



# Recent JEF Activity

## Annual Review of JEF Policy Forum 2016 — Pursuing Track 1.5

By Naoyuki Haraoka

### Introduction

2016 was a year of unexpected events. A growing uncertainty in the global economy and geopolitics reminded us of the need to understand theories and acquire knowledge that can allay our concerns about the risks of the future. The Japan Economic Foundation (JEF) has always played the role of a pilot trying to steer our customers along the path of the challenges of the age. Our policy forum, as well as our bimonthly magazine *Japan SPOTLIGHT*, has been providing a venue where leading thinkers in Japan as well as in our partnering nations exchange their views and experiences on a wide range of policy issues, from economy, trade and politics to the environment and the aging society. The audiences have benefitted from them in finding clues to solutions to those challenges. These thinkers we describe as being people on Track 1.5, meaning various experts in their fields — such as non-government officials who have a crucial influence on a nation's policy community, policy-oriented academics, and business executives involved in policy discussions at public meetings, etc.

As usual, we had three public policy fora in 2016, namely the Japan-US Forum, Japan-Europe Forum and Asia-Pacific Forum. In addition to these three seminars, we had the third CJK (China, Japan and Korea) Cooperation Dialogue, a brief report on which is available in our *Japan SPOTLIGHT* January/February 2017 issue.

As seen in the brief introductions of the three seminars below, we discussed a variety of topics and it would be difficult to find a common denominator among them. However, I would dare to say that a common denominator was a stress on the need for a holistic approach to the issues rather than a segmented approach. For example, trade issues are all influenced by not only a nation's efforts toward structural reform of its domestic economy but also changes in world geopolitics. So it would be meaningless to insist on a segmented approach to trade issues like tariffs and subsidies. Our policy seminars are all organized from a holistic and interdisciplinary perspective between economics and politics.

### Japan-US Forum on June 3, 2016 in Washington, D.C.

The Japan-US Forum was co-sponsored by a US think tank, the Center for American Progress. The main title of the forum was “The Global Economy and the US-Japan Alliance: Charting a Course for the Next US Administration and Prime Minister Abe’s Road to 2020”. The forum consisted of four sessions — “Domestic and International Economic Uncertainties”, “Domestic Politics”, “Political Economy of the Asia-Pacific” and “US-Japan Regional and Global Cooperation”.

The first session highlighted shared Japanese and American challenges and uncertainties. The two key issues to be addressed by the United States and Japan are inequality and the lack of social mobility. It was noted in particular that in the US the middle class is disproportionately facing economic hardship, which could have been a major factor in the unexpected result of the US presidential election five months after this seminar. On the Japanese economy, though “Abenomics” was in general viewed positively by the experts, problems with social mobility were pointed out as the main impediment to economic growth in an aging society where the demographic crisis could stop sustainable growth. I found it interesting that both the US side and Japanese side agreed that many companies in both nations were failing to invest. How to encourage successful and sustainable investment would seem to be a common challenge for their economic policies. How can they expand investment opportunities? How can they encourage entrepreneurship? Those questions are related to supply side structural reform rather than monetary and fiscal policy. Today, all developed nations including the US and Japan seem to share this issue as a challenge to their economy.

In Session 2 on the two countries’ domestic politics, on the US side it was noteworthy that the experts mentioned that the average American no longer has faith in the global agenda of policy elites, leading to distrust of key agreements, such as trade and other alliances. It was also mentioned that the US presidential election results would be most uncertain in the Rust Belt, Florida, Nevada and Colorado. The outcome in November 2016 proved that those concerns were relevant. Donald Trump’s lack of foreign policy experience was discussed as well, and that seems to be now a real concern. On the side of Japan, fiscal sustainability and inequality were the political issues highlighted as the most critical. The Japanese demographic crisis could be a long-term challenge to fiscal sustainability. Whether Abenomics will truly succeed or not may well depend upon solutions to those problems.



Japan-US Forum 2016 in Washington, DC

#### Japan-US Forum 2016 in Washington, D.C.

**Bill DANVERS**, Senior Fellow, Center for American Progress (CAP)  
**Rudy DELEON**, Senior Fellow, Center for American Progress (CAP)  
**Nathan FENSTERMACHER**, Managing Director for National Security and International Policy, Center for American Progress (CAP)  
**Michael FUCHS**, Senior Fellow, Center for American Progress (CAP)  
**Glen S. FUKUSHIMA**, Senior Fellow, Center for American Progress (CAP)  
**Andy GREEN**, Managing Director, Economic Policy, Center for American Progress (CAP)  
**John HALPIN**, Senior Fellow, Center for American Progress (CAP)  
**Jordan HEIBER**, Deputy Representative, MUFJ DC  
**Naoyuki HARAOKA**, Executive Managing Director, Japan Economic Foundation (JEF)  
**Ryota ISSHIKI**, Coordinating Vice President, Toyota Motor North America Inc.  
**Yoriko KAWAGUCHI**, Professor, Meiji Institute for Global Affairs, Meiji University; Former Member of the House of Councilors of Japan; Former Minister of Foreign Affairs; Former Minister of the Environment  
**Keiichiro KOBAYASHI**, Professor, Faculty of Economics, Keio University  
**Takashi KUME**, Director, JETRO New York (Japan External Trade Organization)  
**Junichiro KURODA**, Minister (Economy, Trade and Industry), Embassy of Japan  
**Kazumasa KUSAKA**, Chairman and CEO, Japan Economic Foundation (JEF)  
**Mike MADOWIZ**, Economist, Center for American Progress (CAP)  
**Hideichi OKADA**, Executive Advisor, NEC Corporation; Former Vice Minister for International Affairs, Ministry of Economy, Trade and Industry, Government of Japan  
**Nirav PATEL**, President and CEO, The Asia Group  
**Vikram SINGH**, Vice President, National Security and International Policy, Center for American Progress (CAP)  
**Harry STEIN**, Director of Fiscal Policy, Center for American Progress (CAP)  
**Paula STERN**, Founder and Chair, The Stern Group; Former Chairwoman of the U.S. International Trade Commission  
**Masaaki TANAKA**, Senior Advisor, The Bank of Tokyo-Mitsubishi UFJ; Vice-Chair, Board of Councilors, US-Japan Council  
**Neera TANDEN**, President and CEO, Center for American Progress (CAP)  
**Michael WERZ**, Senior Fellow, Center for American Progress (CAP)  
**Taka YANAGI**, Chief Representative, MUFJ DC

Session 3 on the political economy of the Asia-Pacific addressed the geopolitical challenges of different initiatives for regional economic cooperation such as the TPP, RCEP, and AIIB. These initiatives could somewhat conflict with each other and increase tension rather than achieving region-wide cooperation.

The final session on US-Japan regional and global cooperation had a discussion on security cooperation between the two countries and addressed the rise of China. How can we apply pressure on China in a way that would also allow it to save face? Japan and the US must work together to incentivize Chinese growth while deterring the negative aspects of its rise. In this context, it was mentioned that US domestic politics could threaten the alliance, since there was a widespread unease over trade, the engine of growth, in the US. This concern remains following the outcome of the US presidential election.

#### Japan-Europe Forum on July 7, 2016 in Paris

The Japan-Europe Forum was co-sponsored by the Aspen Institute France. The main title of this forum was “Europe-Japan: Common Issues, Cooperative Solutions” and it consisted of four sessions — “Fostering Young Entrepreneurs/Innovation”, “Back to Economic Growth”, “Cooperation in Emerging Countries” and “Back to Nationalism in Far East Asia and Europe?”.

The first session on fostering young entrepreneurs and innovation highlighted the role of greater flexibility, a tax system that rewards risk-taking, a fitting regulatory framework, and above all educational excellence and better synergy between universities and business. In this regard, Silicon Valley and Switzerland were referred to as model cases. It was also noteworthy that all agreed that age does not matter in talking about entrepreneurship, since it is more related to states of mind. Diversity was mentioned as a key to innovation, and in this regard Japanese monoculture was repeatedly pointed out as a salient weakness in Japan’s innovation capacity. Assuming that the ultimate purpose of business activity should not be profits as such but the happiness of both employees and customers, all participants agreed on the need for social innovation to help the business build a better society.

Session 2 on economic growth discussed a few of the challenges facing sustainable economic growth in both Europe and Japan such as aging societies, increasing income inequality and political short-termism. One of the benefits of the forum is the opportunity to learn from other nations’ policies, and it was noted in this session that Japan has learned a lot from French government support for child-rearing and regulations on working hours, highly valuing time spent

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Japan-Europe Forum 2016 in Paris

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**Jean-Christophe BAS**, President, The Global Compass  
**Takeshi FUJIMORI**, Managing Director, Albion Art  
**Raphaël HADAS-LEBEL**, Vice President Conseil d'Orientation IAF  
**Naoyuki HARAOKA**, Executive Managing Director, Japan Economic Foundation (JEF)  
**Yoshihiro HASHIMOTO**, Director, Aspen Institute Japan  
**Akio IKEMORI**, Deputy Director, JETRO Paris  
**Keiichi IMAMURA**, General Director, NHK Japan Broadcasting  
**Paul JAEGER**, Managing Director, RUSSELL REYNOLDS  
**Sachio KANEKI**, Senior Vice President, Mitsubishi Corporation  
**Masato KITERA**, Japanese Ambassador to France  
**Akira KOJIMA**, Chairman, World Trade Center Tokyo Inc.  
**Kazumasa KUSAKA**, Chairman and CEO, Japan Economic Foundation (JEF)  
**Sébastien LECHEVALIER**, Senior Research Fellow, EHES  
**Long KE**, Senior Fellow, Fujitsu Research Institute  
**Michael LUCKEN**, Director, Centre d'Etudes Japonaises INALCO  
**Hervé MACHENAUD**, Vice President, EDF Group (Gen. Rep. in China)  
**Christian MASSET**, General Secretary, Ministère des Affaires Etrangères  
**Robert MAURY**  
**Olivier MELLERIO**, Chairman of the Board, Institut Aspen France  
**Hiroki MOTOSUNA**, General Manager, Planning & Coordination, MITSUBISHI France SAS  
**Gosuke NAKAE**, President, MITSUBISHI France SAS  
**Yosutoshi NOBUMOTO**, Plant Manager, AKEBONO Europe  
**Benjamin REVCOLEVSKI**, General Director, FUJITSU France  
**Geoffroy ROUX de BEZIEUX**, Vice President, MEDEF  
**Caroline RUELLAN**, General Secretary, Institut Aspen France  
**Mineaki SAITO**, Scenery International  
**Christian SAUTTER**, Former Minister of Economics, Finance and Industry  
**Toshiyuki SHIGA**, Vice President, Nissan Motors  
**Reiga SHIMIZU**, Attorney, DS Avocats  
**Tsutomu SUGIURA**, President, Maison de la culture du Japon  
**Valérie TERRANOVA**, CEO, Valérie Terranova International  
**Bernard TEZE**, Attorney, DS Avocats  
**Noriko TOMINAGA-CARPENTIER**, Director, Comité d'Echanges Franco-Japonais  
**Jérôme VIGNON**, Président, ONPES

with families in dealing with the question of labor shortage due to the aging society. Political short-termism could increase uncertainty over domestic economic structural reform, and politicians will need to be empowered to convince their nations of the utility of necessary policies.

Session 3 focused on Japan-France collaboration to enhance the economic growth of African countries, economies with high potential for growth. It was mentioned that they will need to build up the base of African economic growth by creating fewer natural resource-oriented industries or discover a sustainable growth model fitting the environmental standards set by COP21. France and Japan were expected to contribute to achieving such goals through business transfers to Africa. In particular, the energy sector will be the area with greatest potential in which both nations could maximize their cooperation in Africa.

The final session addressed the possible impact of nationalism in both Europe and Asia. In Asia in particular, China's aggressive foreign policy seems to have provoked a rise in nationalism in Japan and other nations. We should establish a system to prevent misunderstandings and false information based on purely nationalistic views from spreading and confirm the facts. It will also be necessary to think about financial support for the people who could be left behind the stream of globalization.

## Asia-Pacific Forum on Nov. 24, 2016 in Hanoi

The Asia-Pacific Forum was co-sponsored by the Central Institute for Economic Management in Vietnam. Its main title was "Advancing Trade and Investment Liberalization in the Asia-Pacific" and it consisted of three sessions — "Roadmap for Asia-Pacific Economic Integration: Issues for Consideration", "New Issues of Regional Trade and Investment Liberalization" and "Linking Trade with Domestic Policy Reforms: Building Consensus for a Coherent Move Toward Economic Growth".

The first session on economic integration addressed uncertainties stemming from the election of Trump in the US. Assuming that Trump's instincts would be largely anti-free trade, it is hard to see how he could retreat from his promise to withdraw the US from the TPP on his first day in his office. Some participants found it hard to conceive of the TPP without the US. While the TPP is considered effectively dead, the RCEP could offer much better returns from continuing negotiations, according to many participants. Though the RCEP has been considered "low-level" liberalization compared with the TPP's "high standards", it could fill in the gap between them in future negotiations. It was stressed that

Asians should remember that after the debacle of the WTO in Seattle in 1999, Singapore, New Zealand, Chile and Brunei, four Asia-Pacific countries, promoted the idea of the TPP and were eventually successful in restoring the trend of trade liberalization against the rise of protectionism. It would be Asia-Pacific nations' responsibility to pursue and advocate for free trade against the spread of protectionism and anti-globalization. Asians still believe in the value of trade and investment liberalization.

The second session on new issues of regional trade and investment liberalization addressed the important concept of inclusive growth. The central idea is that all citizens, including those working for micro and small and medium-sized enterprises, should have an opportunity to participate in the benefits of economic growth and trade liberalization. "Inclusive trade" should be a concept addressed in the future trade negotiations. Information and communication technology (ICT) has special importance in the context of production networks expanding all over the Asia-Pacific region. In this light, the provisions regarding the digital economy in agreements like the TPP would be instrumental in creating an environment for trade in services that cares about international production networks. The concept of "secure" trade is now much more concerned with topics like the traceability of constituents in the context of consumer safety and assurances of standards rather than the security agenda.

The final session addressed the crucial issue of linking trade with domestic policy reforms. The issue is closely related to a nation's development strategy consisting of a number of domestic reforms which are often supposed to be complementary to international agreements. Many agreed that connectivity will be the key to development and three aspects of connectivity — infrastructural, regulatory and people-to-people — were seen as the most important. They have much in common with the concept of economic integration in terms of trade in goods, trade in services, investment, government procurement, labor standards, and environmental standards.

All agreed that the value of APEC as a venue for sharing experiences on development strategies, domestic reforms and connectivity should not be underestimated. **JS**



*Asia-Pacific Forum 2016 in Hanoi*

#### **Asia-Pacific Forum 2016 in Hanoi**

**Cung Dinh NGUYEN**, President, Central Institute for Economic Management (CIEM)

**Kazumasa KUSAKA**, Chairman and CEO, Japan Economic Foundation (JEF)

**Naoyuki HARAOKA**, Executive Managing Director, Japan Economic Foundation (JEF)

**Thanh Tri VO**, Senior Researcher, Central Institute for Economic Management (CIEM)

**Murray MCLEAN (AO)**, Australian Ambassador to Japan, Chairman, Dunmore McLean Pty Ltd.

**Yunling ZHANG**, Professor, Academy Member and Director of International Studies, Chinese Academy of Social Sciences (CASS)

**Yukiko FUKAGAWA**, Professor, School of Political Science and Economics, Waseda University

**Gary HAWKE**, Emeritus Professor, Victoria University of Wellington

**Lurong CHEN**, Economist, Economic Research Institute for ASEAN and East Asia (ERIA)

**AHN Choong-Yong**, Chairman, Korea Commission for Corporate Partnership (KCCP)

**Datuk P. Ravidran PALANIAPPAN**, Senior Director, ASEAN Economic Cooperation Division, Ministry of International Trade and Industry (MITI)

**Simon S. C. TAY**, Chairman, Singapore Institute of International Affairs (SIIA)

**Chedtha INTARAVITAK**, Research Fellow, Thailand Development Research Institute (TDRI)

**Sachin CHATURVEDI**, Director General, Research and Information System for Developing Countries (RIS)

**Yose Rizal DAMURI**, Head of the Department of Economics, Center for Strategic and International Studies (CSIS)

**U SOE Win**, Executive Director, Renaissance Institute

**Josef T. YAP**, Professorial Lecturer, University of the Philippines School of Economics

**Mignonne Man-jung CHAN**, Chair and CEO, Out-of-the-Box Consultancy

*Naoyuki Haraoka is executive managing director and editor-in-chief of Japan SPOTLIGHT.*