to discuss the “America First” trade policy and the challenges to maintaining a rules-based international economic order. The US side was pessimistic about the possibility of concluding new regional or multilateral trade agreements. Japan and its US trading partners would need to pursue a creative approach for restoration of a rules-based international economic order.

Japan-Asia Pacific Forum

The Japan-Asia Pacific Forum in FY 2025 was held in Bangkok on Nov. 6/7, 2025. The Thai Development Research Institute (TDRI) collaborated with JEF to host this forum, which was titled “Revisiting the Future of the Asian Economy: Trade, Technology and Sustainability in a Complicated Geopolitical Environment”. The members of this forum were diverse, such as ASEAN, Japan, South Korea, China, Australia and New Zealand, plus ERIA (OECD in the Asian version). Thus their reactions to today’s geopolitical risks were diverse, though they face common challenges, such as economic security related to high technology and energy security while pursuing sustainable growth.

There were three sessions. The first session highlighted the digital economy and innovation in intensified high technology global competition. This high-tech related competition is often interpreted as geopolitical confrontation, such as the conflict between democratic nations and authoritarian nations. Pursuing a growth strategy led by digitalization and innovation would be a narrow path and there would be a need to derisk in supply chains to avoid decoupling due to intensified confrontation between the superpowers.

The second session focused on climate change and highlighted how the member nations could accelerate a fair and inclusive

transition to green economy, while balancing the three goals of energy security, economic growth and a sustainable environment.

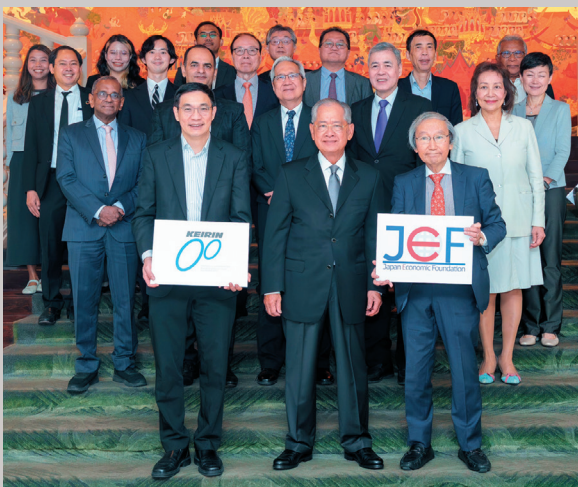
The third and closed session discussed how the Asia-Pacific nations should respond to the challenges to the international trade order today: rising nationalism, accelerated protectionism, the risk of decoupling, and policy uncertainty. How to deal with these and restore a rules-based international trade order is a common challenge for the member nations, and the RCEP and CPTPP, as well as an alliance between the CPTPP and the EU, could be used as platforms for this. As a driving force of global growth, these nations’ responsibility is held to be significant.

China-Japan-Korea Cooperation Dialogue

The trilateral policy dialogue among China, Japan and South Korea was held in Tokyo on Aug. 21/22, 2025. As always, the China Institute for Reform and Development (CIRD), the East Asia Foundation (EAF) in South Korea and JEF were the co-sponsors of this dialogue, which was titled “Enhancing Trilateral Cooperation Amid Shared Economic Challenges”. One of those shared economic challenges is US trade protectionism and its high-tariff policy, which is clearly a violation of the WTO MFN principle. Session 1 focused on this issue in discussing how to strengthen rules-based free trade in East Asia while thinking about the implications of the US policy. How to protect existing FDI is an important issue in this context, as international trade is now facing high tariffs and FDI should be another way to avoid such protectionism.

Session 2 highlighted climate change and energy security. The crucial role of technological cooperation among the three nations to achieve decarbonization, economic growth and environmental sustainability was emphasized.

Session 3 was forward-looking – the so-called Youth’s Session, promoting dialogue among young people. This is important for building up productive and mutually beneficial relations. Tourism is becoming an important industry for all three nations, and business dialogue among young people to promote tourism and to strengthen earning capacity in the three nations was discussed. JS



Japan-Asia Pacific Forum



China-Japan-Korea Cooperation Dialogue

Naoyuki Haraoka is editor-in-chief of *Japan SPOTLIGHT* & executive managing director of the Japan Economic Foundation (JEF)

What Lies Ahead for Japan's Primary Fiscal Balance?



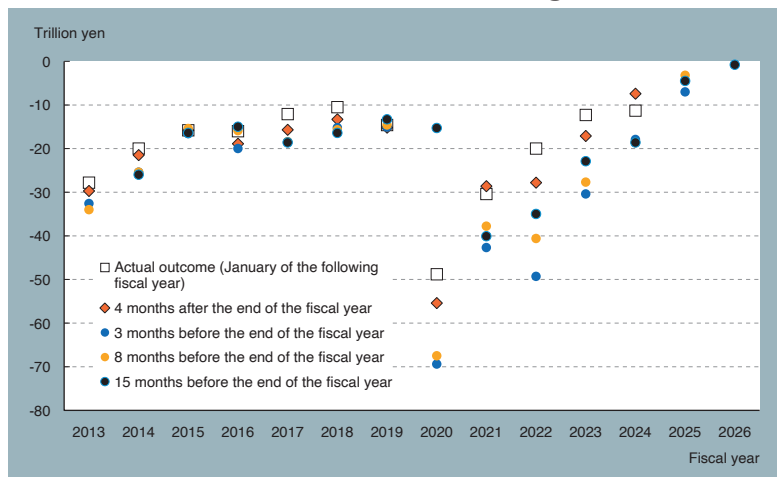
Author Nobuo Iizuka

By Nobuo Iizuka

While the Cabinet of Prime Minister Sanae Takaichi advocates for a “responsible expansionary fiscal policy”, the fate of Japan’s primary fiscal balance (primary balance) is gaining attention. This is because while the Japanese government had thus far pursued its aim of achieving a primary budget surplus by fiscal 2025, the Takaichi government since its inception has abandoned a single-year target for achieving a primary budget surplus and has instead indicated a policy of seeking a balance over multiple years. For this article, let us view the outlook for Japan’s fiscal situation based on the “Economic and Fiscal Projections for Medium to Long Term Analysis” (Cabinet Office) which was released on Jan. 22, 2026, and others.

The Economic and Fiscal Projections for Medium to Long Term Analysis gives the economic and fiscal prospects for the next 10 years and is released twice a year. According to the latest projections released in January 2026, even under the “past trend projection scenario”, in which the Japanese economy continues to grow in line with its historical trend, the primary balance is expected to turn into a surplus in fiscal year 2027. In the previous projections published in July 2025, a primary balance surplus had been expected in fiscal year 2026; therefore, the achievement of a surplus has been delayed by one year.

CHART 1
Primary balance projections & actual outcomes of the central & local governments



Source: Cabinet Office “Economic and Fiscal Projections for Medium to Long Term Analysis”

Actual Outcomes Exceeding Projections

What is the reliability of this fiscal projection? *Chart 1* compares the fiscal projections and actual outcomes since 2013. Taking fiscal 2024 as an example, “15 months before the end of the fiscal year” was the projection released on Jan. 22, 2024, which was the period when the initial budget was debated at the Diet, “8 months before the end of the fiscal year” was the projection released on July 29, 2024, “3 months before the end of the fiscal year” was the projection released on Jan. 17, 2025, “4 months after the end of the fiscal year” was the projection released on Aug. 7, 2025, and “actual outcome” is the projection released this time.

Actual outcomes exceeded all projections at each point in time six times, for fiscal 2013, 2014, 2017, 2018, 2022 and 2023 (for fiscal 2013, there is no projection for January 2013 which corresponds to 15 months before the end of the fiscal year). Comparisons for 15 months before the end of the fiscal year showed that fiscal 2021 also exceeded the actual outcome. In contrast, the only year in which the actual outcome was significantly below the 15 months before the end of the fiscal year projection was fiscal year 2020 during the coronavirus pandemic.

Why Higher Than Expected Tax Revenue Exceeded Projections

What is the reason behind this discrepancy between the projections and the actual outcomes? Let us focus on the general account basis which allows for examining the breakdown of the fiscal projections. *Chart 2* compares the tax revenue projections and actual outcomes in the central government’s general account since 2013 (note that figures are actual outcomes as of July after the end of the fiscal year). Actual outcomes exceeded all projections for each point in time eight times for fiscal 2013, 2014, 2017, 2018, 2021, 2022, 2023, and 2024. This coincides with fiscal years when actual outcomes for the basic fiscal balance exceeded projections. This can be considered the primary reason for the increase in tax revenue exceeding projections.

On the other hand, while projections and actual outcomes were aligned until fiscal 2019 for expenditures, the primary fiscal balance for fiscal 2020

worsened significantly compared to actual outcomes (Chart 3). This can be understood to be because tax revenue dropped compared to projections and expenditures hugely increased compared to projections, due to measures against the coronavirus pandemic and other measures.

However, the degree to which it exceeds has been gradually decreasing since fiscal 2021. Takaichi has explained that the necessary budget was included in the initial budget, and thus if taken at face value, it can be expected that the gap between the projections 15 months before the end of the fiscal year and actual outcomes may narrow to levels prior to fiscal 2019.

Can Tax Revenue Projections Exceed Outcomes for Fiscal 2025 & 2026?

The tax revenue outlook for fiscal 2025 was 78.4 trillion yen, according to the projection released on Jan. 17, 2025 (15 months before the end of the fiscal year), but according to the projection which was released on Aug. 7, 2025 (eight months before the end of the fiscal year), it was revised downward to 77.8 trillion yen. According to the projection which was released this time at 80.7 trillion yen, it is an increase by 7.3% compared to fiscal 2024. The projection for fiscal 2026 is 83.7 trillion yen, up 3.7% compared to the fiscal 2025 this time.

Government tax revenue from fiscal 2021 to 2024 continued to exceed “15 months before the end of the fiscal year”. During this time, the actual outcome for the nominal GDP growth rate in the government’s economic outlook, which is said to form the basis for tax revenue projections, was below projections for fiscal 2021 and 2022. It can be interpreted as actual outcomes exceeding cautious tax revenue projections. On the other hand, actual outcomes exceeded government projections for fiscal 2023 and 2024, and it can be interpreted as tax revenue also exceeding projections due to growth surpassing the outlook.

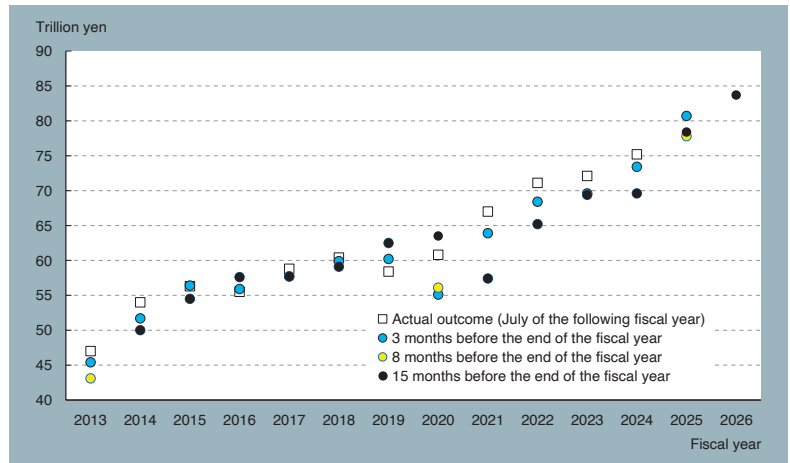
According to the government’s economic outlook approved by the Cabinet on Jan. 23, the projected actual nominal GDP growth rate for fiscal 2025 is 4.2%. In contrast, according to the “ESP Forecast” which was released on Jan. 15, the average forecast by private research institutions is 3.98% and the government outlook exceeds that of the private sector.

It is the same for fiscal 2026. While the initial outlook for the nominal GDP growth rate in the government economic outlook is 3.4%, the average forecast by private research institutions in the “ESP Forecast” is 2.79% and the government outlook is again exceeding the private sector.

Will actual outcomes also exceed outlooks for fiscal 2025 and 2026? We must first wait for the actual outcomes for the growth rate and tax revenue for fiscal 2025.

CHART 2

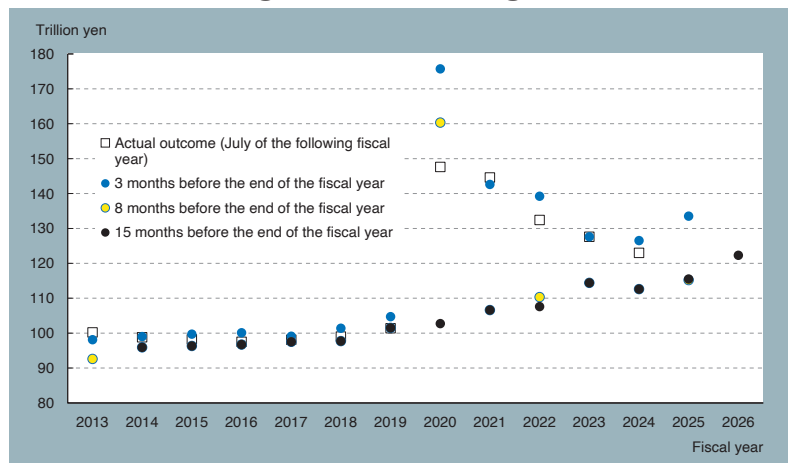
Tax revenue projections & actual outcomes in the central government’s general account



Source: Cabinet Office “Economic and Fiscal Projections for Medium to Long Term Analysis”

CHART 3

Expenditure projections & actual outcomes in the central government’s general account



Source: Cabinet Office “Economic and Fiscal Projections for Medium to Long Term Analysis”

The Takaichi administration has dissolved the House of Representatives, and a general election will be held on Feb. 8. By the time this *Japan SPOTLIGHT* March/April 2026 issue is published, the political situation may have changed, and the outlook for the fiscal balance could also be affected.

NOTE: This article was based on available information as of Jan. 26, 2026.

Article translated from the original Japanese by Mio Uchida

JS

Nobuo Iizuka is a professor of the Department of Economics at Kanagawa University. He worked for the *Nihon Keizai Shimbun (Nikkei)* and the Japan Center for Economic Research for more than 20 years, and is one of the most highly-regarded commentators on Japanese business and the economy.

Calendar year, Quarter and Month	Real GDP		Nominal GDP		IIP rate of increase over previous year/term (month) (%)	CPI (All terms, less fresh food) rate of increase over previous year/the same term (month) of the previous year (%)
	Amount (trillion yen)	Rate of increase over previous year/term (%)	Amount (trillion yen)	Rate of increase over previous year/term (%)		
2018	580.9	0.8	569.2	0.7	0.6	0.9
2019	579.1	-0.3	571.8	0.5	-2.6	0.6
2020	554.3	-4.3	554.1	-3.1	-10.4	-0.2
2021	574.0	3.6	573.6	3.5	5.4	-0.2
2022	581.7	1.3	584.9	2.0	-0.1	2.3
2023	585.9	0.7	616.0	5.3	-1.3	3.1
2024	584.5	-0.2	634.2	3.0	-2.6	2.5
2025	590.7	1.1	662.8	4.5	0.8	3.1
2025/1st Qtr.	590.3	0.3	651.8	0.9	-0.3	3.1
2nd Qtr.	593.3	0.5	665.3	2.1	0.4	3.5
3rd Qtr.	589.4	-0.7	665.1	0.0	0.1	2.9
4th Qtr.	589.7	0.1	668.9	0.6	0.8	2.8
2025/May	—	—	—	—	-0.1	3.7
June	—	—	—	—	2.1	3.3
July	—	—	—	—	-1.2	3.1
Aug.	—	—	—	—	-1.5	2.7
Sept.	—	—	—	—	2.6	2.9
Oct.	—	—	—	—	1.5	3.0
Nov.	—	—	—	—	-2.7	3.0
Dec	—	—	—	—	-0.1	2.4
Sources	"SNA (National Accounts of Japan)", Cabinet Office				"Indices of Industrial Production", Ministry of Economy, Trade and Industry	"Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs and Communications

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Exports amount (trillion yen)	Exports rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount (trillion yen)	Imports rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to US (trillion yen)	Exports to US rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from US (trillion yen)	Imports from US rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to EU (trillion yen)	Exports to EU rate of increase over previous year/ the same term (month) of the previous year (%)
2018	81.5	4.1	82.7	9.7	15.5	2.4	9.0	11.4	7.7	7.8
2019	76.9	-5.6	78.6	-5.0	15.3	-1.4	8.6	-4.2	7.4	-3.0
2020	68.4	-11.1	68.0	-13.5	12.6	-17.3	7.5	-13.7	6.3	-15.1
2021	83.1	21.5	84.9	24.8	14.8	17.6	8.9	19.6	7.7	21.4
2022	98.2	18.2	118.5	39.6	18.3	23.1	11.8	31.9	9.4	22.0
2023	100.9	2.7	110.4	-6.8	20.3	11.0	11.6	-1.7	10.4	10.9
2024	107.1	6.2	112.7	2.1	21.3	5.1	12.7	9.8	10.0	-3.9
2025	110.4	3.1	113.1	0.3	20.4	-4.1	12.9	1.6	10.1	1.3
2025/1st Qtr.	26.9	7.4	28.5	5.8	5.3	7.1	3.1	-0.9	2.4	-7.6
2nd Qtr.	26.5	-0.0	27.1	-3.3	5.0	-8.1	3.1	-9.2	2.4	0.7
3rd Qtr.	27.2	0.4	27.8	-3.4	4.7	-12.3	3.3	5.4	2.5	2.1
4th Qtr.	29.9	4.9	29.7	2.4	5.4	-2.5	3.4	12.2	2.8	9.8
2025/May	8.1	-1.7	8.8	-7.7	1.5	-11.0	1.1	-13.5	0.8	4.9
June	9.2	-0.5	9.0	0.2	1.7	-11.4	1.0	-2.2	0.8	3.6
July	9.4	-2.6	9.5	-7.5	1.7	-10.1	1.1	-0.9	0.9	-3.4
Aug.	8.4	-0.1	8.7	-5.5	1.4	-13.7	1.1	11.6	0.8	5.6
Sept.	9.4	4.2	9.7	3.0	1.6	-13.3	1.1	6.8	0.9	5.0
Oct.	9.8	3.6	10.0	0.7	1.8	-3.1	1.2	21.0	0.9	9.2
Nov.	9.7	6.1	9.4	1.4	1.8	8.8	1.1	7.2	0.9	19.5
Dec	10.4	5.1	10.3	5.2	1.8	-11.1	1.1	8.5	1.0	2.5
Sources	"Trade Statistics of Japan", Ministry of Finance									

Calendar year, Quarter and Month	Cash salary amount rate of increase over previous year/the same term (month) of the previous year (%)	Active job openings-to-applicants ratio (time(s))	Unemployment rate (%)	M2 rate of increase over previous year/ the same term (month) of the previous year (%)	Balance of payments		Yen/\$ rate (averaged during the term)
					Trade balance (trillion yen)	Current balance (trillion yen)	
2018	1.4	1.61	2.4	2.9	1.1	19.5	110.4
2019	-0.4	1.60	2.4	2.4	0.2	19.3	109.0
2020	-1.2	1.18	2.8	6.5	2.8	16.0	106.8
2021	0.3	1.13	2.8	6.4	1.8	21.5	109.8
2022	2.0	1.28	2.6	3.3	-15.5	11.4	131.4
2023	1.2	1.31	2.6	2.5	-6.6	22.3	140.5
2024	2.8	1.25	2.5	1.7	-3.7	28.7	151.5
2025	2.3	1.22	2.5	1.2	-0.8	31.9	149.6
2025/1st Qtr.	2.2	1.25	2.5	1.1	-1.7	7.3	152.5
2nd Qtr.	2.4	1.24	2.5	0.7	-0.1	6.7	144.5
3rd Qtr.	2.4	1.21	2.5	1.3	0.1	10.6	147.5
4th Qtr.	2.2	1.18	2.6	1.7	0.9	7.2	154.1
2025/May	1.4	1.24	2.5	0.6	-0.5	3.3	144.8
June	3.1	1.22	2.5	0.8	0.5	1.3	144.5
July	3.4	1.22	2.3	1.0	-0.2	2.6	146.9
Aug.	1.3	1.20	2.6	1.3	0.1	3.6	147.6
Sept.	2.1	1.20	2.6	1.5	0.2	4.4	147.9
Oct.	2.5	1.18	2.6	1.6	0.1	2.8	151.3
Nov.	1.7	1.18	2.6	1.7	0.6	3.7	155.1
Dec.	2.4	1.19	2.6	1.7	0.1	0.7	155.9
Sources	"Monthly Labour Survey", Ministry of Health, Labour and Welfare	"Employment Referrals for General Workers", Ministry of Health, Labour and Welfare	"Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications	"Money Stock", Bank of Japan	"Balance of Payments", Ministry of Finance		Bank of Japan

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Imports amount from EU (trillion yen)	Imports from EU rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to Asia (excluding China) (trillion yen)	Exports to Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from Asia (excluding China) (trillion yen)	Imports from Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to China (trillion yen)	Exports to China rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from China (trillion yen)	Imports from China rate of increase over previous year/ the same term (month) of the previous year (%)
2018	8.8	10.6	28.8	2.9	20.0	7.8	15.9	6.8	19.2	4.0
2019	8.8	0.3	26.6	-7.6	19.0	-5.3	14.7	-7.6	18.5	-3.9
2020	7.8	-12.1	24.1	-9.4	17.2	-9.4	15.1	2.7	17.5	-5.1
2021	9.5	21.8	30.2	25.0	20.7	20.6	18.0	19.2	20.4	16.4
2022	11.4	21.1	36.4	20.6	28.6	37.8	19.0	5.7	24.8	21.9
2023	11.4	-0.2	34.7	-4.6	27.6	-3.4	17.8	-6.5	24.4	-1.7
2024	12.0	4.7	38.0	9.4	28.6	3.7	18.9	6.2	25.3	3.6
2025	12.7	6.4	41.1	8.2	29.0	1.5	18.8	-0.4	26.7	5.5
2025/1st Qtr.	3.1	15.9	9.9	13.2	7.5	9.4	4.4	0.7	6.5	10.9
2nd Qtr.	3.2	7.0	9.8	6.6	6.8	-2.7	4.6	-4.7	6.4	3.2
3rd Qtr.	3.2	-1.6	10.3	4.9	7.2	-3.5	4.7	0.5	6.5	2.5
4th Qtr.	3.3	5.9	11.1	8.6	7.6	3.2	5.1	1.8	7.3	5.6
2025/May	1.1	7.3	3.0	5.5	2.1	-9.4	1.4	-8.8	2.1	-2.3
June	1.1	14.6	3.4	4.9	2.4	3.7	1.6	-4.7	2.1	5.3
July	1.1	5.7	3.5	1.4	2.4	-10.0	1.6	-3.5	2.2	-3.9
Aug.	0.9	-20.1	3.2	2.7	2.3	-2.9	1.5	-0.5	1.9	2.1
Sept.	1.1	11.1	3.6	10.7	2.6	2.8	1.6	5.8	2.4	9.8
Oct.	1.0	-9.0	3.5	5.3	2.6	0.3	1.7	2.1	2.5	0.8
Nov.	1.0	6.8	3.6	7.9	2.4	4.2	1.6	-2.5	2.4	2.4
Dec.	1.2	21.2	3.9	12.5	2.6	5.3	1.8	5.5	2.5	14.7
Sources	"Trade Statistics of Japan", Ministry of Finance									



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