

EASTASIAFORUM

ECONOMICS, POLITICS AND PUBLIC POLICY IN EAST ASIA AND THE PACIFIC

Vol.11 No.3 July–September 2019 \$9.50

Quarterly



Japan's leadership moment

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Rumi Aoyama Free trade leadership and China's economic liberalisation

Nobuko Kobayashi Can the Tokyo Olympics rebrand Japan?

Ren Ito New strategies redefining Japanese innovation... **and more**

ASIAN REVIEW

Christopher Findlay: Can cooperation prevent a digital Iron Curtain?

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ISSN 1837-5081 (print)
ISSN 1837-509X (online)

From the Editors' Desk

When Shinzo Abe was given a second chance at the Japanese prime ministership in 2012, Japan was in the throes of a period of intense domestic turmoil. After six prime ministers in six years, the nation was in desperate need of political stability. Abe has not only delivered that but is now set to become the longest-serving prime minister in modern Japanese history.

Abe commenced his second term with an ambitious policy program focused on reinvigorating the nation's stagnant economy, amending the constitution to achieve a more 'normal' defence and security policy, and engaging proactively in regional and global affairs.

To what extent has Abe achieved these policy goals? How has he utilised the immense political capital accrued throughout his leadership tenure? And what will be the legacy that Abe leaves when his prime ministership ultimately comes to an end? In this issue of *East Asia Forum Quarterly*, scholars from both inside and outside Japan grapple with these questions.

They also look at the formidable challenges that Abe will have to grapple with in his third and final leadership term. Japan's long-term alliance with the United States is becoming more transactional than strategic under the Trump administration. The challenges of an ageing society and growing economic disparities demand active political innovation.

The mercurial US president, Donald Trump, has also initiated a trade war with China, undercutting the multilateral rules-based global trade regime on which Japan's postwar prosperity and security have been founded. His initiatives on the Korean peninsula have also undermined Abe's hardline policy toward North Korea. Meanwhile, Japan's relations with South Korea have reached their lowest ebb in decades, and North Korea's Kim Jong-un has resumed missile testing. On a more positive note, some challenges have become opportunities for a stronger leadership. Abe has taken a risk on immigration reform. Environmental issues have become new fields of leadership, while the Tokyo 2020 Olympic Games await. The ability of Abe to navigate the challenges and turn them into opportunities will in large part shape his leadership legacy.

Meanwhile this issue's Asian Review explores the economic and security dilemmas of a 5G digital world and the impact of the Easter terrorist attacks on the conduct of Sri Lankan politics.

Lauren Richardson and Aizawa Nobuhiro

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COVER: The central role at the G20: Japan's Prime Minister, Shinzo Abe, flanked by US President Donald Trump and China's President Xi Jinping, at the leaders' summit in Osaka in June 2019. PICTURE: Kevin Lamarque / Reuters.



Riding together: President Donald Trump and Prime Minister Shinzo Abe golfing in Japan in May 2019. Their personal bond has not produced policies that align with Japan's interests.

Abe–Trump bromance yet to bring rewards

KIICHI FUJIWARA

WHILE US President Donald Trump's administration remains unpopular after more than two years in office, Prime Minister Shinzo Abe's handling of US–Japan relations is highly admired—at least in Japan. Takaya Imai, possibly the most powerful cabinet secretary supporting Abe, reportedly claimed that Abe and Trump refer to each other by their first

names and that Abe's informal talks with his American counterpart have been near-perfect. What is the origin of the Abe–Trump bromance? And how successful is this relationship in winning favourable policies for Japan?

The most important priority of Japanese foreign policy is to maintain good relations with the United States. The United States is both an asset and a threat to Japan: an asset because US forces are indispensable

for national defence, and a threat because unilateral pressure on trade relations by America may weaken Japan's economy. The need to maintain strong ties with Washington became even more urgent with the election of President Trump, as he had openly challenged both the US–Japan alliance and trade relationship in public statements.

Abe's strategy was to embrace Trump. He visited the president-elect's

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Views expressed are those of individual authors and do not represent the views of the Crawford School, ANU, EABER, EAF, or the institutions to which the authors are attached.



Published by ANU Press
The Australian National University
Canberra ACT 2601, Australia
Email: anupress@anu.edu.au
Web: <http://press.anu.edu.au>

office in New York immediately after the election with a gift of a golden Honma golf driver, which was followed by an invitation to Trump's residence in Mar-a-Lago. The golf-centred bromance led to a series of summit meetings, continuing up until Trump's state visit to Tokyo in May 2019 and his attendance at the G20 summit in Osaka. There is little question that Abe and Trump are on a first-name basis—a relationship between a US president and a Japanese prime minister that in the past has only been seen between Reagan and Nakasone, and Bush and Koizumi.

The Abe–Trump relationship is supported by a stronger role for the Prime Minister's Office in Japan. Traditionally, key ministries maintained prerogatives in Japan's policymaking process, leading to a decentralised government with little power left for the prime minister. But Abe established the Cabinet Bureau of Personnel Affairs in 2012, casting his influence on the choice of 600 key positions in the government. This move tamed the power of individual ministries, for they had no choice but to give in.

In foreign policy, the role that was previously played by the Ministry of Foreign Affairs has now been taken over by the Prime Minister's Office, leading to what pundits have called *kantei gaiko* (diplomacy from the Prime Minister's Office). There have been cases where prime ministers, Nakasone and Koizumi among them, have tried to make key foreign policy decisions, but their efforts were far short of the expanded role of the prime minister in the Abe administration.

However, although Abe enjoys a strong personal tie with Trump, the puzzle is that the bond has not produced US policies that align with Japan's interests. After Trump assumed

office, the United States pulled out of both the Trans-Pacific Partnership and the Paris Agreement on climate change—two agreements that Tokyo supported and viewed as top policy priorities.

On trade, the United States imposed new tariffs on steel and aluminium products. On the US–Japan alliance, Trump openly stated that the defence treaty with Japan was unfair and needed to be changed. With tough pressure on trade and hints of geopolitical decoupling, it would be difficult to think of a more unfavourable set of policies directed towards Japan. The irony of the Abe–Trump bromance is that, by embracing Trump, Abe created an impression that Japan would follow the United States no matter what.

ABE'S approach to Trump can partially be explained by Japan's geopolitical concerns over the rise of China. Frustrated by the Obama administration's approach, which failed to stop Chinese advances in the South China Sea, the arrival of Trump seemed to offer a new opportunity for the United States to confront the geopolitical challenge posed by China. The unpredictability of the Trump administration—while a matter of concern for the rest of the world—could work out as an asset for Japan, as it was thought that Beijing might give in to increasing US pressure.

Developments in the first year-and-a-half of the Trump administration moved in this direction. In the context of Trump's frightening choice of words around North Korea's missile and nuclear tests, China began to support economic sanctions on North Korea, possibly in fear of the consequences of a unilateral US strike on North Korea.

However, different perspectives mean that the United States and Japan

Japan's free trade leadership and China's economic liberalisation

RUMI AOYAMA

bring different priorities to their China policies. For Japan, China is predominantly a geopolitical source of anxiety and a rising military power that challenges the regional balance of power. On the other hand, the United States—or at least Trump—sees China primarily as an economic foe, a 'currency manipulator' with a huge trade surplus.

This difference in perspectives has led to US policies that do not match Tokyo's priorities. Trump reversed his initial aggressive policy toward North Korea and met Kim Jong-un in person, while imposing high tariff rates on a wide range of imported goods from China. Although Tokyo shared US concerns with China's economic policies, economic engagement with China was also an opportunity for growth in the Japanese economy. There was recognition that trade regulations on China's exports could lead to a global economic recession. It is quite ironic that a tough China policy from the United States is now causing more anxiety than appreciation in Japan.

Foreign policy experts in Japan were aware of the gap in priorities between the United States and Japan and the possible chaos of Trump's unpredictable behaviour. But here the effect of *kantei gaiko* kicks in. The voices of the professionals have been silenced by the huge power accumulated in the Prime Minister's Office, leading to a series of policy failures such as Abe's visit to Iran, which had a negligible impact on Iran's aggressive policies. Abe may enjoy good relations with Trump, but any reward that may come from it is yet to be seen. [EAFQ](#)

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WHILE the threat of protectionism is looming thanks to the trade war between the United States and China, trade-dependent middle power Japan has stepped up as a free trade champion. The 11-member Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), covering 13 per cent of the world's GDP and 500 million people, came into force on 30 December 2018. One month later, the Economic Partnership Agreement (EPA) between Japan and the European Union took effect, heralding the largest open trade zone in the world—accounting for nearly one-third of global GDP and 635 million people.

The Regional Comprehensive Economic Partnership (RCEP), a

Japan's leadership in global trade has had an unexpected impact on China's FTA strategy, as well as its domestic economic and financial reforms

mega-regional trade pact among 16 nations—10 ASEAN members along with Japan, China, India, South Korea, Australia and New Zealand—may also be within sight. Fuelled by shared fears over the US–China trade war, China and Southeast Asian countries are now seeking to finalise the trade pact by the end of 2019. RCEP aims to cover areas such as trade in goods, trade in services, investment, rules of origin, intellectual property and electronic commerce. Japan has been pushing for high-standard rules during negotiations.

Japan's leadership in global trade has had an unexpected impact on China's free trade agreement strategy, as well as its domestic economic and financial reforms. China is pushing strongly for RCEP and initiating experimental measures in its domestic free trade zones with the aim of 'wide ranging and high standard' FTAs. The central government is speculating publicly about adopting rules from the CPTPP and the Japan–EU EPA in areas such as negative lists, investor–state dispute settlements, intellectual property, environmental protection and worker protection.

RCEP, along with other FTAs, has always been a top priority in China's foreign policy. At the 18th National Congress of the Chinese Communist Party (CCP) in 2012, the Chinese government set forth a policy of accelerating the establishment of FTAs. In 2015, the ambition 'to establish a global FTA network' along

the Belt and Road region was written into the 13th Five-Year Plan. Then US president Barack Obama declared that the United States would participate in the TPP, stating that ‘we can’t let countries like China write the rules of the global economy’. Leading scholars with close ties to top leaders in China asserted that RCEP without the United States could and would coexist with the TPP. RCEP and FTAs, in the eyes of China, were seen as the best platforms to blunt the TPP’s negative impact.

While US President Donald Trump has taken the United States out of the TPP, the CPTPP and Japan–EU EPA are now in place. Given that the European Union is China’s largest trading partner while Japan ranks fourth, China is still making efforts to propel RCEP negotiations forward. In order to keep India in RCEP, China has promised India that it would further liberalise its market in exchange for India’s acceptance of tariff-elimination under RCEP. In the meantime, China has also proposed an ‘ASEAN + 3 FTA’ as the first step towards RCEP.

The CPTPP and Japan–EU economic partnership arrangements have also ignited China’s enthusiasm for furthering long-overdue economic and financial reforms. The Xi Jinping administration sees that the rules set by the CPTPP and Japan–EU EPA demonstrate a vision for future global standards. These trade pacts entail rules and procedures of origin, reduce non-tariff measures and service trade barriers, and aim to improve mutual market access for government procurement. Still, China so far has been reluctant to compromise in some areas such as environmental standards, data flows and intellectual property protection.

Against this backdrop, the creation of ‘comprehensive and high

China has reached the tipping point where no further real economic liberalisation is possible without substantial political reforms

standard’ FTAs has emerged as one of China’s highest-priority policy goals. In the past five years, the Chinese government has established 12 pilot domestic free trade zones and announced the establishment of six more partly in response to the conclusion of the CPTPP and Japan–EU EPA. The Shanghai Free Trade Zone, the first test area, was approved in July 2013 and started formal operations in September that year. Even when the prospects for the TPP were still unclear, policies had been crafted in the Shanghai Free Trade Zone to meet the standards of TPP.

In this pilot free trade zone, most experimental policies are centred on the financial and trade sectors, since the goal is to turn Shanghai into an international financial centre and free port. The government has gradually introduced policies to liberalise interest rates and capital accounts, while it also founded the China (Shanghai) Pilot Free Trade Zone Court of Arbitration in 2013. If successful, the experimental policies and procedures adopted in the Shanghai Free Trade Zone are expected to be extended to other regions.

But economic liberalisation is not a foregone conclusion. The central

government’s newly released *Report on the Development of China’s Free Trade Pilot Zones* conceded that reforms in the financial sector have largely lagged behind those in the trade sector. Policies introduced in the Shanghai Free Trade Zone, which aim to hasten the process of internationalising the renminbi, are not consistent with existing policies outside the zone. This makes policy implementation extremely difficult. Financial liberalisation may also require political reforms aimed at ensuring an independent judiciary, while also building trust in the central bank and in government accountability—all of which are impossible missions for a government that has explicitly dismissed notions of Western-style polity reform.

Prime Minister Shinzo Abe’s leadership on global trade has brought out unexpected yet promising changes in China. The CPTPP and Japan–EU EPA hold the possibility of provoking market reform of the Chinese economy, since the Chinese government is testing the water for further liberalisation in the pilot free trade zones by adopting the rules set by Japan and is considering possible changes in policies regarding environmental standards and data flows. But despite the promising effects of Japan’s global leadership, China has reached the tipping point where no further real economic liberalisation is possible without substantial political reforms. Given that President Xi is prioritising the elimination of all political risks that may jeopardise the survival of the CCP, real reforms are unlikely in the near future. [EAFQ](#)

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South Korean protestors pause to take a selfie during a rally outside the Japanese embassy in Seoul in August 2019. Demonstrators were demanding an official apology for wartime forced labour. Their signs read 'No Abe!'.

Japan's deepening diplomatic crisis with South Korea

LAUREN RICHARDSON

JAPAN'S relationship with South Korea is not amicable at the best of times. Yet in recent months it has entered a rapidly descending diplomatic spiral of unprecedented depth and scope. Mounting bilateral friction over the intractable 'history problems' has been steadily bleeding into the economic and security realms of the relationship. The result has been a bilateral trade war with potential repercussions for the global supply chain of high-tech devices.

On the surface, it would appear that a series of contentious developments

in their longstanding history problems drove Tokyo and Seoul to this crisis point. South Korean President Moon Jae-in reneged on a diplomatic accord in 2018 that was purported to 'irreversibly' settle the 'comfort women' issue. The South Korean judiciary, moreover, has grown increasingly incessant in its demands for Japanese companies to pay damages to Koreans mobilised for wartime labour.

These bilateral developments are doubtlessly playing a central role in the deterioration of Tokyo–Seoul relations. Yet there are broader strategic parameters to this dispute

which are also shaping the contours of diplomatic friction, and these have largely been overlooked by analysts.

In short, there has been a major divergence in Seoul and Tokyo's strategic views toward North Korea. This began to develop in January 2018 when Seoul embarked on a rapprochement with Pyongyang, while Tokyo's policy on North Korea remained fundamentally unchanged. This strategic divergence, which has continued to deepen with time, undermined the ability of Japan and South Korea to cooperate in the security realm. By extension, it also reduces the diplomatic incentives to

manage their history problems.

By way of illustration, North Korea's belligerence throughout 2017 encouraged Seoul and Tokyo to contain their diplomatic problems. As North Korean leader Kim Jong-un rapidly advanced his nuclear program, his missiles were frequently traversing Japanese airspace. Continental United States also came under threat with Kim's successful launch of an intercontinental ballistic missile. These events provoked a rhetorical war between Kim and US President Donald Trump that threatened to escalate to a de facto war. Indeed, media reports emanating from the United States indicated that Trump was seriously considering a preventive attack—a 'bloody-nose' strike—against North Korea.

This precarious security environment provided strong incentives for Seoul and Tokyo to cooperate in the defence realm, and their strategic outlooks on North Korea were aligned closely at the time. Both sides were in favour of strong sanctions, intelligence sharing and trilateral military exercises with the United States. Defence cooperation necessitated keeping their ever-present history problems in check, as collaboration in this sphere has always been tenuous. Against this backdrop, Moon expressed opposition to the 2015 'comfort women' agreement but remained ambiguous as to whether or not he would dissolve it.

Yet when North Korea initiated an about-turn in January 2018, the strategic views of Seoul and Tokyo quickly began to diverge. Kim extended an olive branch to Moon in his 2018 New Year's address, suggesting that the two Koreas jointly compete in the Winter Olympics. Moon seized upon this conciliatory gesture, ushering in an inter-Korean

rapprochement and a round of regional summitry. To ensure that the diplomatic door remained open to Kim, Moon was reluctant to provoke him, which meant that trilateral exercises with Japan became problematic.

Yet from Tokyo's point of view, little had changed with regard to North Korea. Japanese Prime Minister Shinzo Abe was not prepared to risk political suicide by following suit with his South Korean and US counterparts. Indeed, the issue of Japanese abductees takes precedence over the North Korean nuclear threat in Japan, and Abe's domestic political success is explained in part by his hardline stance towards Pyongyang on the abductee question. Consequently, Tokyo became sidelined from the regional summitry.

Amidst this growing strategic divergence, Moon unilaterally dissolved the 'comfort women' accord in November 2018. In the same month, Tokyo announced that it would appeal to the International Court of Justice over a South Korean court ruling concerning Korean forced labourers. Relations took a further downturn in January 2019, when the two governments disputed whether a South Korean Navy destroyer had locked its targeting radar on a Japanese

maritime patrol aircraft.

This downward spiral in Tokyo–Seoul relations has been compounded by their mutual US ally taking more of a backseat than usual in the dispute. Normally, Washington would be strongly encouraging its two key Asian allies to maintain their security cooperation, in spite of their diplomatic issues. However, this is now complicated by the fact that Trump supports—at least in practice—South Korea's rapprochement policy towards North Korea and is thereby deepening the Tokyo–Seoul strategic divergence.

Although Pyongyang has now resumed missile testing, it is doubtful that this development will incentivise Japan and South Korea to repair their relations. This is because Moon is likely to continue pursuing his rapprochement policy with North Korea and there has already been too much bilateral damage done in Tokyo and Seoul's current dispute.

There is no clear way out of this diplomatic crisis. What is evident, however, is that Seoul and Washington are likely to persist in engaging North Korea and working towards denuclearisation—at least in the foreseeable future. In light of this, if Tokyo and Seoul wish to pave a foundation for mending their ties, they must recalibrate the strategic parameters of their relationship. Their relations will need to be predicated on mutual engagement with North Korea, rather than the mutual isolation of the past. To achieve this strategic convergence, Tokyo will need to endeavour to end its longstanding impasse with Pyongyang. **EAFO**

Seoul and Washington are likely to persist in engaging North Korea and working towards denuclearisation—at least in the foreseeable future

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Leading from the front: Prime Minister Shinzo Abe campaigning with candidate Yoshiro Toyoda in Ichikawa, Tokyo, in July 2019.

Abe's mixed achievements

TOBIAS HARRIS

ON 20 November 2019, Japanese Prime Minister Shinzo Abe will become the longest-serving prime minister since the position was created. It is a noteworthy achievement, but it is particularly remarkable given that it was unlikely that Abe would get another chance to lead Japan after he resigned as prime minister in 2007 following a disastrous one-year tenure.

Still, his legacy as a leader remains uncertain.

Throughout his career, Abe has stressed his personal mission—driven by the ideas of his grandfather, Nobusuke Kishi—to uproot postwar

institutions to strengthen Japan's ability to cope with the challenges of the post-Cold War world. He has never been interested in power for power's sake, but rather to wield it to overcome longstanding crises and build a strong and prosperous Japan.

Despite his transformational ambitions, Abe's legacy may be more of a cautionary tale about the limits of strong leadership in advanced industrial democracies—particularly in the face of long-term, far-reaching and perhaps even existential problems. It is not that he has achieved little as prime minister. Abe can point to real and enduring changes delivered by his prime ministership in every policy area, but these achievements are not

commensurate to his ambitions or the promise that his status as Japan's strongest, most durable prime minister foretold.

While accusations that Abe practices 'dictatorial politics' are overblown, there is little doubt that he is institutionally and politically stronger than any of his predecessors. Institutionally, he has been the beneficiary of more than 30 years of reforms to strengthen Japan's executive. Abe built upon these reforms after taking office by creating a national security council and a cabinet personnel bureau, giving the prime minister the power to select the highest-ranking bureaucrats across the government.

Politically, he has led the Liberal Democratic Party with fewer institutional sources of dissent and even fewer serious rivals to challenge him for power. The Democratic Party of Japan struggled to regain public trust after being driven from power in 2012 and shattered irreparably in 2017. In these circumstances, Abe has benefited from the public's desire for political stability and has enjoyed healthy levels of support in opinion polls without interruption. But these sources of strength have not translated into transformational change.

Abe has long boasted of the positive results of Abenomics—his three-pronged economic program, including large-scale monetary easing, fiscal stimulus, and a strategy to develop new sources of long-term growth. The positives include having reversed deflation, created one of the longest booms in postwar Japanese history, record-low unemployment, record-high numbers of foreign residents and record-high corporate profits. Yet these policies have not fundamentally altered the outlook for Japan's demographics, and thus its future economic prospects and international clout.

It remains to be seen if Abe's relentless focus on growth in the short term yields fruit over the long term. It could be years before the results are apparent. Population decline is now guaranteed, even if Abe or his successors eventually alleviate the impact through investments in labour-saving technologies, measures to promote gender equality in the workforce or a new willingness to welcome foreign workers.

Pursuing short-term growth will also leave Abe's successors with a structural deficit set to swell as baby boomers continue to age and the Bank of Japan remains tethered to

unconventional policies from which there appears to be no easy way out.

Abe may have a better case to make when it comes to his impact on Japan's place in the world. When Abe welcomes athletes and visitors to Tokyo for the Olympics in July 2020, he will do so as the leader of a nation that has become significantly more global during his tenure. Japan has become more welcoming to foreign goods, capital, workers, tourists, and even ideas. His globe-trotting diplomacy has deepened ties with key strategic partners in Asia and Europe.

He has reinvented Japan from a reluctant participant in trade liberalisation to a leader of the Trans-Pacific Partnership bloc after the United States withdrew in 2017. He has also strengthened bilateral ties with the United States while building a more stable relationship with China—a balancing act that few countries have managed as well during the Trump years.

ABE'S Japan is a more visible regional and global player than before, but his diplomacy has not been an unalloyed success. His vigorous pursuit of a diplomatic settlement with Russia has led to Japanese concessions but no peace treaty or territorial concessions by Russian President Vladimir Putin. Diplomatic overtures to North Korea have gone nowhere and Japan has been sidelined as the United States and South Korea pursue their own talks with Pyongyang. Relations with South Korea may be at their worst since 1945.

Although Japan and China have stabilised their relationship, deep distrust remains. Long-term vision on cooperation to build a regional order is lacking. And while Abe has strengthened the bilateral relationship with the United States, he has done

so by deepening Japan's reliance on its ally for its security. Japan is spending an increasing share of its defence budget on purchases from the United States and is still placing cooperation with the US military at the centre of its efforts to strengthen national defence capabilities.

Abe has drawn closer to the United States despite signs, under both the Obama and Trump administrations, that Washington may be unwilling to invest in promoting Asian peace, prosperity and stability in the years to come.

While Abe achieved some important political victories, he has struggled to overcome some of the thorniest challenges. He often shied away from confronting political, economic, demographic and international issues that are fundamental in determining Japan's future wealth, power, and influence. He is also unlikely to achieve perhaps his most-cherished political goal, revising Japan's postwar constitution, particularly after the pro-revision bloc in the Upper House lost its supermajority in the 2019 elections.

Abe has been cautious despite his longstanding desire to overturn Japan's postwar state, adjusting his expectations to what is politically possible rather than what he desires most as a politician. This leadership style has ensured that he survived long enough to set new endurance records, but it may not be sufficient to stave off Japan's long-term decline in a rapidly changing Asia. **EAFO**

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Japan needs an infusion of fresh political blood

PICTURE: KYODO / REUTERS

BEN ASCIONE AND
YUMA OSAKI

ON 20 November 2019, Shinzo Abe will become Japan's longest serving prime minister since the inception of parliamentary politics during the Meiji Restoration. When he first took on the top job in September 2006, there was speculation that this might herald a new wave of younger Japanese politicians. Yet more than a decade later, Japanese politics looks likely to continue to be dominated by political dynasties (*seshu giin*) and the old boys of the ruling Liberal Democratic Party (LDP).

LDP Secretary-General Toshihiro Nikai has suggested that party rules could be changed again to allow Abe to serve a fourth consecutive three-year term as LDP president—and stay on as prime minister—after his current term ends in September 2021. This indicates that there is a serious lack of contenders for Japan's political leadership. When Abe does step down, where will Japan's next generation of leaders come from?

Fresh leadership is needed as Japan faces critical policy challenges that require innovative responses, statesmanship and political vision. Perhaps the most critical is the need for deeper structural economic reforms—beyond the mantra of Abenomics—to boost productivity and manage the burgeoning national debt as society ages and the tax base shrinks. Potentially, reforms might include a more open immigration policy. Another key challenge is Japan's



In his father's footsteps? Shinjiro Koizumi, a Liberal Democratic Party politician and son of former prime minister Junichiro Koizumi, announces his planned marriage with TV presenter Christel Takigawa. The media call was held at Prime Minister Shinzo Abe's official residence on 7 August 2019.

often prickly relations with regional neighbours and the need for deft and creative diplomacy.

Before Abe's second stint as prime minister, Japan suffered from a prime ministerial merry-go-round that saw six prime ministers take office in as many years (2006–2012). This lack of stability hampered the ability of governments to meaningfully formulate and implement substantial policy changes. Abe's political resilience (*Abe-ikkyo*) means he is able to leave his mark through such initiatives as Abenomics, reinterpreting Article 9 of Japan's constitution, and attempts to explicitly recognise the constitutionality of the

Self-Defense Forces.

In the post-Abe era, however, institutional barriers to the emergence of fresh leadership and innovation in Japan's political process look set to remain.

One barrier is the long-time dominance of the LDP. As research by Daniel Smith highlights, Japan has an unusually high prevalence of dynastic politicians for an economically advanced democracy. This is apparent in the LDP, where the number of dynastic politicians peaked at over 40 per cent in the early 1980s and remained at around one-third after the 2017 lower house election. Other research shows that dynastic

politicians secure greater subsidies for their constituents. Of Japan's previous 10 prime ministers, a staggering seven came from political dynasties. Two of the three non-political-dynasty prime ministers were from the Democratic Party of Japan (DPJ)—Naoto Kan and Yoshihiko Noda.

The high proportion of dynastic politicians is perhaps explained by the so-called 'three *ban*' credentials for winning national office as explained by Nobutaka Ike in 1957. *Jiban* (foundation) refers to the cultivation of a core group of supporters, *kanban* (signboard) refers to reputation and name recognition, and *kaban* (satchel) connotes electoral campaign funding. These are often passed on from father to son and support the LDP's election machinery. Since Japan has had only four non-LDP prime ministers since 1955, this trend is likely to continue and will limit the pool of potential leaders.

This may help explain the popularity of Shinjiro Koizumi. He promises a balance between the LDP brand's stability and maverick reform in the image of his father, former prime minister Junichiro Koizumi. The strategic announcement of his recent marriage at the Cabinet Office boosted his popularity and leadership prospects.

Another barrier is the weak state of opposition parties and widespread political apathy. Electoral reform that passed in 1994 was expected to push Japan toward a stable two-party system with genuine electoral competition, but the DPJ's three years in power (2009–2012) proved disastrous for both the party and Japanese democracy. Political infighting coupled with the triple earthquake-tsunami-nuclear disaster saw a public loss of confidence from which the DPJ never recovered. The

eventual split of the DPJ into the Constitutional Democratic Party and the Democratic Party for the People divided the anti-LDP vote, further weakening the opposition.

Following these developments, voter turnout in the July 2019 Upper House election fell below 50 per cent—the second lowest rate in the postwar era. Some see a ray of hope in Taro Yamamoto, an actor-turned-activist and political innovator. His new party, Reiwa Shinsengumi, won two Diet seats. Both were gained by disabled candidates, a powerful message of inclusion for Japan's most vulnerable. But overall, opposition parties are failing to articulate an alternative economic vision to Abenomics that is capable of capturing the public's imagination and serving as a platform for leadership.


A third barrier is the limited opportunities for female politicians. Japan ranks 163 out of 193 countries for female representation, having only 10 per cent of female MPs in the Lower House—the lowest among OECD, G7 and even G20 nations. To

Greater efforts are needed to develop pathways to increase the numbers of female politicians and cultivate a change in cultural attitudes towards women in positions of leadership

remedy this, the government passed the (non-binding) Gender Parity Law in 2018 encouraging political parties to field 'as much as possible' equal numbers of male and female candidates in elections.

While most parties fielded improved numbers of female candidates in the July 2019 Upper House election, the LDP fielded just 14.6 per cent. And despite the increase in female candidates, the number of women who won seats in the Upper House remained somewhat unchanged, at 22.6 per cent.

The number of female legislators in Japan's local-level governments is also highly limited. Until 2018, 20 per cent of Japan's 1788 city and town level assemblies had no women members at all. Short of Japan passing binding measures such as a quota system, significant progress in female political representation is unlikely in the near future. Greater efforts are needed to develop pathways to increase the numbers of female politicians and cultivate a change in cultural attitudes towards women in positions of leadership.

There are some small signs of optimism that Japan's political sclerosis might be overcome and new sources of innovative leadership developed. Yet significant changes are needed to promote greater meritocracy within the LDP, to rebuild credible opposition parties that can hold the government accountable and provide platforms for leadership, and to advance the participation of women in Japan's political leadership. 

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Abe's unfinished political legacy

JOHN NILSSON-WRIGHT

UNDER the premiership of Prime Minister Shinzo Abe, Japan appears to have found its feet as a regional and global actor. Gone are the merry-go-round annual changes of prime minister that were the hallmark of Japanese politics from 2006 to 2012. By providing political stability and policy continuity at home, Abe's governing Liberal Democratic Party (LDP), along with its Komeito ally, have secured the support of a Japanese electorate that values economic prosperity, is risk averse when it comes to foreign policy and has shown little confidence in Japan's fractured opposition parties.

But does this record of success at the ballot box amount to proof of leadership ability? From a historical perspective, Abe compares favourably with his postwar predecessors. In terms of political longevity, Abe is a clear success. He will soon become the country's longest serving prime minister and is likely to remain in office until 2021.

When it comes to diplomatic engagement and energy, few can match the hyperactivity of this peripatetic premier. Abe's willingness to travel the globe to establish Japan's credentials as a 'proactive contributor to peace' has given Japan an uncommon visibility and a sustained presence that has enabled him to establish a personal rapport with other national leaders.

On security policy, Abe's credentials as a pragmatic realist are impressive.

PICTURE: HENRIK MONTGOMERY / TT NEWS AGENCY / REUTERS



South Korean President Moon Jae-in: unhelpfully evoked controversial historical narratives.

He has presided over a much needed increase in the country's military capabilities and overseen the expansion of Japan's strategic options beyond its traditional reliance on the United States.

By advancing a new vision of a 'free and open Indo-Pacific', Abe has shown an appetite to engage in the difficult process of laying out a long-term foreign policy plan that reflects Japan's national interests. Recent efforts to improve ties with China such as Abe's visit to Beijing last October and next year's anticipated visit to Japan by President Xi Jinping also reflect Abe's tactical pragmatism. By hedging, the government is shrewdly avoiding excessive dependence on the United States and anticipating the dangers associated with a more confident and regionally assertive China.

There are limits to what this inherently rational and forward-looking approach can deliver. This

is partly because the international environment has become far more challenging, unpredictable and threatening. The spread of populist politics, the re-emergence of nationalism and the growing strength of authoritarian regimes globally are all undercutting the multilateral norms and values that have served Japan so well.

Despite successfully hosting the G20 in Osaka in June 2019, for instance, the substantive achievements of the summit have been modest. The failure to make progress in key areas at Osaka has been striking, including no explicit rejection of 'protectionism' in the summit's communique and no formal re-commitment to a 'rules-based international system' despite Japan's longstanding support for such a message. At best, there was also limited success on global priorities: both traditional ones such as climate change and new proposals such as Abe's push for greater coherence on global digital standards through the 'Osaka track'.

For all of Abe's considerable investment of time in establishing a personal rapport with Donald Trump, his approach has had little influence in insulating Japan from the US President's brutal transactional approach to international diplomacy. The suggestion by John Bolton, Trump's national security adviser, that Japan increase five-fold its host-nation contribution to the financial costs of the bilateral partnership and Trump's undiplomatic questioning of the US-Japan Mutual Security Treaty are

deeply unsettling to Japanese officials.

Not only are the security fundamentals of the alliance being challenged, but Abe is being pushed by the United States to deploy Japanese military assets in the Strait of Hormuz. Japan's reluctance to accede to these requests reflects the ambiguity surrounding their constitutionality and public nervousness about Japanese forces being caught up in a potential conflict.

Pressure from the White House for a bilateral trade deal with Japan under the threat of punitive tariffs is further proof of Washington's heavy-handed approach and willingness to impose substantial political costs on Abe, who has already expended considerable political capital at home in seeking to internationalise and liberalise the Japanese economy.

Abe has shown himself to be a qualified risk-taker when it comes to embracing controversial economic and social policies at home—particularly on issues such as indirect taxation and immigration. For this, he should be commended. Yet the country remains mired in a slow-growth, high-debt deflationary trap, reinforced by the latest downgraded GDP growth statistics for 2019 of 0.9 per cent, down from 1.3 per cent.

In foreign affairs, Abe's attempts to achieve breakthroughs with Russia, Iran and North Korea have yielded little progress. Despite the importance of the country's Indo-Pacific vision, it is also not immediately clear that this adds up to a coherent strategy. As was often the case in the past, there is a gap between the policy ambitions of Japan's elite and a Japanese public that remains sceptical about the merits of more active involvement in foreign affairs.

On one important foreign policy issue, however, the gap between elite

and mass opinion has narrowed. The Abe government's approach to South Korea appears anything but coherent or measured. The sharp deterioration in relations with Seoul, prompted by disputes over wartime Korean labourers and 'comfort women,' and Japan's decision to restrict exports of critical semi-conductor technology to South Korea, has injected an unfamiliar emotionalism into the Abe government's approach.

Both sides have undoubtedly contributed to the worsening in ties. South Korean President Moon Jae-in has unhelpfully evoked controversial historical narratives that have amplified the grievances of the South Korean public. For Abe and his government colleagues, and not a small part of the Japanese public, something appears to have snapped. The forbearance and patient, legalistic approach of the past has been replaced with a new mood of irritation and anger.

This shift reflects the revival of identity politics and competing nationalistic impulses globally and specifically in both South Korea and Japan where politicians are grappling with highly contested and sometimes mutually contradictory notions of nationhood. It is probably not coincidental that this worsening of ties between Seoul and Tokyo

Deciding how to resolve such contradictions requires an explicit and transparent public discussion about Japan's own political values

has occurred in the aftermath of the start of a new imperial era in Japan, following Emperor Akihito's abdication and the accession to the throne of Emperor Naruhito.

For some critics of Abe, especially on the political left, a more unapologetic and nationally confident posture by Japan's conservatives is a problematic if not retrograde step. It smacks of historical revisionism, a narrowing of public debate, and helps to explain the increased salience of the issue of constitutional revision in Japan. Abe remains firmly committed to this goal despite his failure to secure a two-thirds majority in the recent Upper House elections. In making this commitment, the prime minister needs to confront the potential contradiction of advancing goals driven by emotional (and often deeply divisive) needs rather than rational, strategic objectives.

Ultimately, deciding how to resolve such contradictions requires an explicit and transparent public discussion about Japan's own political values and how they should influence its foreign policy. Abe, to his credit, has called for more Diet debate on some of these themes. It is unclear whether Abe has the leadership capacity to lead this debate in a genuinely inclusive and unifying manner. If he does, this will help him build on his existing foreign policy achievements and establish his political legacy in ways that might prove unexpected. **EAFO**

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Can cooperation prevent a digital Iron Curtain?

CHRISTOPHER FINDLAY

FIFTH-generation mobile network technology (5G) offers higher speeds and greater capacity. This is critical for cutting-edge technologies that are being developed, such as autonomous vehicles, factory automation and virtual reality applications. But there is much more than this. The development of 5G is also expected to drive innovation towards many things not yet imagined. It is likely to be truly transformative.

The demand for a transition to 5G was driven initially by the rapid growth in the use of smartphones, which led to a larger number of devices with good screens and increased demand for better video-streaming capabilities. The first step of implementing 5G can be built on the existing 4G infrastructure, but the personal benefits to mobile users is not the main story. It also offers low latency and high reliability, which is critical for innovation related to communication between devices. Getting these benefits, though, will require much more investment to provide for the many more devices which will be constantly communicating with each other across large areas.

No country has given 5G more attention than China, and Chinese technology firm Huawei has high market shares in the components of 5G telecommunications networks. While the firm is well regarded in its sector for its management and innovation, the views of policymakers differ. There have been questions over the prudence of allowing Huawei to be



A presence around the world: a Huawei corporate mascot in a store in Vina del Mar, Chile, in July 2019. While the company is well regarded for its management and innovation, policymakers in some countries have questioned 'the prudence of allowing Huawei to be involved in building 5G infrastructure'.

PICTURE: RODRIGO GARRIDO / REUTERS

involved in building 5G infrastructure, particularly in countries such as Australia and the United States. The United States has responded with plans for bans related to investment and exports. Australia has adopted a policy which has the effect of banning Huawei from being a vendor to its 5G network.

A more efficient solution, it is argued here, is to identify the real risks involved and to design regulatory or business responses which meet the principles of good public policy. This is also a matter for regional cooperation, the outcome of which can feed into global strategy.

There are four elements to China's interest in 5G. First is demonstrating how to build a successful 'standalone' 5G network (which offers all the dimensions necessary to enable the 'internet of things'), rather than just a first-stage add-on to 4G. Second, demonstrating to other customer countries how the 'China model' works. Third, capturing the opportunities of exporting to members of the Belt and Road Initiative along the 'digital Silk Road'. Finally, getting the system working will generate even more data (another advantage to China in this area) that will, in the context of current and potential applications of artificial intelligence, help to drive innovation in new applications, creating more benefits and adding to the payback on the set-up of the network.

The reference to the 'China model' concerns the choice of signal frequencies to be used on mobile networks for 5G connectivity. Low-frequency signals in many countries are already being used for existing technologies, including those with security and military capabilities. That restricts their use for 5G where the signal must be free from competition

in order to operate at the speed expected. The alternative is to use higher frequencies, as some countries, including the United States, propose. But those signals can be subject to interference from other objects and don't travel so far. That means more infrastructure would be required, which adds to costs. China, therefore, has opted for a model that also uses lower frequencies, where it is also reported to have more available bandwidth than the United States.

As China has focused on 5G, Chinese firms providing capacity for that sector have also grown. Huawei is the leader. It offers competitive pricing, leading technology and global standards, and it now offers 'end-to-end' services. Its competitive position is based on its research and development spending. Its network equipment embodies standards which are at a global level (and which now also drive standard setting at that level).

WHILE Huawei is regarded as a highly innovative organisation with a positive reputation in the industry, in policy circles in predominantly English-speaking countries there are concerns about elements of its history. These include Huawei's business practices, particularly in its dispute with CISCO, allegations of sanctions-breaking and concerns about the supply of equipment to rogue states. Some of these are linked to the arrest of Huawei's Chief Financial Officer, Meng Wanzhou. Also topical are the origins of the company: its apparent military connections, its access to government finance in its foundation period and the lack of transparency about its corporate structure and governance—even the lack of a public profile of CEO Ren Zhengfei. Huawei has denied

all allegations of wrongdoing.

More generally, there is rising concern about cyber intrusion, which has accelerated since the cyber attack on Google in 2010, which was linked to Chinese hackers. Much attention is also given to the National Intelligence Law in China, which says that private firms need to 'provide assistance and cooperate in national intelligence work'.

Given its history and the national intelligence provision, questions have been asked about the prudence of allowing Huawei to be involved in building 5G infrastructure. The continuing concern creates a great challenge for Huawei.

Three risks are highlighted in the application of 5G. One is system failure. In a 5G world more data will be moving about, so it will be more difficult to identify malicious data. There will be a lot of activity in the cloud, so opportunities for cyber intrusions will be greater. There will also be a lot of devices connected, and so more potential points for malicious devices to connect. Given the rising dependence on these systems, the impact of a bad event will be much greater than with 4G. Second, there are risks associated with data flows that involve loss of privacy and loss of information of commercial value. Third, there are matters specific to defence. Military systems rely on networks, so there is a concern about actions that might impede military operations, or deflect or distort information.

In the face of these risks, the United States has responded by full bans related to investment and Chinese technology exports. These include declaring a national emergency and blocking the use of any component, equipment or service provided by suppliers who are under

PICTURE: ALY SONG / REUTERS



Huawei founder Ren Zhengfei: the firm leads in providing capacity for 5G services.

the jurisdiction of an adversarial government. It also has added Huawei and its 68 global affiliates to the Entity List, which has the effect of banning exports to the listed companies. In principle this ban also applies to foreign suppliers to those listed companies that use US inputs. On the investment side, other countries, like Australia, have joined the United States. Some countries like the United Kingdom are considering other options, given the costs of following the US model.

There is debate about the impact of the export ban on Huawei, since there are reports that it has stockpiled relevant materials such as chips and has subsidiaries operating in the areas where supply is threatened, even in the design of operating systems. In the longer term it can rebuild its supply chains in these areas, though its ability to do so will depend on the pressure applied by the United States to trading partners that might be involved.

There will be significant costs to

the United States if it applies these measures. They include lost profit for US companies that are linked to Huawei. In the longer term, there will be a perception of political risk in buying US inputs, including Google services, leading to decreased demand. The United States will be left less connected to ICT supply chains in Asia and China and firms will reluctant to place research and development facilities in the United States. There will be fewer competitors in consumer markets and prices in the United States may rise. Overall, world markets look less reliable and those arguing for reform based on world market integration have been weakened in their domestic political debates.

THERE is a risk of creating a digital Iron Curtain. The context is that the International Telecommunications Union (ITU) lays out components of the 5G system and creates a list of global standards

for those components. Companies present their technologies to meet the standard and the best technology wins in a merit-based system. Meeting some standards may require access to a patented technology and, if selected, successful companies receive royalties as others incorporate their technology into components that meet the standard. Competitors in this process primarily come from Europe, China, Japan, South Korea and the United States. Significantly, Huawei has a strong reputation in this process in relation to meeting cybersecurity goals.

Chinese firms may hold about 40 per cent of 5G standard related patents, which is a big increase over the 4G world. Apparently Huawei can get royalty income but may not actually build products if the ban proceeds. However, another scenario is that Huawei gets pushed out of the ITU standards process, causing China to lead in setting up an alternative standards system and creating a bifurcated global 5G environment.

Implementation of the ban on using certain equipment in the United States will take some months to organise and its scope remains vague. The Commerce Department is continuing to work on the application of the export ban and as a first step it has granted 90-day temporary export licenses. There were reports that President Donald Trump had changed his position on the export ban but subsequent clarifications from the White House explained that the ban remained but that more licenses might be issued.

One scenario, therefore, is that the mechanisms for these measures will be put in place but business will be allowed to continue. There would be a continuing threat that access would be withdrawn if, for example, technology

theft was suspected, or even if there was a lack of progress in trade talks with China. The main impact of the measures is the uncertainty which they create.

In response, President Xi Jinping has referred to a new 'long march' and the Chinese government has countered specifically in a number of ways. It has issued the white paper *China's Position on the China-US Economic and Trade Consultations*, drawn up its own list of unreliable entities and is drafting new regulations on procurement for information infrastructure. It has also demonstrated support for the rare earths sector, where it is a significant exporter, and is providing tax incentives for the technology sector.

The situation will be difficult to resolve in the context of the 'punch and counter punch' environment in which China and the United States are now conducting their relationship. Adding to the complexity, there are apparently views in the United States that support a longer-term disconnection with China, with the expectation that doing so will impede China and maintain the geopolitical position of the United States. Significant success in this respect seems unlikely, given China's other options to adapt to the situation, though the rate at which China approaches the scale of the US economy may still slow. The more likely consequence would be a new global digital divide, a lower degree of integration across the Pacific in these key sectors and slower growth for all.

Another world, however, is conceivable, one differentiated by a path to resolution in an environment of cooperation. To begin this experiment, ask the question: What are China's concerns in the cyber world? If they are like those of others, then there is greater scope for a

cooperative solution. And indeed, those concerns do look similar. China's Cybersecurity Law, for example, looks a lot like other such laws across the globe, with reference to personal information protection, the notion of critical information infrastructure, the security responsibilities of network operators and the security certification of equipment.

Given an apparent alignment of purpose, a political solution is conceivable where the US backs off its absolutist approach and engages with its trading partners, including China, to build a new regime that supports their common interests.

THE design of this regime would be based on the principles of good public policy and it would proceed by addressing a series of questions. First, what is the problem to be solved? That is, what are the security risks associated with actions by international providers of services and infrastructure, and where do they originate? Are they in the network core, in devices or in the radio communications system? The answer will be a matrix of risks (as in the United Kingdom's approach to these matters). Second, what are the options for dealing with these risks? In some cases, the answer will not be a policy intervention but new processes or new technology, which the market would provide. Where policy is the answer, then the most efficient would be chosen from a menu of options and that would also ideally be the least trade-distorting.

This is a risk-based approach to the design of a solution. Analysts proposing such an approach have drawn on the wisdom of former US Secretary of Defense Robert Gates who, in the context of debate about another export ban, referred to the

value of putting high fences around a few (carefully chosen) items. Gates also mentioned a maxim attributed to Frederick the Great: 'He who defends everything defends nothing.'

A resolution will also require international cooperation, such as the alignment of regulations in this area, the definition of such concepts as personal data and critical information infrastructure, the design of IP protection systems in this sector, and principles governing the application of artificial intelligence with respect to ethics, privacy and safety. The principles driving these processes might also be documented in trade agreements. Article 19.15 of the United States-Mexico-Canada Agreement provides a model of how to proceed. There is also value in promoting the adoption of APEC's Cross-Border Privacy Rules System which applies to data flows across a larger number of countries. Japan, as host of the G20, arranged for most members to sign onto the Osaka Track framework within which there is scope to discuss standard rules relating to cross-border data flows.

Within recent history, therefore, there is the core of the solution to a big risk in the trading system. Within our immediate environment though, its adoption by at least the key players looks difficult. In the meantime, those of a like mind can imagine a new global regime based on good public policy and can cooperate on the design of its elements. **EAFO**

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A nun walks between commando guards to attend a special mass at St Lucia Cathedral, Colombo, for the victims of the bombings.



Sri Lanka's Muslims after the Easter Sunday bombings

FARZANA HANIFFA

ON Easter Sunday 2019, nine militant Muslim suicide bombers detonated themselves in six coordinated attacks across Sri Lanka. The attacks were targeted at churches and at five-star hotels. They caused the deaths of close to 250 people and injured hundreds. The militants were members of the National Tauheed Jamaat and the Jamatheel Millathu Ibrahim (JMI). The attack shocked the country. It was the most devastating

incident of violence after the end of the war between the government and Tamil rebels in the island's north and east in 2009.

There is no locally relevant social or communal cause which could explain the attack. Christian-Muslim relations are largely cordial in the country. The mobilisation of Buddhists through anti-Muslim rhetoric after the war's end in 2009 led to several incidents of anti-Muslim violence, with large-scale riots in Aluthgama in 2014 and Digana in 2018. There has been no

retaliation, however, by Muslim groups to these attacks. A response to putative Muslim disaffection on the scale of the bombings was unheard of. Muslim youth damaging statues in Buddhist, Christian and Hindu places of worship in 2017 in Mawanella were the first vague indications of such a possibility.

Investigations currently seem to confirm what commentators had initially suggested: that the bombings were carried out by a local group enamoured of the ideology and methods of ISIS and looking

to be endorsed by that group. For local Muslims, this act of terrorism was incomprehensible. Muslim 'radicalisation' hitherto had been mobilisation in support of one or other religious or reformist group that directed its ire at other similar religious groups, mostly from the same village, kin or class group.

The figure of the Muslim militant has been a longstanding rhetorical device of anti-Muslim campaigners and there has been little evidence of their actual existence. Therefore, in Sri Lanka the figure of the potentially murderous jihadist was better known for its effectiveness as a rabble-rousing instrument than as a credible concrete threat. This now has changed. The need for security against terrorism has re-emerged. And it is not yet clear that the terrorist threat that made itself known on 21 April has been effectively neutralised.

It is tempting to argue that anti-Muslim activism brought the jihadist project into being. What is more likely is that it was a combination of the pressure brought to bear on Muslims by Buddhist-identifying bigots and the ready availability of rhetoric and avenues for radicalisation in a global context. The bombers' individual biographies also seem to be significant in their radicalisation.

What is known of the attackers—Zaharan Hashim, his brothers and his father, from a low-income background in the Eastern Province, and the urbane and wealthy Ibrahim family from Colombo—points to such an interpretation. Questions remain as to where they received the training, expertise, support and money to carry out the complex and meticulously planned attacks.

The social fallout of the bombings was such that every single Muslim in the country was called to account

for it—at least in the immediate aftermath. Changes in Muslim religious practices that had occurred in the past 30 to 40 years were understood to be preconditions for the radicalisation. Because of Zaharan Hashim's association with the group National Tauheed Jamaat, Tauheed became a bad word. Suddenly any Muslim practice that was considered objectionable could now be pointed out, and everyone felt they could legitimately demand that Muslims change. The state, too, participated in rendering some Muslim religious practices illegal.

It was momentarily forgotten that the rhetoric of finding Muslim practices objectionable had long been cultivated by an organised movement mobilising caste prejudices, electoral politics and global Islamophobia. The rhetoric identifying Muslimness as a problem was used not just by the rabble-rousers but in commentary by senior journalists and the left-leaning and liberal intelligentsia as well. Everyone was immediately an expert on Wahhabism, and the entire Muslim population of the country and

The state response in the aftermath of these organised attacks was lackadaisical and the event cemented the fact that anti-Muslim riots in Sri Lanka were now a political staple

the gamut of transformations they had gone through in recent decades were understood in those terms.

Sri Lanka's Muslims trace their origins to pre-Islamic Arab traders and today constitute 9 per cent of the country's population. They are demographically dispersed throughout the country and represent a diversity of regional, educational, occupational and class backgrounds.

Sinhala–Muslim tensions have been present in Sri Lanka since colonial times. The widespread 1915 Sinhalese–Muslim riot is the most cited incident of pre-independence anti-Muslim violence. More recent events have been less noted and more localised. Violence has been documented as occurring in 1976, 1982 and 2001, and more recently in 2014, 2017 and 2018. Attempts to articulate anti-Muslim sentiment at the national level were made in the early 2000s but they were most successful in the period after the end of the war in 2009.

The Bodu Bala Sena (The Army of Buddhist Power), instigators of the postwar anti-Muslim movement, was registered in May 2012. By March 2013 it was making a significant impact in Sinhala-speaking areas of the country. There was tacit consent from the political regime for the propagation of hate and perpetration of violence against Muslims. During the anti-Muslim violence in Aluthgama in June 2014, mobs identified as Sinhalese attacked the homes and businesses of Muslims in the area and caused three deaths and massive amounts of property damage. The government deliberately constructed a narrative of Muslim culpability and described the violence as a 'clash'.

Violence broke out again in Digana in the Kandy district in 2018. The state response in the aftermath of these



A show of community solidarity: Buddhist monks take part in a demonstration against the attacks directed against Muslims in some places after the Easter Sunday bombings by Islamist militants. Many Sri Lankans realised that, in the aftermath of the bombings, 'minimising hate against Muslims was important'.

organised attacks was lackadaisical and the event cemented the fact that anti-Muslim riots in Sri Lanka were now a political staple. This incident happened under a political regime that had emerged to electoral victory on a platform that eschewed inciting ethnic animosities. Anti-Muslim sentiment, however, was maintained by interested parties even under this regime, with the state taking little or no interest in seeing an end to it. This is the context within which the bombings of Easter Sunday took place.

It is now well-known that the bombings occurred despite intelligence indicating the possibility of attacks and that the ongoing feud between President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe had affected the country's security response. In the aftermath, sections of the political

regime used any possible measures to deflect responsibility and attention. Sri Lanka's political leadership's credibility was already battered from the fallout of the president's failed attempt to oust the prime minister in October 2018. They again exhibited their bankruptcy of vision and leadership in the aftermath of the attacks.

Showing little or no understanding of the needs of the moment and how the country at large was struggling to come to terms with the tragedy, the president and the prime minister resorted to blaming one another and to looking for scapegoats. The divisive sentiments propagated by the country's postwar anti-Muslim movement were permitted and encouraged.

The chief spokesperson of the anti-Muslim movement, the Secretary General of Bodu Bala Sena, Galaoda

Aththe Gnanasara, who initially led the massive campaigns through which Muslim hate was mainstreamed, was in jail on charges of contempt of court at the time of the bombings. Part of Gnanasara's rhetoric had been that 'Muslim extremists' were harbouring 'jihadist cells'. Newspapers applauded Gnanasara for his prescience and on 23 May 2019 he was released on a presidential pardon.

For Muslims, the shock and distress of the bombings was soon overridden by the realisation that they now had to act as penitents and live like the second-class citizens that the anti-Muslim movement had long insisted they were. Regrettably, it was not just the state representatives who felt that Muslims should do penance. The All Ceylon Jamiatul Ulama, a body representing Muslim religious leadership, also saw that some

symbolic expression of self-censure was required, whereby Muslims were seen to accept or at least acknowledge their new stature. They asked that Muslim women refrain from wearing the niqab.

Under emergency regulations, the government also announced a ban on different forms of face covering. This is one of several measures to strip Muslims of practices considered excessively religious. The Madrasa curriculum is being amended to include secular education. There is also the possibility that amendments to the Muslim Marriage and Divorce Act—deadlocked in disagreements between activists, Muslim politicians and the Ulema—will be pushed through.

More egregiously, grandstanding monk activists and minor politicians used the moment for political mileage. In the immediate aftermath, a monk, who was also a member of parliament, insisted that two Muslim leaders who were alleged to have connections with the suicide bombers immediately resign from their positions. This resulted in the resignation of all the Muslim members of the cabinet in protest. Later, in June, the chairman of a local government institution in Wennappuwa banned Muslim traders from the market, although a magistrate overturned the ban within two days.

There were several other egregious developments in the immediate aftermath of the bombings. The military carried out cordon and search operations with the media in tow. When the security situation remained tense and the military was still uncovering new evidence about the suicide bombers, everything 'Muslim' seemed doubly suspect. People saw that those arrested had in their possession copies of the Quran and other religious texts. It sometimes

seemed as if that was the reason for the arrests.

There are stories of how some Muslims panicked about their book collections, their ceremonial swords and their symbol-festooned prayer mats. Some set fire to their Qurans or sent them off with the garbage man. Others who maintained presence of mind sent their books to the mosques. Some Muslims who may have received a phone call at one time or another from a member of the suicide bombers' families were held for weeks without bail.

The tensions reached a fever pitch in mid-May and violence broke out in the towns of Kuliypitiya and Minuwangoda in the country's North Western Province. Well-known members of the anti-Muslim movement were seen in the area and signs of familiar institutional complicity were everywhere. Many were then reminded of the readily available political instrument of ethnic riots that have been exploited in Sri Lanka since independence, with the necessary ingredients of anger against Muslims cultivated well prior to the bombings.

At that point the conversation

Any possibility of rendering the anti-Muslim sentiment illegitimate has been swept away by the outpouring of grief and distrust in the bombings' aftermath

on the bombings shifted amidst the realisation that discussions of Muslim culpability were dovetailing too easily with the stance of the anti-Muslim movement. The organised nature of the violence became apparent to many. In progressive forums the rhetoric shifted almost immediately to the prevention of racism against Muslims. Many commentators across the political spectrum realised that in the fallout from the bombings, minimising hate against Muslims was important.

But it is not clear if the sentiments about Muslim culpability that were expressed by all areas of the political spectrum immediately after the bombings has shifted markedly or if there is any increase in politicians' or civil society pundits' knowledge about Muslims in Sri Lanka. The trope of the good Muslim versus the bad Muslim—in Sri Lanka, the 'traditional Muslim' versus the 'Wahhabi'—seems still to be viable and available for use.

Politicians' and pundits' knowledge of the country's Muslims is based not so much on interaction or informed reading but through global media representations filtered through Islamophobia and geopolitical priorities far removed from Sri Lanka's own interests. The local anti-Muslim movement's own contribution to this knowledge is significant. If commentators and policymakers base decisions on this form of knowledge alone, the future of Sri Lanka's security and of the country's Muslims seems dire.

The economic consequences of the attacks are also everywhere. Muslim businesses are still barely patronised and smaller shops have shut down. No one is renting to Muslims and longstanding tenants have been asked to vacate. There are websites and social media groups urging boycotts and listing Buddhist-run alternatives.

The economic impact of the bombings is not specific to Muslims. The tourism industry has ground to a standstill. Many establishments have drastically cut staff. Everyone from food suppliers to transport companies to entertainment providers is feeling the pinch. The tourist season in the Central Province town of Kandy has just resumed and the arrivals seem promising. It remains to be seen if the numbers will touch the previous years' highs.

Today, while the country is limping back to normalcy, anger against the country's Muslims remains on slow burn. Warakagoda Gnanarathana Thero, one of the most respected Buddhist monks in the country and the head (Mahanayaka) of the Asgiriya chapter of Siam Nikaya, accused Muslims in June of trying to affect Sinhala women's fertility and encouraged boycotting Muslim shops. Political actors regularly stoke these sentiments and media organisations collude with them to maintain the anti-Muslim narrative. While some clearly see the political manipulation of public sentiment in the aftermath of the attacks, many do not.

Most distressing to date has been the case of Segu Shihabdeen Mohamed Shafi, a Muslim doctor in Kurunegala who was accused



PICTURE: DINUKA LIYANAWATTE / REUTERS

Gallaoda Aththe Gnanasara, 'chief spokesperson of the anti-Muslim movement', who claimed that extremists were harbouring 'jihardist cells'.

in a national newspaper report in May 2019 of sterilising some 4000 Sinhala women. He was accused of surreptitiously damaging patients' fallopian tubes when carrying out caesarean sections. The doctor was arrested but was released on bail in July 2019 after several weeks of dramatic testimony in the Kurunegala Magistrate's Court. The investigating officers found no evidence to support any of the allegations. Expending state resources investigating a case based entirely on population growth anxieties propagated by the anti-Muslim movement merits comment. It indicates the extent to which the anti-Muslim hysteria has sedimented in popular sensibility as well as how easily such sentiment can be whipped up into a frenzy under the prevailing conditions.

The possibility of violence against Muslims in Sri Lanka predates the events of 21 April 2019. Anti-minority violence—currently anti-Muslim violence—is a political instrument

endemic to the country since before independence. The bombings have solidified the status of Muslims as suspect among the country's population and that is something new. Any possibility of rendering the anti-Muslim sentiment illegitimate has been swept away by the outpouring of grief and distrust in the bombings' aftermath.

With presidential elections scheduled for December, candidates feel the need to be minority-friendly. In this context the posturing monks' and minor politicians' antics are not appreciated or applauded by national party representatives. It is unclear however, if this trend will continue after the elections. Anti-Muslim violence in the future is not just likely but probable.

The manner in which politicians manoeuvred and manipulated people's distress after the bombings without providing the country with a narrative of resilience, recovery and togetherness was clear to many. The populace at large is slowly becoming privy to a critical understanding of the country's crisis. Many also realise that the country must be primed not only for the challenge of overcoming this security threat but also for avoiding another descent into a war over ethno-religious politics. There is a countrywide understanding since the bombings that this can only be done through mounting a serious challenge to the country's political elite. There are many organisations and alternative political voices that are beginning to emerge. It is still too early to see if they will have any success. **EAFO**

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**Economics
and
security**

Sea change: Japan leads on marine plastic litter

MICHIKAZU KOJIMA AND
FUSANORI IWASAKI

MARINE plastic litter has been recognised as one of the world's greatest environmental challenges in recent years and several international forums have started to take action on the issue. In June 2019, G20 member countries agreed on the Osaka Blue Ocean Vision at the Osaka Summit. Japan led the way in concluding the Vision, through which G20 countries aim to reduce additional marine plastic pollution to zero by 2050.

But last year Japan, together with the United States, did not agree to adopt the Ocean Plastics Charter at the G7 summit in Charlevoix, Canada. Why did Japan lead the Osaka Blue Ocean Vision while it refused to sign the Ocean Plastics Charter in 2018?

The Ocean Plastics Charter declared that G7 leaders would commit to action towards a resource-efficient, lifecycle management approach to plastics in their economies. This would be done through sustainable design, production and after-use markets; better waste collection and management; promoting sustainable lifestyles and education; more research, innovation and new technologies; and coastal and shoreline action.

Although it did not sign the charter, Japan has been making efforts to reduce plastic waste since the 1990s. In 1991 it enacted the Law for the Promotion of Effective Utilization of Resources, requiring businesses to

make better use of recycled materials and to design easily recyclable products. Between 1995 and 2002 Japan also developed five new recycling laws focused on packaging, home appliances, food waste, construction waste and automobiles. Collaboration between local government and the private sector also has reduced the use of single-use plastics—especially plastic bags.

Japan has also led the way in promoting better waste management in Asia and the Pacific. After implementing the domestic regulations, the Japanese government proposed the 3R Initiative—reduce, reuse and recycling—at the G8 Summit in 2004. After some preparatory meetings, the Japanese Ministry of the Environment (MOE) and United Nations Centre for Regional Development (UNCRD) organised the Inaugural Regional 3R Forum in Asia in 2009. The conference has been held in an Asian or Pacific country almost every year since.

These domestic and international efforts show that Japan is capable of leading the international movement for solving plastics issues. So why didn't Japan sign the charter?

On 14 June 2018, just five days after the G7 summit, the Minister of the Environment, Masaharu Nakagawa, explained the reason behind Japan's decision when responding to questions from a member of the opposition party during a session of the House of Councillors' Committee on Environment.

The opposition member condemned the decision for its backward attitude and voiced criticism from domestic environmentalist groups. Minister Nakagawa replied: 'Due to concrete contents such as setting a numerical target with a term limit in the charter, Japan decided to forgo participation because we need to consider its potential impact on daily life and industry in order to realise the reduction of use of all kinds of plastics, including household items'. But he added that 'Japan shares the same enthusiasm for reducing plastic waste that the charter aims for.'

AFTER the G7 summit, Japan redoubled its efforts to combat plastic waste. The Japanese government had already begun working on a Comprehensive Strategy for Plastic Material-Cycling in the lead-up to the G7 summit in 2018 and published the draft paper in October that year. The final document was launched at the end of May 2019—one month before the G20.

In the months after the G7 summit, the Japanese government also started to show a willingness to develop an effective framework on marine plastic litter as part of its G20 presidency in 2019. In the lead-up to the Osaka summit, Prime Minister Shinzo Abe announced that 'Japan will promote effective international cooperation such as support for the introduction of waste management infrastructure and will lead international efforts to achieve the goal of preventing marine



Cause for concern: a boy rows his boat in the polluted waters of the Brahmaputra river at Guwahati, India, on World Water Day in March 2018.

pollution.’ Foreign Minister Taro Kono also emphasised the importance of including the emerging economies as part of an effective approach for managing marine plastic litter.

Just months before the G20 meetings began, reducing marine plastic emerged as a key agenda item in the country’s presidency. In a meeting with United States President Donald Trump in April 2019, Prime Minister Abe again picked up the marine plastics issue. A month later, Abe gave a speech introducing the issue as one of three main agenda items at the coming G20 summit.

On 15–16 June Japan hosted the G20 Ministerial Meeting on Energy Transitions and Global Environment for Sustainable Growth in Karuizawa. At this meeting, G20 ministers agreed to establish the epochal G20

Implementation Framework for Actions on Marine Plastic Litter. This would facilitate the implementation of the G20 Action Plan on Marine Litter—originally launched at the G20 Hamburg Summit in 2017—through voluntary national action.

DURING the past year the Japanese government faced domestic and external pressures to show its positive attitude towards the marine plastics issue. In response, it gradually prioritised this issue as one of the main agenda items of its G20 presidency. It has implemented the Strategy for Plastic Material-Cycling, and adopted an action plan as a result of inter-ministerial coordination.

In 2018, Japan decided not to sign the Ocean Plastics Charter with the United States. In doing so, it is

possible that the Japanese government considered the fact that the Trump administration had backtracked on environmentally friendly regulations.

Despite having both the experience and the capacity, Japan was not ready to lead the fight against marine plastics litter in 2018. But thanks to an increase in public concern, the Japanese government has since increased its efforts. Its commitment to the Osaka Blue Vision in 2019 signals a shift towards more sustainable practices across the region. [EAFQ](#)

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Japan is ageing faster than we think

MASATAKA NAKAGAWA

POPULATION projections from the UN Department of Economic and Social Affairs confirm that Japan will remain the world's most aged country for at least the next few decades. The 2019 Revision of World Population Prospects, released in June 2019, predicts the proportion of people aged 65 years and older in Japan will increase from the current level of 28 per cent to 38 per cent by 2050. During this period, Japan's population will shrink by nearly 20 per cent. These demographic trends set the fundamental context for challenges and changes to Japanese society in the coming decades.

Japan's population has been getting older over the past 100 years, but this process accelerated at the turn of the century when the large cohort of postwar baby boomers, born in the late 1940s to early 1950s, began joining the elderly population. During the period 2000–10, the country's population aged 65 and over increased by an unprecedented total of over seven million. This population is likely to increase by another seven million by 2020.

According to the government's official population projections conducted by the National Institute of Population and Social Security Research (IPSS), the elderly population will continue to grow—though at a slower pace—until it peaks around 2040, when the second baby-boomer generation (the children of the postwar baby boomers) passes the age of 65.

At this time, a much smaller younger population will face the task of supporting this large number of elderly Japanese.

The conventional indicator of an ageing population—the proportion of people aged 65 and over—may lead to its extent and impacts in Japan being underestimated. IPSS projections suggest that the country's population aged 75 and over will increase by 20 per cent from 2020 to 2040, while the increase will be limited to around 8 per cent for those aged 65 and over. The most significant growth is projected for the 'oldest old population': 65 per cent for those aged 85 and over, and more than 250 per cent for those aged 100 and over.

The 'ageing of the elderly population' has implications for the public systems of medical and long-term care, pensions and social protection for older people. Much attention is being paid to the provision of care services, and in this regard knowing where older people live is fundamental to ensuring appropriate public policy and community responses. IPSS subnational population projections expect the most significant growth in

Japan's elderly population to occur in metropolitan regions, where there are currently relatively large working-age populations.

In some prefectures in non-metropolitan regions, on the other hand, the size of the elderly population has already peaked and has started to decline. In these areas, the proportion of the elderly in the local population continues to increase because the younger component is shrinking at an even faster pace. A notable example is Akita prefecture, located in the northeast region of the main island, where the proportion of people aged 65 and older is expected to increase from the current level of 34 per cent to over 50 per cent by 2045. The total population size will shrink by over 40 per cent in the same period.

These regional variations in demographic prospects are due to heterogeneity in the population structure, rather than trends in vital components of population change such as mortality and fertility. Despite efforts by local governments to recover the fertility rate and reverse population flows to large cities, the rural population profile has become 'too old' to restructure in the short term. The ageing population problem has reached the stage where the skewed age distribution causes demographic deficits through negative natural increases (numbers of deaths exceeding numbers of births).

Ageing and depopulation in these rural and non-metropolitan regions result in diminishing pools of potential young migrants to major metropolitan

Japan's depopulation is moderated by the growing number of foreign residents



An elderly woman walks past jizo statues, dedicated to the growth of children and grandchildren, at a Buddhist temple in Tokyo. The nation's population is predicted to shrink by nearly 20 per cent by 2050.

regions, particularly the Tokyo metropolitan region. Tokyo has the lowest fertility level in the country and its current population growth is sustained by population inflows. IPSS subnational population projections expect Tokyo to maintain its population growth until around 2030, before it becomes the last prefecture to enter population decline.

At the national level, Japan's depopulation is moderated by the growing number of foreign residents, who presently account for just over 2 per cent of the country's total population. As Japan's natural population decline is escalating, expectations have been rising for the demographic and labour-market contributions to be made by international migrants. In the face of acute labour shortages, the amended Immigration Act came into effect in April 2019 to introduce new visa

categories for qualified foreign workers in 14 industrial sectors, including nursing care, agriculture, construction and manufacturing.

The new visa categories are probably the most significant change in Japan's immigration policy since the 1990 amendment that removed restrictions on entry and residence for foreign-born people of Japanese descent to facilitate economically motivated migration from South America. They have been absorbed into the low-skilled end of the labour market, particularly in the manufacturing sector, which has undergone intensive restructuring since the early 1990s. It is hoped that the 2019 amendment will increase the pool of nursing and care workers, presumably from Southeast Asian countries. Japan has already accepted such workers through bilateral economic partnership agreements.

It is still too early to assess the impact of the 2019 amendment to the Immigration Act. From a demographic perspective, it is important to keep in mind that the 'targeted sending countries' will face labour shortages themselves, particularly of care workers, in the not-so-distant future. According to the latest UN population projections, many Southeast Asian countries will undergo population ageing at an even faster pace than Japan, due to drastic declines in fertility. What is expected from the global front-runner in ageing are lessons and solutions from its evolving experience in building and maintaining public systems for an ageing society.

EAFO

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How immigration will change Japanese politics

PICTURE: MALCOLM FOSTER / REUTERS

AIZAWA NOBUHIRO

THE Japanese government has decided on a revised Immigration Control and Refugee Recognition Law that could expand the entry of non-skilled foreign workers into the Japanese workforce. The law introduces the Specified Skilled Worker Category 1 to open up new professional fields for unskilled foreign workers, and is expected to attract around 345,000 workers in the next five years.

Fourteen professional sectors where there is a critical lack of workers were chosen for the scheme, including aged care, construction, agriculture, fishing, tourism and food services. The law also theoretically entitles these non-skilled workers to a path to permanent residency should they pass professional testing and successfully renew their status.

Prime Minister Shinzo Abe first publicly proposed the necessary legal arrangements on 20 February 2018 at the Council on Economic and Fiscal Policy, followed by an outline in the Basic Policy on Economic and Fiscal Management and Reform in June 2018. After electing Abe as Liberal Democratic Party (LDP) Chairman for his third term in September 2018, the LDP finalised a draft law. It passed through parliament—where the LDP holds a majority—in December 2018 and took effect in April 2019.

Chief Cabinet Secretary Yoshihide Suga emphasised the necessity and urgency of the new policy in economic terms by explaining that the law is



Thai workers harvesting vegetables at Green Leaf farm, in Showa Village, Gunma prefecture. Agriculture is one of the sectors identified under the amended act as having a critical lack of workers.

meant to save ailing but strategic industries as well as the ageing local economy. Yet the revised immigration control act was much more than an economic policy—both public and political opinion was split.

Objections came from both the opposition and from within the LDP itself. According to The Nikkei polls, the law garnered more backing from supporters of the Constitutional Democratic Party of Japan than from LDP supporters. Hidden disagreements were evident among party members, between generations

and regions. These political fault lines signalled the beginning of a new politics of immigration in Japan and could be a critical turning-point in Japanese politics in the coming decades. In this context, there are three areas that will likely become key battlegrounds.

First, the terms ‘foreign workers’ and ‘immigration’ have now become selling points in Japanese politics. The more strongly the government refused to mention the revision act as an ‘immigration law’, despite the path to permanent residency that it

incorporates, the more it stimulated the existence of a strong anti-immigration political platform and silent social discontent towards the issue. Sensitivity to these terms was prevalent in the internal LDP review when drafting the law.

An unprecedented five-day scrutiny by the legal commission of the LDP in October 2018 attempted to answer various concerns. These included Japanese nationals having to compete for jobs against foreigners, the lack of necessary social arrangements and legal protection to prevent an increase in illegal workers, and the absence of social security for foreign workers in the cost–benefit analysis of the law. With these questions left unanswered, the government has been pushed onto the defensive and will be accountable should anything occur. Every violation, abuse or misconduct by foreign workers can easily be politicised as a weapon to attack the leadership.

Second, this opened up new political fronts for central–local and local–local government relations. The core purpose of the law is to meet the compelling requests of small- and medium-sized enterprises in some regions and to maintain a political platform for their support by addressing their needs. Local LDP branches from prefectures such as Gunma, Shizuoka and Akita gave LDP executives much input to convince them of the need and demand for unskilled foreign workers. Yet the rules outlining administrative and social burden sharing in accepting foreign workers are yet to be determined.

This led some local governments to raise their concerns over the policy's feasibility despite the main beneficiaries being regional businesses. Regions with compelling demands for foreign workers also lacked sufficiently large local government budgets

to provide public services for new migrant workers. While the current immigration policy decision itself is a prerogative of the central government, it needs to find a new equilibrium on power and burden sharing. So the long process of striking a suitable power arrangement will also become an important part of the political agenda in the decades to come.

Third, the law marked the beginning of an inescapable new foreign policy issue. Japan will now increasingly be 'tested' in its responsibility to protect foreign workers on home soil. This will require constant information-sharing and administrative harmonisation between the sending and receiving countries. Overseas worker joint management will become a reoccurring topic of negotiation in all bilateral and regional talks. For example, in July 2019, while signing a memorandum of cooperation on overseas workers with Indonesia, Japan chose to commit to following Indonesian systems for placement and administration services for Indonesian migrant workers.

As this example shows, Japan is willing to be led and evaluated by its counterparts on foreign

Overseas worker joint management will become a reoccurring topic of negotiation in all bilateral and regional talks

worker management. This growing interdependency between the demand for foreign workers and appropriate administrative standards could become a new governmental and social platform through which to integrate Asian countries. On the other hand it could also become a liability, as the countries will potentially need to balance domestic xenophobic antagonism with friendly bilateral relations. It will take diplomatic skill and savviness on the Japanese side to find a way to achieve this balance.

Considering the political climate in 2018, prioritising speed over consensus-building with strong leadership might have been the only way to push this sensitive and divisive policy forward before it was too late to save the businesses and local regions experiencing labour shortfalls. Yet without public consensus and an adequate social safety net for foreigners, Japanese resilience towards immigration scandals is in doubt.

The abuse and misuse of foreign workers by Japanese enterprises, politicians exploiting the imperfect institutional arrangements, civil and criminal misconduct by foreign workers or a single terrorist act could sensationally ignite the anti-immigration movement in Japan. The strong leadership by Abe that pushed this historical law forwards has also pushed Japan's politics on to a new tightrope. **EAFO**

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New strategies redefining Japanese innovation

REN ITO

JAPANESE innovation has long been synonymous with craftsmanship and design excellence, from the Sony Walkman and Nintendo game consoles to hybrid cars, futuristic toilets and high-speed rail. But a new and less tangible form of innovation is quietly taking hold—one that could transform Japan into one of the world's most important drivers of the global technological revolution.

Japan has a proud history of innovations that it has offered the world. Sony's Walkman revolutionised the music industry by allowing users to take their music outdoors, while the Nintendo Entertainment System brought into homes video games that could previously only be played in arcades. These and numerous others are all stellar examples of Japanese prowess at *monozukuri* (the art of making things) and these innovations—backed by high levels of technical expertise and production efficiency—have been drivers of Japanese soft power alongside karaoke, anime and sushi.

But recently Japanese success stories of this scale have become far less frequent. Japan missed the dotcom revolution, resulting in few front-running high-growth IT or tech start-ups originating in Japan. It is widely acknowledged that Japan is a difficult place for start-ups to flourish.

According to the Global Entrepreneurship Monitor in 2018–19 the percentage of Japan's adult population involved in early-stage

start-ups was merely 5 per cent, one of the lowest rates among advanced economies. The United States—the start-up superpower—had nearly 16 per cent, while India doubled Japan. Start-ups account for over 8 per cent in the United Kingdom, and Brazil outperforms the United States at almost 18 per cent.

Based on the volume of start-up investment, China has rapidly strengthened its start-up status to become the second largest venture capital world power after the United States. It captured a quarter of this investment in 2016, while India and Japan absorbed 2.6 per cent and 0.7 per cent respectively. Reflecting the wider global start-up boom, a few unicorn companies—start-ups valued at over US\$1 billion—have surfaced in Japan in recent years, such as software developer Preferred Networks and Ebay-style flea market app Mercari. But there are still nowhere near enough Japanese start-ups in terms of numbers.

Fortunately, signs of improvement are on the horizon. Young Japanese are increasingly taking on the challenge of setting up their own start-ups, with less concern about stability and risk, although their numbers are still small. Ventures are gradually becoming a viable career choice for some of Japan's best talent. There is steady growth in the flow of gifted youth from educational institutions like the University of Tokyo and from established employers like major banks into new ventures. Japan is also seeing solid expansion in the supply

of funds for high-risk investments and supportive government policies for start-ups.

But as the figures show, there is still some way before the start-up ecosystem in Japan becomes a major source of economic growth. Japan's more immediate potential lies apart from Japanese companies starting new businesses from scratch: it needs to distance itself from the obsession with homegrown start-ups.

Japan's great growth could come from Japanese corporations investing in companies and businesses outside of Japan's borders. Just as Japanese manufacturers used to look abroad to high-growth markets to drive Japan's export-oriented growth, a small but increasing number of Japanese firms are now attempting to achieve growth by investing in the fastest-growing tech companies outside Japan.

THIS hypothesis is supported by statistics from the Bank of Japan and the Ministry of Finance. Individuals hold the cash equivalent of US\$9.3 trillion and Japanese organisations have built up US\$4.2 trillion in reserves. If done correctly, deploying these vastly underutilised resources can be a key and viable source of Japan's growth.

There is no reason for Japanese companies only to invest locally. In order to internalise the high overseas growth, Japanese companies can use the vast surplus funds to purchase stocks of some of the fastest-growing tech start-ups outside Japan. This is a powerful growth and innovation



Arm robots manufactured by Japanese robot maker Fanuc pack food in a demonstration at the International Food Machinery and Technology Exhibition in Tokyo in July 2019. Many Japanese firms are now moving into tech start-ups in other countries: 'a reversal of the traditional Japanese way of thinking'.

strategy for Japan. Realising innovation through the power of investment is a reversal of the traditional Japanese way of thinking, going beyond the typical idea of a workman creating objects or an illustrator creating content to be commercialised.

The art of investing overseas should be grasped as a proudly Japanese innovation, while setting out to create a global IT company originating from Japan.

Japanese telecommunications company Softbank decided not to use its enormous, stable cash flows from domestic business to merge, acquire or invest in other Japanese businesses. It chose instead to invest in overseas tech companies, particularly artificial intelligence innovators. It established

the US\$97 billion Vision Fund 1 by leveraging its own cash and Japanese risk capital to assemble risk capital from abroad. The fund invested large sums of money into mega-unicorns such as Uber and Oyo, as well as companies working on research and development for autonomous driving.

Softbank is expected to set up Vision Fund 2 at a similar scale, about US\$108 billion, in the latter half of 2019. Similarly, the Japan Bank for International Cooperation—Japan's government-backed development bank—contributed equity to a fund for start-ups in the Nordic and Baltic regions. This was followed by other Japanese firms which set up similar corporate venture capital funds for investment in the United States,

Europe and Israel.

These movements could mark the beginning of an evolution from a Japan that manufactures to a Japan that invests abroad, an idea once thought to be 'heretical' for a country with deep faith in its manufacturing industry. The overseas technologies that attract investments can then be brought back to Japan to bring about more innovation through their application to Japan's social problems, such as its ageing society. Shifting from manufacturing to investment might just be the key to Japan innovating innovation itself. **EAFO**

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Japan leads the way in trade with ASEAN

JUNICHIRO HASEBA

TENS of thousands of Japanese companies operate in ASEAN, and their number is increasing year by year.

Japan is establishing chambers of commerce in many areas and many companies are participating in their activities. These chambers of commerce are members of the Federation of Japanese Chambers of Commerce and Industry in ASEAN (FJCCIA), a group consisting of 10 Japanese chambers of commerce in nine countries, excluding Brunei. Their objective is to improve the business environment for Japanese companies in the ASEAN region. The number of members of FJCCIA—the total number of member companies of the 10 Japanese chambers of commerce—reached 7394 in May 2019.

Since 2008, FJCCIA has held a dialogue with the Secretary-General of ASEAN every year. This gives Japanese companies in ASEAN and the Japan External Trade Organization (JETRO) the opportunity to make proposals for improving the business environment to ASEAN. The Japanese side uses this framework to improve its business environment. There has been success, for example, in improving the operation of certificates of origin, which are necessary to give preferential treatment to mutual goods in the ASEAN region's trade.

Why is that important? Bilateral or multilateral free trade agreements (FTAs) can be signed to reduce tariffs and eliminate non-tariff barriers to

increase free trade and investment. In the case of trade under FTAs, the importer submits a Preferential Certificate of Origin to customs when importing. The format of the certificate of origin is different according to each FTA, and the importer must follow each agreement.

Normally, the most favoured nation (MFN) tariff rate is applied—a lower rate than the General Tariff Rate, Temporary Tariff Rate or Tariff Rate of the World Trade Organization. But among FTA countries, goods can be imported at an even lower preferential tariff than the MFN tax rate.

To be eligible for preferential tariffs, the goods to be imported must be manufactured in the treaty country. The reason is that the preferential tariff should not be applied to goods imported from a third country into one treaty country and exported to

another treaty country—it would not make sense for goods that have been simply processed in the treaty countries to be subject to preferential tariffs. For this reason, a certificate of origin proves that exported goods meet the criteria defined in each agreement. It can be said that the certificate of origin issued by a government agency or chamber of commerce proves the 'nationality of goods.'

There is an agreement called ASEAN Trade in Goods Agreement (ATIGA) between ASEAN member countries. To use ATIGA, a certificate of origin named Form D is required. The Common Effective Preferred Tariff, in which tariff rates for most goods are zero, is applied to intra-ASEAN trade by using Form D. The goods that Form D is attached to are certified as of 'ASEAN nationality' and will receive preferential treatment in the ASEAN region.

In a simple trade, company A passes goods to company B, and company B pays company A. But actual trade may involve more complex arrangements. For example, physical distribution may be directly from Thailand to Vietnam, but commercial distribution is sold from company A in Thailand to company B in Singapore, and then from company B in Singapore to company C in Vietnam. Of course, company B sells to company C with a margin added to the purchase price from company A. This is known as intermediary trade.

In the past, there was a rule that the Free on Board (FOB) price must be

There has been success in improving the operation of certificates of origin, which are necessary to give preferential treatment to mutual goods in the ASEAN region's trade



Toyota employees assembling Mirai fuel cell vehicles at the company's Motomachi plant. Trade facilitation in ASEAN is a priority for Japan.

described in Form D when company A exported it. The FOB price, paid for by the buyer, refers to the transportation and liability costs added on to the price of the goods before they are loaded onto a ship or an airplane. This Form D, in which the FOB price of company A is described, arrives at company C.

The main problem with this system is that it allows company C to know the margin being charged by company B. Since the Second Annual Dialogue between the FJCCIA and the Secretary-General of ASEAN in 2009, the FJCCIA has asked that the FOB price be removed from Form D. Company B can also be anywhere in the world, including Australia, as long as the goods were made in ASEAN and

moved to another ASEAN country.

At the 45th ASEAN Economic Ministers' Meeting held in Brunei in August 2013, it was finally agreed that the description of the FOB price would be unnecessary. Since January 2014, all companies have been able to conduct intermediary trade without worry that the price will leak. This is the result of the Japanese side persuading ASEAN of the benefits of not describing FOB prices at official and informal meetings over five years.

In 2019 the 12th Annual Dialogue between the FJCCIA and the Secretary-General of ASEAN was held in Pattaya. At this meeting, the ASEAN side proposed the introduction of electronic certificates

of origin (e-Form D). Indonesia, Malaysia, Thailand, Singapore, Vietnam and Brunei have already introduced e-Form D, and Cambodia, Philippines, Myanmar and Laos are expected to introduce it this year—meaning all of ASEAN will be using the new format.

Trade facilitation continues to progress in the ASEAN region through the efforts of all stakeholders, demonstrating the value of Japan's style of engagement with ASEAN and its potential for further breakthroughs.

EAFO

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Can Tokyo's inclusive Olympics rebrand Japan?

NOBUKO KOBAYASHI

TOKYOITES have started the one-year countdown to host the Summer 2020 Olympic and Paralympic Games. Enthusiasm has conquered initial scepticism. In January 2019, 205,000 people had registered as volunteers, exceeding the organising committee's goal of 80,000. In May, the first-round lottery for tickets awarded 960,000 passes to winners from a pool of 5.1 million applicants—equal to roughly one-seventh of the 35 million people in the metropolitan area.

Preparations for Tokyo 2020 have borrowed heavily from London 2012—another mature host city. The spirit is to build less and reuse more. Instead of constructing a new facility, for example, the cycling event will occur at an existing track in Izu, 120 kilometres away from Tokyo. All 5000 medals will be made from 100 per cent recycled metal retrieved from 6.2 million used mobile phones and other IT gadgets collected nationwide.

From plastic bottle recycling to zero-emission fleets, all wheels are in motion to promote Tokyo as a technologically advanced and environmentally conscious city. This is an important message particularly in the face of the global climate challenge. But this is not the only message Tokyo aims to convey while in the spotlight for summer 2020.

The world has shifted since September 2013 when the Japanese Olympic Committee won the bid for the Summer Olympics 2020.



PICTURE: ISSEI KATO / REUTERS

A robot of the Tokyo 2020 mascot Miraitowa, which will be used during the Olympic and Paralympic Games, exchanges a high-five with a boy during the robot unveiling event at Tokyo Stadium in July 2019. The Olympics 'offer a powerful marketing venue for the host nation'.

Globalisation has receded. Rather than enlarging the entire economic pie, countries are rushing to secure their own slice. With the world's two largest economies—China and the United States—seemingly at odds in every aspect of ideology, economics and society, the global order as we have understood it appears to have evaporated.

Japan in 2020 will be the playground of the most visible international

sporting celebration. Respect for pluralism is the dominant spiritual value of the Olympic Games, which extends beyond sports. Japan has a rare opportunity to shine by personalising this spirit as host.

The Olympic Games offer a powerful marketing venue for the host nation. Pre- and post-Games, Britain improved its image according to a survey by the national tourism agency VisitBritain. Can Japan do better?

Fortunately, Japan is positioned to be an unexpected breath of fresh air. As a stable and relatively homogeneous society, it has been off the centre stage of the world's political upheaval and quietly suffering from the economic impacts of deglobalisation. Japan appears less pessimistic because its narrative has already been pessimistic over a much longer period, plagued by post-bubble stagnation and a declining population.

On the other hand, for Japan to promote the respect for pluralism is not without unique challenges. Granted, under its core concept of 'Unity in Diversity', Tokyo 2020 pays homage to inclusivity. Efforts are underway to make the nation's transportation barrier-free, from train stations to universal design taxis.

But there remains a larger question. How is the overall perception around a country that it is still too insular to be truly integrated into the world community, let alone lead the rest of the world, to be shifted to a spirit of mutual respect? The challenge is not about hard infrastructure but rather about people's sentiment, which takes years to build. With less than a year to go, there are things that can be done.

First, volunteers are on-the-ground ambassadors. In interacting with both athletes and overseas visitors, their genuine friendliness is the key to changing the inward-looking perception of Japan.

Even though the phrase *omotenashi* (hospitality spirit) may have sealed the win for Tokyo in 2013, overemphasising service quality may inadvertently kill the fun. Some volunteers are worried about their ability to communicate in English. But their accented English is often good enough for many visitors, in many cases non-native English speakers themselves. Relaxed hosts make the

best entertainers.

Second, Japan can strategically highlight its array of host towns. With subsidies from the Japanese government, 323 towns from Hokkaido to Okinawa have volunteered for these roles. They offer pre-Games training camp sites for athletes and will host cross-cultural and sports events before and after the Olympic and Paralympic Games.

The city of Ise in Mie prefecture, for example, will host a team of para-athletes from Laos and plans cross-cultural events post-summer. Host towns will spread engagement with the Games beyond Tokyo and demonstrate the diversity and openness of rural Japan. These impressions will outlive the Games.

The advantage of social media is that local anecdotes can travel fast and wide with visual information. Olympic highlights are not necessarily all about achieving world records. They can be about discovering the friendly and charming side of the host country.

The first Summer Olympic Games

Mature Japan can play a new role in a troubled world using the Games as a springboard to turn around its perceived inward-looking image

in Japan, Tokyo 1964, showcased a young and thriving nation rebounding from the wounds of the last war. The Games propelled new constructions such as Enoshima Yacht Harbor, the Tokaido Shinkansen and the Metropolitan Expressway. The message to the world was Japan's resurgence as an industrial power.

Unfortunately, as a price to economic growth, serious pollution and worsening living conditions were swept under the rug. In fact, it was not until the so-called 'Pollution Diet' in the late 1970s that Japanese politics confronted these environmental issues by passing as many as 14 laws. This was a turning point that painfully and methodically paved the way to the clean sky Tokyo enjoys today.

Fifty-six years later, Tokyo's second Olympics is less about building hard infrastructure and more about being ecologically mindful and technologically smart. Mature Japan can play a new role in a troubled world using the Games as a springboard to turn around its perceived inward-looking image.

If Japan can rebrand itself as an open and embracing host nation, the soft legacy of Tokyo 2020 will be a success. The world will see Japan in a new light and it will awake Japan from the complacent pessimism in which it has stewed over the past three decades. 

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