



# Recent JEF Activity

## Approaching the Reality of Political Economy A Brief Introduction to JEF International Seminars in 2014

By Japan SPOTLIGHT Editorial Section

### A new model for JEF seminars

We would like to introduce our own assessment of JEF's four international seminars in 2014. Having organized such seminars for several years, we found that those in 2014 were among the best that we have held thanks to the leadership of our new chairman, Mr. Kazumasa Kusaka, and our colleagues' excellent teamwork.

Firstly, we would note that our seminars in 2014 focused on regional growth strategies. JEF has been an active advocate of trade liberalization and free trade agreements (FTAs) in particular for a decade. Free trade is certainly an important policy measure to stimulate overall business activity, but it is only a part of a growth strategy. Our seminars in 2014, assuming that, covered not only trade liberalization but also structural reform, an inevitable key to maximizing the benefits of free trade and all to be considered in terms of a country's domestic politics.

Secondly, in any democracy we need to convince the public of the utility of policies on trade liberalization and structural reform of the economy. Otherwise the government could not implement them even though they are theoretically right. How can a government convince the public? That was another key question concerning the political process of implementing economic policy that was reflected in our seminars.

Thirdly, businessmen today cannot do their jobs without some knowledge of global geopolitics, such as where they can conduct business safely or where they cannot. Free trade alone cannot ensure their economic security, when the world is under geopolitical tension or pressure in some regions, such as Ukraine or China. Our seminars also covered the linkage between such geopolitical crises and the economy.

Overall, we would say our work is moving towards an interdisciplinary approach to economics and political science, which is the new model for our seminars.

### Europe-Japan Forum on June 3, 2014 in Berlin, in collaboration with the German Foreign Affairs Council

We learned about the different approaches in Japan and the European Union towards growth in discussing their strategies. The EU is pursuing a reduction of its fiscal deficit to maintain currency stability, whereas "Abenomics" in Japan is pursuing a more active fiscal and monetary policy to eliminate deflation. Both consider trade liberalization a principal component of their growth strategy. It was noteworthy that businesses in both Japan and Germany in particular appreciate that a Japan-EU FTA would be a good opportunity to accommodate a more business-friendly regulatory framework, since trade liberalization would include a reduction of Non-Tariff Barriers (NTBs) through regulatory reform on both sides. This suggests that both the Japanese and German governments have been successful in convincing business people of the utility of FTAs.

In a discussion on long-term growth strategies, the issue of the aging of society was highlighted, since both nations are now facing this demographic challenge. Immigration policy has occasionally been referred to as a solution, but it was noted that as time goes by immigrants themselves become part of an aging society. Therefore any attempt to allow more immigration will not work as a long-term solution for an aging society, in which there will be a shortage of labor.

This is one example of a failure to convince the public of the utility of an economic policy, in this case expansionary immigration. Governments will need to think of other policies. For example, a strengthened, human resources development policy to raise labor productivity would be more convincing to the public as a measure to cope with the aging of society under pressure from declining productivity as well as shortage of labor.

### US-Japan Forum on Sept. 30, 2014 in Washington, DC, in collaboration with the Reischauer Center at the Johns Hopkins School of Advanced International Studies

US-Japan relations are believed by the public to be the most important bilateral alliance for realizing peace and prosperity in Asia. However, we need to look at this alliance always from different perspectives, depending on global political and economic situations, in order to keep it fresh and effective. The experts who participated in the forum in 2014 discussed how this alliance should move forward to find new solutions to changing global challenges in the 21st century, such as tackling the nuclear power crisis after Fukushima, ensuring security as new powers like China emerge, and achieving economic growth within the budget constraints of the advanced nations.

Dr. Kent Calder, the forum organizer on the US side, recently published a book titled *Asia in Washington: Exploring the Penumbra of Transnational Power* (Brookings Institution Press, 2014) in which he lamented the declining presence of Japan in Washington, while other Asian countries are very active in

Photo: JEF



Asia-Pacific Forum in Singapore

attracting US policy experts to their views and positions on these global challenges by co-hosting policy seminars in cooperation with US think tanks. Public opinion, which plays an important role in our democracy, should be convinced of the importance of the US-Japan alliance in today's global governance in resolving these challenges.

The Trans-Pacific Partnership (TPP), which is being interpreted almost as a US-Japan FTA, is not the only crucial issue in talking about the two countries' alliance. The alliance should be revisited in the light of a broader perspective, such as the domestic structural reform of a nation. The public in both nations need to be convinced of the importance of free trade and structural economic reforms leading to a reduction in NTBs to maximize the benefits of trade liberalization.

### **China-Japan-Korea Cooperation Dialogue on Nov. 13, 2014 in Seoul, in collaboration with the East Asia Foundation of South Korea and China Foreign Affairs University**

How to achieve good relations with our neighbors is an age-old question that has taxed many diplomats throughout human history. This question has long been prominent in East Asia due to territorial and historical issues.

JEF, for the first time in our 33-year history, organized a trilateral seminar in collaboration with our Korean and Chinese counterparts to promote among our peoples a common concept that we are invaluable neighbors and greatly need each other.

All the participants agreed upon the need to promote FTAs, whether trilaterally or in a wider Asian context, and structural reform of the economy, as well to maximize the benefits of free trade. There was a consensus that political tensions should not interfere with win-win business and economic relations. They also discussed the issue of the environment as a common challenge. It was notable that all agreed upon the need to promote sustainable growth, as well as consistency between economic growth and a healthy environment. The meeting was organized just after the historic consensus achieved by the

heads of the US and Chinese administrations at the APEC Summit to promote a global framework for the reduction of CO<sub>2</sub>. China's interest in the global environment is a sign of its interest in joining in global governance as a leading nation.

### **Asia-Pacific Forum on Nov. 24-25, in Singapore, in collaboration with the Singapore Institute of International Affairs**

The Asia-Pacific Forum 2014 held discussions on member countries' domestic structural reforms to maximize the benefits of trade liberalization as well as the geopolitical implications of FTAs for the first time in its 12-year history, bidding farewell to the old style of the forum that was only for the interest of trade negotiators. Among these domestic policy issues, small and medium-sized enterprise (SME) policies and industrial policies gained particular attention. SMEs are locomotives for growth in any country, since they occupy a large portion of the national economy. The benefits of FTAs, for example, should be disseminated among them and how they can take full advantage of FTAs should be explained to them by the government's public relations activities. Industrial policies are today not another name for protectionist policies but are aimed at creating a business environment that can attract as much foreign direct investment (FDI) as possible under a globalized economy. For example, Abenomics today highlights Special Strategic Economic Zones where foreign subsidiaries can enjoy maximum economic benefits, such as preferential tax treatment, as one of the key structural reforms.

### **Conclusion**

We are living in a very complex world where politics and economics affect each other and domestic issues cannot be separated from global issues. In these circumstances, we need to look at trade policy from various angles. How to achieve free trade in the real world can be addressed by domestic politics, but domestic politics can be influenced by international peer pressure. How to make friends with the rest of the world, and in particular with our neighbors, can be addressed through many diplomatic channels such as security talks, intercultural events and above all FTAs or regional economic integration processes. Trade policy could be one aspect of this diplomacy affecting the global geopolitical environment.

We like the fact that JEF's new approach values the synergy between politics and economics. This is not because we find economics a very dry subject but because we think this approach is the best one to enable us to engage with the realities of recent global developments.

In this context, we should convey Japan's own views through a wide variety of forum activities, such as those mentioned here. This would be a very important form of public relations for Japan, since such activities would reveal what and how Japan is thinking about such issues as structural reform, growth strategies, and global geopolitics.

**JS**