

# Searching for Better Globalization Over the Long Term – a Report on the Three JEF Fora in 2018



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## Introduction

The Japan Economic Foundation (JEF) organized three policy fora in 2018 focused on the common theme of how to achieve “Better Globalization” against the backdrop of a perceived increase in nationalism and protectionism. It is also being questioned whether the Fourth Industrial Revolution, with its so-called “digital economy”, can save the world from a possible economic crisis resulting from protectionism or whether it will instead intensify the crisis with a significant loss of jobs as a result of IT and AI replacing human jobs in great numbers. Meanwhile, political developments need to be closely watched as important events such as national elections could change the overall picture of national politics. Politics can influence economic trends worldwide. The outcome of US mid-term elections (President Donald Trump, advocating an “America First” policy, maintains strong support) and some German elections (Chancellor Angela Merkel, a supporter of globalization, lost heavily in recent polls in Bavaria and Hesse) tell us we are still in a situation in which we would need to address carefully the negative aspects of globalization and think about how to mitigate them and maximize its benefits.

Whatever the merits or otherwise of globalization, it is true that our industrial activities have been largely built on division of labor by global supply chains created by trade and investment, and thus most of our businesses are now enjoying its merits. Its demerits could emerge in the sectors losing out to international competition under globalization and suffering from loss of jobs. “Better Globalization” should mean spreading the merits of globalization equally over the whole nation, not only to the sectors or people benefitting from it but also to those currently suffering from it. If we help those suffering from the effects of globalization and get them out of difficulties by relevant public policies, we could achieve better welfare in a nation and eventually worldwide. Promoting equality in sharing the merits of globalization could also help allay possible increased income disparities to be caused by the technological innovation currently under progress.

To get global governance to work well, I believe at least all the major nations should share the fundamental concept and goal of “Better Globalization”. With this belief, JEF worked in 2018 to

organize the three policy fora summarized below. I hope these efforts will contribute to narrowing the gaps in basic views about globalization among the major nations, such as were seen in the failure of APEC leaders meeting in 2018 to complete a joint communique due to serious differences in their views.

## JEF-Chatham House Symposium 2018

The roundtable dialogue among leading thinkers of Japan and the United Kingdom was organized on April 20, 2018 in London in collaboration between JEF and Chatham House, a UK think tank.

In the first session discussing globalization, populism, economic nationalism and free trade, all noted that populism could work as a trigger to improve the national economic systems in responding well to the needs of the people left behind by the spread of globalization.

It will eventually be necessary for governments to deal with people’s complaints about globalization, and so populism could be useful in compelling the elites to adjust their thinking and policies to address these needs. Therefore, the current rise in populism could be considered a corrective mechanism for globalist policies that have turned out to be wrong. In this light, I think the current wave of populism was largely perceived at this forum as a natural outcome of democracy. This wave has emerged in the form of economic nationalism and concerns among working people about possible job losses due to uncontrolled immigration. On the other hand, with the continuing low economic growth in developed economies, it will be increasingly difficult for nations to understand clearly the benefits of free trade and investment. Governments will need to assure their people with public policies that the benefits of free trade and investment in accordance with globalization will expand to working-class people and the low-income class through welfare reallocation. Free Trade Agreements (FTAs) today sometimes face hostility from people who consider them to be an impediment to an individual country’s economic success. This perception could be attributed to the political elites’ failure to ensure that the merits of free trade extend to the working class. International harmonization of regulations could be one solution, as common rules could promote a sense of fairness in trade among nations. Restricting



JEF-Chatham House Symposium 2018 on April 20, 2018 in London

dual taxation between nations and trying to implement cooperation among tax authorities to specify common rules for taxation was another possible solution proposed in the roundtable.

In the second session, discussions were concentrated on the issue of an aging society, which Japan in particular faces. Immigration was considered a key solution in dealing with the population decline in Japan to restore economic vitality. Most of the participants agreed that having more immigrants in Japan would enhance its economic growth in a short period without threatening the Japanese social welfare or medical system. However, this was based on the assumption that those people would not settle in Japan but return to their mother countries after retirement. There is little guarantee that this would be the case.

In the third session about innovation and productivity, the key discussion was whether the new technologies of the Fourth Industrial Revolution, such as the Internet of Things (IoT), artificial intelligence (AI), and 3D printing, would increase human welfare or not. In particular, the main concern was about a possible increase in unemployment caused by replacement of human jobs. Another concern was about a possible decline of social cohesion due to this threat to the labor force and a possible increasing income gap between the rich and the poor. An interesting suggestion by the roundtable was to encourage social entrepreneurship to be a new mechanism for social cohesion. Entrepreneurship is important in promoting innovation as well. Thus, it was stressed that education needs to be improved to enhance entrepreneurship.

A Japanese social innovation policy plan called “Society 5.0” was also discussed. While British people’s views on a society governed by new technologies was a bit pessimistic, such as the idea of productivity becoming rather meaningless if human beings’ contribution to the industrial society was limited and their working incentive was harmed, the Japanese were found to be very optimistic about a future human society where new technologies

## Agenda

### The JEF-Chatham House Symposium 2018 Open Economies & the Challenge of Innovation: Policy Options in an Era of Rising Populism & Economic Nationalism

Venue: Henry Price Room, Chatham House, London  
Date: Friday, April 20, 2018

#### Session 1: Globalization, Rising Populism & Economic Nationalism & Free Trade

Speakers:

- Sota Kato, Executive Director and Senior Fellow, the Tokyo Foundation for Policy Research
- Matthew Goodwin, Associate Fellow, Europe Programme, Chatham House
- The Rt Hon The Lord Andrew Lansley, Leader, House of Commons and Lord Privy Seal (2012-14)

Chair: Edwina Moreton OBE, Associate Fellow, International Security Department, Chatham House

#### Session 2: Immigration, Aging Society & the Political Economy of Social Welfare & Healthcare

Speakers:

- Takashi Unayama, Associate Professor, Hitotsubashi University
- Kristin Surak, Senior Lecturer in Japanese Politics, School of Oriental and African Studies
- Peter Matanle, Senior Lecturer in Japanese Studies, School of East Asian Studies, University of Sheffield

Chair: Sebastian Lechevalier, Director of Studies, L’École des Hautes Études en Sciences Sociales (EHESS)

#### Session 3: Productivity, Educational and Technological Innovation & the Growth of Smart Cities

Speakers:

- Toshiyuki Shiga, Chairman and CEO, Innovation Network Corporation of Japan; Member, Board of Directors, Nissan Motor Co. Ltd.
- Hugh Whittaker, Professor in the Economy and Business of Japan and Director, Nissan Institute of Japanese Studies, University of Oxford
- Patricia Nelson, Visiting Fellow, Japan Chair, Center for Strategic and International Studies

Chair: Naoyuki Haraoka, Executive Managing Director, JEF

would contribute to the enhancement of human happiness. However, this optimism about a productive collaboration between technologies and human beings without threatening human jobs must be based upon the reality of a declining population in Japan and labor force shortage, in contrast to the UK or European situation.

## US-Japan Forum 2018

The Brookings Institution's Global Economy and Development Program has been a good partner of JEF in recent years. They have been working in particular on policies and trends influencing developing countries, including aid to poor countries as well as the G20 process. Our roundtable 2018 was organized in Washington DC in collaboration with them on May 25, 2018.

Dr. Kemal Daviş, senior fellow in the Global Economy and Development Program and our luncheon speaker at the forum, concluded in his book *A Better Globalization* (2005) that under globalization politics and economics should be examined together, as globalization was starting to show its dark side such as increased income gaps or the decreased labor force in local industries that have been forced to close their factories due to the increased presence of multinational corporations (MNCs). He mentioned that though globalization had been considered to work only positively for the economy, such as by raising productivity, productivity and economic growth were becoming less connected to social stability through political conflicts between the groups benefitting from globalization and those suffering from it. "Better Globalization" became the theme of the forum.

In the first session, while acknowledging the merits of globalization for productivity and growth, all noted the need to contain its risks, such as income gap expansion. Inclusive growth was mentioned as a key concept to achieve rapid economic growth and income equality simultaneously, and human resources development policies to raise the skills of the non-skilled labor force were considered important.

It was noted that globalization was not solely responsible for income gap expansions but new technologies were as well. Developing nations are now facing big challenges, such as increasing income gaps, lack of job creation and rising youth unemployment, brought about by globalization and insufficient access to new technologies. In overcoming these challenges, we will need to promote worldwide financial cooperation for development initiated by multilateral development banks. In promoting this, these global financial institutions as well as national governments involved in aid will need to consider developing countries' sustainability of debt.

In the second session, discussions focused on analysis of new technologies' impact upon the workforces. Not only physical innovations such as robots, AI and IoT, but also business model transformations such as heavy involvement of non-permanent employees or the introduction of lean management and flat organizational architecture were examined. The concept of "Society 5.0", a Japanese future society model where new technologies such

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### The US-Japan Forum 2018

#### Challenges for the Global Economy & a Better Globalization

Venue: Stein Room, The Brookings Institution, Washington, DC

Date: Friday, May 25, 2018

#### Session 1: A Better Globalization

Moderator: Homi Kharas, Interim Vice President & Director, Global Economy and Development, Brookings Institution

Lead speakers:

- Yoichi Otake, Advisor, NEC Corporation, former Vice Minister for Economic Affairs in Japanese Ministry of Foreign Affairs
- Jonathan Ostry, Deputy Director of the Research Department, International Monetary Fund
- Martin Baily, Bernard L. Schwartz Chair in Economic Policy Development, Brookings Institution
- Marilou Uy, Director, Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24)

#### Session 2: Future of Work

Moderator: Naoyuki Haraoka, Executive Managing Director, Japan Economic Foundation

Lead speakers:

- Mayumi Fukuyama, General Manager, CIO, Technology Management Center, Technology Strategy Office, Hitachi Ltd. Research & Development Group
- Shahid Yusuf, Chief Economist of the Growth Dialogue, George Washington University School of Business
- Darrell West, Vice President and Director, Governance Studies, Brookings Institution
- Indhira Santos, Senior Economist, Social Protection and Labor Global Practice, the World Bank

#### Session 3: Energy & Climate

Moderator: Kazumasa Kusaka, Chairman and CEO, Japan Economic Foundation

Lead speakers:

- Nathan Hultman, Director of the Center for Global Sustainability and Associate Professor, University of Maryland School of Public Policy
- Yoriko Kawaguchi, Fellow, Musashino Institute for Global Affairs, Musashino University, former Minister of Foreign Affairs of Japan
- Amar Bhattacharya, Senior Fellow, Global Economy and Development, Brookings Institution

as digital technology and human activities are coordinated to maximize human happiness (with possible job losses caused by new technologies compensated for by the creation of new industries), was also welcomed at this forum, as at the forum in London. However, as in the former case, most of the participants did not share the Japanese optimism about a digital economy and



*US-Japan Forum 2018 on May 25, 2018 in Washington, DC*

believed that most developing nations will not be able to afford to fully utilize the opportunities created by new technologies and will urgently need to develop new ways of raising labor skills.

The third session was devoted to discussion on another long-term issue crucial to achieve sustainable growth – energy and global climate change. Transition to a low-carbon energy system to meet the global target of reduction in CO2 emissions was considered a key to achieving consistency between inclusive growth and environmental sustainability, since poverty can often harm the environment much more than economic development, as in the case of deforestation caused by extremely poor people in Southeast Asia. The announcement by the United States in 2017 that it would withdraw from the Paris Agreement on climate change and its reluctance to implement policy measures to reduce CO2 emissions were considered by all participants to pose the biggest challenge to global climate change, and all expected to see a greater role played by the G20 in encouraging nations to adopt more environmentally friendly energy policies.

### Asia-Pacific Forum 2018

JEF's annual public symposium consisting of leading thinkers from Asia-Pacific nations, former trade officials or diplomats, academics and business executives, was held on Nov. 22, 2018 in New Delhi in collaboration with Research and Information System for Developing Countries (RIS), an Indian think tank.

Rising trade protectionism and the trade war between the US and China, or what we may call a “techno cold war” between the two countries, were regarded as threats to the global trading system around the time of this symposium. Intensified rivalry for global hegemony between the two may lie behind this trade war. This is a menace to global governance and how to restore it is an urgent question that needs to be addressed for the stability of the global

economy.

Against this background, discussions focused on how to preserve free trade, which was agreed by all participants as essential to maintaining global value chains which have expanded in the Asia-Pacific economies. So the US-China trade war could pose a serious threat to Asia-Pacific economies.

The first session highlighted the role of technology in trade. Export-led economic growth in the manufacturing sector is still a dominant economic development model in Asia. A Japanese economist, Dr. Kaname Akamatsu, in his well-known economic theory, described the Asian nations' economic growth as a group of flying geese led by Japan. They have been following a Japanese export-led growth pattern from the 1960s. Today, irrespective of which country in East Asia is leading the flying geese, the trade performance of high-technology products, major export items for them, is crucial to their economic achievements. This export-led growth pattern in the manufacturing sector is continuing to advance through global value chains spreading over the Asia-Pacific area as a result of Foreign Direct Investment.

For example, a smartphone is not wholly produced in any single country, as its parts and components are made in various countries and assembled somewhere else. These high-tech companies are mostly MNCs allocating various production processes and distribution or sales and after-service functions all over the world, in particular in East Asia. So a country's economic performance is heavily dependent upon such global value chains. The US-China trade war could be a serious impediment to this, since China is certainly a main site for such production and sales bases. “Better Globalization” for this region needs to be discussed in terms of these global value chains.

Discussions concentrated on the crucial question of how to restore confidence in the multilateral rule-making system in international trade. While regional FTAs in the Asia-Pacific region like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or Regional Comprehensive Economic Partnership (RCEP) must be complimentary to multilateral trade rules, the WTO will need to be reformed in accordance with current trends in global trade. It was argued that we will need to make the WTO more inclusive to take account of developing nations' interests by expanding special and differential treatment for them.

Meanwhile, capacity building efforts are needed by developing nations, such as enhancing the capacity for trade and investment by small and medium-sized enterprises. Like-mindedness will be the most important factor in promoting a multilateral rule-making system and this region's common interest in maintaining global value chains could help in this regard. Entering a digital economy through the Fourth Industrial Revolution will create the need for new



## Agenda

### The Asia-Pacific Forum 2018 Public Symposium on Protecting the Global Trading System & the Role of Multilateralism

Venue: Silver Oak Hall, Indian Habitat Center, New Delhi

Date: Thursday, Nov. 22, 2018

#### Panel Session 1: Trade & New Technology

Chair & Moderator: Amb. Amar Sinha, Distinguished Fellow, RIS

Panelists:

- Dr. Man-Jung Mignonne Chan, Chair and CEO, Out-of-the Box Consultancy
- Datuk Seri Jayasiri Jayasena, former Secretary General, Ministry of International Trade and Industry (MITI), Malaysia
- Amb. Murray McLean AO, Chairman, Dunmore McLean Pty Ltd.
- Prof. Simon Tay, Chairman, Singapore Institute of International Affairs (SIIA)
- Mr. Nuttawut Laksanapanyakul, Consultant, Thailand Development Research Institute (TDRI)

#### Panel Session 2: Imperatives for Regional Integration: Growing Role of Service Sector

Chair & Moderator: Naoyuki Haraoka, Executive Managing Director, JEF

Panelists:

- Prof. Choong Yong Ahn, Professor Emeritus, College of Business and Economics, Chung-Ang University (CAU)
- Prof. Prabir De, Professor, RIS
- Prof. Gary Hawke, Emeritus Professor, Victoria University of Wellington (VUW)
- Ms. Anita Prakash, Director General for Policy Relations, Economic Research Institute for ASEAN and East Asia (ERIA)
- Prof. Shujiro Urata, Dean and Professor, Graduate School of Asia-Pacific Studies (GSAPS), Waseda University
- Prof. Zhang Jianping, Director General, Center for Regional Economic Cooperation, Chinese Academy of International Trade and Economic Cooperation (AITEC), MOFCOM

#### Panel Session 3: Importance & Roles of SDGs in the Indo-Pacific Region: Strategies for Attainment of SDGs

Chair & Moderator: Prof. Sachin Chaturvedi, Director General, RIS

Panelists:

- Dr. Yose Rizal Damuri, Head of Department of Economics, Center for Strategic and International Studies (CSIS)
- Dr. Tri Thanh Vo, Economist, Central Institute for Economic Management (CIEM)
- Dr. Josef Yap, Professorial Lecturer, University of the Philippines School of Economics (UPSE)
- Prof. Saikat Sinha Roy, Jadavpur University

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Public symposium of the Asia-Pacific Forum 2018 on Nov. 22, 2018 in Delhi

will need international rules on such policies.

The second session highlighted the growing role of the service sector, which is increasing in importance due to the rise of a digital economy in which IT software services play a pivotal role in connecting factories and distributors as well as consumers. The service sector was originally important for Asia-Pacific economies in light of its contribution to employment and building up the middle class, as well as consumption-led economic growth. It was thus considered a key sector in avoiding a “middle income trap” caused by the lack of a large middle class of consumers. So the need to restore a multilateral trade rule-making system for the service sector is the same as for the high-tech led manufacturing sector in terms of enhancing connectivity among the different production processes.

In the third session, assuming that income and asset disparity in this region would hamper its growth potential by squeezing consumption by the middle class, how to achieve inclusive growth was discussed as the key issue of the UN’s Sustainable Development Goals (SDGs). Inclusive growth is a common agenda item in talking about “Better Globalization” in all regions of the world, but in particular in this region it is a key concept as it would be the basis of economic development. Education and capacity building for human resources need to be highlighted to reduce income and asset inequality.

Finally, in light of the crisis in global governance due to the US-China struggle for global hegemony, it was highly appreciated that members of the forum all agreed on the need to contribute to restoring confidence in international regimes. The G20 process was highlighted as the most important venue for them to maximize their contribution to global governance. This is encouraging for Japan in particular, as it will host the G20 Summit in 2019.

**JS**

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rules on e-commerce. In an economy driven by new technologies, domestic policies on such issues as Intellectual Property Rights and competition will increasingly affect trade and investment, and so we