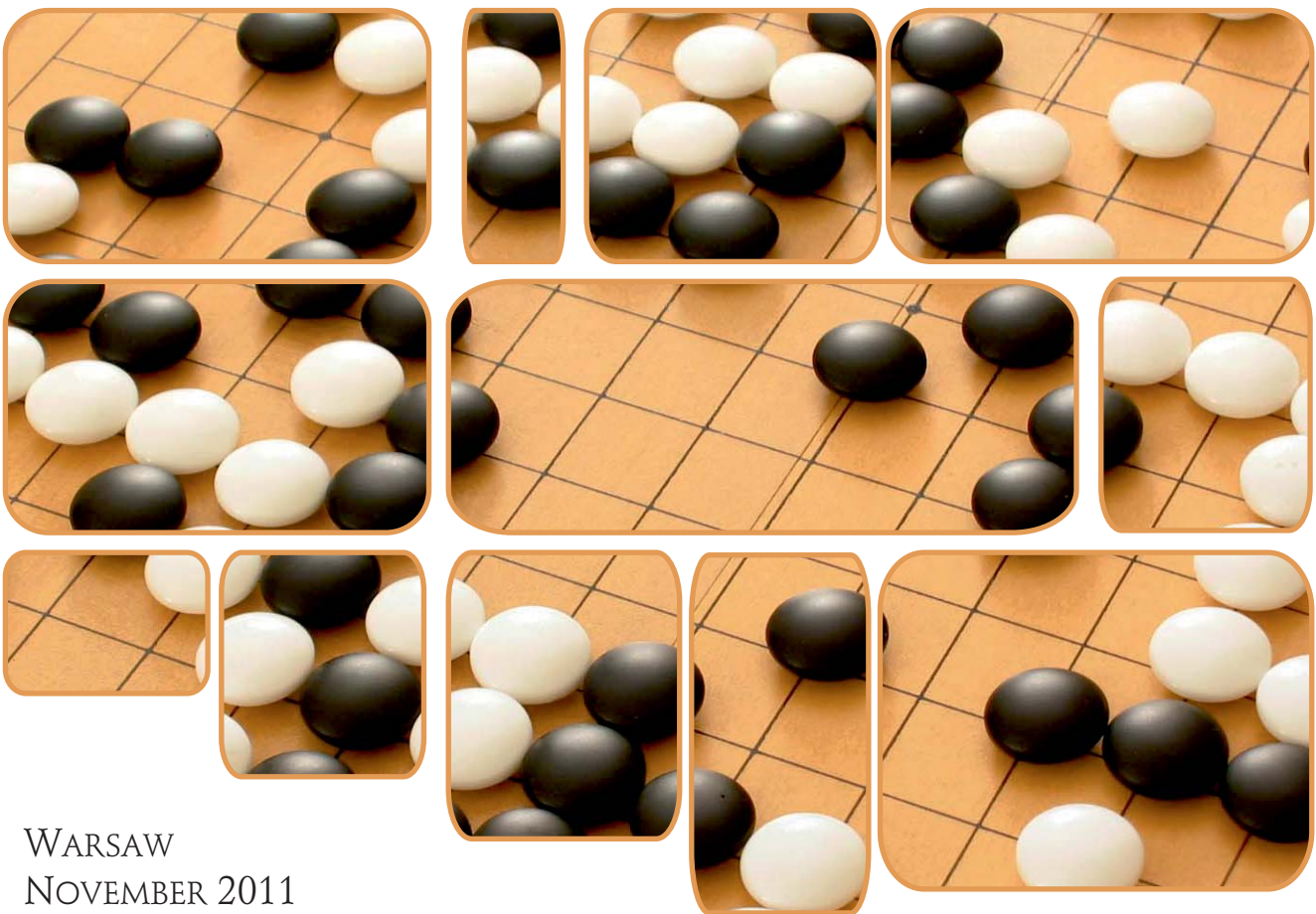


Facing the Challenges of the New Global Order: A Japanese Perspective

Warsaw, 10 October 2011

POST-CONFERENCE REPORT



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THE POLISH INSTITUTE OF INTERNATIONAL AFFAIRS

**Facing the Challenges of the New Global Order:
A Japanese Perspective**

Post-conference Report

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CONTENTS

The Conference's Key Conclusions and Policy Recommendations	5
Conference Report of Activities	7
Opening Remarks	7
Session I:	
Political and Security Developments in East Asia	8
Session II:	
Economic Global Governance	10
Session III:	
Does the European Union Remain an Attractive Partner for Asia?	12
Conference Agenda	16

On 10 October 2011 in Warsaw, the Polish Institute of International Affairs in cooperation with the Japan Foundation organised the international conference “Facing the Challenges of the New Global Order: A Japanese Perspective”. The aim of the conference was to discuss the challenges and opportunities in Poland/EU–Japan/Asia relations arising as a result of political and security developments in East Asia, global economic changes and the situation in the EU. About 100 government officials, experts and scholars from ministries and universities as well as many other people interested in relations with Japan and Asia, participated in the conference.

The Conference’s Key Conclusions and Policy Recommendations

- The global order is in transition. An important role in these world order modifications is played by Asian countries, mainly China. **The International community should strive to persuade China to take part in the current global governance system and not to create an alternative one.** At the same time, no single country could by itself change the global order. In these circumstances, the **cooperation of all countries is required** to modify and adjust the world’s system. **Japan should continue its efforts to engage China and to maintain stability in the PRC and the region.** A significant example of this policy approach has been Japanese efforts to get China access to the WTO.
- The recent global economic crisis shows the necessity to establish more effective global governance mechanisms. The G20, which might be perceived as a candidate for this role, has neither legitimacy nor strong leadership, which makes the forum ineffective. **It seems reasonable to use the European Union’s experience in transferring sovereignty as a basis for a new global governance system.** Furthermore, **global governance mechanisms should deal with the most relevant global issues, such as climate change or global imbalances.**
- The interdependence of Asia and Europe is rising significantly. Two trends seem to be pretty new: the growing economic and trade presence of Asian countries in Europe and an increase in European engagement in security issues in Asia, not only in traditional spheres such as promoting multilateralism and peace-building but also in arms sales, military consultations and exercises and space-technology cooperation. This interdependence has consequences for both sides. Any economic crisis in Europe could seriously affect Asian countries’ roles as significant investors in Europe. At the same time, any economic, political or military crisis in Asia may impinge on Europe’s ability to act as a peace-builder in the region and, commercially, as a provider of some military equipment. In these circumstances **both Asian countries and Europe should deepen the discussion about the current trends to avoid misunderstandings and to make cooperation more beneficial for both sides.**
- One of the important dimensions of Japanese foreign and security policy is Official Development Assistance. The main goals Japan would like to achieve through ODA are to contribute to peace-building, influence the international order, receive strategic resources, promote its own trade, build a stronger position in the international arena and ensure its own security. Assistance is a beneficial tool to achieve these goals, especially in light of Article 9 of the Japanese constitution. **Japan should continue its ODA policy and not shrink**

funds, cooperate with new donors such as China and closely collaborate with the EU as an experienced donor that contributes more than a half of world's ODA. The main spheres of EU–Japan ODA cooperation are peace-building and democracy promotion.

- The transition in the global order, the North Korea threat and China's rise are the main reasons for Japan's defence-and-security policy modifications. Published in 2010, the National Defence Program Guidelines made Japanese defence-and-security policy more flexible. **Japan and NATO** (which is perceived in Japan mainly as a European entity) **should take advantage of these changes and enhance bilateral cooperation on global security issues.** An important fundament for strengthening this cooperation should be the experience of, for example, the Japanese Self-Defence Forces' cooperation with UK and Dutch forces in Iraq and the Maritime SDF's refuelling mission in the Indian Ocean for NATO forces conducting operations in Afghanistan.
- Although the Japanese economy is stagnant there are some positive aspects of the economy, such as the potential for economic recovery after the earthquake and tsunami in Japan in March 2011, safe government bonds (sovereign debt default risk is lower than in other countries) and close economic cooperation with other Asian countries. **In order to overcome stagnation, Japan should promote the signing of Free Trade Agreements, especially with large economies, such as the U.S., China, and the EU, should attract more foreigners and should consider political reforms (e.g., of the presidential system) to establish stronger leadership.**
- It is believed that Japan has disappeared in the globalization process and that its voice is not heard. But it is wrongly assumed that Japan's development model is an obstacle for globalization or that the Japanese economy is not internationalized enough. Not Globalization is not the only external process that exerts pressure on Japan but also the processes of market integration, internationalization of products and rule creation. Currently, Japan does not actively participate in establishing these rules. In these circumstances **Japan could not be neglected as an actor in the globalization process, but its participation in creating rules at the global level should be rethought and improved.**
- The relations between Europe and Japan could be described as mutual invisibility. But the changing defence-and-security context of EU–Japan relations, which is now occurring (e.g., the growth of economic interdependence), makes these relations more overlapping and intimate. **In order to improve and strengthen relations with the EU and become more visible in Europe, Japan should adopt a results-oriented policy using the European Union and NATO** (NATO is perceived in Japan mainly as a European entity) **as a political, operational and non-U.S. partner and multilateral school for Japan.**
- From the Polish perspective, the EU's goal of being engaged in Asia is to use civilian and soft powers. Using its own experience of building democracy and transforming the political regime to a democracy inside Europe, and taking into account the positive outcome of its engagement through civilian power and as an ODA donor, **Europe should play a substantial role in assistance to Afghanistan, North Korea and Myanmar, not only in trade but also as a soft-power partner for Asia.**

Conference Report of Activities

Opening Remarks

In the opening presentations, the focus was on the growing interdependence of Asia and Europe and the increasing role of Asia as an emerging region—a main actor in the process of global-order modifications. These opinions are vindicated by forecasts that by 2050 more than half the world's GDP will come from Asia. Furthermore, key world economy centres—the United States, the European Union and Japan—are now facing budget deficits and weakening internal demand, which requires more cooperation with other, mainly Asian, markets. Apart from economic cooperation, Europe and Asia also collaborate on security and global issues. The establishment of ASEM—the main interregional Europe–Asia dialogue forum—is a significant signal that Europe is aware of the growing importance of Asia. Moreover, Europe closely cooperates with Japan on peace-building and democracy promotion. Recently, these relations also have been becoming closer in economic terms, especially with the start of negotiation of the Japan–EU free-trade agreement.



Session I: Political and Security Developments in East Asia



The first session concentrated on the changing security situation in East Asia and the process connected with the rise of China, Japanese official development assistance as an important dimension of Japanese foreign policy, and changes in Japan's defence-and-security policy.

The first topic concerned a rising China. It is widely assumed that this phenomena will continue. But the problem is about which direction China will take. It is believed that Beijing may choose between two tracks. The PRC could seek an alternative international order. The main reasons for this scenario are the so-called Chinese "victim mentality", a strong sense of pride, Chinese nationalism, the unsolved issues of Taiwan, territorial disputes and strong eagerness to rival the U.S. The second scenario assumes that China, being a member of the current world order, would like to modify its rules. Chinese activities since the Deng Xiaoping era have vindicated the assumption that the PRC wants to participate in the existing order and make changes within the system. Furthermore, the current status of U.S.–China relations based on the "responsible stakeholder" slogan disseminated by the U.S. is proof of perceptions of China as a member of the existing, liberal international order. It is acknowledged that in China, the decision-making mainstream would like to follow the second path, but it cannot be excluded that proponents of the first option will prevail in the future. In these circumstances, the challenges for the entire international community (not a single country), is to persuade China to follow the first path. It seems plausible that the rise of China will have an impact on the rest of the world. In this context, it is a mistake to think about an independent strategy towards China being launched by an individual state, e.g., Japan. Japan's goal is to maintain stability in China and the region.

The next issue raised during the panel was Japanese official development assistance (ODA). Since the end of the 1970's, ODA has been an important dimension of Japan's foreign and security policies. In the beginning, the main goal of ODA was the promotion of Japanese exports, but after the cold war and especially after the 11

September 2001 attacks, Japanese ODA concentrated on environmental protection and promotion of peace and development. Contributing to peace-building and security (“securitization” of aid), influencing the international order, receiving strategic resources and promoting its own trade (exports) are Japan’s main foreign policy objectives. Assistance is a beneficial tool to achieve these goals, especially in light of Article 9 of the Japanese constitution (renunciation of war and the threat or use of force). Furthermore, Japan would like to share responsibility with the U.S. in the peace-building process, which is strongly connected with the U.S.-Japanese security alliance. The most distinctive features of Japanese ODA are that they are large amounts based on refundable loans (not grants), focused on Asia and spent chiefly on economic infrastructure (development through industrialization). The Japanese and European experience in ODA could be an advantage in mutual cooperation concerning peace-building and democracy promotion.

The third topic discussed during the panel was devoted to Japanese security-and-defence policy. In December 2010, the Japanese government announced its National Defence Program Guidelines (NDPG), which makes Japanese defence-and-security policy more flexible. Despite some new ideas, the program exhibits “old” or “the same” features. The NDPG does not propose constitutional revision (Article 9) and officially does not execute the right to collective self-defence. Moreover, the document maintains its standard defence-policy approach (protect Japan and surrounding territories) by upgrading coast guard forces mainly in the East China Sea. Additionally, the Japanese government decided not to revise a ban on the export of Japanese weapons and technologies and maintained “three non-nuclear principles” (“not possessing, not producing and not permitting the introduction of nuclear weapons into Japan”). Nevertheless, the guidelines introduce some new elements, such as the relocation of Self-Defence Forces from the North to the South, purchasing additional military equipment to protect Japanese territory, improving and increasing monitoring systems in the southern parts of Japan. These changes are perceived as the Japan government’s response to China’s rise.



Session II: Economic Global Governance



The second session addressed changes in the global governance system as a result of the world economic crisis, which was perceived as a catalyst for this process, the situation in the Japanese economy and how to overcome stagnation, and the problem with Japan's role in the process of globalization.

The first issue raised during the panel was the problem of the stagnant Japanese economy. It is assumed there are three main reasons for this situation. The first is the end of the so-called "population bonus period", defined as the time during which Dependent Population Indices¹ continued to decrease. This process has economic and social impacts. Economically, it affects potential growth by increasing labour shortages and decreasing savings rates. Socially, it adds pressure to the social security system because it demands reform of the pension system and requires an increase in medical expenses. The second reason is the tremendous amount of government debt (e.g., 50% of GDP in 1991 but 180% in 2010), the world's largest after Zimbabwe. The third reason is internal political instability and the lack of strong leadership associated with the frequent changes of Japan's prime ministers. Despite these facts, there are still some positive prospects for the Japanese economy. The first one is the potential for economic recovery after the earthquake and tsunami in Japan in March 2011. Furthermore, Japan possesses safe government bonds, which means that its sovereign debt default risk is lower than in other countries. Additionally, Japan successfully relies on economic cooperation with Asian countries because Japanese exports are mainly directed to this region. In order to overcome stagnation, Japan should promote the signing of Free Trade Agreements, especially with large economies, such as the U.S., China or the EU, attract more foreigners, and consider political reforms (e.g., the presidential system) to establish stronger leadership.

¹ Dependent Population Index: Young population [0-14] + Elderly population [<65] / Working Age Population [15-64].

The second issue presented during this session was devoted to changes in the global governance system caused by the recent world financial and economic crisis. Global governance was defined as the collective management of common problems at the international level. It is widely assumed that the present global governance system is obsolete, but the economic crisis could be an inspiring incentive to establish an effective one. The global governance system should have legitimacy, strong and clear leadership and must be effective. It seems to be apparent that the G20, which is perceived as the premier forum for global economic cooperation, has no legitimacy and its effectiveness is disputable.

The next issue discussed during the second session was the problem of a Japanese role in the globalization process. It is believed that Japan has disappeared in the globalization process and that its voice is not heard. From the Japanese point of view, the main reason for that is the fact that Japan is too focused on internal issues. This is why Japan is perceived as a state that is not internationalized enough. But from a western point of view, the main problem lies in the inadequate view of globalization in Japan. It is wrongly assumed that Japan's development model is an obstacle for globalization or that the Japanese economy is not internationalized enough. Globalization is not only an external process that exerts pressure on Japan but also a process of market integration, internationalization of products, and the creation of rules. Japan does not actively participate in establishing these rules. Nevertheless, Japan still plays an important role in globalization, having a comparative advantage in this process because of "complementarity" with China. Furthermore, global prosperity requires the diversity of capitalism. In these circumstances, Japan should not be neglected as an actor in the globalization process, but its participation in creating rules at a global level should be re-thought and improved .



Session III: Does the European Union Remain an Attractive Partner for Asia?



The third session was devoted to relations between Japan and Europe, the growing economic and security interdependence of the EU and Asia in a time of global crisis, and Poland's perspective on EU–Asia relations.

In the course of the first presentation, the so-called “mutual invisibility” of Japan in Europe and, reflectively, the EU in Japan was raised. It is worth noting that the changing defence-and-security context of EU–Japan relations that has occurred (e.g., the growth of economic interdependence) makes these relations more overlapping, thereby more intimate. In order to improve and strengthen relations with the EU and becoming more visible in Europe, Japan should adopt a results-oriented policy using the European Union as a political, operational (e.g., in counter-piracy activities) and non-U.S. partner (in those areas in which Japan cannot rely on the United States). Taking into account Japan's relations with Europe, NATO is also recognized in Tokyo as a European institution (in the Japanese Foreign Office, the European Affairs Bureau also covers NATO). Similar to the EU, NATO is also recognised in Japan as a political actor, an operational partner in civilian areas (Japan and NATO cooperate in the same action projects), another venue of cooperation with the U.S. (it is the second context of Japan–U.S. relations and the Alliance), and as a multilateral school for Japan (e.g., Japanese Self-Defence Forces cooperate with UK and Dutch forces in Iraq and the Maritime SDF's refuelling mission in the Indian Ocean for NATO forces conducting operations in Afghanistan).

The second issue raised during the session was the growing interdependence of Europe and Asia, which has been perceptible during the global crisis. This interdependence could be perceived through economic as well as security, even military, lenses. The following two trends seem to be pretty new: the growing economic and trade presence of Asian countries in Europe and more European engagement in security issues in Asia. Economically, Asia is becoming a more important investor in Europe and a crucial trade partner (e.g., the EU is China's first and Japan's third trading

partner; China is the EU's second trading partner). Furthermore, the euro is becoming a reserve currency for Asian countries, predominantly for China (it is estimated that about one-third of Chinese reserves are denominated in the euro). Apart from economic issues, Europe is engaged in the security sphere in Asia, not only in the traditional dimension as a civilian power, a member of multilateral security agreements, promoter of multilateralism and peace-building but also through arms sales (an essential commercial opportunity for the European military sector during the EU's economic crisis), military consultations and exercises as well as space technology cooperation (agreements with China, South Korea and India about joining the Galileo navigation system and unofficial cooperation with Taiwan and Japan). This interdependence has essential consequences for both sides. On one hand, any economic crisis in Europe could seriously affect Asian countries as significant investors in Europe. On the other hand, any economic, political or military crisis in Asia (e.g., territorial disputes at sea) may affect Europe both as a peace-builder in this region and commercially as the provider of some military equipment.

The last topic discussed during the third session was the Polish perspective on the European role in security spheres in Asia. It was mentioned that Europe is absent in the security area in Asia (e.g., the East Asia Summit). What is more, nowadays there is no coherent security system in Asia. The European Union is a soft power in Asia and would like to use ASEM to strengthen the democracy agenda in the region, but a discussion about the priorities of Europe–Asia relations should be launched. Europe has had a positive outcome from its engagement as a civilian power, democracy promoter and provider of humanitarian and development assistance in Asian countries (e.g., Cambodia). Using these experiences, Europe intends to play a substantial role in assistance to North Korea and Myanmar, not only as a trade partner but also a soft-power partner for Asia.





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CONFERENCE AGENDA

Facing the Challenges of the New Global Order: A Japanese Perspective

The Polish Institute of International Affairs
1A Warecka Street, Warsaw
Conference room, 1st floor

10 October 2011 (Monday)

Agenda

- 9.00-9.30 **Welcoming remarks**
- Marcin Zaborowski**,
Director of the Polish Institute of International Affairs
- Kazuko Shiraishi**,
Charge d’Affaires a.i., Embassy of Japan in Poland
- Jerzy Pomianowski**,
Under-Secretary of State, Polish Ministry of Foreign Affairs
- 9.30-11.00 **Session 1**
Political and Security Developments in East Asia
*Topics: political and security issues: the changing balance of power;
role of the EU and U.S. in the region; regional integration in East Asia*
- Moderator:
Artur Gradziuk, Global Issues Programme Coordinator,
The Polish Institute of International Affairs
- Speakers:
Yoshihide Soeya, Keio University,
Shifting U.S.-China Power Balance and Japan’s Response
- Marie Söderberg**, European Institute of Japanese Studies
at Stockholm School of Economics,
*Promoting Peace-building through EU-Japan Cooperation
in Development Assistance*
- Axel Berkofsky**, University of Pavia,
*Japanese Regional Defence and Security Policies: What’s Old,
What’s New, What’s Up?*
- 11.00-11.30 Coffee break
- 11.30-13.00 **Session 2**
Economic Global Governance
Topics: emerging powers; new world economic order; role of G8 and G20
- Moderator:
Jan Krzysztof Bielecki, Head of the Economic Council
to the Prime Minister of the Republic of Poland
- Speakers:
Nobuhide Hatasa, The Japan Institute of International Affairs,
Stagnant Economy in Japan: Ways to Move Ahead
- Paweł Wojciechowski**, Permanent Representative of the Republic
of Poland to the OECD,
Economic Crisis as a Catalyst to Reform the Global Governance System

Sébastien Lechevalier, Ecole des Hautes Etudes en Sciences Sociales,
Japan and Globalisation

13.00–14.30 Lunch

14.30–16.00 **Session 3**

Does the EU Remain an Attractive Partner for Asia?

Topics: EU-Asia relations; EU-Japan relations; Japan-Poland relations

Moderator:

Krzysztof Blusz, Vice-President of Demos Europa
– Centre for European Strategy Foundation

Speakers:

Michito Tsuruoka, National Institute for Defence Studies,
Europe as a Partner for Japan

Nicola Casarini, European Union Institute for Security Studies,
EU-Asia Interdependence at a Time of Crisis

Tomasz Łukaszuk, Director of the Department of Asia and Pacific
Region, Polish Ministry of Foreign Affairs,
Harnessing Poland's Potential to Strengthen EU-Japan Relations

16.00–16.30 Concluding remarks

Marcin Zaborowski,
Director of the Polish Institute of International Affairs

Kazuko Shiraishi,
Charge d'Affaires a.i., Embassy of Japan in Poland

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