



21st Century Group

UK-Japan 21st Century Group 35th Annual Conference

Chairmen's Summary

The 35th Annual meeting of the UK-Japan 21st Century Group was held at the Kamakura Prince Hotel in Kamakura, Kanagawa Prefecture from 31 August - 2 September. The meeting was chaired by Mr Yasuhisa Shiozaki, Japanese Co-Chairman and the Rt Hon Lord Lansley, UK Co-Chairman.

The 21 British and 23 Japanese participants included parliamentarians and senior representatives from business, the media, academia, think tanks and the diplomatic service from both countries

Tokyo Programme

A lunch for both British and Japanese participants and other guests was hosted by His Excellency Ambassador Paul Madden at the British Embassy on 30 August. The Ambassador welcomed members of the Group and stressed the importance of the annual dialogue that took place at the UK-Japan 21st Century Group conference. He underlined the growing pace of exchanges at all levels between the UK and Japan. On his recent visit to the UK he had also seen the breadth of activity of Japanese organisations in the UK.

The British participants, accompanied by Mr Shiozaki, were due to call on Prime Minister Abe, but the Prime Minister was called away and Group members instead met Mr Yoshihide Suga MP, the Chief Cabinet Secretary, on 30 August.

Mr Suga noted there had been considerable progress in UK-Japan relations since Prime Minister May's visit in August 2017. He welcomed positive UK engagement in the region, particularly in the defence and security spheres. He noted the importance of the economic relationship. Japan would watch closely the on-going UK-EU discussions on Brexit and welcomed UK interest in the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP). Taken together with continuing tensions in East Asia, especially activities in the East and South China Seas, there was a range of issues on which the UK and Japan should continue to remain engaged. Lord Lansley delivered a message from the British Prime Minister underlining the importance she attached to the work of the Group. Given that the UK would have left the EU by the time of the meeting in 2019, it was important to listen to the views of the business community and international partners such as Japan. He shared the view that the UK-Japan relationship was increasingly strong both bilaterally and in international fora. There were good prospects for closer regional and multilateral links in international trade. He confirmed the conference would put together constructive recommendations, in these areas, and also on issues such as global health, development cooperation and education.

In the evening of 30 August, British and Japanese participants attended a reception hosted by Foreign Minister Taro Kono. In his address, Mr Kono spoke warmly of the strength of the bilateral relationship and his commitment to it.

Kamakura Conference

In their opening remarks, the Co-Chairmen spoke of the many positive developments in UK-Japan relations since the last conference which have helped contribute to the implementation of several of last year's recommendations. They also highlighted the challenging issues facing both countries that would be discussed over the coming weekend, including in those areas of the recommendations which remained to be addressed. They agreed that a high priority remained the need to address the implications of Brexit and beyond, particularly for Japanese investment in the United Kingdom. They looked forward to identifying ways of promoting the bilateral relationship still further against an uncertain global background. They believed the UK and Japan's shared values, including for democracy, sustainable development, a rules-based international order and multilateral cooperation was the basis not only for our own relationship but also for influence internationally.

As always, the UK-Japan 21st Century Group provided an independent, action-oriented perspective on the bilateral relationship and the role of both countries in the world.

Session 1: Latest Developments in Japanese Politics and the Economy

The Group considered forthcoming political and economic developments in Japan. Next year would see the abdication of the Emperor and the opening of a new Imperial era; the LDP leadership election in September 2018 could lead to Prime Minister Abe remaining in power for up to nine years until 2021; and PM Abe's investment in the relationship with President Trump meant that US/Japan relations could also critically affect the future political landscape in Japan. These three developments could see a re-evaluation of Japanese society and politics, with growing US pressures on trade as a backdrop.

Post-war, Japan had successfully pursued targets and policy packages to create a healthy, well-educated middle class society. However Japan's current challenge was one of demography, with 27% of the population over 65 and a pressing need to realise a "super-active ageing society". If successful, Japan could be a model in Asia. Immigration was also a challenge and a potential solution in this area, as was greater equality for women. With all the challenges Japan faces as a result of demography and slow growth, Japan's policy priorities in relation to structural reform need to be advanced.

Concerns were expressed about US withdrawal from leadership of international structures. This would be keenly felt in international organisations, and the effects could out-live President Trump. This was relevant to the UK post-Brexit and it was

incumbent on Japan and the UK, which share common values, to remain world leaders in promoting the multilateral international order based on the rule of law.

Session 2: Latest Developments in UK Politics and the Economy

The Group discussed ongoing political developments in the UK. Brexit was seven months away. There remained a lack of clarity, and political uncertainty to be negotiated. There were persistent divides between Brexiteers and Remainers; between young and old; those in large cities and smaller provincial towns; and between more highly educated and less educated parts of society. The referendum result had also reopened the debate about the UK constituent nations. Growing nationalism in the US – a key partner and ally - added to a sense of unease about Britain’s future world role.

The Group considered the several scenarios which might characterize a UK/EU Brexit deal. Whatever the final outcome, the UK would increasingly look to its bilateral relationships: that with Japan being one of the most important, not least because of our shared interest in preserving an open rules-based system.

Participants noted that UK and foreign business hoped for greater predictability and – to the extent possible – greater clarity in the coming months. Political divisions mean that the parliamentary outcome of the negotiations remains unclear. A temporary solution could therefore not be ruled out.

Despite challenges, the UK economy remained relatively strong, though any pressure on the UK/Japan economic/business relationship would inevitably affect the bilateral relationship as a whole. Japan had set out her concerns in September 2016. The Group continued to hope the UK government’s priorities would reflect these concerns.

Group members also stressed the importance of close regulatory alignment with the EU in areas such as medicines and medical devices.

Regardless of Brexit, the UK faced other political and economic challenges and opportunities similar to those in Japan: the implications of ageing societies; the role of women in politics and the economy; youth participation; and our role in global affairs.

Session 3: UK-Japan Financial Services Sector Relations in the Post-Brexit Era

Given the critical importance for the UK and Japan of the financial services sector, the Group considered an example of one banking group’s approach to preparing for Brexit: the effects so far on the organisation and structure of operations in the UK and Europe; contingency planning for the different Brexit scenarios; issues of concern including equivalence and reciprocity, EU citizens’ rights and the transition period; and the challenges which would be created by a “no deal” Brexit. There could, however, be longer term opportunities particularly if the UK were able quickly to conclude free trade agreements with third countries, and consider participation in the CPTPP.

The Group discussed the importance of the financial service sector to the UK economy and the consequent risks if discussions on services were side-lined. Currently there was little clarity on the negotiating process, concern that equivalence/passporting might be lost, and limited UK leverage on EU institutions. There were several unanswered questions including on data transfer, mitigation of third country risk, the future of euro and euro-derivative clearing, legal validity of existing contracts and human resource availability.

Nevertheless, there were also new challenges in the financial services sector irrespective of Brexit. These included opportunities for the UK to create regulations/legislation to help the fintech sector, to develop innovative trade and infrastructure finance mechanisms and to update regulatory practices.

Session 4: The Role of UK and Japan in the New International World Trade Regime

The Group discussed the increasing challenges to the international trade regime. Trade friction, protectionism and retaliatory measures had shaken the post-war free trade system, although the negative impacts were not so large in terms of the volume of trade affected. For some countries, including the US, trade policy is heavily shaped by domestic politics. The impact of labour market “offshoring” and the increasing gap between rich and poor has caused frustration against globalisation from those adversely affected, leading to populist policies.

The world trading system risks being undermined by China’s lack of market discipline and US unilateral approaches. The WTO urgently needs reform. UK and Japan can lead this and work with the EU. Effective enforcement, consistent and independent dispute settlement, an e-commerce framework, progress on GATS and work on regulatory convergence based on mutual recognition are all needed. The reform of the WTO could also contribute to the delivery of the Sustainable Development Goals.

It was pointed out that the EU-Japan EPA was a starting point for a future UK-Japan free trade arrangement post-Brexit. The Group welcomed, in addition, the proposal that the UK also consider participation in the CPTPP with Japanese support.

Session 5: Defence and Security Challenges for the UK and Japan in a Changing International World Order

The Group discussed the changing security environment, which has been heavily impacted by changes in balance of power, American unpredictability on regional challenges, and a loss of American global leadership. For many, even after the historical Inter-Korean and US-DPRK summit meetings, prospects for a successful denuclearisation of the Korean Peninsula seem uncertain. It was also noted that liberal, democratic institutions including a free press and a rules-based system are being seriously challenged in many parts of the world, whilst authoritarian regimes have become more influential through their economic and security stance.

Participants reconfirmed the significance of the joint declaration on a strategic partnership between Prime Minister May and Prime Minister Abe in August 2017. Potential areas for further security cooperation were identified, including climate change, cyber security, defence technology transfer, disaster relief management, energy, maritime cooperation (including newly targeted regions such as the South Pacific), migration, non-proliferation, organized crime, and reform of UN Security Council. Risks associated with emerging technologies, such as Artificial Intelligence and drone technology were also noted.

The UK and Japan have a responsibility in leading global discussion on rules and norms for tackling emerging security challenges, and also have the ability to collaborate on capacity building for third countries. It was agreed that the UK and Japan should continue to press and carry out contingency planning for the dismantlement of North Korea's nuclear program.

There was support for a proposal to commission analysis of the changing global security structure given that there were still differences in perceptions of the nature of Chinese and Russian threats to global security and the rules-based international order.

The Group welcomed the enhanced security and defence cooperation between Japan and the UK, including the visits by HMS Sutherland and HMS Albion in 2018 in furtherance of this. It was also noted that the UK and Japan were in a position to pursue a bilateral Reciprocal Access Agreement (RAA) to facilitate growing defence cooperation.

Session 6: Global Health Challenges and Cooperation

Since the Alma-Ata declaration of 1978 with growing emphasis on primary healthcare, Japan has sought to build and mainstream a health system approach to healthcare. Japan has been supportive of a Universal Health Coverage (UHC) system and following UHC adoption in the Sustainable Development Goals, Japan has worked through successive G7/G8 summits, and through its own TICAD process to promote this.

At the 2016 G7 Summit in Ise-Shima, the emphasis was on three priorities of healthcare: UHC, strengthened crisis management and AMR. Following the 2016 TICAD meeting, Japan launched the UHC Forum, in cooperation with the WHO, World Bank Group and UNICEF and others. There were three elements: UHC finance, UHC governance and community health. Cooperation with the UK helped to ensure Finance Ministers were involved in support of their Health Minister colleagues. This paved the way for Health Ministers' involvement in the G20 which the Group fully supported.

The Group also heard from Unitaid of the significant increase in health funding between 1997 and 2016, in parallel with developments in science, diagnostics and vaccines and a reduction in child mortality. Unitaid has been instrumental in connecting "upstream" donors and philanthropists and "downstream" patients through innovations in funding, research and development and delivery methods. It remained important to use governance and political platforms to help influence the

health agenda as Japan and the UK had done in the G20.

The Group welcomed this emphasis on innovation which they considered essential in tackling issues such as the effects of climate change, AMR and extending primary care in less developed economies. As supporters of human security, Japan and the UK were among those best equipped to promote healthcare innovation in tackling future threats. Both countries' successful achievement of UHC at home meant they were well placed to work together to promote it globally.

Lunch Discussion: Soft Power Diplomacy - UK-Japan Cooperation in Culture, Education and Sport

Over lunch, Kan Suzuki, Special Adviser to the MEXT Minister and Sir Ciaran Devane, Chief Executive of the British Council, outlined their respective approaches to the promotion of soft power through education, culture, sport and values. They identified several areas of complementarity which the Group welcomed. These included educational and youth exchange; cooperating around the forthcoming sporting events in Japan; and cultural programmes associated with these. Surveys showed consistently that values in Japan and the UK are trusted and admired across the G20 and that there was scope for promoting these values more widely enhancing global prosperity and security.

Session 7: Chairmen's Summary Dialogue

Since the UK Japan 21st Century Group's last conference in Cambridge in September 2017, there have been significant exchanges and contacts at official and non-official levels in many different areas, several of which have helped to take forward recommendations of the Group's last conference.

Official visitors to the UK from Japan have included:

State Minister for Financial Services, Takao Ochi (September 2017)
Foreign Minister Taro Kono and Defence Minister Itsunori Onodera (December 2017)
Parliamentary Vice-Minister for Foreign Affairs Iwao Horii (February 2018)
Minister for the Tokyo Olympic and Paralympic Games, Shunichi Suzuki (May 2018)
Minister of State for Measures for Declining Birth rate, Masaji Matsuyama (May 2018)
Minister of Justice, Yoko Kamikawa (May 2018)
Special Advisor to Prime Minister, Kentaro Sonoura (May-June 2018)
State Minister for Foreign Affairs, Kazuaki Nakane (July 2018)
Special Advisor to Prime Minister, Mitsuhiro Miyakoshi (July 2018)
Minister of State, Hiroshi Kajiyama (July 2018)

Official visitors to Japan from the UK have included:

Chief Secretary to the Treasury, Elizabeth Truss (September 2017)
Secretary of State for Culture Media and Sport, Matt Hancock (September 2017)
Permanent Secretary at BEIS, Alex Chisholm (Dec 2017)
Financial Dialogue between HM Treasury and Japan's Ministry of Finance (Jan 2018)
Secretary of State for Scotland, David Mundell (Feb 2018)

FCO Minister of State for Asia and the Pacific, Mark Field (April 2018)
Secretary of State for Health and Social Care, Jeremy Hunt (April 2018)
DIT trade envoy, Crawford Falconer (April 2018)
Lord Mayor of London (July 2018)
Secretary of State for International Trade, Dr Liam Fox (July 2018)

A number of the specific recommendations made at the Group's 2017 conference have been taken forward, including in the areas of trade and investment, not least through the implementation of the Japan-UK Trade and Investment Working Group; in defence and security through the 2+2 Ministerial Dialogue in December which agreed a cross-government Action Plan for Defence and Security Cooperation, and the improvement of cyber security cooperation; in research collaboration through the promotion of a Lead Agency Agreement to facilitate closer working; in promoting business development for the Sustainable Development Goals; and in joint support for a safe and successful Rugby World Cup and Olympics/Paralympics in Japan, including the establishment of an All Party Parliamentary Group in the UK. Others continued to remain of relevance, and in a number of cases are reiterated here.

UK-Japan 21st Century Group 35th Annual Conference

The following recommendations emerged from discussions at the 35th Annual Meeting of the UK-Japan 21st Century Group.

Brexit

- The Group reiterates several recommendations of the 34th Conference, which remain important and relevant, including the desire for a constructive Brexit; the need for opportunities for Japanese companies and investors to express concerns; and the importance of transparency and predictability.
- The Group recognises that the UK should urgently prepare a clear and transparent post-Brexit immigration policy that facilitates the participation of a skilled and diverse labour force in the UK economy, including both EU and third country nationals. Guarantees should also be provided beyond the 20 months' transition period in order to secure this.
- The Group continues to recognise that the UK will need to establish mutual recognition agreements (MRAs) with the EU and other countries and maintain its leadership position in regulatory excellence.
- The Group urges the UK Government to conclude a withdrawal agreement with the EU by March 2019 in order to avoid the challenges of a “no deal” Brexit.

Life Sciences

- In the life science sector, the Group recommends that the UK and EU publish as soon as possible, Mutual Recognition Agreements (MRAs) on product testing/site inspections and R&D Country Associate Status for signature no later than March 2019.
- The Group recommends the UK takes forward the Prime Minister's references to regulatory alignment for the healthcare sector by preparing a detailed proposal on Associate Membership of the European Medicines Agency in the first round of technical discussions, in order to achieve:
 - A single submission for market approval in both the UK and EU;
 - maintain MHRA (Medicines and Healthcare products Regulatory Agency) expert contribution and participation in EU procedures and committees;
 - allow UK access and contribution to relevant EU databases and processes, especially for pharmacovigilance (Eudravigilance).

- The Group recommends, in the case of medical devices:
 - That CE marking continues to be used in both EU and UK markets as well as recognition of Authorised Representatives established in the UK
 - Notified bodies continue to conduct 3rd party conformity assessment in the UK
 - The MHRA continue to engage with the Medical Device Coordination Group (MDCG)

Financial Services

- The Group welcomes the UK's Brexit White Paper as a significant step towards an orderly Brexit, but would welcome greater transparency on the eventual financial regulatory framework; and greater consultation between regulators in the sector on regularity approaches to potential scenarios.
- Despite the significant increase in global trade in recent years, the current trade financing architecture has remained unchanged for over 100 years. The Group therefore believes it important that the UK and Japan work closely together - including through their export finance bodies - to promote reforms to the system of international trade finance including development of new pragmatic regulation/licensing to support innovative solutions that combine IT, technology, finance innovation (fintech) and risk transfer mechanisms.

International Trade and Investment

- In moving towards a future UK/Japan trading agreement, sequencing will be crucial. The Group recognises that the EU-Japan EPA may provide an interim model to ensure continuity during Brexit and the subsequent implementation period, but believes the CPTPP may provide a longer-term basis for future UK/Japan trade relations. It may not be logical to continue with both, and a multilateral approach is to be preferred to a bilateral one.
- The Group recommends the UK and Japan continue to work together in support of a rules-based trading system; and help ensure the benefits of free trade are fully understood and dissociated from those negative aspects of globalisation such as tax arbitrage, unfair competition and environmental degradation which need to be addressed.
- The Group believes regional trade agreements should be consistent with the WTO, and that WTO reform is necessary to enable the organisation to provide

an effective dispute settlement system.

- The Group supports the promotion of international standards as a basis for regulatory convergence; for the development of mutual recognition agreements as a less bureaucratic and more effective approach, and encourages the UK and Japan to work together in developing the mechanisms to promote digital commerce, drawing on the CPTPP framework.
- The Group agrees the importance of the post-Brexit UK trade regime recognising the interests of Japanese manufacturing investors in the UK who depend on high volumes of undocumented cross-border transactions with their European supply chains.
- The Group notes Prime Minister May's priority of using aid to promote economic development, and the continuing commitment of the Japanese government to development in Africa, including through successive TICAD conferences. The UK and Japan could work together to remove barriers to trade for the world's poorest nations and support reforms that will help those nations tackle poverty by creating growth and jobs.
- The Group believes this agenda for trade and investment, including joint influence in the world trading system, requires an intensive political input, and calls on the Economic and Trade Ministers of the two Governments to meet regularly to secure this progress.

Defence and Security

- Given that both countries' security rests upon their relationship with the US, the UK and Japan should consider the value of trilateral arrangements, involving the UK/Japan/US, aimed at contributing to global stability.
- The Group will explore the commissioning of a common analysis of the changing global security system with particular reference to China and Russia and how the UK and Japan should respond to this.
- The Group recommends an intensification of collaborative diplomatic efforts to improve security relations with DPRK, Russia and China.
- The Group notes the importance of ensuring the resilience of democracy worldwide and, to this end, the protection of an unfettered media.

- The Group supports the continued strengthening of cyber security cooperation in order to bolster cyber resilience in the face of renewed threats.
- The Group recommends that the UK and Japan, with the US, should look for opportunities to collaborate on technological development programmes, including the next generation jet fighter.
- In an increasingly complex security environment, both the UK and Japan should continue to support UN reforms on conflict prevention and promote dialogue in order to decrease the likelihood of renewed conflict worldwide.
- The UK and Japanese governments should explore how they might work together and build capacity in responding to disasters and humanitarian crises.
- The Group also sees value in further collaboration on renewable energy developments in fusion and nuclear power technologies, and in large scale power storage.

Global Health Cooperation

- Based on their joint support for the concept of human security, the UK and Japan, having achieved universal health coverage at home, are in a strong position to promote human security more widely.
- Noting that the global economy is being significantly constrained, and in some cases threatened, by the burden of communicable and non-communicable diseases worldwide, including dementia, the Group recognises the leading role the Governments of Japan and the UK are playing in supporting measures to address this, including the health initiatives launched during the Japan presidency of the G7 in 2016. The Group notes that the investment required to tackle the disease burden is substantial and cannot be met solely from government budgets.
- The Japanese presidency of the G20 in 2019 provides a valuable and timely opportunity for Finance and Health Ministers together to examine how public finance for innovation in medicines, vaccines, diagnostics and delivery mechanisms can be significantly enhanced by new funding streams.

- The Group strongly urges the two Heads of Government to call upon G20 Finance and Health ministers next year to examine a range of innovative finance initiatives and more effective coordination, with the support of the private and non governmental sector, to address the significant funding gap in tackling issues such as AMR and pandemics. The Group also urges Health and Finance ministers to examine a range of models for the promotion of universal health coverage.
- The Group encourages the Japanese Presidency of the G20 to convene a meeting of the H20 in 2019.
- The Group supports the development and promotion of innovative solutions using IT, AI and robotics in delivering a system of health care services.

Soft Power and Cultural Diplomacy

- The Group believes the UK and Japan should draw on their respective strengths to promote educational exchanges including the provision of graduate scholarships. This should mean that ease of movement for the education, science, sport and the creative sectors is not inhibited post-Brexit.
- There was support for greater emphasis on language education and exchange. The Group recommends the development of a plan for sustaining and promoting Japanese language and Japanese studies in UK schools and universities, drawing on the British Council's 2017 "Languages For the Future" report, and continuation of UK support for the teaching of English across Japan.
- The Group recommends joint planning on researching, debating, updating and promoting the values, behaviours and norms, including gender equality, which will sustain the international system and international relations in the future.
- The Group reiterates its 2017 recommendation that there should be opportunities to share the experience of British universities during a period of radical change in the higher education sector; and urges the establishment of a more institutional dialogue between Britain and Japan to explore how this might be taken forward.
- The Group reiterates its 2017 recommendation that, on the basis of the

example of the European ‘Erasmus’ programme, it encourages the UK government to look to internationalise this experience and, in particular, by developing an equivalent scheme between the UK and Japan in cooperation with the Japanese government, and involving other Asian countries where appropriate.

- Building on the considerable success of the JET programme, the Group supports the idea of broader exchanges including exploring the possibility of future corporate and parliamentary internships, and perhaps the use of foreign volunteers at the 2020 Tokyo Olympics/Paralympics.
- In order to maximize the specific opportunities presented by the 2019 Rugby World Cup, the Japan/UK Season of Culture as announced by Prime Ministers Abe and May, and the Cultural Olympiad, the UK and Japan should promote exchanges in education, scholarship, technology, design and innovation, art and city development and inclusion and well-being.
- The Group supports further collaboration between Japan and the UK in the field of life sciences and social sciences. Building on the activities of MEXT in the life sciences sector, to facilitate investment into clinical programmes in Japan, they would welcome the implementation in Japan of international guidelines (such as ICH-E17 - of the International Conference for Harmonization) which could address the current time/cost aspects of clinical trials in Japan. This would help promote more multi-regional clinical trials including with Japan.

2019 Conference

- The 36th Annual Conference of the UK-Japan 21st Century Group is planned to take place in the UK from 6-8 September 2019.