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European Union, Visegrad 4 and Japan: Tradition and Prospects for Cooperation

March 10th, 2020

Carolinum, Charles University in Prague, Ovocný Trh 5, Prague 1

The conference's aim was to highlight the importance of the relationship between Japan and the Visegrad Group, with a focus on the Czech Republic, and to celebrate 100 years of their bilateral relations.

PANEL 1: EU-Japan Economic Partnership Agreement (EPA) and EU-Japan Strategic Partnership Agreement (SPA) as the framework for strengthening EU-Japan ties

Opening remarks:

Ondřej Ditrych, Director of the Institute of International Relations Prague

Kaoru Shimazaki, Ambassador of Japan to the Czech Republic

"In today's world even far regions can integrate economically, and deepen the partnership aim." "We're meeting today to celebrate 100 years of close cooperation with Japan."

- O. Ditrych

The chair of the panel debate, Dr. Rudolf Fürst, a Head of the Centre for EU-Asia Relations, underlined the similar visions and goals of Japan and Europe: they both strive for free trade, human rights, fundamental freedom and democracy, and they both promote prosperity, society, economic growth and competitiveness. Their shared aim is to strengthen their economic relations, build a new framework and discuss global economic challenges.

Speaker: Yukari Akeda

Re-crafting the EU-Japan Cooperation: Expectations and Challenges under the EPA and the SPA

The first Japanese speaker, Dr. Yukari Akeda, explained that the EPA (the Economic Partnership Agreement) and the SPA (the Strategic Partnership Agreement) are legally binding treaties with the aim of improving stability and accountability in the future cooperation between Europe and Japan.

During the 90s several high-level meetings between the EU and Japan took place (e.g. the EU-Japan Summit) covering almost all the relevant areas (economy, security, science and technology, culture). Dr. Akeda joined the EPA negotiation team. She said that timing and patience play a vital role in this type of collaboration. The SPA was supposed to be put into effect in 2017, but it was ratified and enforced in 2019. After 1929 this was a big motivation.

In the EPA negotiations, Japan was a weak negotiator when dealing with the EU, and its main motivation for taking part in them was economic. Cooperation in rebuilding is a part of the EPA's future section.

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Dr. Akeda further stated that China adopts a state-centric approach, while the digital revolution is heading towards more of a human-centered approach. *"We can recraft the future society; the discussion has just begun."* She pointed out that the partnership between the EU and Japan should be inclusive and transparent, and that climate change is another point the EU and Japan would be able to work on thanks to the great asset of cooperation. She also mentioned that Japan is sometimes overlooked cause the media focuses on and is obsessed with China.

Speaker: Takashi Hosoda

The EU-Japan Security Cooperation

The EPA and the Strategic Partnership Agreement - Limitation of the Current Cooperation

Dr. Hosoda explained the Pacific and Indian Ocean connection between Asia and Africa, and pointed out that piracy is still a current issue there. Maritime security is important for the cooperation between the EU and Japan. China is still engaging in many illegal activities and blockades; it is almost taking over the whole Indo-Pacific area, as it is trying to expand not only its activity but also its hegemony (the might-makes-right approach). It continues to challenge international law, which is leading to an unpredictability of the United States and the Security Committee in this regard.

As for Japan's approach to the Indo-Pacific, it is 99,9% dependent on the Middle Eastern trade, but it could build a high-quality infrastructure partnership with the EU in order to operate in a free and open Indo-Pacific area.

An additional aim of the Visegrad-Japan partnership is the promotion of internal rules and norms, along with the pursuit of economic prosperity through hard and soft connectivity.

Japan and the V4's commitment to peace and stability is well highlighted, along with their promotion of multilateralism (the APT, the EAS, the free trade framework through the CPTPP, and the negotiation of the RCEP) and peaceful solutions to disputes.

Applying the "Quasi-Alliance" Theory

A quasi-alliance is an alignment between two states that remain unallied despite sharing a de facto common ally (Cha 1999).

Three main concepts:

- (a) A common threat (nuclear proliferation, a maritime threat, cyber security)
- (b) A common underwriter (e.g. the US great power competition)
- (c) The states being motivated by each other's behavior (fear of abandonment/entrapment, no shared values, no competition regarding the US, proximity)

Sharing a fear of abandonment (Snyder's "security dilemma")

- The key factor is to drive South Korea and Japan to contribute to the USA
- The USA makes Japan and South Korea compete over how they can contribute to the USA

Limitations of the Current Operations

- (a) Different national interests
- (b) Limitations of intentions

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- UK (Global Britain), F (Grandeur), DE (-), ES (-), IT (-), PL (-)
 - The EUGS' desire to be a "security provider" but for "Petersberg tasks"
 - "Regular and visible" (Le Drian 2016), COASI on a ship (2018)
 - Non-consensus on China policy, division into COASI, COAFR & ACP
- (c) Limitation of military might

Future Prospects of Cooperation

What can Japan expect from European countries & the EU?

1. Ensuring "RoL" & "FoN" and denying "might-makes-right"
2. Protecting rules-based trade and avoiding containment of China
3. Supporting "capacity building" of ASEAN states & CoC negotiation

"Japan and the EU stand side by side." (Tusk, Apr. 2019)

The Treaty of Mutual Cooperation and Security between the United States and Japan was signed in 1951 in San Francisco. Japan and the United States could be complementary partners but are not prepared for that, mostly because of the differences between their war forces, such as the difference between the US army and the Japanese navy.

Speaker: David Hutt

EU-Japanese Relations amid a New Cold War between the US and China

Mr. Hutt believes that the EPA and the SPA aren't just lateral agreements. They send a strong message to the world in direct contrast to Trump's and the Chinese policy. They represent an alternative to Washington and Beijing. Vietnam risks becoming a field for a new Cold War because it is on the edge of depending on the United States for security. The EU and Japan can offer an alternative and possibly prevent this from happening.

Mr. Hutt also stated that the EU and Japan cannot have influence in the Middle East and Africa; their power is very limited to a few regions. With Britain out of the EU the only leading country for foreign policy could be France, but it is nothing compared to the Chinese military equipment. It seems that Brussels wants to run before it can walk. The EU-Japan alliance can become an alternative for investment but that is it. Mr. Hutt is skeptical about it because he sees no real symbiosis between the EU and Japan. The EU cannot survive without counting on the US and China.

Mr. Hutt believes it might be 1914 again, and the EU and Japan should remain in the security alliances they are already in, even though an anti-China sentiment is present at all levels now. Japan has an old constitution which has remained untouchable since 1947.

Summary:

The majority of the states hesitate in taking steps regarding the matters discussed above because they are afraid to face China; this is the reason why coalitions and partnerships are vital in this regard. The negotiation process between Visegrad and Japan is one that involves a mutual understanding, the result of seven years of

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hard work, and a quite new process for Japan. The key concepts for their future cooperation are trust, connectivity and stability.

PANEL 2: Visegrad 4 and Japan: Perspectives and developments

Opening Remarks:

The Discussion Chair and Associate Professor for the Institute of Asian Studies at Charles University Dr. Jan Sykora opened the *Visegrad 4 and Japan: Perspectives and Developments* segment by introducing the guest speakers. The first speaker was Dr. Michal Kolmas, an Assistant Professor for the Department of Asia Studies at Metropolitan University Prague who presented the challenges to the V4-Japan cooperation. Dr. Kolmas's talk was followed by a presentation by Dr. Karou Natsuda, a Professor at Ritsumeikan Asia Pacific University, on Japanese FDI and management transfer in Czechia. The final speaker was Dr. Robert Vancel of the Central European Institute of Asian Studies, whose presentation focused on Japan-Slovak relations in relation to EU-Japan connectivity.

Speaker: Dr. Michal Kolmas

Challenges to the V4-Japan Cooperation

Dr. Kolmas stressed some of the challenges facing the cooperation between the V4 countries and Japan. He started his presentation by outlining the history of the relations between the V4 countries and Japan and how there has been significant investment in the countries following the Cold War. According to Dr. Kolmas, the desire for Japan to boost its cooperation with the V4 countries began to increase following their accession to the EU. Furthermore, when Shinzo Abe became the Prime Minister of Japan, he was displeased with the state of the relations between Japan and the V4 countries and sought to establish a stronger bond with the countries.

Dr. Kolmas believes the cooperation between the V4 countries and Japan can be fruitful, as the prospect of their cooperation could lead to expanded diplomacy, expanded trade agreements, increased investment following Brexit, and a potential defense cooperation. Despite the optimism about and possible fruitfulness of the V4-Japan cooperation, Dr. Kolmas stated that there are a few challenges that may have an impact on the effectiveness of the cooperation. One challenge is the political differences between the V4 countries and how they are not a homogeneous bloc. Furthermore, Japan has a greater interest in forming relations with the EU as a whole, thus leaving the V4 countries on the fringes. Moreover, there have been no strides towards a defense partnership between Japan and the V4 mainly due to a lack of money to fund such a cooperation. Lastly, the V4 countries' different reactions to potential Chinese aggression and hostility leaves much room for worry for Japan.

Dr. Kolmas ended his presentation by providing recommendations in regard to dealing with the challenges facing the V4-Japan cooperation. He expressed his belief that the V4 countries should stop trying to undermine the EU's approach to East Asian affairs and also that the V4 should stop thinking about China. Moreover, Dr. Kolmas argued that the V4 countries should build deeper relations with each other and build closer institutionalized ties in order to benefit from potential Japanese investment.

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Speaker: Kaoru Natsuda

Japanese FDI and Management Transfer to the Czech Republic

In the period after 2013, there have been positive FDI inflow volumes from Japan to the Czech Republic on a year-by-year basis. The Czech Republic is the second largest recipient of Japanese FDI among the V4 countries – thus, it counted 279 Japanese firms (109 manufacturing plants) and 57 000 employees of these firms on its territory in 2019. The Czech Republic's biggest competitor among the V4 economies in this respect is Poland, as it enjoys the position of the largest beneficiary of Japanese capital, counting 303 Japanese firms among its investors. On the other hand, Japan is the second highest FDI provider to the Czech Republic, just after Germany.

As Natsuda argues, it is necessary to point out that Japan's investments have not been given the recognition they deserve, as the Chinese influence across CEE has simply overshadowed Japan's business endeavors. Even though there has been a substantial inflow of Chinese capital to CEE, these investments can be rather considered to be of merely 'statistical' importance. In contrast to this, Japanese and Koreans make greenfield investments that provide a higher benefit for the Czech Republic, as well as for the rest of CEE – because such 'start-from-scratch' projects create job opportunities for the local population.

A range of competitive factors motivate Japanese investors to establish firms in the Czech Republic – such as the country's attractive positioning in Central Europe, highly-skilled labour, and well-developed infrastructure facilities. Most of the Japanese companies first came to the Czech Republic in 2002, when average pay levels in the country were much lower. Yet, since 2002 labour costs in the Czech Republic have been on a constant rise. In addition, throughout recent years Japanese firms have coped with an unavailability of skilled labour, as the number of competitor firms in the market has increased.

An analysis of production control indicates that the practice in the Czech Republic is similar to the one in Japan. Also, job classification and the role of the supervisor in the Czech Republic are relatively similar to those in the Japanese system. Nevertheless, there is a range of differences between the two countries. Firstly, the wage systems differ substantially. More specifically, wages in Europe are determined by job type, while in Japan it is by seniority. Secondly, in Japan job duties are not fixed, as Japanese firms use a job-rotation system in order to enhance the multi-level skills of their employees. By contrast, in Europe jobs and skills are specialized (the Fordist style of production).

There is a Japanese focus on 'localization' of their investments in the Czech Republic. Therefore, they hire local staff as it is a cost-effective solution, as well as concentrating on provision of higher local autonomy in order to enhance flexibility. The most lucrative sector for Japanese investments in the Czech Republic is the automotive industry, whereas the second most lucrative one is electronics. Japanese firms purchase few electronics from the EU, as it is cheaper to source components from Asian markets due to the high number of competitive suppliers there.

In conclusion, Natsuda pointed out that production control reveals the highest adaptability performance between Japan and the Czech Republic. However, there are some differences between the two countries in terms of the level of automation and application of the JIT system.

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Speaker: Robert Vancel

Japan-Slovak Relations in the Context of EU-Japan Connectivity

In 2020 the commemoration of 100 years of cooperation between Slovakia and Japan took place. Considering, Japan was one of the first states to acknowledge Slovakia's independence after the collapse of communism, this act helped to anchor the trust between the two partners. Yet, even in 2020 the geographical distance between Japan and Slovakia remains to be just one of the many problems these two countries face in their cooperation.

Currently, there are more than 60 Japanese companies operating in Slovakia, counting approx. 13000 employees. Japan is the second biggest Asian investor in Slovakia. Among the V4 economies, Slovakia has the most positive record in regard to political relations. Between Japan and Slovakia there is plenty of space for expansion of cooperation across a number of sectors, especially in the area of infrastructure. Slovakia has been specifically interested in strengthening its cooperation with Japan after the negotiation of the Trans-Pacific Partnership failed.

The relations between Slovakia and Japan occur on three levels: bilateral, V4-Japan, and EU-Japan. Yet, the V4 economies among themselves act more as competitors than as partners. The bilateral relations between Japan and Slovakia are mostly economic and one-sided, as not much cooperation between the two partners takes place on this level.

The EU and Japan share a number of business interests that open doors for cooperation across a number of areas, including digital technologies, transport, energy, and people-to-people exchanges. Given that the Japanese are notably interested in the regions of the Western Balkans and Eastern Europe, this gives the Slovak-Japanese relations substance and shall buttress Slovakia's domestic political determination to pursue further economic cooperation with the distant partner. In recent years, the V4 countries have gained a reputation as 'troublemakers' in the EU. As Vancel suggests, "The V4 may consider making itself more than a labour union, and therefore shift towards a role of a reliable partner constructing a so-called V4 Initiative within the EU" – which may encourage Japan to be more proactive in its cooperation with the bloc.

Vancel concluded, "V4+Japan" is the best possible platform for Slovakia to expand its relatively stable cooperation with the Far-East Asian partner. Yet, the economies of the V4 are mostly determined by their passive approach in foreign policy towards Japan. Also, Vancel argued, "Besides the Western Balkans the V4 is the only functional partner when it comes to regional cooperation." Lastly, the speaker pointed out that "[f]or the Japanese, the regions of the Western Balkans and the Eastern Partnership countries can be considered as a sphere of major interests - as such, there is an opportunity for Slovakia to contribute to and become more proactive in deepening its relations with Japan."