

JAPAN'S GLOBAL ECONOMIC LEADERSHIP BEYOND THE G20



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Over the past two years, Japan has emerged as a global leader in forging ahead with multilateral trade agreements, and as such taking on a greater role in ensuring that free, fair, and open markets prevail. Washington's reluctance to remain committed to a multilateral approach to governance has certainly presented Tokyo to enhance its international presence well beyond its borders. Expectations for Japan to take on a larger role that goes beyond trade to ensure economic stability worldwide is growing, and Prime Minister Shinzo Abe certainly has the political will to bolster Japan's role as a global stabilizer as Tokyo plays a greater role in adhering to the rules of international engagement and cooperation. But can Japan expand its commitment still further and fill at least some of the leadership vacuum left by the United States at a time of growing uncertainties about regional as well as social change?

On October 18, 2019, the Wilson Center's Asia Program hosted a half-day conference on prospects for Japan's economic global leadership beyond the G20. Supported by the Japan Foundation's Center for Global Partnership, the event was held ahead of the annual Washington DC meetings of the International Monetary Fund and World Bank.

Find more about the event including photos and video at our website: <https://www.wilsoncenter.org/event/japans-global-economic-leadership-beyond-the-g20>

Identifying Global Economic Challenges and Expectations for Japan

The ongoing trade friction between China and the United States has undoubtedly impacted the economies of countries across Asia and beyond, and the spillover effect may well continue. But the U.S. retreat from the Trans-Pacific Partnership agreement has had more than an economic impact on the region. It has led Japan to step up into a role that leads like-minded countries united by common interests to focus on a shared objective, while also pushing traditional U.S. allies to reconsider Washington's post-war commitment to the region as a Pacific power. The first panel to discuss the implications of such developments featured Saori Katada, associate professor at the School of International Relations, University of Southern California; Gene Park, associate professor of political science at Loyola Marymount University, and Scott Seaman, director for Asia with the Eurasia Group. Panelists underscored expectations for Japan, including within Japan itself, to act as a force to bring together willing partners. Clearly, Japan has emerged in defining its brand as a that symbolizes high quality, transparent, and ultimately a reliable partner. At the same time, discussants noted that Tokyo was less willing to exert itself, given expectations that Washington would eventually return to its more traditional post-war role of leading the international liberal order it had created. A more nationalist approach to U.S. diplomacy including economic engagement even under a new leadership is likely to shift



Japan's own position on how it can secure its own as well as global interests, panelists concluded. At the same time, some were concerned about a growing unease and lack of confidence within Japan about the country's future growth potential, not least as a result of a growing demographic change. With no solution to sustaining an increasingly greying society in sight, Japan's own vision of economic leadership may also be less assertive than it could be.

Corporate Interests and U.S.-Japan Cooperation in Southeast Asia

As the driving force in foreign capital to Southeast Asia to date, expectations for Japan's leadership to ensure continued growth and providing an alternative to Chinese capital investments to ASEAN countries is on the rise. Southeast Asia is at the frontline of increased opportunities for businesses, and Japanese companies have played as big, if not a bigger role than the government of Japan in stimulating regional growth. Panelists on this second panel were: Nobuhiro Aizawa, Japan scholar, Wilson Center and associate professor at Kyushu University's Department of Cultural Studies; Larry Greenwood, senior advisor at Bower Group Asia; Courtney Weatherby, research analyst at the Stimson Center; and Bryan O'Byrne, senior

international trade and regulatory reform advisor at USAID. Although panelists broadly agreed on opportunities for greater Japanese cooperation with the United States in Southeast Asia in light of greater competition with China, the fact that Tokyo did not necessarily see eye to eye with Washington on governance issues was raised. Specifically, the role the private sector plays in driving investments into the region, and their focus on opening up new opportunities for growth by focusing on similarities rather than differences was noted in particular. At the same time, Southeast Asia is creating more opportunities for Japanese start-ups in particular too to flourish, allowing entrepreneurs that may not necessarily be able to take on a similar scale of risk back home. As Southeast Asia's market continues to expand on the one hand while Japan's domestic market faces greater demographic constraints, the allure of ASEAN will likely continue to grow for businesses regardless of size.



Financing the Indo-Pacific: The Role of the Financial Sector in Promoting Regional Growth

Over a decade has passed since the global recession that was triggered by the fallout of the U.S. subprime mortgage market. Coordinated efforts to support the financial sector restored stability to the markets, and the world economy has been able to recover from the downturn since. Yet downward pressure for global growth remain, especially with the ongoing trade tensions between the United States and China creating greater instability and unease more broadly about the world economy's outlook. This luncheon panel featured: Meg Lundsager, Wilson Center public policy scholar and former U.S. executive director of the IMF; Yasuhiko Hashimoto, head of the global corporate division of Mizuho Bank; and Charles Johnston, managing director of global government affairs at Citigroup. The limits of monetary policy in staving off downward pressure



on growth as well as reluctance by governments to use judicious fiscal policy proactively were noted by the speakers.

As for the prospect of private sector cooperation in the Indo-Pacific, opportunities to invest in the energy and power sectors in particular were noted, given that they are dollar-based operations by nature because of their sheer

scale and market focus. That makes it easier not only to finance, but also to generate a stable cash flow. Meanwhile, interest among institutional investors to diversify their income source and seek alternative sources of investments continues to rise, especially in the current low interest rate environment in both Japan and the United States. Opportunities are abound for the private sector to make further headway in the Indo-Pacific, but at the same time, geopolitical risks including risks stemming from the uncertainties of trade regulations and other changes in the rules of engagement are increasing the need for government support. As such, Japanese and U.S. cooperation in not only encouraging, but also mitigating some of the risks facing the private sector in doing business in Southeast Asia, would be a step forward as well.

About the Wilson Center's Asia Program

The Wilson Center, chartered by Congress in 1968 as the official memorial to President Woodrow Wilson. More than just a collection of marble pillars and famous quotes, the Center is a living memorial, acting as a gathering place for some of the best and brightest scholars and experts from around the world. The Wilson Center's Asia Program provides a forum in the nation's capital for enhancing deeper understanding of, and policy debate about, Asia. It seeks to furnish an intellectual link between the world of ideas and the world of policy on issues relating to Asia and U.S. interests in Asia.

Among the priorities of the Program are:

- human development, resource constraints, and environmental security in Pakistan and India
- domestic and foreign policies of Japan, and the U.S.-Japan partnership
- social, political, and economic affairs in Taiwan
- the rise of new Asian power centers in China and India
- the threat to the region and to American interests posed by terrorism and extremism
- U.S. policy implications for Asia

About the Japan Foundation Center for Global Partnership

The Center for Global Partnership (CGP) was established within the Japan Foundation in April 1991 with offices in both Tokyo and New York. CGP is dedicated to strengthening the global U.S.-Japan partnership and cultivating the next generation of public intellectuals necessary to sustain this partnership. It promotes cooperation between Japan and the United States with the goal of fulfilling shared global responsibilities and contributing to improvements in the world's welfare. To this end, it seeks to enhance dialogue and interexchange between Japanese and U.S. citizens a a wide range of issues, thereby improving bilateral relations.