

“A New Japan-UK Alliance for Evolution”

Address by H.E. Mr. NISHIMURA Yasutoshi,
Minister of Economy, Trade and Industry of Japan,
to the International Institute for Strategic Studies

September 6, 2023

1. Introduction

2. The need for "evolution"

(The significance of the rule of law)

(The reality of the world)

3. The "evolution" of security policies: Reinforcing our deterrence

4. The "evolution" of economic policies: A new international economic order in an era of economic security

(The UK's accession to the CPTPP)

(The Japan-UK Strategic Economic Policy and Trade Dialogue)

(Cooperation for innovation)

(Resilient supply chains)

5. Conclusion

“A New Japan-UK Alliance for Evolution”

Address by H.E. Mr. NISHIMURA Yasutoshi,
Minister of Economy, Trade and Industry of Japan,
to the International Institute for Strategic Studies

September 6, 2023

1. Introduction

Chairman Emmott, thank you very much for that kind introduction. I would also like to thank all the members of the audience for allowing me the opportunity to address you today.

The UK is in fact the first foreign country I ever visited, almost 40 years ago.

The UK is the birthplace of the Industrial Revolution, which changed the world. For me, having just made up my mind at the time to work for the Ministry of International Trade and Industry, the UK was a place that I absolutely wanted to see once for myself. At the same time, as I aspired to pursue a career in politics someday, the United Kingdom, the country that had contributed so significantly to the development of modern democracy, was a place of great fascination for me.

I saw the magnificent Buckingham Palace and the National Gallery, whose exhibits weave a history almost from time immemorial. For a young person around 20 years old at the time, everything was overwhelming yet exhilarating.

I also had fish and chips at a pub I happened upon one night just after crossing London Bridge. I had trained long and hard as a student boxer and for my physique at the time, it was just superb.

If I can find time, I'm actually thinking of heading off later tonight to try to find that very same pub, the pub of my memories. But I think I need to pass on the late-night fish and chips, since it will lie a bit heavy in my stomach, now that my boxing days are done.

2. *The need for "evolution"*

(The significance of the rule of law)

Now, the UK is also the cradle of boxing.

The history of battling things out with one's fists can be traced back to ancient Greece. The bouts of the time lasted until one side could fight no further. It seems they would battle it out until the very end.

But it wouldn't do to carry that too far. Nor should we allow such cowardly tactics as pummeling an opponent who was down. It was none other than the United Kingdom that established boxing as a modern sport, systematizing various rules bit by bit to ensure the bouts are always conducted in a fair manner.

Quite the contrary, had these rules not been created in the UK, then boxing would be nothing more than just people duking it out, no holds barred. It would never have survived as a sport. And had I personally not had the chance to be involved in the sport of boxing, it may be that my life as a politician would not have been able to take undaunted so many blows over the years.

Looking at it this way, we get the impression that it was hardly a coincidence that it was here in London that the legal scholar Oppenheim established at the beginning of the 20th century the fundamental approach to international law that remains in use even to the present day.

Generally speaking, the role of rules is to make a system permanent by ensuring fairness and avoiding a race to the bottom. It is the rule of law that serves as the very cornerstone of world peace and prosperity.

This is what then-Prime Minister ABE Shinzo was trying to say nine years ago at the IISS Shangri-La Dialogue.

Compliance with international rules, including freedom of the high seas, enables every nation, large or small, to benefit equally from those rules. The vision of a Free and Open Indo-Pacific Prime Minister Abe advocated for has also taken its shape grounded in the rule of law.

At that time, from the podium at the Shangri-La Hotel, Prime Minister Abe appealed to the world for three principles. These are that all disputes must be settled, first, without force or coercion; second, based on international law; and third, by peaceful means.

(The reality of the world)

Now, some of you might be thinking that all the principles I have stated thus far are quite obvious. However, in today's world, what was once as plain as the nose on your face is no longer a simple matter of course. And therein lies a very sizable problem indeed.

Consider Russian aggression against Ukraine. This is a clear challenge to the rule of law.

Japan will, decisively, make every possible effort to assist the people of Ukraine, who are at this very moment battling courageously to defend the independence of their homeland and protect the families they love. This is because Japan believes, as Prime Minister Kishida often states, "Ukraine today may be East Asia tomorrow."

I wish to express my great respect to you at the IISS for the tremendous contributions you have made to regional peace and stability by having created in the Indo-Pacific region over close to twenty years the venue for dialogue among those involved in various countries' security, known as the IISS Shangri-La Dialogue.

And yet, regardless of those efforts you have made, last month, a Philippine boat transporting supplies in the South China Sea was subjected to obstructive acts by a Chinese Coast Guard ship deploying a water cannon. This is not a tale of old from the 19th or 20th centuries, but rather something that just took place a few days ago.

The world's seas, spanning from the Indo-Pacific to the Atlantic, must be free and open. This is the fundamental thinking underpinning the Japan-UK Hiroshima Accord that our leaders agreed this past May. We cannot under any circumstances tolerate encroachment upon established freedom of the high seas or unilateral changes to the status quo by force.

Mr. Robert Ward, the IISS Japan Chair, is unfortunately not here with us today, but as his report analyzes with extraordinary accuracy, the security environment surrounding the Indo-Pacific region is becoming increasingly severe.

Over the last 30 years, China has increased its military spending to a level almost 40 times what it used to be. Cases of Chinese military aircraft intrusions into Taiwanese airspace have skyrocketed over the past two to three years to four times previous levels. And North Korea has repeatedly engaged in nuclear development and has also launched ballistic missiles in violation of relevant United Nations Security Council resolutions.

The international order based on the rule of law, which has served as the cornerstone of global peace and prosperity thus far, is now facing considerable challenges. Confronted with such a reality, we must continue to uphold the universal values of freedom, democracy, basic human rights, and the rule of law. It is precisely for that reason that we must achieve "evolution."

This is the point I want to convey to you most emphatically today.

I am a politician who values traditions. But the world will change, whether we want it to or not. In light of that, we ourselves also need to change in order to continue to protect what we hold dear.

To borrow an expression from Darwin, the great British natural scientist, if we are to emerge victorious in the struggle for existence, we need to achieve "evolution." I am determined for us to do just that.

3. The "evolution" of security policies: Reinforcing our deterrence

In the world of security, that "evolution" means a fundamental reinforcement of our deterrence.

More than a year and a half have passed since aggression was waged on Ukraine. And, there are concerns that the situation will be further prolonged.

Once a nuclear-weapon state has launched military action, it is extremely difficult to bring that action to a stop. This is something we now feel very acutely. And should that nation also be a permanent member of the United Nations Security Council, the United Nations will fail to function properly, making it even more difficult to resolve the conflict.

Therefore, we must not allow conflicts to start in the first place. The need to deter conflicts before they ever get traction is becoming greater than ever.

Armed conflicts begin from misunderstandings or overconfidence regarding others' intentions or actual capabilities. Now, as authoritarian countries are deepening their confidence in their own military might, it is essential for us to solidly build up our deterrence capabilities.

For that reason, at the end of 2022, Japan revised three documents related to its national security, thereby taking a major step forward towards a new "evolution."

We will significantly change the national security policies we have had in place until now, and we will possess and strengthen counterstrike capabilities. We took the decision to fundamentally reinforce our defense capabilities, such that in fiscal 2027 we will roughly double the defense budget level we have had until now.

Moreover, we need a kind of "evolution" in which it would not be Japan alone, but rather Japan joining hands with countries with which we share universal values, making the circle of the chain of deterrence both bigger and stronger.

Under the Abe administration, Japan changed the constitutional interpretation it had previously maintained, allowing for the "partial exercise" of the right of collective self-defense. The Japan-U.S. Alliance is now more solid than it has ever been.

Here in Europe as well, we will jointly develop next-generation fighter aircraft in cooperation with Italy and the UK. Furthermore, this year we concluded the Japan-UK Reciprocal Access Agreement.

As Prime Minister Sunak said in his statement after the signing, this agreement "cements [the UK's] commitment to the Indo-Pacific and ... accelerates our defense cooperation."

Japan and the UK will join hands to reinforce our deterrence capabilities and fulfill our weighty responsibilities regarding the peace and prosperity of the international community. It is precisely in order to defend the universal values we share that, in the national security realm, we should press our significant "evolution" farther forward.

4. *The "evolution" of economic policies: A new international economic order in an era of economic security*

(The UK's accession to the CPTPP)

Number 10 Downing Street evaluated our Reciprocal Access Agreement as "the most important defense treaty between the UK and Japan since 1902," the year the Anglo-Japanese Alliance was concluded.

This year marks exactly a century since the old Anglo-Japanese Alliance expired. The Alliance underwent three rounds of revisions over the span of a little more than 20 years, but there was one thing written in its preamble, other than security, that stayed consistent in every version.

It was that one of the purposes of the Alliance was securing "equal opportunities... for the commerce and industry of all nations."

Ever since ancient times, the economy and security have been inseparable. The failure to maintain fairness within the economy has often been a spark setting off conflicts. Establishing a free and fair economic order lowers the risk of such conflicts and thus holds great geopolitical significance.

Under the CPTPP, countries sharing universal values work to develop economic rules for a new era, spanning labor, the environment, and more. In this way, the CPTPP is also an effort to build a foundation for regional peace and prosperity.

Japan extends its greatest possible welcome to the UK's official participation in the agreement.

When the UK made its application to join the pact, Japan was the chair of the CPTPP Commission on accession, and I was the minister in charge of the matter at that time. As the one who led the discussions on accepting at an early time the UK's application for accession, I am truly moved to see the final entry of the UK into the CPTPP.

Going forward, Japan and the UK will share the great responsibility of leading this framework as the largest and second-largest economic powers within the membership. With the UK joining in, we will together build up a free and fair economic area. The geopolitical significance of that is tremendous, and therein lies the most important benefit of the agreement.

Moreover, through the accession of the UK, the CPTPP expands to an enormous economic zone having an economic scale of 12 trillion pounds, covering 15 percent of global GDP and a population of more than 500 million people.

I believe it is our young people who will be the driving force opening up the future. The participation of the UK, which boasts a globally preeminent intellectual foundation that includes Oxford and Cambridge Universities, among others, will foster further peace and prosperity for the region through active exchanges among young people.

I am also confident that the presence of the City of London, the largest financial center in the world, will also spur new momentum towards the growth of the CPTPP economic zone.

(The Japan-UK Strategic Economic Policy and Trade Dialogue)

The very first negotiations on the TPP began 15 years ago.

At the beginning of the 2000s, Japanese, U.S., and European manufacturers accounted for 90 percent of the share of solar panel manufacturing globally. That has now become an 80 percent reliance on Chinese manufacturers.

Fifteen years ago, who could have foreseen such a shift?

In responding to the issue of climate change, time is of the essence. We must bring about a net-zero society without fail. I shared my determination in this regard at the G7 Ministers' Meeting on Climate, Energy and Environment held this April, which I chaired.

At the same time, we cannot bury our heads in the sand in denial of Chinese-made electric vehicles currently sweeping through global markets, including Europe. China's automobile exports have risen explosively over the past two or three years, and there are even forecasts that this year China will export over four million vehicles, blowing past Japan to become the top automobile exporter in the world.

Let me state this clearly to avoid any misunderstanding: I am not saying that dependence on China is a problem. It is being overly dependent on any one particular country, be it China or be it any other country, that constitutes a risk, and we need to press forward with "de-risking." That is my message here.

Of course, in this world in which we have reached such a high degree of mutual interdependence, it would be impossible to achieve anything like a complete decoupling.

And yet, consider those solar panels and electric vehicles. Consider also batteries, semiconductors, critical minerals, and pharmaceuticals.

Relying on only one particular country for critical supplies indispensable for our daily lives creates a risk that is absolutely enormous. This is something we learned firsthand from COVID-19 and the aggression against Ukraine.

This is something that 15 years ago, no one even imagined.

Therefore, even with the CPTPP, we cannot afford to stand still. In order to press forward with "de-risking" and ensure economic security, it is imperative for us to further "evolve" the international economic order.

It was under that approach that today we launched the Japan-UK Strategic Economic Policy and Trade Dialogue, which brings together under one roof Japan's Ministry of Economy, Trade and Industry and the UK's Department for Business and Trade, Department for Science, Innovation and Technology, and Department for Energy Security and Net Zero.

(Cooperation for innovation)

While there are any number of topics I could take up, I will mention two major ones here.

The first is innovation.

In May, Japan and the UK released a joint statement on semiconductors partnership. We will engage in joint research and development and other initiatives. At the G7 Summit, we agreed on the "Hiroshima AI Process," and I intend for Japan to strengthen our cooperation with the UK, which will hold an AI summit this year.

In the field of energy as well, during this visit, I plan to conclude with the UK government a Memorandum on Cooperation for a new high-temperature gas-cooled reactor (HTGR) project. In May we issued the Japan-UK Joint Statement on Renewable Energy Partnership, whereby we will also cooperate in research and development in such state-of-the-art fields as offshore wind power.

One promising candidate is Perovskite solar cells, a technology for manufacturing solar panels using iodine as the raw material, rather than silicon.

Iodine is originally found in seawater and is a resource distributed widely around the globe. Japan currently holds a close to 30 percent share of global production and we also enjoy abundant reserves. This is an innovation that has the potential to be a game changer, possibly enabling us to break free from reliance on one particular country in the area of solar panels, and Japan very much wants to work in partnership with the UK in this area.

(Resilient supply chains)

This ties in very closely to the other issue.

That issue is whether or not in the area of critical goods we will be able to break away from overdependence on one particular country and build resilient supply chains.

To ensure a stable supply of critical minerals, last month I visited five African nations, including the Democratic Republic of the Congo. Secretary Badenoch and I agreed to advance our cooperation to promote joint investment in third countries. Our partnerships with the Global South will be a major key for enhancing the resiliency of our supply chains.

However, even if we promote diversification of supply at the mining stage, the fact is that there is still a high degree of dependence on one particular country during the refining and processing stages, making responses that consider the entirety of the supply chain a matter of great urgency.

So why is it that we have such a high degree of dependence on one particular country?

The answer is a simple one. That country's products are superior to ours in terms of cost competitiveness. They are cheaper, that's why.

However, that competitiveness—that low pricing—may, perhaps, be the result of tremendous amounts of state subsidies, and if costs are being controlled by releasing the burden into the environment, that is not something we can overlook. We believe there must not be any forced labor within our supply chains.

In that sense, if we haven't ensured a level playing field, then we can't call it fair competition.

U.S. National Security Advisor Jake Sullivan made a speech in April about the "new Washington consensus." I believe we must uphold the free trade regime centered on the WTO, yet at the same time, we must create an international economic order that is fairer and more sustainable for all, in response to social imperatives such as climate change and human rights.

We must make it such that within our markets, demand arises specifically for products that are sustainable. That means even if the sticker price might be nominally high, during production, carbon dioxide emissions and other burdens released into the global environment are reduced, while the rights of workers are protected and no human rights violations occur throughout the supply chain. In addition, their stable supply is ensured even if some sort of disruption arises.

Towards that end, we need to consider new industrial policies that work to stimulate demand for, as one example, critical goods produced in a sustainable way, fulfilling international standards in terms of environmental, labor and human rights, and other considerations. These could include bold purchase incentives as well as preferential treatment during government procurement. These are policies designed to restore a level playing field and bring about fair competition.

I hope to move forward on this in concert with like-minded countries, including the UK, the U.S., and the EU. In order to make substantial progress on "de-risking" all in one push, I think we will need the huge market of like-minded countries together to "evolve" simultaneously.

5. Conclusion

The term "level playing field," of course, comes from the world of sports.

The long-awaited Rugby World Cup begins this week, and on the 17th, Japan will clash with England, as teams in the same pool.

Although I hesitate somewhat to say this in front of you all, I am most definitely rooting for Japan to win.

But whatever the outcome, in rugby, when the match is over, it is "no side." Praising others is one of the traditions. That is a result derived from the deep-felt sense that both sides played to the very best of their abilities under rules that are fair.

Four years ago, I visited Twickenham Stadium, sacred ground in rugby. I remember standing on the ground, completely enveloped in silence, feeling very acutely the weightiness of the traditions that span more than a century.

The UK, which has helped cultivate many sports over its long history, has always emphasized fairness and placed great importance on the rule of law. Japan is also a country sharing such values that wants to join forces with the UK to contribute to the peace and prosperity of the world. I am confident that the strengthening of Japan-UK relations over these last few years in terms of both security and the economy, in ways that can properly be called "a new Anglo-Japanese Alliance," has contributed towards that end.

I would like to end my remarks today with the words of Lord Salisbury, the UK prime minister when the Anglo-Japanese Alliance was concluded in 1902: "The commonest error in politics is sticking to the carcass of dead policies."

It is precisely because we want to protect the values, we hold dear that we must continually work to make our policies "evolve." Let us press forward together on this matter.

Japan and the UK are the partners best suited to do this. We are truly in a "new Japan-UK Alliance for evolution." Why don't we start calling our Japan-UK partnership by that name?

I look forward to celebrating this new voyage, here, with all of you. Thank you very much for listening.