COOPERATION IN THE MIDST OF CRISIS

Trilateral Approaches to Shared International Challenges

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Strategizing European-Japanese Cooperation in the Midst of Crisis: Trilateral Approaches to Shared International Challenges

Joshua W. Walker

Amid Europe’s worst crisis in decades, European-Japanese relations might at first glance seem unimportant. However, there has never been a more crucial time to look beyond the European continent to the possibilities for enhanced cooperation with Asia’s oldest democracy, one that shares common realities and values.

U.S.-Europe-Japan trilateral relations are set to enter a new era. Since the end of World War II, the U.S.-led international order has rested on European and Japanese alliances that have traditionally stayed within their own geographic zones. However, recent geopolitical events are increasingly consigning established geographical boundaries to irrelevance. Global jihad now transcends such physical obstacles through cyber propaganda campaigns targeting marginalized elements in the West, giving rise to tragic terrorist attacks in Paris last year and Brussels this year. At the same time, Russia’s aggression in Ukraine and subsequent isolation from the international community have driven Moscow to try to strengthen its strategic partnership with Beijing.

The globalization of European problems necessitates greater international cooperation among the United States, Europe, and Japan. The success of a U.S. presidential candidate who questions long-standing transatlantic and transpacific alliances only underscores the importance of European and Japanese engagement. In contrast, Prime Minister Shinzo Abe’s unusually stable tenure is making Japan a more willing partner than at any time before. Europe should capitalize on this and strengthen its cooperation with Japan in the trilateral context, in particular regarding the global seas, in Eurasia, and in strengthening commercial ties.

Global Seas - Europe and Japan
Europe’s long-term future and economic life-line now lies beyond its immediate neighborhood, and beyond the Atlantic to Asia. Europe is inextricably linked to Asian geopolitics not just by Eurasia and Russia but also by strategic sea-lanes through which over 98 percent of all global trade flows traverse. With the United States as a non-signatory, the European Union is the de facto vanguard of the United Nations Convention on Law of the Seas (UNCLOS), and international arbitration between the Philippines and China is playing out in European courtrooms. Differences over approaches toward Russia and China abound, but maritime rule of law remains the most contentious soft power issue in the Asia-Pacific, and Europe has one of the most under-appreciated roles to play in it.

Beijing depends very much on open trade channels and remaining part of the international community for sustaining its single-party rule predicated on continued economic growth. Nonetheless, it also seeks to revise international norms to benefit its authoritarian values by threatening neighbors and flouting international law. In short, the real victim under threat by China in the South China Sea and by Russia in the Arctic and Crimea is international law and order itself. The issue thus transcends geographical boundaries for both Europe and Japan, which remain indispensable allies to the United States.

While it is unrealistic to expect European naval ships to move beyond their own immediate theater in significant numbers, the symbolism of having a European contingency, whether through NATO or not, as part of existing U.S., Japan, Korea, India, Australia, or any other regional allies operations will not be lost on Beijing. Europe has an evolving partnership with Japan via NATO that lends itself well to further trilateral cooperation. Tokyo’s contributions to NATO include various operational activities ranging from providing logistical supplies in the Indian Ocean for the Operations Enduring Freedom in Afghanistan to joint-counter-piracy operations in the Gulf of Aden. In 2014, Abe called...
his country "a natural partner for NATO," one that shares common "responsibility for advancing rule of law in the world’s oceans." Abe’s vision, together with Japan’s operational experience with the United States and NATO, augur well for the emerging trilateral partnership.

**The Eurasian Heartland**
Looking beyond Asia’s stormy seas, the trilateral partnership must also reach the other crucible of global geopolitical competition: the Eurasian heartland. The concept of a coherent and connected Turkic-Eurasian world stretching from the Adriatic to the Great Wall along the ancient Silk Road has a practical logic but has never been fully explored. The framework lacks a clear international champion, and suffers from unhelpful outside meddling. As a result, the United States is increasingly losing its regional influence while the ongoing Sino-Russian great game essentially dictates the fate of countries in the region. Therefore, Abe’s entrance to Central Asia beginning in 2015 should be welcomed and supported by Washington and Brussels. Tokyo’s investments in Central Asian energy projects accelerated regional energy diversification efforts, of which Brussels could be a major beneficiary with potential westward pipeline projects. Yet Beijing’s regional clout threatens to severely constrain Tokyo’s ambitions, all the while Moscow has been watching warily. Until Washington takes Central Asia more seriously, Eurasia’s main geo-economic and geopolitical center of gravity will tilt toward China despite Japan’s best efforts. In fact, Abe now has personal experience to champion Central Asia’s economic diversification and the liberal order across the Asia Pacific. His 2015 visit to Turkmenistan allowed Ashgabat to finally implement its much-needed energy diversification by kicking off the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline. Abe’s enthusiastic advocacy of the rule-based order in Asia has spawned an arc of burgeoning strategic partnerships with like-minded countries from India to the Philippines. Hopefully, European leaders and U.S. President Barack Obama will see the logic of trilateral cooperation as they deal with a resurgent Russia and defiant China, which are actively hoping to box out all other competition in these vibrant regions.

**Commercial Partners**
Washington, Tokyo, and Brussels have much to gain from closer cooperation on commercial diplomacy not just in Eurasia, but globally. Private companies and individuals are already beginning to see the logic. For example, despite London’s participation in China’s Asian Infrastructure Investment Bank (AIIB) in 2015, the British recognize Japan’s superior quality and service, spawning emerging bilateral infrastructure cooperation, especially in high-speed railway projects, spearheaded by private companies, such as Hitachi. Likewise, Japanese companies have been leading various high-speed railway projects in the United States by establishing joint-consortiums with local U.S. firms. Now it is time for their respective governments to learn from their example.

The success of open trade to rebuild a devastated Europe and Japan after World War II through the Marshall Plan and subsequent Bretton Woods system must be reinforced and strengthened through greater cooperation. Even as the Transatlantic Trade and Investment Partnership and Trans-Pacific Partnership are being buffeted by the winds of U.S. presidential politics, Europe and Japan have their own EU-Japan free trade agreement that would go a long way toward unleashing the potential of the private sector. Additionally, Europe and Japan’s development assistance agencies and export banks can and should work more closely together toward joint commercial projects in areas of mutual interest.
Japan, as a non-Western democracy that has maintained its traditional culture and society while proactively contributing to the international community, represents an inspiring model and ideal trilateral partner. Japanese brands and companies are continually ranked as the most desirable business partners, perhaps because Japan, like Europe, leads with its soft power over its more geopolitically powerful neighbors such as Russia and China. Indeed, the emerging Anglo-Japanese infrastructure cooperation epitomizes Japan’s soft power appeal, inspired by its quality products and services as opposed to mass-produced, cheaper Chinese alternatives.

Finally, while the United States and the EU currently find themselves in direct conflict with Russia, Japan has maintained relatively good ties to Moscow. Indeed, Abe has cultivated such close personal ties with the Russian President Vladimir Putin that the two countries increasingly look to achieving a historic rapprochement this year. Abe’s engagement with Putin has opened a window of opportunity for Washington and Brussels to reconsider potential areas of cooperation with Moscow, particularly in the Asia-Pacific. Moreover, the budding Abe-Putin relations are merely one example of Japan’s emerging soft power appeal that allows Tokyo to engage with a type of world leaders, such as can be found in Central Asia and the Middle East, with whom U.S. and European counterparts would have difficulty meeting for political and human rights reasons. Therefore, Washington, Tokyo, and Brussels now find themselves in a strong position to expand areas of their trilateral cooperation by leveraging Japan’s soft power, economic edge, and global leadership ushered by Abe.

**Charting European-Japanese Cooperation toward Asia’s New Trilateralism**

In 2014, a GMF initiative was established in partnership with the Japanese Ministry of Foreign Affairs to strengthen the relationship between Europe and Japan as part of a broader trilateralism with the United States. Outputs of this initiative include a track-II dialogue, the Japan Trilateral Forum, convened in Brussels once a year; a series of seminars and workshops in Brussels, and commissioned papers to explore the relationship in a broader global context. To capture the debate and best ideas generated at the seminars and Japan Trilateral Forum in 2016, GMF has commissioned chapters from five European and Japanese scholars on areas ripe for deeper trilateral cooperation, presented here.

Tom Wright presents a case for EU-Japan strategic cooperation to jointly defend the liberal international order against emerging revisionism in his essay “The Problem of Revisionism and the European-Japanese Relationship.” He argues that the healthy regional order enjoyed by East Asia and Europe contributed to the maintenance of the post-World War II international liberal order. However, both regions now face growing revisionist challenges to their common values from Russia and China. First, Wright examines revisionist states’ behavioral patterns in pursuit of their objectives. He points out that revisionist states use military power to pose fundamental challenges to the status quo ranging from territorial expansion to rewriting the rules of the game. Their provocations often target non-vital interests of status quo powers, essentially invalidating the effective deterrence that usually leads to accommodation. Second, Wright describes the differences between Russian and Chinese revisionism. Russia leverages its superior hard power to pose various military challenges to remake the European security order. Moscow’s objective is to gain international recognition as a great power whose geopolitical interests are respected. By contrast, China seeks co-existence with the United States in East Asia based on power parity.
China’s economic liberalization has largely stalled due to the inescapable Catch-22 situation in which reforms are necessary to avoid falling into the middle-income trap. As a result, war is not in China’s interest, and this drives Beijing to resort to various means short of the use of force. Third, Wright proposes ways in which the EU and Japan can cooperate to counter revisionist challenges in their respective regions. He argues that although Europe and Japan deal with divergent revisionist problems, they face common challenges to the liberal international order. He goes on to suggest that the EU and Japan remain devoted to rule-based approach to territorial disputes while ensuring continued U.S. regional engagement in Europe and East Asia. Europe should also cultivate deeper economic and diplomatic ties with Japan and other liberal countries in Asia, such as South Korea and Australia. Finally, Wright offers a reminder that what unites the EU and Japan is more significant than what divides them despite their divergent geopolitical environments. The EU-Japan strategic cooperation to protect and preserve the liberal international order would ultimately bolster the trilateral cooperation ushered by Washington, Brussels, and Tokyo during the Cold War.

Mark Leonard, in “The EU, Japan, and the New World Order,” poses a question as to whether it is possible to forge a strategic relationship between the EU and Japan given their differences that have so far impeded bilateral cooperation. He attributes origins of such differences to the mismatch between supply and demand in foreign policy between Europe and Japan and their use of Washington as a medium through which their interests are communicated. These issues have kept Europe and Japan largely apart over strategic issues, especially the question of China. The upshot is a lack of EU-Japan cooperation in responding to Beijing’s maritime challenges while Brussels’ embrace of China’s economic rise has engendered a schism with Washington over the AIIB, with considerable implications for Tokyo. In light of these differences, Leonard proposes an interest-based approach to generating an EU-Japan strategic partnership by having Tokyo remind Brussels of its geopolitical stakes in Asia, including its inextricable economic ties with China and democratic Asian countries that could be threatened by local disputes and require greater cooperation to support the regional liberal order. Finally, the author argues for the EU’s greater voice to demonstrate its interest in supporting the liberal Asian order as well as its regional presence.

Akio Takahara addresses China’s emerging paradox involving economic slowdown and growing military assertiveness and identifies potential areas of Europe-Japan cooperation in managing this new reality in his essay, “How Japan and Europe Can Cooperate in Dealing with a Growing but Ailing China.” First, he provides a reality check on China’s recent development efforts, including the highly publicized One Belt One Road (OBOR) initiative. China’s economic liberalization has largely stalled due to the inescapable Catch-22 situation in which reforms are necessary to avoid falling into the middle-income trap, an impossible proposition for Beijing to implement for fear of igniting social unrest. The upshot is perennial institutional inertia further ossified by Beijing’s indefatigable efforts to bolster its oligopolistic state capitalist model. Takahara argues that such risk aversion has all but led OBOR to become a political mantra uttered only to invoke Beijing’s favoritism, questioning the economic viability of the grand infrastructure project. Second, the author sheds light on China’s heightening military assertiveness in recent years while also revealing various moderate views within Beijing. He attributes Beijing’s post-Cold War military buildup program to Jiang Zemin, significantly contributing to the present antagonism that divides China and Japan over territorial issues. He then unveils moderate elements in Beijing’s key institutions, such as the People’s Liberation Army (PLA) and think tanks, despite the country’s
official hardline view on regional security. Third, Takahara proffers a set of recommendations for Europe-Japan cooperation based on major schools of international relations theories. He takes a realist perspective and calls on European countries to act as a regional balancer by contributing to capacity-building with local governments in defending their maritime rights. He goes on to propose Europe's and Japan's greater interdependence with China inspired by the liberal school of thought while underscoring the importance of information-sharing to monitor the inevitable Chinese economic slowdown. Finally, the author concludes by presenting a constructivist vision for trilateral norm sharing to promote internationalist trends within China.

In his paper, "Mega-FTAs and Japan's Trade Strategy in the 21st Century: TPP, Japan-EU FTA, and the World Trading System," Yorizumi Watanabe argues that there is a historic opportunity for Japan to lead global trade liberalization with several free trade agreements (FTA) currently under negotiation with the United States, Europe, and Asian countries. He analyzes these regional FTAs and demonstrates various opportunities and challenges surrounding Japan's promotion of a more open global economic order through such agreements. First, Watanabe reviews TPP's historical background by shedding light on five past deals that shaped Tokyo's perspective on the emerging FTA. He demonstrates how the United States played a key role in helping post-war Japan gain access to the global economy through such frameworks as the General Agreement on Tariffs and Trade. He also shows Japan's growing willingness to seek FTAs, including TPP, despite domestic political risks thanks to its past success with agreeing on preferential duty quotas on certain agricultural products. Second, Watanabe provides insights into the Japan-European Union Economic Partnership Agreement (JEUEPA). Japan has been negotiating on JEUEPA simultaneously with TPP, and the U.S.-Japan talks on TPP have affected Tokyo's ability to advance dialogue with Brussels that demands greater trade liberalization than that between the two Pacific capitals. Another major difference are views on China on which many European countries share more modest concerns than the United States and Japan. Third, Watanabe reveals how the much-delayed intra-regional FTAs, such as the Japan-China-Korea FTA (JCK/FTA), could complement TPP. He argues that Japan's participation in ongoing talks for TPP and JCK/FTA would allow Tokyo to become a strategic medium through which Europe can advance cross-regional trade liberalization. Watanabe recommends that Japan leverage its unique geopolitical position to lead global trade liberalization.

In his "Japan's Fight against Islamist Terrorism," Henning Riecke demonstrates various ways in which Japan can expand its global security role in combating Islamic extremism while preserving its pacifist principles. First, he argues that Japan's core pacifist principles will remain intact despite Abe's recent push for Japan's security normalization as well as the resultant relaxations on official interpretations of the Article 9 of the constitution. While Japan in 2016 has much greater flexibility in using force, including assisting the United States in its self-defense, Tokyo's new security posture does not necessarily lead to participation in Washington's military operations everywhere around the globe. However, the majority of Japan's public does not share this view vis-à-vis the country's fight against the self-proclaimed Islamic State group (ISIS). The author calls for a solid strategic debate for Tokyo to effectively muster public support for its counter-terrorism efforts. Second, Riecke reveals the strategic logic behind Japan's fight against ISIS as well as detailing Tokyo's response to the jihadist group in recent years. For Japan, combating ISIS allows for enhanced operational coordination with its U.S. ally ranging from maritime security to...
cybersecurity. Tokyo’s counter-terrorism efforts in Southeast Asian countries also function as a hedge against China while securing the country’s access to the region’s vital hydrocarbon supplies. Following the February 2015 Japanese hostage crisis, Japan widened the scope of its counter-terrorism strategy to boost its diplomatic engagement with the Middle Eastern countries in addition to its conventional financial support. Third, Japan’s unique opportunity to boost its contribution to the global fight against Islamic radicalism in the next few years is highlighted. Potential expanded areas of Japan’s security role include implementation of United Nations Security Council Resolution 2178 as well as calls for increased counter-terrorism cooperation during the G7 summit in Ise-shima in May. In particular, Japan’s military contributions to the global fight against Islamic radicalism can be found in maritime security, an area on which Tokyo has already gained substantial expertise and experience thanks to its logistical support to the Global War on Terror in the 2000s. Riecke emphasizes that Japan now finds itself in a strong position to be an essential contributor and an effective U.S. ally in degrading ISIS.

2016 A Breakthrough Year for Europe-Japan

2016 stands to be a fortuitous year for elevating European-Japan relations beyond just a “natural partnership.” Japan is the host country for this year’s G7 summit and looks to demonstrate its global leadership for the world to bear witness. As China and Russia challenge the status quo, the G7 provides an excellent platform at which to recommit the United States, Europe, and Japan to maintaining the liberal international order that has endured since World War II. Misunderstandings about Tokyo’s overtures to Moscow or Europe’s courting of China must be effectively communicated and differences bridged in order to focus on areas of trilateral cooperation from Central and Southeast Asia to the Middle East. As each of the contributions to this volume highlights, there has never been a more important time for enhanced European-Japanese relations within the context of trilateral cooperation with the United States.

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The Problem of Revisionism and the European-Japanese Relationship

Tom Wright

The foundation stone of the liberal international order is healthy regional order in East Asia and Europe. More than international institutions, norms, or law, the creation of zones of peace and prosperity in Europe and East Asia was the true accomplishment of U.S. strategy after World War II. Although they are structured differently, these regional orders ended or significantly eased great power security competition; they allowed for economic cooperation and integration; and they created the conditions for cooperation on transnational challenges. If these regional orders had never been created, or if they had fallen apart under pressure, the U.S. led liberal order would not have been possible.

Unsurprisingly, Japan and the European Union (EU) see their long-term strategic interests as synonymous with the continued success of the regional order in which they reside and participate. Unfortunately, both orders are under significant pressure from outside forces. Japan's strategic problem is how to deal with a rising China that is increasing assertive in its region. The EU has several strategic problems but probably the most serious is how to deal with an aggressive Russia that seeks to enlarge its sphere of influence and to undermine NATO and the EU. The reemergence of revisionist states in East Asia and Europe has sparked a debate about the similarities and differences between the two theaters. Japan and the EU tend to resist the comparison because each hopes to work more closely with the “revisionist” power outside of their region; Japan looks to develop ties with Russia while Europe seeks to deepen its relationship with China. They do not want to add to the problems on their respective plates.

Although the Russian and Chinese challenges are very different from one another, the EU and Japan still have a shared interest in cooperating to uphold an international order that is based on the rule of law and liberal principles. This paper argues the case in three parts. First, it explains how revisionist states tend to pursue their objectives. Second, it describes the differences between Russian and Chinese revisionism. And, third, it outlines ways the EU and Japan can cooperate strategically to counter revisionist behavior in their regions.

Understanding Revisionism

There is a distinction between status quo and revisionist states in international relations theory. Status quo states are generally satisfied with their position in the international system. They may have ambitions but they pursue them through the legitimate processes of the international order and do not use their military power to seize territory or subdue other states. When all states are status quo states, war can still occur but only through miscalculation and the security dilemma. The answer to a security dilemma is transparency, reassurance, and restraint so all understand that no other state seeks to illegitimately disrupt the equilibrium.

Revisionist states, on the other hand, use their military power to change the status quo, usually by seizing territory, imposing their preferred form of government on other states, or by unilaterally and fundamentally rewriting the rules of the game. Transparency, reassurance, and restraint are ineffective in dealing with revisionist states. Revisionism is a recurring feature in world politics. It often leads to conflict — usually of a limited nature but sometimes to general war — because it introduces points of collision between the status quo and revisionist powers. One of the remarkable features of the past quarter century is the near absence of revisionism. The post-Cold War international order was predicated on the assumption that all of the major powers are essentially status quo powers.

We often think of revisionist powers as countries bent on global domination, like Nazi Germany or the Soviet Union. But revisionism rarely
Russia and China have both taken the core insight of revisionist strategy to heart although they pursue it very differently.

manifests itself with all-out war. Revisionist states traditionally go after the non-vital interests of their great-power rivals. When a rival power threatens your vital interests, it is clear that you should push back. But status quo powers will be torn over how to respond to a threat to an interest that is not vital — for example, an attack on a non-ally. The fact is that the small strategic value of the territory in dispute with a revisionist state usually appears to the dominant power to be vastly and inversely proportionate to the extraordinary cost that would be incurred from going to war over it.

This is the great advantage that a revisionist power has and one that it can ruthlessly exploit as long as it does not overstep its mark. The purpose of a revisionist strategy is to make deterrence extremely hard and to encourage rival great powers to accommodate them diplomatically or to limit their response so that it is ineffective. It was for this reason that the British Empire used accommodation as a pillar of its grand strategy for half a century prior to its catastrophic failure in the late 1930s.

Revisionism in Europe and East Asia
Russia and China have both taken the core insight of revisionist strategy to heart although they pursue it very differently.

Russia
Russian President Vladimir Putin believes that the European security order does not respect Russia’s security interests and that the notion of a Europe whole and free poses a threat to his regime. The EU may be in crisis but Putin sees it as a soft power superpower that was willing and able to promote its model of governance right up to his border, which could have the effect of encouraging a “color” revolution in Moscow. He also believes that the EU and the United States have worked hand-in-hand to sideline Russia from European security and from the global order more generally. His goal is to remake the European security order so that Russia is treated as one of a small number of great powers, where its interests are respected, including its interest in exerting special influence in its neighborhood.

However, this strategic goal is difficult to accomplish. Russia has serious short-term and long-term economic problems. It is overly reliant on commodities, the prices of which have plummeted to record lows, and it has failed to undertake the reforms necessary to create a modern and dynamic economy. Its political model holds little appeal for other nations. Russia cannot compete with the EU on partnership agreements with countries like Ukraine. The allure of the West will prove too attractive.

However, Russia has compensated for its economic weakness by developing its hard power. Its tools include hybrid warfare, leveraging its nuclear arsenal, military assistance, and aggressive intelligence operations. Putin believes that Europe has no stomach for a fight, so he can combine his military power with his superior will to directly change facts on the ground, whether it is by annexing Crimea or by intervening in Syria. Putin also understood Europe’s internal vulnerabilities and was determined to take advantage of them. He backed anti-EU political parties, on the far right and far left, in several states to promote discord and disintegration.

The fact that the Russian economy is in trouble and facing a prolonged decline only makes this strategy even more aggressive, as declining powers tend to be more risk-acceptant than rising powers, fearing that their windows of opportunity will close.

China
The geopolitical challenge in East Asia is very different than that in Europe. China is a rising power, not a declining power, so it has time on its side. China has been a major economic beneficiary of the U.S.-led international order while Russia has not. The rest of Asia is more reliant on China for
China is conflicted about the international order — it would like to revise some parts of it but it benefits from some others.

China’s strategic objective is to share East Asia with the United States. China seeks power parity with the United States, which means establishing a sphere of influence in the Western Pacific and developing the capabilities to blunt U.S. power projection capabilities into the region. China does not seek to expel the United States from the region, at least not yet. Chinese leaders know that they would likely fail if they pursued the goal of expulsion, and they also recognize that there are some benefits to a U.S. presence in the region. However, power parity is an achievable goal and it would mean that China would be the United States’ equal, and superior to all other countries, in the region.

China is pursuing this goal by means just short of the use of force. China is using civilian capabilities, such as dredging, and non-kinetic military power, such as Air Defense Identification Zones, to establish control over the South China Sea and East China Sea, respectively. Chinese economic power is also being leveraged to increase China’s political influence in neighboring countries. China’s leaders believe they can incrementally change the status quo by peaceful means so that one day the aggregate effect will be to produce a transformation of the East Asian order. Interestingly, China’s strategy requires an absence of conflict — i.e. to succeed, the strategy needs to avoid war with the United States or Japan.

China has a much more benign approach than Russia to the global order more generally. It is seeking to increase its economic ties to Europe, Central Asia, and elsewhere but it is not dissatisfied with the overall make-up of the order. It does not want to replace the United States as the hegemonic power in the Middle East. It does not want to be the primary provider of public goods. It does not want to undermine the European Union. It wants to ensure that international law and international institutions are not used in a way that damages its interest, whether on human rights or sanctions, but it is not proposing an alternative model of governance.

**EU-Japanese Strategic Cooperation**

The EU and Japan are both confronted with major powers that are pursuing revisionist strategies to undermine the regional orders on which they rely. As discussed here are major differences between Russia and China. Russia is a declining economy reliant on military power and its willingness to use force, whereas China is a rising economy that requires the absence of conflict to build a sphere of influence and achieve power parity with the United States in East Asia. Russia’s challenge is also distinguished by the fact that it is land power and is challenging the European order in states contiguous to it. This contrasts with China, which is a land power too but is only really challenging the order in its eastern, maritime, neighborhood.

To balance China, Japan is seeking to deepen its alliance with the United States, work more closely with Australia and India, and introduce security reforms at home. European powers are continuing with sanctions on Russia, are looking to bolster NATO’s deterrent capability, and some are increasing defense spending at home. Both realize that in an interdependent world, they must continue to cooperate with their rivals on shared interests.

The EU and Japan would both prefer to deal with their own revisionist power and avoid saying or doing much on the other. EU member states are competing with each other to develop commercial
While it is inevitable that the EU and Japan will have different views on revisionism outside of their region, they should keep in mind that their own problem is part of a broader challenge to the liberal international order more generally. There are three specific areas where the EU and Japan should deepen their cooperation.

First, the EU and Japan have a shared interest in upholding the principle that countries should not resolve territorial disputes unilaterally or by the use of force. Rather, these disputes should be dealt with multilaterally by the international community as a whole. Making this point credibly and effectively means demonstrating solidarity across regions. In practice, this means that the EU should back the outcome of the International Court of Justice’s case on the dispute between the Philippines and China even though Beijing does not recognize the court. It also means that Japan should continue to support sanctions on Russia until it complies with the Minsk II agreement on Ukraine. Rather than just supporting each other quietly, the EU and Japan should clearly state that the rule of law and territorial integrity is the utmost priority and supersedes economic and commercial interests.

Second, the EU and Japan should work together to ensure that the United States remains engaged in Europe and East Asia. The 2016 U.S. election has raised real doubts about the strength of U.S. internationalism domestically. Indeed, even if one sets aside the isolationist foreign policy of Donald Trump, many Americans, including President Barack Obama, are concerned about free-riding allies and becoming over-extended around the world. The EU and Japan should consult with each other to find ways of demonstrating their collective commitment to upholding the liberal international order and of increasing their effectiveness as allies of the United States. Both have good stories to tell — the EU has taken the lead on sanctions on Russia as well as on the Iran negotiations, while Japan is increasing its activities on regional security — but they can also continue to do more and then make the case together.

Third, the EU should deepen its economic and diplomatic ties with Japan, South Korea, Australia, and countries in Southeast Asia. The EU has tended to look at East Asia through the prism of economic opportunities in China. Worse, EU member states have acted alone rather than together. This has allowed China to maximize its leverage, which may put added pressure on EU members to remain silent on sensitive political issues, such as maritime disputes and whether to grant China market economy status. To ensure that Europe can develop and pursue an effective Asia policy, it must diversify its economic ties to Japan and other nations in Asia. Japan should also be actively engaged with the EU and it should make clear its support for continued European integration as a necessary component of a successful international order.

Conclusion
The EU and Japan operate in very different strategic environments but what unites them is more significant than what divides them. Both have a vital interest in upholding the liberal international order against revisionist behavior. There are practical ways the EU and Japan can deepen their cooperation in pursuit of this shared interest. In so doing, they can revitalize the notion of trilateral cooperation between the United States, Japan, and Europe that proved so successful during the Cold War.

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Over the course of my lifetime, Japanese and European hard power has decreased in perfect proportion with the rise of their soft power. Sushi, Manga, robots, anime, cosplay, and computer games have long found their way into western youth culture. From Play Stations to Uniqlo, Japanese brands are recognized to be trendy, designer-savvy, tech-savvy, and high quality. The same is true the other way around; one is likely to see more Burberry scarfs and Louis Vuitton bags on an average day in Tokyo than during London Fashion week, and hipsters in the trendy Roppongi neighborhood proudly sport Union Jack t-shirts.

But this explosion of soft power and cultural contact moved gone in parallel with an erosion of hard power. While Japanese cultural influence is present and well received in Europe, Japan is not seen as a soft power in the sense of a modern political power, as an actor creating international norms or social models. Its cultural influence is not mirrored by a political one. Twenty years ago, Japan was seen as real power, and Europe mattered much more in Asia. Today, Europe and Japan have become life-style choices for each other.

The Mismatch Between Supply and Demand of Foreign Policy
Ironically this has happened at a time when Europe and Japan have developed a huge stake in each other's success. There has been an explosion in bilateral trade and both are strong supporters of and very dependent on the global multilateral system for ensuring their security, the free movement of goods, and non-discrimination in different markets. And both Europeans and Japanese are energy consumers rather than producers and require well-functioning global energy markets. Domestically, they are facing similar challenges, from an aging population to stagnating economies.

In light of this, it is surprising that Europeans rarely see Japan as important political partner, and vice-versa. When asked about their most important ally, 62 percent of Japanese look to the United States. In Europe, on the other hand, there is a consensus that Japan should do more on the international stage, and European officials and academics alike criticize Japan for its absence from many international crises, from Syria to the refugee crisis.

One of the reasons for this lack of cooperation is a mismatch between supply and demand in foreign policy. Europeans are very keen to share with Asia their model of peaceful reconciliation, of coming to terms with history, and of regional integration, the pooling of sovereignty, and the rule of law. On security, Europe wants to teach Asia the well-worn dictum of advocating a law-based multilateral system that mirrors, if not quite replicates, Europe's post-war model.

But there is little demand for that from Asia. On the contrary, Western imports of international law and institutions, from the League of Nations to the United Nations, have in fact not dealt well with Asia. The region's modern history shows that conflicts in Asia have rarely, if ever, been resolved by Western-style multilateral or legal frameworks. Even worse, international institutions have at times inadvertently contributed to Asia's conflicts, as François Godement points out:

“The 1982 United Nations Convention on the Law of the Sea (UNCLOS) has considerably raised the stakes by creating an entirely new category of disputes around Exclusive Economic Zones (EEZs) and extended continental shelves. China's submission to the UN in May 2009 of the famous nine-dotted line, appearing to claim the entire South China Sea, was preceded by an earlier joint submission by Vietnam and Malaysia, themselves driven by the need to respond to an UNCLOS deadline for submitting...
A fundamental divergence in European and U.S. perspectives on how to deal with a rising China is taking shape, one that is likely to have consequences for Japan. 

Hahm Chaibong, president of the Asan Institute for Policy Studies, agrees. “In Europe, seeking out a legal solution is seen as a prudent choice. But in Asia, it is an admission of wrongdoing.”

When it comes to what the Japanese would like to see from Europe, there is little alignment with what is on offer. European diplomats in Japan are regularly confronted with maps of chains of islands in the East or South China Sea that Japan wants to defend from other countries’ claims. They are frustrated that the Europeans seem much more interested in their bilateral relationship with China than in their links with Tokyo, and they do not readily see the link between defending the liberal order and the control of uninhabited rocks in the Asian seas. And when it comes to disputes about history and changes to the Japanese constitution, Europeans (and in particular Germany) can be unresponsive to what many Japanese see as the inevitable process of normalization faced with a deteriorating security environment.

The Path Between Tokyo and Brussels Runs Through Washington

For all these reasons, the path between the interests too often runs through Washington. Most Japanese strategists have long been in favor of a rapprochement between Tokyo and Moscow. The Abe government was on the cusp of resolving a territorial dispute over the Kuril Islands that had divided the two capitals for many years when Russia annexed Crimea. Following pressure from the Obama administration, Japan had to walk away from the promising peace talks and imposed sanctions on Russia. Although the Japanese rhetoric was about the values and norms and the importance of Ukrainian territorial integrity, the reality was that most of Japan’s strategic community felt that it was in the country’s interest to develop a close relationship with Russia in order to balance China in Asia. The most powerful reason for not following this interest was the need to keep the Americans happy. On the other side, Europeans are keen to make sure maritime disputes do not turn violent. However, with limited military assets in the region and burgeoning trade relationships with all the Asian powers, they are keen not to get sucked into disputes on the other side of the planet. Therefore the strongest language the Europeans have used was issued in an EU-U.S. statement when High Representative of the Union for Foreign Affairs Catherine Ashton met U.S. Secretary of State Hillary Clinton in Phnom Penh in the summer of 2012.

The problem is that a fundamental divergence in European and U.S. perspectives on how to deal with a rising China is taking shape, one that is likely to have consequences for Japan. In Washington for many years there has been a policy consensus that consists of a mix of balancing, engaging, and shaping. By and large, there was a clear compartmentalization between the economy and the political security spheres. Balancing took place in the military sphere and the engaging and shaping took place in the economic sphere and in international organizations. But increasingly, the United States is adopting a different approach. The Obama administration has taken down the wall between economic and political affairs and is trying to balance China in the economic sphere. The growing fear of Chinese cyberattacks and

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1 François Godement, “Divided Asia: The Implications for Europe,” ECFR policy brief, November 2013, p.4.
2 Ibid.
surveillance has led to an increasingly hawkish response from Washington. Most dramatically, the TPP represents a strategic shift in the view of how to respond to China’s economic rise. This new approach is also mirrored in the language used: during Xi Jinping’s visit to the United States, Vice President Joe Biden used the term “responsible competition” — a long way from the previous use of “responsible stakeholder.”

Europeans, on the other hand, are going in the opposite direction, trying to take full advantage of China’s economic rise, separating that from attempts to hedge and shape Chinese behavior in other realms. Europeans have not been afraid to speak out about Chinese maritime behavior, to sell weapons to other Asian powers, or to hold up the Chinese arms embargo. However, in the economic sphere there has been a kind of competitive behavior between the capitals. Chancellor Angela Merkel organized a joint cabinet meeting between the Chinese and German governments, France likes to pose as an all-weather friend to Beijing, and when Xi Jinping visited London in October 2015, he hardly could have imagined a warmer welcome. Even the dresses of Home Secretary Theresa May and the Duchess of Cambridge were on-message red. The kowtowing was so pronounced that a former adviser to David Cameron scoffed that this visit was “the worst national humiliation since we went cap in hand to the IMF in the 1970s.”

The different attitudes of the United States and Europe toward the Chinese-led Asian Infrastructure Investment Bank, AIIB, illustrate how the two approaches clash. The United States was rather disconcerted when its European allies, one after the other, decided to join the bank. From a European perspective, this made sense: by joining, they reasoned, they could help turn a Chinese bank with Chinese norms into an international institution that would follow international norms. But from a U.S. perspective, this outcome was worse. The U.S. administration feared a legitimate Chinese bank much more than an illegitimate one. In the United States, U.S. primacy and liberal order are the same thing. A Chinese-led project that followed international rules is seen as a serious threat to U.S. primacy, but not to the EU.

If you look forward, there could be a growing tension between these visions. In the past, many people conflated the Western liberal order with U.S. primacy, and certainly from Washington’s perspective the two are identical. However, many European policymakers distinguish between the two. They think that a shift in the balance of power in Asia is an inevitable consequence of China’s return to the global economic top table. They are also conscious of Washington’s sometimes selective embrace of international law, which can lead to the confusing situation of lecturing others about the centrality of the UN Convention on the Laws of the Sea while refusing to ratify it themselves.

This growing divergence between European and U.S. attitudes toward Asia will undoubtedly have an effect on Japan’s security as well. Is it possible for Europeans and Japanese to develop a strategic relationship with each other?

The starting point has to be a very different way of engaging with each other, which tries to convert the cultural affinity into a real partnership. Rather than relying on professions of shared values, Japan needs to develop a better interest-based case for Europeans to engage in their part of the world. This can have a number of different components. Firstly, Japan should remind Europeans that they already do as much trade with democratic Asia as with China. Secondly, they need to show how working more closely with democratic Asia will increase European influence over China and its ability to prise open the Chinese market. Thirdly Japan should show how much economic dislocation regional disputes will create and talk in practical
terms about what Europeans can do to help them. A core part of proving all of the above will be developing a much more detailed account of how Europe and Japan can work together to preserve the rule of law — and this cannot just be a rhetorical cover for U.S. primacy but something that feels like multilateralism to the Europeans as well.

From the European perspective, the EU needs to be much more vocal about its interest in the Asian order and its presence there. Europeans may not have a seventh fleet, but they are economically far more engaged as an Asian power than the United States (or even Japan). Europeans are crucial trading partner to China and the Association of Southeast Asian Nations, as well as to India and most other south-east Asian countries. Europeans are also the second-largest arms sellers to the region, after the United States. The process of developing a political voice that is in line with these economic interests will be a very slow one, but it is important to try and develop more of a strategy dialogue, with Japan and the region as a whole.

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Cooperation in the Midst of Crisis

Akio Takahara

**Introduction**

Many countries, including Japan and European countries, feel deeply ambivalent about the rise of China. By supporting the reform and opening of China for many years, Japan and Europe have contributed to the development of the largest developing nation, which has now become the second-largest economy in the world. For Japan, China is the number one trading partner, and for Europe, it is second only to the United States.

Especially since the global financial crisis erupted in the United States in 2008, China has acted as the locomotive of the world economy. With its huge foreign currency reserves, China has attracted the attention of those who seek its investments, especially through the “One Belt, One Road” initiative that intends to connect the East Asian economic region and the European economic region. But now that we are beginning to witness a slowdown in China’s growth, there are concerns about its impact on other economies, which by now are deeply integrated with China’s.

While Japan and Europe have a common interest in sustaining and supporting China’s economic growth, they are confronted with a serious situation as China also rises as a military power. One question facing many people, both inside and outside China, is how is China going to use its growing national power? If China overcomes its economic downturn and grows into a benign giant, then there is little need for us to discuss its future. But is that the case? China’s development and its external policy point to a number of ways that Japan and Europe should and can work together to deal with a growing but ailing China.

**China’s Development and the One Belt, One Road Initiative**

It is difficult to really understand China, even something as straightforward as the actual state of the economy. Assessment of the present and the future of the Chinese economy vary, both in Japan and in Europe. There is no consensus among experts, either. Japanese businessmen living in China find their newspapers back home to be too pessimistic about the Chinese economy. Foreign business representatives still often report that business is going well and that a lot of innovation occurs in Chinese factories.

It is quite possible that the situation is mixed, and that some sectors and areas are doing fairly well, while others are struggling. The announced growth rate of the provinces in the first half of 2015 ranged from a high of 11.0 percent in Chongqing Municipality and a low of 2.6 percent in Liaoning Province. The fiscal revenue of Liaoning decreased by a staggering 22.7 percent compared to the same period in the previous year. The Northeast District, including Liaoning, Jilin, and Heilongjiang, have generally been hit hard in the current economic downturn. This is a heavy industrial area where huge state-owned enterprises thrived during the era of the planned economy, but are now facing grave difficulties.

The central government is willing to further liberalize the economy and claims it has made substantial achievements. For example, Premier Li Keqiang took pride in his 2016 government report to the National People’s Congress, which cancelled the upper limit of interest rates on deposits the previous year. In reality, however, those in the financial sector understand that the central bank is still dictating what the rate should be. There has been no change in the oligopolistic dominance of state-owned enterprises in the key sectors of the national economy, such as finance, energy, and communications. Rather, there have been moves to...
It is widely understood that China’s aims in this initiative are manifold and include introducing institutions with new sets of rules with a long term view to establishing a world order centered on China.

strengthen the oligopolistic state-owned enterprises by introducing private capital into them and even merging them on the grounds that economy of scale works favorably for competition in the global market. Reforms in the distributional system for narrowing income gaps are yet to be seen.

Since there has not been a substantial, systemic change in central-local relations, the localities are not cutting excessive production capacities in sectors such as coal and iron and steel, despite the national policy dictates. The central government has announced that 1.3 million workers in the coal industry and another half a million in iron and steel will have to leave their posts. Without the implementation of these reforms, it would be difficult for China to avoid falling into the middle-income trap. If implemented, however, it is bound to cause societal instability.

The difficulties facing the economy are well understood by Chinese leaders. Therefore, they, particularly officials in charge of fiscal and financial sectors, are increasingly unwilling to take risks. The massive investments led by the central and local governments since 2008 have led to huge over-capacity, government debts, and bad loans. It is wonderful that networks of highways and high-speed railways now extend all over China. However, there is no data available as to which lines are profitable, or which are losing money — and how much. Generally speaking, Chinese authorities tend not to publish figures that will be received as bad news. As a result, financial institutions are increasingly cautious about the profitability of new investments and loans.

It is this concern that is casting doubt on the prospect of the One Belt, One Road initiative. The contours of the initiative remain unclear to this day, but according to the Chinese government, the basic idea is to connect the East Asian economic zone and the European economic zone by developing the intermediate areas along the Eurasian economic belt and the maritime route along and around the South China Sea and the Indian Ocean. This will involve the construction of infrastructure, the establishment of new financial institutions such as the Silk Road Fund and the Asian Infrastructure Investment Bank, and international policy coordination.

It is widely understood that China’s aims in this initiative are manifold and include introducing institutions with new sets of rules with a long term view to establishing a world order centered on China; expanding its sphere of influence in Eurasia and beyond; and making good use of its excessive capacity for construction and production by investing and cultivating new markets overseas. Internally, One Belt, One Road is understood to be Xi Jinping’s pet project. Now that Xi has succeeded in consolidating his power base and is enhancing his personal authority, people reckon that their project proposals will have a higher chance of winning budgets if they include the magic words One Belt, One Road.

When the United Kingdom made a breakthrough and joined the AIIB in March 2015, there was euphoria in China, and many Western European countries and U.S. allies such as Australia and South Korea followed suit. However, the euphoria dissipated by the summer of that year, as the Chinese gradually realized the difficulty in implementing the grand initiative. There will not be a Belt as such, since few believe that investing in highways and speed railways across Central Asia will be very lucrative. There is a likelihood that One Belt, One Road will be one of those initiatives in China that does not die completely but will move gradually to the back burner, much like the Great Development of the West that started at the beginning of the 21st century.
As for the AIIB, the Chinese have realized that they must conduct its affairs according to the rules of conventional international financing. If not, its rating would be low and the cost of fund raising would be high, and it would also be facing real issues on the ground such as protests from environmentalists and people who are forced to move from project sites. It seems so far that establishing the AIIB will not bring about a change in international rules, but rather prove to be a good learning process for China for abiding by them.

**China’s External Activities**

There are high hopes for economic cooperation with China. However, this also poses a dilemma since economy and security interact in two key ways. First, it is China’s open policy to develop their military might along with the economy, and recent experience indicates that a more mighty Beijing will be a more assertive one. China’s activities in the East China Sea and the South China Sea have caused friction with its neighbors and the United States, and could pose a threat to vast amounts of sea trade. Second, economic growth and nationalism have been the two pillars that support the legitimacy of the Chinese Communist Party. As economic growth has slowed, labor strife has increased, and social instability is likely to spread. Faced with the weakening of its economic legitimacy, Chinese leaders could be tempted to strengthen the other pillar of their support and whip up nationalistic sentiments through assertive external action. This, too, would jeopardise the political stability that allows for smooth communication and economic exchange.

When Deng Xiaoping started China’s reform and opening policy, he declared that the construction of the economy was primary and the construction of the military was secondary, and that the military had to exercise patience. However, in the 1990s, after the end of the Cold War, Deng’s successor Jiang Zemin altered this formula and stated that military construction must keep pace with economic construction. He ordered that the government must increase the military budget significantly. As a result, China’s military and paramilitary forces developed rapidly, and gradually intensified their action.

The official view of the Chinese is that, in the East China Sea, it is the Japanese side that is trying to change the status quo. According to the Chinese, in 2010 the Japanese government applied domestic law for the first time and arrested the captain of the trawler that collided with Japanese coast guard vessels within the 12 nautical mile area around the Senkaku Islands (which China calls the Diaoyu Islands). Two years later, the Japanese government purchased three of the Senkaku Islands from a private owner in an attempt to consolidate their claim of sovereignty over them. These were seen as serious cases of provocation and challenges to China’s sovereignty, and the Chinese side therefore had to respond sharply.

The view of the Japanese side is quite the opposite. Their point is that China has increased its activities just as it has increased its capabilities. The first Chinese research vessel entered the waters around the Senkaku Islands in 1996. In 2001, the two governments agreed on a system of prior notification of sending research vessels, but the Chinese side often failed to abide by the agreement. Domestic law had already been applied to the Chinese activists who forcefully landed on one of the islands in 2004; they were arrested and sent home under a clause in the Japanese Immigration Control and Refugee Recognition Act. In 2006, China’s State Oceanic Administration introduced a system to make regular patrols of their claimed territory, and most likely based on this new system, two of their patrol vessels intruded into the territorial waters around the Senkaku Islands for the first time in 2008 to claim sovereignty. In fact, video taken in 2010 by the Japanese coast guard...
shows that it was the trawler that rammed into its vessels and caused substantial damage.\(^1\) Thus, in that instance, criminal law was applied.

In China, there were moderate views alongside the hardline ones. Just before the Chinese leadership decided to embark on a series of ferocious countermeasures against the purchase of the Senkaku Islands by the Japanese government, one general in the People’s Liberation Army had an interview with China’s official media. He stated that in Beijing there were two divergent interpretations of the purchase. On one hand, there were those who argued that this was a provocation and challenge to China; on the other, some argued that this was a measure to quell the situation by preventing the right-wing governor of Tokyo from purchasing the islands.\(^2\) The general admitted that he was inclined to the latter view. Other think-tank scholars also expressed their views in the media to the effect that a legal transaction in property inside Japan had no impact on China’s claim of sovereignty and the Chinese side should limit their reaction to legal means.\(^3\)

If we turn our eyes to the South China Sea, there are Chinese scholars and officials who reckon that the so-called Nine Dash Line drawn on the Chinese map of the South China Sea is a liability. This is because it is impossible legally to defend its legitimacy and at the same time impossible politically to erase it from the map. No doubt there is a growing number of people who understand the importance of international norms, but they cannot express their views in public since nationalistic sentiments run high in society. The exploration of oil and gas near the Paracel Islands in 2014 and the construction of seven artificial islands that followed indicate a rise in the policy to accumulate \textit{faits accomplis}, increasing China’s presence and overwhelming others in the South China Sea. At least some Chinese intellectuals and overseas observers share the concern that China’s economic downturn and the rise in social instability could strengthen this tendency.

\textbf{What Japan and Europe Should Do Together}

Russia’s actions in Crimea and Eastern Ukraine changed the security environment and raised people’s concerns in Europe. China’s actions in the East China Sea and the South China Sea have had a similar effect in East Asia. This observation leads us to a few thoughts on what Europe and Japan should be doing together for the peace and prosperity of the regions and the world.

Three major schools of international relations theory emphasize different points for peace. First, according to realism, the balance of power is most important, and in this regard European nations should continue contributing to the capacity building of the Southeast Asian nations defending their maritime rights.

Second, liberalism tells us that interdependence is the key. Further economic cooperation with China, which is still the fastest rising major economy in the world, serves the interests of both Japan and Europe. A slowdown of China’s growth is inevitable, so information sharing and a close exchange of views between Japan and Europe is important; both should also try to extend their network of monitoring the economic and social situations in different parts of China.

\(^1\) The video footage taken by the Japanese Coast Guards can be viewed at http://www.youtube.com/watch?v=sVVM2AmvD5U. This video invalidated the Chinese version of what happened, i.e. it was the Japanese vessels that rammed the trawler, which was depicted in a drawing posted by Xinhua.net one day after the collision (http://news.xinhuanet.com/world/2010-09/08/c_12529510.htm).

\(^2\) At the time, it was widely understood both in China and in Japan that if the Tokyo Metropolitan Government had purchased the islands, it would have caused havoc to the bilateral relationship. The governor had declared that he would build a port and station officials there since the central government was not doing enough to defend the islands.

Finally, the idea of constructivism emphasizes the importance of norm sharing. Both Japan and Europe should seize appropriate opportunities, such as when the Permanent Court of Arbitration announces its judgment on the Philippines versus China case regarding the Nine Dash Line, and stress the principles of the international order. These principles, including the denunciation of the use of force and the threat of force in resolving international issues, were introduced and established after two horrendous wars in the previous century but have been shaken by the actions of big powers in recent years. The idea is to promote internationalist trends within China. The exchange of youth and intellectuals with China should prove most useful. Governments as well as private sectors should more strongly support the increasing, spontaneous exchange programs between the students of China and other countries including Japan. Direct meetings should be followed up by communication through social media. European experts should be welcomed to participate in Track II discussions over maritime and airborne communication mechanisms and history issues in East Asia. And, at the same time, China experts in Japan and Europe should talk to each other more.

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Japanese Trade Strategy in the 21st Century: TPP, the Japan-EU EPA, and the Global Trading System

Yorizumi Watanabe

2015 marked the dawn of a new era in Japan’s trade strategy. On October 5, Japan, the United States, and ten other Pacific powers reached a substantive agreement on the Trans-Pacific Partnership (TPP), paving the way for a new geo-economic and geopolitical paradigm in the Asia-Pacific. The conclusion of those negotiations came 70 years after the end of World War II, 60 years after Japan’s accession to the General Agreement on Tariffs and Trade (GATT), 30 years after the Plaza Accords, 20 years after the GATT became the World Trade Organization (WTO), and 10 years after the Japan-Mexico Economic Partnership Agreement (JMEPA) entered into force. The end of the Pacific War in 1945 signaled the demise of the old imperial Japan and the dawn of a new democratic Japan. Seventy years and one month later, Japan joined forces with the United States — its enemy from the imperial era — and ten other Pacific powers to establish an open and liberalized trading regime across the Pacific. The path between those two points has been a long one.

Japan's moves toward free trade started with its accession to the GATT. While the United States was keen to see Japan gradually integrated back into the global economy, Tokyo struggled to gain the approval of Western European members, particularly the United Kingdom and France. Once Japan had been admitted, a number of countries invoked GATT Article XXXV, essentially a “general escape” clause, denying Japan two of the fundamental equalizing principles of the GATT: most-favored nation status (MFN) and national treatment. This meant that Japan did not have equality, but was obliged to accept discriminatory quotas and a series of “GATT-bypassing” arrangements, such as the notorious voluntary export restraints (VERs). The VERs remained in place until the 1994 conclusion of the Uruguay Round declared the restraints inconsistent with GATT principles.

The Plaza Accord brought about the next major development in Japan’s evolving role in the global economy. In September 1985, central bankers and finance ministers from France, West Germany, the United Kingdom, the United States, and Japan — the then five leading industrialized nations — delivered a major exchange-rate realignment at the Plaza Hotel in New York. The realignment was the most significant development in global monetary policy since the post-WWII establishment of the Bretton Woods system. The value of the Japanese yen appreciated from 248 to 180 against the dollar, which had a dramatic effect on Japan’s industrial structure. Manufacturers shifted production of parts and components to newly industrializing economies: investment in the then six members of the Association of Southeast Asian Nations (ASEAN) increased three-fold as Japanese companies sought to take advantage of national currencies pegged to the U.S. dollar. This marked the start of what became a sophisticated set of production chains in the Asia-Pacific, particularly in the electronic and automobile industries. After 30 years of economic integration, the region is both well prepared for and deeply in need of the open and comprehensive legal framework embodied in the TPP agreement.

1995 saw the GATT evolve into the WTO, a fully fledged international organization designed to regulate global trade. The WTO has been very successful in dispute settlement, resolving more than 400 cases through a peaceful litigation process. However, the WTO has been a less successful negotiating forum than the GATT. For the last decade, the world’s major multilateral trade negotiation framework, the Doha Development Agenda (better known as the “Doha Round”), has been at a standstill. Despite significant developments in the global economy — the Lehman Brothers shock, the rise of emerging economies like China, and the eurocrisis, to name but a few — there has not been any significant
update to the global trade agenda since the conclusion of the Uruguay Round in 1994. It is against this backdrop that the enthusiasm for TPP emerged. This agreement is expected to address new trade issues like investment, competition policy, government procurement, e-commerce, and environmental and labor regulations.

Finally, 2015 marked the tenth anniversary since the JMEPA entered into force. While the JMEPA was the second economic partnership agreement (EPA) that Japan concluded, the importance and difficulty of gaining access to the Japanese agricultural market meant that it was, in essence, Japan’s first serious free trade agreement (FTA) negotiation. At the time, agricultural products constituted 20 percent of Mexico’s exports to Japan. Half of that was pork, a politically sensitive issue for Japanese pork producers. After 23 months of talks, negotiations concluded in March 2004. The agreement came into effect in April 2005. The key to successful conclusion was the inclusion of preferential duty quotas on pork and other sensitive agricultural products. Mexico’s main interest was in pork filet and tenderloin, which, prior to the EPA, was subject to 4.3 percent of ad-valorem duty imposed by Japan. By 2010, JMPEA had reduced the duty on the first 80,000 tons of Mexican pork products to 2.2 percent.

This preferential duty quota mechanism paved the way for the TPP negotiations. It was later employed in the bovine meat deal in the Japan-Australia EPA, and then in TPP, providing market access for some of the most sensitive agriculture products (see Figure 1).

Those five events explain why and how Japan remained tenacious throughout the TPP negotiations, despite the high political cost.

The Japan-European Union Economic Partnership Agreement

Along with the TPP and the Transatlantic Trade and Investment Partnership (TTIP), the Japan-EU EPA is a third leg in the current round of the mega-FTAs being negotiated by industrialized economies. As with the other two agreements, it is also a byproduct of failure at the WTO. Japan’s incentive to negotiate an FTA with the EU is largely

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<tr>
<th>Product</th>
<th>Current Rate of Import Duties</th>
<th>Duty Elimination/Reduction</th>
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<tbody>
<tr>
<td>Passenger vehicle</td>
<td>2.5%</td>
<td>Reduction from the 15th year, to be eliminated in the 25th year</td>
</tr>
<tr>
<td>Bus</td>
<td>2.0%</td>
<td>Elimination in the 10th year</td>
</tr>
<tr>
<td>Truck</td>
<td>25.0%</td>
<td>Duties maintained for 29 years, to be eliminated in the 30th year</td>
</tr>
<tr>
<td>Cab-chassis</td>
<td>4.0%</td>
<td>Reduction from the 15th year, to be eliminated in the 25th year</td>
</tr>
<tr>
<td>Car air-conditioning</td>
<td>1.4%</td>
<td>Immediate elimination</td>
</tr>
<tr>
<td>Shield beam lamp</td>
<td>2.0%</td>
<td>Immediate elimination</td>
</tr>
<tr>
<td>Engines 1000–2000 cc, wiper,</td>
<td>2.5%</td>
<td>For engine above 2000cc, duty will be eliminated in the 5th year</td>
</tr>
<tr>
<td>bumper, brake, gear box, airbags, etc.</td>
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centered on market access for the Japanese auto industry: while European cars enjoy zero-duty in the Japanese market, the EU’s tariff on imported cars is 10 percent. If the Doha Round negotiation on Non-Agricultural Market Access (NAMA) had been successful, this would have been a non-issue. Japan became particularly concerned after South Korea concluded a FTA with the EU in 2011, putting Japan at even more of a disadvantage in the EU market. On the EU’s part, however, it was only after the Japanese government expressed an interest in joining the TPP in 2011 that Brussels decided to move toward negotiation. The scoping exercise to determine the level of ambition for the negotiations, a process that favors the EU interest, started in May 2011 and concluded in May 2012. The EU Foreign Affairs Council gave the European Commission a mandate to start negotiating a FTA with Japan in November 2012. Negotiations began in March 2013. At the G20 in November 2014, Prime Minister Shinzo Abe and President Jean-Claude Juncker announced their intention to accelerate negotiations for conclusion by the end of 2015, but — as of April 2016 — negotiations are still ongoing.

The negotiating structure of the Japan-EU EPA has been asymmetrical. Japan is demanding the elimination of tariffs on manufactured products like private automobiles and electronic products. The EU would like to see Japan reduce non-tariff barriers (NTBs) and improve market access in public procurement, particularly in the railway industry. As a part of the scoping exercise and in the initial negotiations, Japan offered the EU a number of concessions but has yet to receive any commitment from the EU on tariff elimination for manufactured products.

The dynamic has changed in the aftermath of the TPP agreement, however. After the substantial agricultural concessions Japan offered in the TPP negotiations, the EU is asking for even more. Japan, meanwhile, finds itself more concerned with safe passage of the TPP-related trade bills in the National Diet and the upcoming election of the House of Councilors of the Diet in the summer of 2016. At a GMF conference in Brussels in late 2015, it was made clear that the EU would not accept the TPP as a benchmark for the Japan-EU EPA. Instead, the EU will demand even greater liberalization of the Japanese agricultural market (see Figure 2).

There are some similarities between the TPP and the Japan-EU EPA; both FTAs are seeking a high quality 21st century free trade regime with tariff elimination on “substantially all trade” and advancement beyond existing WTO rules in areas such as investment, competition policy, government procurement, e-commerce, and environment. However, there are also stark differences.

One such difference is the geopolitics of TPP. Both Tokyo and Washington have been anxious to reach an agreement ahead of the U.S. presidential elections. Both governments were also keenly aware that the TPP would introduce a new set of rules vis-à-vis the commercial activities of state-owned-enterprises. Considering China’s display of its territorial ambitions in South China and East China seas, Japan and the United States moved quickly to establish rules in trade and investment across the Pacific. This, of course, does not exclude the possibility of China’s future membership in the TPP.

The dynamic has changed in the aftermath of the TPP agreement, however. After the substantial agricultural concessions Japan offered in the TPP negotiations, the EU is asking for even more.

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European countries to join the Asian Infrastructure Investment Bank (AIIB), a disappointment to both Japan and the United States.

Another significant difference between the TPP and the EU-Japan FTA has been in the modalities of agenda-setting. In the case of the TPP, Abe and U.S. President Barack Obama met in February 2013 and in April 2014 to discuss their visions for the U.S.-Japan bilateral deal. This included specifying sensitive sectors for exceptional treatment, either through maintaining high duties or by including long phase-out stages for tariff elimination (see Figure 2). The United States identified the auto sector as highly sensitive, while Japan specified five agricultural categories: rice, wheat, pork and beef, sugar and sugar-contained products, and dairy products. As such, the bilateral negotiation on market access between Japan and the United States could be characterized as a trade-off of sensitivities: the auto industry for the United States and agriculture for Japan. This bilateral arrangement inevitably modified a basic principle of the TPP negotiation — tariff elimination without exception — but it supported Japan's participation in the trade talks despite the strong opposition of the agricultural lobby. Commitment at the highest political levels to the TPP facilitated the negotiations. There is nothing comparable to this in the case of the Japan-EU EPA talks, where routine summit declarations of “expeditious” negotiation have had little real effect.

Japan’s Pivotal Role in Asia-Pacific Trade Architecture

Japan is also involved in trilateral negotiations with China and Korea (the JCK FTA) and in the East Asian Regional Comprehensive Economic Partnership (RCEP) negotiations (see Figure 3). In 2012, trade with RCEP countries comprised 45.8 percent of Japan’s exports, compared to only 29.6 percent to the TPP countries. Japan’s foreign direct investment in the RCEP countries was 30.8 percent compared to 41.0 percent in TPP countries (2012). It is imperative that Japan consolidate its well-established production network spread across East Asia. It can only do this by achieving the comprehensive and uniform legal framework that the JCK FTA and the RCEP could facilitate. As a
result, those two agreements are as important to Japan as TPP.

However, little progress has been made so far on both the JCK FTA and the RCEP largely because of the lack of political will to liberalize trade and investments. The RCEP/JCK FTA and the TPP could be complementary. While RCEP and the JCK FTA will focus on inclusive growth, bringing less developed members such as Cambodia, Laos, and Myanmar into the dynamic international division of labor within the region, TPP could encourage further liberalization and rule-making, ultimately leading to the realization of a truly global production network.

As a member of the TPP, RCEP, the JCK FTA, and the EU-Japan EPA, Japan is in an ideal position to play a pivotal role in promoting freer trade and investment in the Asia-Pacific and beyond (see Figures 4 and 5). Japan should not miss this opportunity to lead trade liberalization.

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Figure 4: Economic Importance of the Mega-FTAs

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<thead>
<tr>
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<tbody>
<tr>
<td>JCK FTA</td>
<td>US$ Billion</td>
<td></td>
<td></td>
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<tr>
<td>RCEP</td>
<td>6,619</td>
<td>14,280.9</td>
<td>20.4</td>
</tr>
<tr>
<td>TPP</td>
<td>10,470</td>
<td>3,929.9</td>
<td>28.5</td>
</tr>
<tr>
<td>TTIP</td>
<td>15,602</td>
<td>32,686.5</td>
<td>46.8</td>
</tr>
<tr>
<td>World</td>
<td>36,890</td>
<td>69,899.2</td>
<td>100.0</td>
</tr>
</tbody>
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Figure 5: Membership in the Mega-FTAs in the Asia-Pacific
Japan’s Fight against Islamist Terrorism

Henning Riecke

The campaign against the self-proclaimed Islamic State group (ISIS) in Iraq and Syria has forced the United States, Europe, and Japan to unite in many areas, but has also exacerbated differences and tensions. In Japan, the debate about how exactly to participate in the conflict against ISIS has been politically and symbolically loaded. Critics have argued that Japanese Prime Minister Shinzo Abe is taking advantage of public sentiment against ISIS to pursue his own agenda of military “normalization,” softening the constitutional restrictions against the right to wage war or keep a national military. The experience of direct threats and Japan’s ambition to strengthen its alliance with the United States have led Abe’s government to step up its engagement and make non-military contributions to the fight against ISIS. This is a good example of how global concerns and the security of allies and partners might drive Japan’s foreign policy. There is room for Japan to enhance its role in the fight against Islamist terrorism without setting aside the pacifist principles still supported by a majority of its citizens.

In the past, Japan has not been able to assist its major ally, the United States, in collective defense. Japan provided only financial assistance during the first Gulf War of 1991, which made it appear a weak ally. In the years since, the debate about Japan’s international security role has evolved. The diminished power projection of the United States since the global financial crisis of 2008-10 and China’s growing assertiveness have added pressure on Japan to loosen its constitutional restrictions on the use of military force. Abe took up the idea of constitutional reinterpretation in his second term beginning in 2012. Under the heading of “Proactive Pacifism,” he tried to open the set of possibilities for a stronger international role in upholding regional security for Japan, in cooperation with the United States. The surrounding nationalist and revisionist rhetoric veiled the fact that the initiative was building on prior decisions to carefully expand the openness to exert military force, and that the pacifist convictions in Japan’s population would remain strong.

A number of decisions marked Japan’s reorientation between 2013 and 2015. The establishment of a National Security Council gave more power to the prime minister and his staff. A National Security Strategy, the first of its kind, called for a larger regional role to balance the power shifts in the Asia-Pacific. New Defense Guidelines developed procurement recommendations. The process culminated in legislation that brought about a reinterpretation of Article 9 of the Japanese Constitution. Passed in September 2015, the set of laws included an interpretation that collective self-defense is possible under the Constitution, when certain conditions are met. These include an attack on a Japanese ally that threatens Japan’s way of life, when military means are the only appropriate instruments left, and when the use of military force is kept to a minimum. The prime minister, despite strong public resistance, has succeeded in loosening the restrictions imposed by a strict interpretation of Article 9. However, the steam behind Abe’s initiative to change the constitution seems to be gone.

The new interpretation does not change Japan’s basic pacifist security orientation, an integral element of Japan’s political identity. The door is

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open for joint operations with the United States in Japan’s neighborhood and for assisting the United States in defending itself. But it does not necessarily include participation in U.S.-led missions everywhere around the globe. There is an inherent danger that a large share of Japan’s society sees all measures against ISIS through that prism, making it harder to build up public support for appropriate policies. For this reason, a solid strategic debate about the terrorist threat and response is important.

**Japan and Islamist Terrorism**

Japan has been in the crosshairs of ISIS, as an ally of the United States, as a fount of liberal values, and as a business partner of the ruling elites in the Arab World. Its financial contribution to the anti-ISIS coalition has added to the hatred. The National Security Strategy of March 2013 stipulates a direct terrorist threat to Japan. Japan has been a supporting member of the anti-ISIS coalition, has participated in the 2014 Paris founding conference, and has pledged assistance for the Iraqi government. It supports the alliance not with units in the field, but through a package of measures for capacity-building for counter-terrorism, worth $200 million.

The videos of the brutal beheading of a Japanese journalist in Syria in February 2015 brought the threat to Japan close to home. ISIS has killed more Japanese citizens since, and has demanded ransom for the hostage, and later the exchange of a prisoner. Abe, who was traveling to the Middle East during the crisis, refused to budge. He used the case later to make an argument that Japan had to participate even more in the fight, but was criticized for making use of the incident.

ISIS has added new threats against Japan, urging its associates to attack Japanese missions in Malaysia, Indonesia, and Bosnia-Herzegovina, all countries with large Muslim populations, in September 2015. They could also try cyberattacks on critical infrastructure. Japan has stepped up security in these places and will be taking extra precautions against direct terror attacks, also in the form of cyberattacks, during the G7 summit next May and the 2020 Olympics. This involves deeper cooperation with the U.S. Central Intelligence Agency and the British MI6.

What interests lie behind the Japanese participation in the fight against ISIS? It is fair to argue that the logic of more effectively serving the alliance with the United States lies behind its counter-terrorism stance. The National Defense Guidelines with the United States pledge for a global scope of the cooperation. The U.S.-Japanese alliance should cooperate not only in the fields of anti-piracy operations, capacity building support, humanitarian assistance/disaster relief, peacekeeping, and counter-terrorism activities but also in maritime affairs, outer space, and cyberspace.

There is also a regional element to the ISIS fight. Many partners in the Asia-Pacific, notably Indonesia, have growing concerns about the influence of Islamic extremism. The 2016 East Asia Strategic Review of the Defense Department’s National Institute for Defense Studies made clear in a chapter on ISIS that the group threatens Asian embassies and citizens in the Middle East, and is

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trying to expand and recruit in Japan.\(^7\) The attack on a Starbucks branch in Jakarta in January 2016 provided tragic evidence that this threat is real. In seeking a stronger regional presence, Japan cannot stay out of the debate about ISIS. To complete the picture, Japan has an interest in stability of the regions and countries it has close energy ties with. Japan imports the largest share of its liquefied natural gas from Indonesia, Malaysia, and Brunei, and an even larger share of its crude oil from the Persian Gulf. Japan’s new focus on terrorism, and even the military element in it, might also be a way to ease tensions with its neighbors. China and South Korea have looked with suspicion at Japan’s defense reforms. South Korea in particular let its relations with Japan plummet, in part due to Abe’s unapologetic stance regarding World War II atrocities. Tokyo has to find ways to signal that its shift will not threaten the security of the region, but will in fact prove beneficial. A new security orientation, with a view to using the Japanese security apparatus against global challenges like piracy and terrorism, might be a way to soothe neighbors’ apprehensions.

Japan has significantly developed its counter-terrorism toolbox. In the National Strategy of December 2013, terror was seen as a global challenge but was met mostly at home, with domestic measures, the protection of Japanese nationals living abroad, information gathering, and situational awareness. In the reaction to the killings in February 2015, Japan adopted a three-pillar strategy, moderately enhancing diplomatic and development tools under the headline of counter-terrorism.\(^8\) Measures include capacity building in the areas of border control and assistance in the creation of a legal base for investigation and prosecution in the Middle East and Africa. That is where the $200 million might come into play, as well as in further humanitarian assistance. Japan also wants to push for implementation of the UN Security Council Resolution 2178, which calls for national efforts to stem the flow of foreign terrorist fighters, and other bi- or multilateral frameworks in counter-terrorism. A second pillar is stronger diplomacy in the Middle East, with high level visits, the widening of networks, and the deepening of cooperation against terrorism. The third pillar is assistance to help societies become more resilient against radicalization: fighting inequality, youth unemployment, and helping with education. ASEAN would be the framework for coordinated efforts in this regard. Following that line, Japan is trying to build up its influence on a global scale, with partners in multilateral organizations as well as in crisis regions.

The Fight against ISIS and Japan’s Global Role
In the near future, Japan will have ample opportunities to put its strategies into action. An open discussion about that task would be desirable, including on how Japan could contribute militarily without fully joining combat operations. That could be part of a balanced strategy, being embedded in a set of diplomatic initiatives at the UN and the G7, where Japan will play an influential role in the two years to come.

During 2016 and 2017, Japan will hold a non-permanent seat on the UN Security Council, playing that role for a record 11th time. Japanese diplomats are still heavily lobbying for the reform of the layout of the UN and its leading council, hoping for a permanent seat. Japan’s activities during these two years must be seen as attempt to support that claim. Japan surely has regional issues on the agenda during its tenure, most recently in trying to muster support for a resolution condemning

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\(^8\) “3-Pillar Foreign Policy in Response to the Terrorist Incident Regarding the Murder of Japanese,” paper obtained from the Embassy of Japan, Berlin, January 19, 2016.
the recent North Korean nuclear test. But the fight against terrorism must be a top priority as well. The idea to make the implementation of UN Security Council Resolution 2178 a cornerstone of the anti-terror strategy would set the tone, since obviously its implementation is far from perfect.9 Japan has asked for more countries to participate in the exchange of passenger information. It will also look at supporting UN projects that strengthen the role of women in the Middle East as a way to work against violent extremism.10

Japan is also making the humanitarian situation of the Syrian people a concern for the UN Security Council.11 Japan has assisted the refugees and internally displaced persons programs with $810 million last year and has strengthened the ability of the UN agencies in this field.12 This is an indirect but important instrument against the spread of extremist ideology.

In 2016, Japan will chair the G7. The first G7 summit held in Asia in seven years will be in Ise-Shima in May. In his welcome remarks for the G7 host website, Abe lists "terrorism threatening people's lives" as the second challenge to the international community. Counter-terrorism is a priority of the G7, as is the situation in Syria, and is on the list of measures outlined by the foreign ministers' meeting in Hiroshima in early April.13 Japan as a host had to balance its own priority interests — namely maritime security and China's reclamation policy, nuclear disarmament, and non-proliferation — with the terrorism issue. The summit in May will decide on a counter-terrorism work plan, helping countries to improve their respective capabilities, strengthen criminal justice, and work against terrorist financing.

Japan could use its weight to further support and strengthen the international agencies, such as the Financial Action Task Force of the OECD, press for stricter control of illicit trade from the crisis regions and demand greater attention from the industrialized states to adopt stricter laws to control the funding of radical groups.

Such diplomatic and political initiatives are useful. However, the United States is asking their allies for a contribution to a military fight against ISIS, and Japan will see the need to find answers to that question as well.14 Direct participation of the Japanese air force in attacks against ISIS in Syria seems to be far-fetched. An argument would have to be made that the military fight against ISIS could be seen as an example of collective defense of the United States. More feasible would be contributions to the struggle in the maritime field, either with logistics or the patrolling of sea lanes, or assisting U.S. operations in the Middle East.

There is precedence. The Japanese Navy has given logistical support to Operation Enduring

9 Documents of the UN Counter-Terrorism Committee provide a blueprint for better implementation: Conclusions of the Counter-Terrorism Committee's Special Meeting in Madrid 27-28 July 2015 (Annex I); Guiding principles on foreign terrorist fighters (Annex II); Declaration of Ministers of Foreign Affairs (Annex III), http://www.un.org/en/sc/ctc/docs/2015/N1544885_EN.pdf.
13 Joint CommuniquéG7 Foreign Ministers’ Meeting April 10-11, 2016, Hiroshima, Japan.
Freedom in the Indian Ocean since 2001. More options for a military contribution would come if a peace process in Syria leads to a situation where peacekeeping, disengagement, and reconstruction are needed, even though the fight against ISIS has not been terminated. Japan has a base in Djibouti for peacekeeping troops, has operated its forces in Iraq with reconstruction projects, and currently has 400 soldiers in South Sudan under quite adverse conditions.

Building on this experience, and with the ability to help shape the mandates given by the UN Security Council, Japan could play a crucial role. It might be Japan’s task to remind the world that the fight against ISIS is a global concern, and that it can make many contributions beyond the military fight. Japan could lead the debate on many of these issues.

At the same time, it can do so better as an essential contributor to the struggle and an effective ally of the United States, the leading power in the region.

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On the cover: G7 Foreign Affairs Ministers at a Bugaku traditional court dancing performance at Itsukushima Shrine, April 10, 2016. © European External Action Service/Flickr