
Window of opportunity for increased Japan-EU collaboration

Over the last five years the world has seen the rise of an increasingly complicated geopolitical and geoeconomic situation. Wars and trade disputes along with increased competition and sanctions on sensitive technologies have become part of the geopolitical arena. Economic security has additionally become a concept in the global economic context. With the USA and China increasingly being occupied with their interrelated geopolitical and geoeconomic relationship and tensions, and growing pressure on the liberal world economic order, and institutions such as the World Trade Organization being paralyzed, there is a need for other actors to promote and develop foundations for the rules-based international order.

With a potentially more economically introvert US economy, the possibility for increased collaboration between Japan and the EU is strong. This kind of collaboration among like-minded countries could positively act as a facilitator for other countries including the USA. A rules-based international order for economic cooperation would also be an important tool in seeking to develop and deepen the security policy collaboration.

Japan and the EU have recently expanded the areas for collaboration. This can be seen as a response to the need for expanding trade and investment, but also as a wider platform for tackling complicated issues facing both partners. The Economic Partnership Agreement (EPA) and the subsequent Strategic Partnership Agreement (SPA) have created the foundation for the collaboration. In a rapid follow-up to these agreements, a set of related agreements and frameworks have been established. These include the Digital Agreement, the Green Alliance, and the agreement on Connectivity. The overarching aim is to increase collaboration in areas of economy, green economic transition and sustainability, energy, digitalization, and security. This bundle of interrelated agreements is unique of its kind in width and depth and creates and solid platform for future collaboration.

Japan and EU now share set of challenges that would have the potential to have a profound societal future impact. Working together is key.

Firstly, the fundamental challenge that cuts across society is demographic change, creating not only an aging society, but also a declining population. Adjustment for meeting this profound change will not be either easy or made within a short time frame.

Secondly and in parallel, Japan and the EU are going through an industrial restructuring and the green transition that will need to answer to the necessity for increased competitive advantage and productivity. This structural shift also includes issues of energy generation and distribution, along with enhancing physical and digital infrastructure for connectivity. This is not only important for Japan and EU but can facilitate change through collaboration with developing countries.

Thirdly, AI and connected technology development will be an essential part of the future societal development. The impact relates both to private industry and the public sector.

Enhancing markets for digital services will be essential for the future. However, knowledge on industry development and data collection for the development of relevant policies are scarce.

Finally, deepening security policy collaboration will be essential for the future to tackle the increasingly complicated and, to some degree, hostile geopolitical global context. Here, we see closer collaboration involving NATO and Japan, but also increased bilateral security collaboration with European countries. One example is the recent agreement between Sweden and Japan on defence material. Another example is the project for the next generation fighter jet developed in collaboration between Japan, Italy and the UK.

Despite the strong relationship between the USA and Japan, recent economic events have shown the complexity and challenges in relation to national security and industrial policy connected to the green transition. The acquisition of US Steel by Nippon Steel has been stopped on the grounds of national economic interest despite the positive business rationale. In the EU, the acquisition of Ovako Steel, also by Nippon Steel on the other hand, has been highly successful and important phases of carbon neutral steel production have been achieved. Similar positive sentiment has been seen in the EU regarding acquisitions done by Hitachi through Thales GTS and ABB Power Grids just to mention a few. Apart from successful economic development, trade unions have been positive towards Japanese ownership promising long term commitment for industrial ownership. In general, Japanese investments in Sweden and the EU have been seen as positive facilitating ground for industrial business reinvention and enabling change connected to the green transition, digitalization and connectivity.

Thus, the window for developing the collaboration between Japan and the EU is wide open. Strong political commitment in combination with fertile ground for business collaboration will make this possible. The challenge now is to move from the macro level agreements to facilitate further collaboration among industry and the public sectors. In all, the collaboration will continue to shape the rules-based international order and strengthen the connections among like-minded countries outside the Japan-EU partnership.

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