



Recent JEF Activity

Working Towards Global Peace & Prosperity – JEF Activities in 2013

By Kiyomi Nakahata

Introduction

A passion for free trade has always been an engine of JEF activities. This has resulted in the successful start of many important FTA negotiations for Japan, including most recently the Trans-Pacific Partnership (TPP) negotiations. Our former chairman, Noboru Hatakeyama, in particular worked hard during his 11-year term up until last March to organize many international conferences, where many distinguished trade and economic policy experts had the chance to discuss future trade and economic issues. The Asia-Pacific Forum is one such forum in which influential opinion leaders among the ASEAN+6 countries get together and discuss how to promote trade liberalization through regional as well as bilateral FTAs. Since each of them, whether a scholar or an ex-bureaucrat, has sufficient political power to influence his or her country's trade policy decision process, the outcome of our discussions has been the commencement of a certain number of FTA negotiations, such as those for the TPP, RCEP and China-Japan-South Korea FTA.

Having worked for JEF for almost 30 years and currently as a budget and accounting staffer, even as an internal critic of our activities as a budget official I still think we have made an invaluable contribution to global trade liberalization, and ultimately global peace and prosperity, as recently symbolized in the establishment by our colleagues at the Singapore Institute of International Affairs of the Hatakeyama Dialogue in honor of our former chairman's distinguished contribution to regional trade liberalization through the Japan-Asia Pacific forum.

I know there are people opposed to trade liberalization, and in particular the TPP. However, we need rules in the game of trade and investment, otherwise the rule of the jungle will win, meaning the stronger will always rule the world. We should establish fairness and thus we need trade rules agreed upon regionally or globally, preferably for the purpose of free trade, though exceptions can be made if members agree on them. Our activities have been instrumental in achieving this.

International Conferences in 2013

Following the Tokyo meeting of the Asia-Pacific Forum in 2012, which was successful in defining FTAs as one of the most important growth strategies, and clearly having contributed to the Japanese government's decision to join the TPP negotiations, JEF organized the Asia-Pacific Forum in 2013 last November in Canberra in collaboration with the Crawford School of Public Policy at the Australian National University under the leadership of our new chairman, Kazumasa Kusaka. Prof. Peter Drysdale of ANU, a distinguished international political economy expert who led the Australian team, was very keen on Asia-Pacific trade liberalization initiatives and their role in improving the global trading system. Participants in this forum also discussed the prospects and risks of Asian growth, which would be a key factor in achieving further trade liberalization in this area. They calibrated a future direction for the TPP and RCEP and also for the WTO, and reconfirmed that both regional and multilateral trade liberalization efforts would play a key role in achieving sustainable economic growth. A regional FTA was considered the main method of achieving free trade if the Doha Round continues to be a stumbling block. However, more than a few panelists were still hopeful that concluding WTO negotiations could avoid the possibility of a "spaghetti bowl" syndrome with domestic rules of origin being applied among different regional and bilateral FTAs.

In summing up, it was a great opportunity to reconfirm the important role of Asia-Pacific FTAs in global trade liberalization with Australian trade experts. In particular, we were successful in expanding discussions of the Asia-Pacific area's FTAs themselves to their role in the global trading system for the first time in the 11-year history of the Asia-Pacific Forum. Another development was that discussions covered the issue of risks to Asian growth such as the "middle income trap" – the possible decline of growth triggered by a loss of competitiveness due to wage increases as economies continue to develop.

The US-Japan Forum has also been focusing on trade policy issues. The 2012 forum in collaboration with The Cato Institute in Washington D.C. was no exception. The TPP was one of the issues discussed there and this discussion made a substantive contribution to the Japanese government's final decision to join the negotiations.

The 2013 US-Japan Forum was very different from the previous ones in terms of the topics. The subject was "State Intervention and Private Enterprise: Japan, the US and China". The forum was organized in New York last October in collaboration with the Columbia Business School at Columbia University. Prof. Hugh Patrick led the Columbia University team.

I think the adoption of this topic by the US side itself is a sign of a fundamental change in American capitalism, since the US has for several decades been a strong advocate of free markets and free enterprise-oriented capitalism, denying the effectiveness of government intervention. The change was probably brought about in the wake of the Lehman Shock of 2008, since a number of large-scale government interventions such as the one that saved General Motors from catastrophe have been made.

Photo: JEF



Public forum — Asia's economic challenges and policy choices, Canberra, November 2013

China is well known for its state capitalism in which state enterprises play a key role, and in Japan “Abenomics” has an element of a new industrial policy symbolized by the Cool Japan Fund promoting animations, fashion, cuisine and other Japanese culture-related industries through government-initiated funding. Thus a fundamental change in capitalism all over the world has been occurring and the future of global capitalism seems to be one of the most popular topics for political economists.

I was impressed, though, by one of the discussants' point of view that regional and global negotiations to achieve common rules for trade and investment will be increasingly highlighted as a tool to check on the legitimacy of these government interventions. As he told us, we will need a balance between the role of government and the role of the market in this new capitalism.

The third annual forum is the Europe-Japan Forum. The one in 2013 was held in Paris last July in collaboration with *Institut Aspen France*. Former French Finance Minister Christian Sautter, co-chairman of the institute's managing board, and Martine Bizouard-Hayat were leading figures in the French team. The Europe-Japan Forum is generally assumed to be a fruitful occasion for exchanging views on common global challenges, such as restoration of the economy from financial and economic crises, long-term economic challenges like aging, energy and environment, and the pursuit of optimal trade regimes, whether regional, global or bilateral. Europe and Japan are considered to be facing common socioeconomic structural changes in their economies, and thus an exchange of knowledge and information was considered mutually beneficial.

Whereas the forum in 2012 in Tokyo highlighted the EU currency crisis and was instrumental in allaying rising anxieties in Japan about the sustainability of the euro, the forum in 2013 highlighted Abenomics, which was then dominating global interest in Japan. A distinguished Japanese economist, Prof. Takatoshi Itoh, from the University of Tokyo, presented a convincing argument that Abenomics will eventually work well in contributing greatly to a global business recovery.

I would say there was a relevant selection of topics at the forum and that it was successful in meeting the Europeans' interests.

Finally, I would like to note that two promising young researchers participated in the US-Japan Forum (Mikito Terachi, research fellow and assistant professor at the Center for Global Communications at International University of Japan) and the Asia-Pacific Forum (Hideyuki Miura, assistant professor of international political economy at the Department of Policy Studies at Kyourin University, Tokyo), and their reports are available on our website.

Wide Range of Other Activities

Our other activities cover quite a wide range of issues. In addition to *Japan SPOTLIGHT* highlighting topical issues and thus attempting to be an Asian version of the US journal *Foreign Affairs*, we publish policy proposals based on discussions by distinguished political scientists and economists and held at the JEF meeting room. Our policy report in 2012 highlighted agricultural reform in Japan and I believe some of the proposals have been adopted by the current administration, including the elimination of a rice production adjustment policy. In 2013, we organized a policy discussion on global governance for international scholars of economics and politics. A report can be found in the November-December 2013 issue of *Japan SPOTLIGHT*. Whether this discussion will be reflected in reforms of the G20 or G8 or the other global groupings remains to be seen.

Our activities also cover Africa, as well as the global environment. The latter is represented in our role of secretariat for the Japanese national association of the Club of Rome. In 2013, as in 2012, we had our representative join the Club of Rome's annual conference. Regarding Africa, we invited Namibian Energy Minister Isak Katali for a meeting with Japanese business representatives and government officials to discuss the possibility of cooperation between the two nations in exploring and developing energy and mining resources with high potential in Namibia.

We do not yet know what the outcome will be, but we remember that a visit to Japan in 2011 by Mozambique's energy minister eventually resulted in cooperative development of a natural gas field in Mozambique.

Challenges for JEF

We do our best to cover a wide range of policy issues with our limited resources. Hard working is the only way to describe my colleagues. My friend and longtime colleague Masako Watanabe always tells me that we deserve more budget resources in light of our contributions. She says that women in JEF should demonstrate their abilities to the full, since eight of the 12 people working for JEF are women.

She has a truly admirable fighting spirit. We need to pull together to meet this challenge of limited resources, so I will sharpen my critical eye on our activities in order to achieve the most efficient budget spending to enable all of us to keep striving to achieve high-quality work.

Kiyomi Nakahata is a senior staff member of the General Affairs Department of the Japan Economic Foundation.