

Review of JEF Forums in FY 2024 – Searching to Emerge from a Divided World



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Introduction

The world has been struggling to emerge from geopolitical crises and stagnant economies during the past couple of years. In FY 2024, we had not yet found a solution, but have realized that any solution would not be completely new and would have to be based on existing ideas and theoretical findings.

The divisions in the world at present must be overcome by building trust. The division between democratic nations and authoritarian nations will not be mitigated by self-asserting ideological arguments but by creating trust beyond differences in political views. The question is how we can restore trust at a time of intensifying conflicts.

One solution must be a rules-based international regime. Without rules, power-based regimes would become dominant, where the interests of small and middle powers could be ignored, their voices overshadowed by a few superpowers. Today's international regime, including the United Nations for political and national security issues and the World Trade Organization (WTO) for trade and investment, are not functioning well, and thus concerns are growing among the middle powers like European nations, Japan and ASEAN members. Business interests will also be damaged under a power-based regime, as they are easily affected by political uncertainties. As predictability of the business environment is indispensable for business success, a rule-based international regime is a key to prosperity. Respect for a rule-based international regime is not a new thought but conventional wisdom on which the WTO and UN and other international organizations were built. We must restore such a rules-based international regime in order to build trust.

We need to build trust not only in the international domain but also in domestic politics in many major nations, such as the United States, that face serious divisions. These are not necessarily all due to the expanding income gap. The US government has often faced criticism from economists that it has been ignoring the increasing income gap and neglecting to address it, unlike some European governments. But today's divisions in the US have been caused not only by the income gap but also by the lack of trust of ordinary citizens in their elite leaders. They can easily believe that the political elites devise policies for their own interests rather than for the nation's. Yet this is not the case with most policies, which are

planned and implemented for the nation's interest. Nonetheless, good policies from the economists' standpoint have occasionally been impeded by such misunderstanding.

A rules-based international regime is generally considered a means to achieving free trade, which used to be believed as essential for spreading the benefits of globalization. But free trade is also now condemned by many people as being a cause of the expanding income differences between those who benefit from it, generally working in sectors with high global competitiveness, and those losing from it, working in less competitive sectors. Without a relevant income transfer policy, you cannot convince people of the utility of a rules-based international trade regime with free trade as a basic principle. But it is the morality of the governing elites that also needs to be addressed, and altruism restored, as the core problem is not material but psychological.

Another concern regarding free trade stems from geopolitical crises. As wars and geopolitical confrontations continue to expand, national security is becoming a major issue for all nations. The divisions between the democratic camps and the authoritarian camps has been accelerating these concerns. Trade and investment has ceased to be non-discriminatory and friend-shoring has been increasing significantly because of concerns that overdependence on certain authoritarian nations could cause national security crises. Today, in particular, with high technology used expansively among all kinds of goods, many products for industrial use or even daily life could also become weapons containing sensitive technologies. In this light, friend-shoring or reshoring has become the new normal and thus global supply chains disrupted. Interdependency can work as a weapon. A nation could force its trading partners to follow its protectionist policies given their overdependence on certain critical goods like minerals produced by it.

Thus, the concept of economic security has rapidly emerged as a critical issue that needs to be resolved in international trade. Security experts are saying that the age of free trade is over and hereafter we need to build up an international trading system in terms of national security. Yet this means that the world must give up economic efficiency through free trade. The most important merit of free trade is that businesses and consumers can maintain access to cheaper goods, rather than being affected by protectionist measures. With friend-shoring or reshoring derived from security

concerns, producers may give up producing at the lowest cost and consumers may give up buying their goods.

Economic efficiency and national security could end up being in such a trade-off relation.

In reality, today, with increased friend-shoring or reshoring, the global economy is permanently faced with inflationary pressure, since producers have to accept higher prices for components and materials than in an age of free trade. The global economy is therefore now not in very good shape, even though original inflationary pressure coming from rising prices of energy and food is now starting to calm down.

Trade policy practitioners will need to establish an international trading regime that involves a balance between economic efficiency and national security. A “small yard, high fence” principle is one of those balanced solutions where exceptions to free trade should be limited to the area of only sensitive high technology products that could pose a risk to national security. Or in the WTO or under regional FTAs, it would be necessary to accept security as an exception to free trade principles. In this case, as retaliation by trading partners against such exceptional policy measures would be permitted, a unanimously adopted dispute settlement mechanism such as is currently lacking in the WTO, would be necessary to settle disputes between nations practicing this protectionist policy in the name of their national security and nations retaliating against it. In order to make a rules-based international regime convincing in the current global divisions, it will be necessary to establish a new rule to balance two important policy goals – economic efficiency and national security.

Energy and the environment is another area where geopolitics must be considered seriously.

In pursuing optimal solutions for the global environment, we need to find a balance among the three policy domains of economy, energy and environment. We cannot pursue only economic growth without thinking about energy or environmental protection. Likewise, we cannot pursue only energy saving and environmental protection without considering economic growth, which will provide minimum well-being for people, and also budgets for energy saving and environmental protection. Energy supply structures will need to be balanced between economic growth and environmental protection.

Diversity in energy provision will also be needed for a balanced solution for economic growth and environmental protection. Geopolitical crises have increased the need for this. Wars limit fossil fuel supplies and raise energy costs. Nations will need to reduce their overdependence on fossil fuels, natural gas or critical minerals imported from certain countries for national security. To reduce overdependence, they will need all kinds of energy sources, in particular clean ones, not only renewable energy but also nuclear energy to achieve this balance between economic growth and a green environment.

Overdependence on certain countries’ renewable energy development technologies, such as solar panels or EVs, will also

bring about national security concerns. These goods must be subject to new trading rules as well. It must also be considered that pursuing ambitious decarbonization goals only with renewable energy sources will lead to the underdevelopment of fossil fuel sources, which could jeopardize the energy supply situation in the future if renewable energy sources are not fully exploited due to technology constraints.

Technology is the key to break through these challenges and achieve the balance among economy, energy and the environment, and nations experiencing geopolitical crises need to cooperate with each other to promote technological development for renewable energy sources, hydrogen, and other decarbonized energy, as well as energy saving.

Highlights of JEF Forums in FY 2024

Given these common issues as described above, the highlights of each of the four JEF forums in FY 2024 follow.

Japan-Europe Forum in Wuppertal, Germany on Sept. 16, 2024: Co-sponsored by the Wuppertal Institute for Climate, Environment and Energy (AGENDA 1)

This was the first time JEF had organized this forum in collaboration with the research institute on energy and environment rather than a trade policy institute. This means that trade and energy, and the environment are closely interrelated. Trade of any environmental goods such as EVs cannot escape from the impact of economic security-oriented protectionism. A rules-based international trade order would thus work to promote not only trade but also a green environment with reduced trade friction in the domain of those goods under this regime.

The need of promoting energy saving and domestic energy development was also acknowledged as important means to mitigate energy supply vulnerability possibly coming from overdependence on overseas energy sources. It was good to know even nuclear energy sources were today beginning to be reconsidered as possible clean energy sources domestically produced to achieve a green environment and inclusive domestic growth. Among Japanese energy experts, there is a growing concern about energy policy in Germany, which has eliminated its nuclear power stations and at the same time has been obliged to reduce its overdependence on Russian oil and natural gas because of the war in Ukraine. In this light, the German economy is now facing the risk of failure to achieve inclusive growth.

Japan-US Forum in Washington D.C. on Oct. 21, 2024: Co-sponsored by the Edwin O. Reischauer Center for East Asian Studies, Johns Hopkins School of Advanced International Studies (SAIS) (AGENDA 2)

The timing of this meeting was set just a few weeks before the US presidential election. It was not known who would be the next US president, but the majority of participants seemed to be seeing

AGENDA 1 The 15th Japan-Europe Forum

“The Impact of Geopolitical Developments on Energy Security, Environment, Supply Chains and Green Transformation”

Welcome and Opening Remarks

Prof. Peter Hennicke, former president of the Wuppertal Institute
Mr. Masakazu Toyoda, Chairman & CEO, Japan Economic Foundation (JEF)

Part 1: “The impact of geopolitical developments on energy security and environment”

Moderator: Naoyuki Haraoka, Executive Managing Director, Japan Economic Foundation (JEF)

Speakers (Japanese side):

Prof. Keigo Akimoto, Systems Analysis Group Leader, Chief Researcher, RITE Research Institute of Innovative Technology for the Earth
Mr. Masami Hihara, Deputy Director-General, JETRO Berlin/METI

Speakers (German side):

Prof. Andreas Goldthau, Global Public Policy; Director, Willy Brandt School of Public Policy, Erfurt University
Dr. Felix Matthes, Research Coordinator Energy and Climate Policy, Oeko Institute

Discussants (Japanese side):

Mr. Pascal Daleiden, Country Managing Director, Austria, Germany and Switzerland, Hitachi Energy Germany AG
Mr. Andrew Hammond, Director of External Affairs, Mitsui Europe
Mr. Takashi Mogi, Director of Industrial Research, JETRO London/METI
Dr. Akihiko Tamura, Director General, JETRO Paris/METI
Prof. Mariko Watanabe, Faculty of Economics, Gakushuin University

Discussants (German side):

Dr. Klaus Schaefer, former chief production officer, Covestro AG, member of the German hydrogen council
Dr. Stefan Thomas, Director, Research Division Energy, Transport and Climate Policy, Wuppertal Institute
Prof. Peter Hennicke, former president of the Wuppertal Institute/Principal Advisor of the GJETC

Discussants (for both side):

Dr. Rie Watanabe, Professor, School of International Politics, Economics and Communication, Aoyama Gakuin

Part 2: “Trade & Investment and Green Transformation”

Moderator: Dr. Stefan Thomas, Wuppertal Institute

Speakers (Japanese side):

Dr. Akihiko Tamura, Director General, JETRO, Paris/METI
Prof. Mariko Watanabe, Faculty of Economics, Gakushuin University

Speakers (German side):

Prof. Dr. Clara Brandi, Head of Program, Transformation of Economic and Social Systems, IDOS German Institute of Development and Sustainability
Dr. Klaus Schaefer, former chief production officer, Covestro AG, member of the German Hydrogen Council

Discussants (Japanese side):

Prof. Keigo Akimoto, Systems Analysis Group Leader, Chief Researcher, RITE Research Institute of Innovative Technology for the Earth
Mr. Pascal Daleiden, Country Managing Director, Austria, Germany and Switzerland, Hitachi Energy Germany AG
Mr. Andrew Hammond, Director of External Affairs, Mitsui Europe
Mr. Masami Hihara, Deputy Director-General, JETRO Berlin/METI
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Prof. Andreas Goldthau, Global Public Policy; Director, Willy Brandt School of Public Policy, Erfurt University
Prof. Peter Hennicke, former president of the Wuppertal Institute/Principal Advisor of the GJETC

Discussant (for both sides):

Dr. Rie Watanabe, Professor, School of International Politics, Economics and Communication, Aoyama Gakuin

AGENDA 2 The US-Japan Forum 2024

“Redefining the Japan-US Economic Relationship in an Era of Fragmentation & Disorder at the Time of the US Presidential Election & Beyond”

Welcome and Conceptual Introduction

Kent E. CALDER, Director, Reischauer Center for East Asian Studies, Johns Hopkins University (SAIS)
Masakazu TOYODA, Chairman and CEO, Japan Economic Foundation

Session 1: Securing Energy by Responding to Climate Change

Moderator: **Kent E. CALDER**, Director, Reischauer Center for East Asian Studies, Johns Hopkins University (SAIS)

Yukari YAMASHITA, Managing Director, Institute of Energy Economics, Japan (IEEJ)

Hiroataka ISHII, Japan Organization for Metals and Energy Security (JOGMEC)

Christopher ELSNER, Associate Director in Energy-Wide Perspectives for S&P Global Commodity

Dr. Jennifer F. SKLAREW, George Mason University, the Department of Environmental Science and Policy

Session 2: International Order – Power versus Rules

Moderator: **Naoyuki HARAOKA**, Executive Managing Director, Japan Economic Foundation

Kenta HIRAMI, Associate Professor, University of Nagasaki

Kiyoshi TANIGAWA, Executive Director, Keidanren USA

Ambassador David SHEAR, former ambassador to Vietnam; Senior Advisor, Edwin O. Reischauer Center for East Asian Studies, Johns Hopkins University (SAIS)

Ambassador Kenneth JUSTER, former ambassador to India; Distinguished Fellow at the Council on Foreign Relations

Closed Roundtable Discussion Speakers:

Hideaki FUJISAWA, Minister, Embassy of Japan in US

David E. SANGER, White House and National Security Correspondent for *The New York Times*

AGENDA 3 The 11th CJK Cooperation Dialogue

“Promoting Institutionalization of Open Cooperation”

Opening Ceremony

Moderator: YANG Rui, Executive President of China Institute for Reform and Development; President of RCEP Research Institute, CIRD

Opening Addresses

XING Haiming, Ambassador, Department of Asian Affairs, Ministry of Foreign Affairs of China

Asako UENO, Minister, Embassy of Japan in China

LEE Hee-sup, Secretary-General, Trilateral Cooperation Secretariat

LUO Linquan, Vice President, China Public Diplomacy Association

Opening Speeches

KIM Sung-hwan, Chairman, East Asia Foundation

Naoyuki HARAOKA, Executive Managing Director, Japan Economic Foundation

CHI Fulin, President, China Institute for Reform and Development

Plenary Session: Promoting Institutionalization of CJK Trilateral Cooperation

Moderator: ZHANG Yunling, Member of the Chinese Academy of Social Sciences, Professor of Shandong University

Keynote Speeches:

ZHENG Xinli, former deputy director of Policy Research Office of the CPC Central Committee

AHN Choong-yong, Professor Emeritus, School of Economics, Chung-Ang University

Naoyuki HARAOKA, Executive Managing Director, Japan Economic Foundation

CAO Yuanzheng, former chief economist, Bank of China

Panel Speeches

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

MOON Ji-young, Research Fellow, China Team at Korea Institute for International Economic Policy

Thematic Dialogue 1: Accelerating the CJK Trilateral Free Trade Process under the RCEP Framework

Moderator: AHN Choong-yong, Professor Emeritus, School of Economics, Chung-Ang University

Panel Discussion:

ZHANG Yunling, Member of the Chinese Academy of Social Sciences, Chair Professor of Shandong University

Hideichi OKADA, Advisor, Japan Economic Foundation

ZHANG Jianping, Deputy Director, Academic Committee, Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce

Osamu ONODERA, Director-General for Beijing Office and Chief Representative for North East Asia, Japan External Trade Organization

Thematic Dialogue 2: Major Task for Achieving 2030 Sustainable Development Goals

Moderator: Hideichi OKADA, Advisor, Japan Economic Foundation

Panel Discussion:

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

RHYU Sang-young, Professor, Yonsei University Graduate School of International Studies; Managing Director of the East Asia Foundation

LI Chun, Director of CIRD-GRANDALL Center of FTP Law Studies

Naoyuki HARAOKA, Executive Managing Director, Japan Economic Foundation

AN Jun-seong, Attorney-at-law, licensed to practice in the State of Maryland

LI Kai, Professor of Northeastern University, Vice President of the China Academy of Northeast Revitalization

Donald Trump as the winner, as proved to be the case in the November election. The most impressive part of the discussion then was that nearly all of the American participants were skeptical about the US coming back to multilateralism or regionalism. They presumed that the US would be more keen on strengthening its security walls and reinforcing the resilience of its critical industries in terms of national security regardless of who would be the next president.

They thought the WTO or CPTPP or other multilateral or regional efforts to pursue a rules-based international order would not be respected by the US government. Apparently, a multilateral rules-based international economic regime was conceptually envisaged and founded by American academics. But although many of them still believe in its benefits for the US, the US government no longer trusts such academics – a disappointment not only for Japanese keen on attracting the US to rejoin the CPTPP but also for American academics involved in international economy studies.

Thus Japan will need to reflect on restoration of a multilateral rules-based trade order on its own without US help, while the WTO continues to malfunction with the lack of an Appellate Body, the

core of its dispute settlement.

China-Japan-Korea Cooperation Dialogue in Haikou in China, on Nov. 17, 2024: Co-sponsored by the China Institute for Reform and Development (CIRD) and the East Asia Foundation of Korea (AGENDA 3)

This was the 11th dialogue among the three nations. In the light of what has been achieved so far by this meeting, pursuing partnerships and friendship that must survive even amid political turmoil, all of the members were interested in institutionalizing trilateral cooperation promoted by this dialogue. This would be a remarkable step towards the elevated and established status of the dialogue, with implications crucial for future trilateral relations.

In the trade domain, the RCEP was considered the most important regional FTA in Asia in terms of its size with large number of member nations. The three nations are expected to strengthen its Secretariat functions and pursue a merger with other regional FTAs, encouraging the rest of the world to recognize again the merits of multilateralism.

The most unique part of this meeting was highlighting the

AGENDA 4 The ASIA-Pacific Forum

“Navigating the Changing Geoeconomic Landscape in the Indo-Pacific Region: the Role of ASEAN”

Opening Remarks

Dr. Aniceto C. Orbeta Jr., President, Philippine Institute for Development Studies (PIDS)

Mr. Masakazu Toyoda, Chairman & CEO, Japan Economic Foundation (JEF)

Keynote Address:

Amb. Daniel Espiritu, Assistant Secretary for ASEAN Affairs, Department of Foreign Affairs

Session 1: Adjusting to the US Economic Policy after the US Presidential Election

Dr. Man-Jung Mignonne Chan, Deputy Director & Research Fellow, Taiwan Center for Security Studies, National Chengchi University

Dr. Ahn Choong Yong, Emeritus Professor, School of Business and Economics, Chung-Ang University

Dr. Somkiat Tangkitvanich, President, Thailand Development Research Institute

Prof. Gary Hawke, Emeritus Professor, Victoria University of Wellington

Q&A Moderator:

Dr. Josef Yap, Emeritus Research Fellow and former president, PIDS

Session 2: Regional FTA Promotion in Asia-Pacific Region

Amb. Murray McLean AO, Chairman, Dunmore McLean Pty. Ltd.

Datuk Seri Jayasiri Jayasena, former secretary-general, Ministry of International Trade and Industry, Malaysia

Dr. Vo Tri Thanh, Director, Institute for Brand and Competitiveness Strategy

Dr. Yose Rizal Damuri, Executive Director, Centre for Strategic and International Studies, Jakarta

Prof. Zhang Yunling, Member, Chinese Academy of Social Sciences Chair Professor, Shandong University

Prof. Shujiro Urata, Emeritus Professor, Waseda University

Q&A Moderator:

Naoyuki Haraoka, Executive Managing Director, JEF

Session 3: Climate Change and its Implication on the Asia-Pacific Energy Transition

Ms. Anita Prakash, Director (Partnership), Economic Research Institute for ASEAN and East Asia, Jakarta

Dr. Josef T. Yap, Emeritus Research Fellow and former President, PIDS

Mr. Hideichi Okada, Advisor, JEF

Mr. Manu Bhaskaran, CEO, Centennial Asia Advisors

Daw Khine Khine New, Secretary General, Union of Myanmar

Q&A Moderator:

Dr. Francis Mark A. Quimba, Director, Philippines APEC Study Center Network - PIDS

Summary of the discussions and proposal

Mr. Naoyuki Haraoka, Executive Managing Director, JEF

Dr. Josef T. Yap, Emeritus Research Fellow and former president, PIDS

Sustainable Development Goals (SDGs) in China, Japan and South Korea. As SDGs are important common policy goals provided by the UN for all nations, it was meaningful to check on the progress of their achievements in the three countries in light of their contribution to the global community.

It was also a merit of this discussion that all the participants needed to think about a variety of policy goals not only for the global environment, but also in education, gender, human rights, income equality, etc. This was a good exercise for peer review of the SDGs and the benchmarking of each nation's achievements. We could discuss not only each nation's trade and economic policy but also social policy and other domestic policies in this context.

Asia-Pacific Forum in Manila, on Nov. 28, 2024: Co-sponsored by the Philippine Institute for Development Studies (PIDS) (AGENDA 4)

The principal interest of our 16 members of this group from the Asia-Pacific region was how the possible policies of the second administration of incoming President Donald Trump would affect their economies and how to countervail them. The most striking point was that all the nations were concerned about Trump 2.0's nationalistic and protectionist policies. Raising tariffs in the US could provoke numerous retaliations and thus cause inflation and stagnation in the Asia-Pacific economy. Their solution was to unite

Asia-Pacific nations against protectionism and countervail it. While Europe and the US are moving towards unilateralism instead of multilateralism based on free trade, it is only Asia-Pacific nations advocating for multilateral trade liberalization. As a matter of fact, their economy is truly dependent upon free trade, as this is the source of their growth.

It is true that Trump 2.0 is not necessarily bad news for the Asia-Pacific region, but good news for the reunification of this area.

(Subsidized by JKA through its promotion funds from KEIRIN RACE)

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