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January 7, 2016

Building the Japan-US Alliance, 1951–72

A Diplomatic Reassessment

Takuma Nakashima

A narrow focus on the left-right divide that defined the “1955 setup” of postwar Japanese politics has created an oversimplified view of the Japan-US security relationship during the Cold War era, according to historian Takuma Nakashima. Drawing on recently declassified documents, the author reexamines three key episodes in the development of that relationship.

* * *

The Japan-US security arrangements forged in the 1950s were the keystone of Japanese foreign policy during the Cold War era and the foundation on which the current Japan-US alliance was built. How did these arrangements take shape and evolve into their current form?

These days when people discuss the process by which the security arrangements evolved into the Japan-US alliance of today, they are apt to highlight post-Cold War developments—particularly the Gulf War of 1990–91, in which Japan came under sharp criticism from the international community, and the changing security situation in East Asia. Certainly these are important factors. But I believe we need to begin by taking a closer look at the flashpoints surrounding the relationship in the Cold War era, for, to a large degree, the issues our leaders grappled with in the 1950s are the same questions we are grappling with today: What form should Japan-US security cooperation take? How can Japan partner with the United States without sacrificing its autonomy?

Unfortunately, the upheavals of the post-Cold War era have had a tendency to overshadow the critical role of earlier developments. In the following, I trace key principles of the current bilateral alliance back to three chapters in postwar history that determined the shape of the Japan-US security arrangements: the initial talks

Takuma Nakashima *Project Member, Political and Diplomatic Review, Tokyo Foundation; Associate Professor, Faculty of Law, Ryukoku University.*

that paved the way for the 1951 San Francisco Peace Treaty and security agreement; the diplomatic and political struggle over the revised Japan-US Security Treaty of 1960; and the negotiations for Okinawa's reversion in 1972.

Beyond the 1955 Setup

If we are to gain a clear understanding of the processes driving the development of the Japan-US security arrangements during the Cold War, we need to stop looking at history solely through the polarizing lens of that era's ideological battle lines.

What comes to most people's minds when they think of Japanese politics in the Cold War era is the alignment of political forces into a conservative (*hoshu*) or rightwing bloc represented by the Liberal Democratic Party and a progressive (*kakushin*) or leftwing block represented by the Japan Socialist Party—a party system referred to as the “1955 setup.” The 1955 setup, with all its implications of right-left confrontation, figures prominently in accounts of contemporary Japanese history and appears as a major heading in Japanese high school textbooks.



However, as I have argued elsewhere, there was no neat left-right dichotomy in Japanese politics. The habitual emphasis on the 1955 setup obscures the fact that both the ruling conservatives and the progressive opposition encompassed a wide range of policy views.

Young people born in the 1990s and later are particularly apt to oversimplify the postwar political scene, imagining a stark dichotomy between a conservative LDP that supported the Japan-US Security Treaty and a leftwing opposition—led by the JSP and the Japanese Communist Party—that rejected it. Unfortunately, the schools are providing fewer opportunities than ever for students to learn about the diversity and complexity of postwar Japanese politics.

This oversimplified picture of postwar politics has given rise to the mistaken impression that the conservative forces that controlled the Japanese government under the so-called 1955 setup were fully in accord with the US government on the subject of the security arrangements. Certainly it is true that the ruling LDP supported the Japan-US Security Treaty, but there were serious policy differences between the Japanese and US governments during that time. In accounts of Japanese

postwar history, the domestic right-left dispute over the security arrangements tends to loom so large that it overshadows the intergovernmental issues and the way in which the two sides settled them. This is unfortunate, because these conflicts and their resolution have important implications for the Japan-US relationship going forward.

As we contemplate the choices that lie before us, it would behoove us to pay a little more attention to the choices that brought us to this point. This is my basic aim in revisiting the negotiations leading up to the 1951 San Francisco Peace Treaty, the revised 1960 Japan-US Security Treaty, and the negotiations for Okinawa's reversion in 1972.

The 1951 Peace Talks: Autonomy and Responsibility

The basic blueprint for the Japan-US security arrangements was drawn up in 1951 in conjunction with the negotiations for the Treaty of Peace with Japan, which ended the Allied Occupation and restored Japanese sovereignty. Against the backdrop of the Korean War, which broke out in June 1950, the security relationship between the United States and Japan inevitably emerged as a key issue as Japanese and American policy makers contemplated the future role of an independent Japan.

The thrust of Japanese scholarly accounts of these negotiations has changed with the times. In the 1960s, with the Japanese economy booming and rearmament a highly divisive political issue, there was a tendency to portray the negotiations as a battle of wills between Special Representative John Foster Dulles, who sought Japan's wholesale rearmament, and Prime Minister Shigeru Yoshida, who wished to limit Japan's defense capability and place priority on economic recovery. This view (represented by Masataka Kosaka) reframed Yoshida's decision as an economic one, facilitating Japan's recovery and subsequent rapid growth.

In the 1990s, following the end of the Cold War, a new orientation among Japanese scholars began to appear, with the focus broadening from the rearmament issue to American demands that the military be granted complete freedom in its use of Japanese bases. Accounts of the peace negotiations written during this period recount the peace process with an emphasis on Yoshida's submission to those demands, including the 1951 security treaty's controversial "Far East provision," which allows the United States to utilize its forces in Japan "to contribute to the maintenance of international peace and security in the Far East." In this way, scholars like Narahiko Toyoshita sought to trace lingering issues surrounding the US bases to the peace treaty negotiations of 1951. Both perspectives reflect the special concerns and issues of the time.

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Today the dominant issues in the Japan-US alliance are those of Japanese autonomy and the allocation of responsibilities between Japan and the United States, and this emphasis naturally informs my own perspective. What I find particularly interesting from this standpoint is the fact that those two issues both emerged as early as the initial peace negotiations of 1951. Those talks are the first recorded instance in which Japanese demands for equality are met by US insistence that Japan assume greater responsibilities for protecting the free world.

Dulles and Yoshida met on January 29, 1951, to discuss the terms of a peace treaty that would restore Japan's sovereignty. Following the conference, Kumao Nishimura, director of the Treaties Bureau in the Ministry of Foreign Affairs, recorded the substance of the conversation as recounted by Yoshida. According to Nishimura's notes, the two engaged in the following exchange (*italics added*):

Yoshida I want you to draft a treaty that Japan can ratify *without sacrificing its amour-propre* [self-esteem]. I want the peace treaty to restore Japan's independence. I want to securely establish Japanese democracy. . . . Japan wants to cooperate in strengthening the free world once it has become such a nation.

Dulles You say you want to regain your independence and become a member of the free world, but how does Japan intend to contribute to strengthening the free world? America is fighting for the world's freedom. *How will Japan contribute to that fight as a member of the free world?*

Yoshida When you ask what sort of contribution we'll make, I gather you want to know whether Japan is willing to rearm. . . . Rearmament would debilitate Japan's autonomous economy. . . . The resurgence of militarism is still a real danger."¹

This discussion can be cited as evidence of Yoshida's refusal to yield to American pressure to rearm, or it can be cited in support of the idea that, in his haste to conclude a peace treaty, he failed to address issues of base operation. For my part, I find the passage interesting in that it illustrates a fundamental difference in the two men's vision of independence. While they agreed on the goal of a sovereign Japan, Yoshida felt independence meant regaining self-esteem by achieving parity

¹ See "Kowa mondai ni kansuru Yoshida shusho to Daresu Bei taishi kaidan, Nihongawa kiroku" (Conference between Prime Minister Yoshida and Ambassador Dulles concerning the Peace Treaty, Japanese Records), Institute for Advanced Studies, *Sekai to Nihon Database*, *Sanfuranshisuko heiwa kaigi kanren shiryoshu* (Historical Materials Relating to the San Francisco Peace Conference), <http://www.ioc.u-tokyo.ac.jp/~worldjpn/documents/indices/JPUS/index-sf.html>.

with the United States, while Dulles felt it meant rearming and helping to keep the world free.

Once the terms of the 1951 Japan-US Mutual Security Treaty became known, Yoshida's judgment came under fire from conservatives and progressives alike. Both right- and left-leaning politicians criticized the blatantly unequal provisions of the treaty. Underlying their objections was a sense that the agreement would not enable Japan to achieve true political autonomy even after sovereignty was officially restored.

In the years that followed, Japanese politicians and policymakers would continue to wrestle with the very issue of *amour-propre*—a sense of national pride—that Yoshida raised at this early point in the peace negotiations. It was against this background that the administration of Prime Minister Nobusuke Kishi launched a push for a substantially revised treaty, an effort that precipitated a domestic political crisis.

The 1960 Revision: A Bid for Equality

One of the most memorable junctures in Japan's postwar history—particularly when viewed through the lens of the 1955 setup—was the domestic crisis surrounding the revision of the security treaty in 1960. Leftist forces, unhappy about the US military presence in Japan and the broader implications of a security partnership with the United States amid the tensions of the Cold War, sought to block renewal of the security treaty in any form. The movement climaxed in fierce clashes inside the Diet and massive demonstrations outside. In one of Japan's most widely used high school history textbooks, *Shosetsu Nihon shi* (A Detailed Account of Japanese History; Yamakawa Shuppansha), the section on the 1960 revision of the security treaty features a prominent photo of demonstrations outside the Diet, conveying the ferocity of the ideological conflict that came to a head around that time.

But the diplomatic documents of the time present a different picture. These materials help one appreciate the depth of the policy divisions between Japanese and US officials at the time.

In 2010, the Japanese government launched a program to provide full public access to the official records pertaining to the 1960 security treaty revision and the 1972 reversion of Okinawa. These records clearly indicate that dissatisfaction with the Japan-US security arrangements under the 1951 treaty was not limited to the left. Throughout the 1950s, policymakers in the Ministry of Foreign Affairs were exploring ways to rectify the inequality of the Japan-US relationship under the existing treaty.

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In a MOFA communication dated July 21, 1955—barely three years after Japan regained its sovereignty—an official writes, “It must be recognized that Japan now has the right to participate in bilateral defense agreements on an equal footing.” That August, Foreign Minister Mamoru Shigemitsu traveled to the United States and submitted to US officials a now-famous proposal calling for a new treaty and the withdrawal of US forces from Japan. In an interview with the author, former Prime Minister Yasuhiro Nakasone, then a rank-and-file LDP Diet member known for his rightwing nationalist ideas, claims to have personally lobbied Shigemitsu prior to his departure, and the thrust of the arguments Shigemitsu made while in Washington have much in common with the views Nakasone was airing at the time. In short, Shigemitsu’s famous proposal reflected not only MOFA’s thinking but also a viewpoint shared by many conservative politicians.

Prime Minister Kishi later recalled his own reasons for seeking a substantial revision of the treaty in an interview provided for an oral history project (*italics added*).

Under the old security treaty, America was the overwhelmingly dominant party. Since Japan did nothing for its own defense, the *US military was essentially occupying the whole of Japan, even though the Allied occupation was officially over*. As long as that situation persisted, Japan-US relations could not be said to rest on a rational foundation. That’s why a change was absolutely necessary.²

That said, only 10 years had passed since the end of World War II. In reaction to the war, the Japanese people had enthusiastically embraced pacifist values. Although MOFA initially considered pursuing a mutual defense treaty modeled on the North Atlantic Treaty Organization, it abandoned the idea for fear of triggering a major backlash from the opposition parties and the public. Instead, it set its sights on rectifying the inequalities of the existing agreement via a mutual security agreement applying only to territories under Japanese administration and thus compatible with the postwar Constitution. Incidentally, in discussing Japan-US security cooperation, MOFA documents from the period frequently rely on the term *taisei*—system or arrangement—a word choice that reflects the ministry’s desire for a framework built on a more equal relationship.

In 1960, after intensive negotiations, the two governments finally concluded the Treaty of Mutual Cooperation and Security between Japan and the United

² Yoshihisa Hara, ed., *Kishi Nobusuke shogenroku* (The Testimony of Nobusuke Kishi), (Tokyo: Chuo Bunko, 2014), p. 144.

States of America. The new document eliminated the passage in the 1951 treaty (Introduction) that assigns the United States responsibility for Japan's defense; omitted a provision permitting the US military to assist in putting down internal disturbances; and clarified the duration of the treaty. In so doing, it rectified the legal inequalities built into the 1951 arrangements.

Kishi did not achieve all he wished, however. He had also hoped to make progress on the reversion of Okinawa, which remained under US administration, but Washington was adamant about retaining control of this strategic base. Furthermore, in return for Washington's acquiescence on the terms of the revised treaty, Kishi was obliged to conclude a secret agreement allowing the US military to launch overseas combat operations directly from Japanese bases in the event of a contingency on the Korean Peninsula. For these reasons, the revision of the security treaty left certain "self-esteem" issues unresolved—issues that surfaced afresh during negotiations for the reversion of Okinawa.

Reversion of Okinawa: Amour-Propre Revisited

In the "1955 setup" view of the postwar years, the key issue surrounding the reversion of Okinawa was whether to retain the US bases under the Japan-US Security Treaty. The LDP sought the reversion of Okinawa premised on continuation of the treaty and retention of US bases, while the JSP and other leftist forces called for abrogation of the treaty and withdrawal of all US forces upon reversion.

However, if we examine the record on the reversion negotiations between Tokyo and Washington, a different theme emerges. The Japanese government wanted the terms of the revised Japan-US Security Treaty to apply to Okinawa without modification. It also sought to scrap previous agreements concerning the use of Japanese bases as staging points for combat operations on the Korean Peninsula. But the US side was insisting on completely free access to and use of the bases in Okinawa, privileges no longer recognized under the revised 1960 security treaty.

Specifically, the US government wanted full discretion to use the bases as needed to stage combat operations in South Korea, Taiwan, or Vietnam. Since the Japan-US Security Treaty required advance consultation with the Japanese government prior to the use of Japanese bases for such operations, this meant assigning Okinawa special legal status exempting it from the treaty's requirements. Washington also demanded the right to keep the nuclear weapons it had deployed in Okinawa, although this directly contravened the "three nonnuclear principles" that Prime Minister Eisaku Sato had outlined in a speech to the Diet in 1967. During

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the course of 1969, MOFA negotiated strenuously with the US government regarding these points.

We cannot fully perceive the importance of the bilateral differences if they are viewed with either a leftist or rightist slant. From the left end of the political spectrum, the differences appear to be of little significance, since the two governments were in agreement on the basic premise of maintaining the existing Japan-US security arrangements. From a strictly conservative viewpoint, meanwhile, it is difficult to understand why the Japanese government would so strenuously resist American demands for guarantees regarding free use of the bases in Okinawa or insist on the removal of nuclear weapons. In fact, the position adopted by the Japanese government and the conservative LDP took careful account of the strong pacifist, antinuclear sentiment that prevailed among the voters and the opposition parties—a testimony to the influence the leftist opposition wielded over the government during this time. This is a dynamic one can easily lose sight of if one dismisses the policies of the perennial opposition—that is, the call for abrogation of the Japan-US Security Treaty and withdrawal of US forces—as fanciful idealism.

How did all of this eventually play out? Regarding the US military's use of Okinawa bases to stage combat operations in third countries, MOFA steadfastly refused to provide a *carte blanche*. The legal logic on which MOFA (more particularly, the Treaties Bureau) based its arguments was difficult for the Americans to counter, and they ultimately yielded to Japan's insistence that the terms of the Japan-US Security Treaty should apply equally to Okinawa. Thus, it was agreed that the United States would consult the Japanese government prior to any such deployment. In return for this concession, however, the Japanese government agreed to share responsibility for the security situation in the region by permitting the use of the bases in Okinawa for combat operations in South Korea and Taiwan if necessary. In fact, the Japanese government publicly acknowledged this responsibility as a matter of policy in the joint communiqué issued by Prime Minister Sato and President Richard Nixon in November 1969.

With regard to the presence of nuclear weapons, both sides were obliged to compromise. In a May 1969 document titled Nation Security Decision Memorandum 13, National Security Adviser Henry Kissinger indicated that the administration was prepared to consider withdrawing the weapons. But as the Department of State and MOFA were hammering out an agreement concerning the staging of third-country operations, from September to November, US military officials dug in their heels on the deployment of nuclear weapons, and the negotiations were in danger of breaking down. To break the impasse, Washington finally agreed to remove its nuclear missiles from Okinawa. However, a secret "agreed minute" signed

by Prime Minister Sato and President Nixon, stipulated that US military could deploy nuclear weapons in Okinawa in an emergency.

Once again, the significance of these negotiating positions is easily lost on those who view the process from the left-right dichotomy, since neither party to the reversion negotiations ever entertained the idea of removing the bases or abrogating the Japan-Security Treaty. To properly assess the outcome of the negotiations leading up to Okinawa's reversion, we need to examine not only the political battle lines within Japan at the time but also the key points of contention between the Japanese and US governments.

The basic issue of self-esteem and national pride, first articulated by Yoshida during the negotiations for the San Francisco Peace Treaty, reemerged during the Okinawa reversion talks in the Japanese government's resistance to US demands for free use of the bases in Okinawa. At issue specifically was the need to maintain the full legal parity achieved under the terms of the 1960 security treaty by applying the terms to Okinawa.

The Campaign for Consolidation

In the time leading up to Okinawa's reversion, there was much talk in Japan of "*hondo nami* reversion"—that is, reversion "at the same level" as the mainland, meaning the rest of Japan. This phrase encompassed two different ideas. One was the equal application of Japanese laws and treaties—most particularly the Japan-US Security Treaty—to Okinawa, a goal vigorously pursued by the government in the reversion negotiations, as we have seen. The other idea was reduction of the burden of the US bases to a level commensurate with that borne by the rest of Japan. This was a goal fervently sought by the people of Okinawa and by Japan's opposition parties.

It was not until 1971 that a final reversion agreement was ratified by the Diet. In the meantime, the Japanese government came under pressure from the opposition and the public to scale back the US military presence in Okinawa. MOFA decided it would seek to open separate negotiations with Washington for partial withdrawal of US military forces from Okinawa, using the euphemism "consolidation of bases." However, judging from the diplomatic record, Washington had absolutely no interest in such negotiations.

Among the Japanese diplomatic documents made public in January 2015 is a memo that recorded the talks between MOFA and the US Embassy in Tokyo in June 1970 in the midst of the reversion negotiations, in which MOFA explained the need to scale back ("consolidate") the US military bases in Okinawa by about

30%. There was considerable press coverage of the document when it was made public, including a good deal of criticism regarding the numerical target MOFA had proposed. But given Washington's hostile response to the whole idea of cut-backs, a 30% reduction in military installations can be seen as quite an ambitious target to propose at that time.

It was only after the Sato-Nixon summit in November 1969, in which the two leaders agreed to Okinawa's reversion in 1972, that MOFA was able to get the consolidation issue on the table. The top priorities for the Japanese side were the return of Naha Air Base (now Naha Airport) and the Makiminato (Machinato) housing area (now the Naha Shintoshin commercial district)—major pockets of US control in the midst of the urban and civilian space of the capital city. Instead of arguing that these facilities were unnecessary, MOFA made its case from the standpoint of public welfare. It also called for withdrawal of units and facilities deemed extraneous to the mission of the US military in Japan under the security treaty, including a Voice of America broadcast facility, the US Army Intelligence School, and the Seventh Psychological Operations Group.

MOFA presented the United States with a compelling legal and political case, but progress was slow. In fact, Naha Air Base and Makiminato housing area were not transferred to Japanese control until the 1980s.

Refocusing on Diplomatic History

Our brief survey of the initial peace negotiations, the security treaty revision, and the reversion of Okinawa suggest that the Japanese government's determination to be treated as an equal by the United States—while manifesting itself in different ways—was a common thread during this critical period in the history of the Japan-US security relationship. We may also infer that it was an important aspect of Japan's broader diplomatic quest to regain full sovereign rights in the wake of World War II. Unlike the legal question of equality, however, the issues of autonomy and responsibility remained points of contention even after the reversion of Okinawa, and they have remained important themes of Japanese diplomacy.

Accounts of postwar Japan are typically organized around clear-cut phases in the nation's internal development: defeat, construction, and rapid economic growth. This historical framework has become firmly entrenched in the national consciousness. But there is another important trajectory that deserves recognition—namely, the diplomatic process by which Japan, following its defeat and occupation, recovered its national sovereignty, achieved closure, and assumed its position as a respected member of the international community.

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My purpose in focusing on this narrative is not to burnish the reputation of the government and the LDP in the area of diplomacy and foreign policy. I have attempted to highlight both the achievements of various Japanese administrations during the Cold War and the business they left unfinished. The purpose is to provide a comparative context in which to understand and assess Japan's foreign policy today. Young people today have all too little exposure to the political and diplomatic history of postwar Japan. Judging from my own observations, most Japanese high schools do not allocate sufficient time to this important period in our history. As a result, most of our young people complete their formal education with only a rough outline of the postwar period and an even sketchier picture of post-war diplomacy.

I worry that the lack of exposure to an accurate and balanced view of our past achievements could contribute to the rise of extreme and radical views concerning Japan's relations with other countries. There has been a pronounced tendency in recent years to depict Japan as a lackey of the United States, and such a lopsided emphasis cannot produce an accurate and balanced view of history. At various times the United States, with its global power declining, has all but pleaded with Japan to assume greater responsibility for its own security. Moreover, if we shift our gaze from security to the realm of economics and trade, we get a very different picture of the bilateral relationship. An objective examination of key policy disputes and the way in which they were settled is fundamental to a sound understanding of the history of Japan-US relations.

I believe that postwar Japanese history is due for a new interpretation, one less conditioned by Cold War political ideology and more cognizant of the interplay between domestic politics and external dynamics. Such a reassessment will surely provide us with valuable historical context for understanding the foreign policy issues facing Japan today. With luck, it may even lead to a revival of interest in the field of diplomatic history.

January 12, 2016

The Impact of LDP Politics on Japan-China Relations

Masaya Inoue

In a unique research project, Masaya Inoue analyzed the deepening chill between Tokyo and Beijing since the 1990s from the standpoint of factional politics in Japan's ruling Liberal Democratic Party. Inoue offered a summary of his findings at a recent public seminar held by the Tokyo Foundation.

* * *

The period spanning the late 1970s and the early 1990s was an era of relative stability in Japan-China relations, despite an undercurrent of tension over historical controversies and other issues. Determined to expand economic ties in order to spur growth and development in the aftermath of the Cultural Revolution, China's new leaders were particularly eager for infusions of Japanese capital—and the Japanese seemed happy to oblige. In the 25 years between 1979 and 2005, Japan provided China with a total of 3.4 trillion yen in official development assistance. China's hunger for capital from the Western bloc to fuel modernization dovetailed perfectly with Japan's strategy of developing new markets for its exports and new sources of energy and raw materials for its manufacturers.

During the second half of the 1990s, however, political tensions between the two countries grew increasingly pronounced. Under the administration of Jun'ichiro Koizumi (2001–6), diplomatic ties sank to a new low, giving rise to a relationship described as *seirei keimetsu*—politically cool, economically hot. The two countries' increasing economic interdependence did little to quell their political disharmony.

In attempting to explain this deterioration in bilateral relations, observers have frequently cited changes in the international system attending China's emergence

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as a major power and the rise of a xenophobic nationalism in both nations. But relatively little attention has been given to the way the internal dynamics of Japanese party politics have affected Tokyo's China policy. In this study, I focused on the role of factional politics within the ruling Liberal Democratic Party—specifically, the waning influence of the party's pro-China bloc as a buffer system stabilizing an inherently volatile relationship.

Rise of the Pro-China Faction

The history of the LDP's pro-China faction goes back all the way to the 1950s, but the advent of a pro-China wing with genuine clout coincided with the political rise of Kakuei Tanaka and Masayoshi Ohira. Although the LDP entered the 1970s split between pro-Taiwan and pro-mainland forces, the pro-China factions led by



Tanaka and Ohira were able to overcome those differences and chart the direction for Japan-China relations for most of the decade.

Contributing to this trend was the waning influence of the pro-Taiwan camp. In 1972, ignoring dissent within his party, Prime Minister Tanaka visited Beijing and signed a joint communiqué on the normalization of diplomatic ties between Japan and China.

This provoked an internal backlash, and negotiations for the 1974 Japan-China Aviation Agreement ran into fierce opposition from pro-Taiwan parliamentary groups in the Diet (the Japan-ROC Diet Members' Consultative Council and the rightwing Seirankai).

The LDP's pro-Taiwan movement was closely linked to the bitter anti-Tanaka campaign being waged by Takeo Fukuda and his faction. As a result, it gradually lost steam once Tanaka was forced to resign in 1974 amid charges of corruption. Moreover, when Fukuda became prime minister in 1976, he himself persuaded the recalcitrant members of his faction to support the Treaty of Peace and Friendship between Japan and the People's Republic of China and helped unite the party behind the government's China policy. Once Fukuda had signed the treaty in August 1978, the issue lost its potency as a focus of inter-factional strife.

The second factor contributing to the dominance of pro-Chinese policies within the LDP during this period was Tanaka's unchallenged dominance of LDP politics,

even after his public disgrace. In 1976, Tanaka was arrested in connection with the Lockheed kickback scandal and was obliged to withdraw into the political shadows. But instead of adhering to precedent and handing the reins over to a new generation, he continued to control his rapidly growing faction with an iron hand. With Ohira's faction, the Kochikai, as his ally, Tanaka was able to use the power of numbers to determine the selection of party leaders and perform the role of kingmaker through the 1970s and beyond. In essence, the Japanese government had a dual power structure, with Tanaka playing the role of "shadow shogun."

Passing the Mantle

Taking full advantage of the pro-Chinese tendencies of the Tanaka and Ohira factions were Beijing's "Japan hands," led by Liao Chengzhi. Liao and his followers had carried out covert operations in Japan since the 1950s; they understood the ins and outs of Japanese politics and were well versed in the means of influencing policy behind the scenes. The Japanese government had a comparable group of experts within the Ministry of Foreign Affairs, a group known as the "China school," which pursued a variety of unofficial diplomatic channels. Familiar with the Chinese style of negotiation, they were skilled at breaking through stalemates by reading between the lines of official Chinese positions and ascertaining what the Chinese actually wanted. Working closely with the pro-China faction of the LDP, they could pull political strings when needed to help resolve disputes between the two governments.

In the 1980s, the Chinese connections cultivated by Tanaka and Ohira during the previous decade passed to Masaharu Gotoda and Masayoshi Ito, respectively. This era is often remembered as a period of especially close ties between Japan and China, embodied in the personal rapport between Prime Minister Yasuhiro Nakasone (1982–87) and General Secretary Hu Yaobang.

In fact, however, the Nakasone administration's political orientation and nationalistic view of the past were a source of constant friction with the Chinese. Internally, moreover, a significant group of LDP politicians were unhappy with Tokyo's continued "appeasement" of Beijing. It was above all the influence of Gotoda and Ito—backed by the Tanaka faction and the Kochikai—that kept Japan-China relations on an even keel during a time fraught with potential conflicts.

In February 1985, aspiring leader Noboru Takeshita spearheaded a rebellion within the Tanaka faction, and the Tanaka era came to an end. But the Keiseikai, as the faction was renamed, continued to maintain and nurture its Chinese connections under Takeshita's leadership. The Keiseikai-dominated LDP government suc-

ceeded in bringing about the emperor's historic visit to China (1992), a gesture that the Chinese had long sought.

Decline and Fall of the Buffer System

A turning point came in 1993 with the end of the Cold War and the realignment of Japan's political parties. Until then, Japan's political forces were rigidly divided into the left and right, and a political machine to dole out material benefits was the glue that held the competing conservative factions together. But as the left-right divide dissipated following the Cold War, and the Keiseikai lost its overwhelming numerical strength, conflicts between competing values began to surface within the conservative camp. By the second half of the 1990s, Prime Ministers Ryutaro Hashimoto (1996–98) and Keizo Obuchi (1998–2000)—both of the Keiseikai—were forced to navigate a narrow course between the traditional pro-China stance of their faction and the demands of the emerging post-Cold War international order.

Japan-China trade expanded rapidly in the early years of the twenty-first century as China's economic development accelerated, and interaction between the people of the two countries steadily increased as well. Paradoxically, however, the frequency of interpersonal contact created new opportunities for friction. The Internet provided an increasingly influential platform for incendiary nationalist sentiment, subjecting political leaders in both countries to intense pressure.

Under Prime Minister Koizumi, top-level contact between the two countries ground to a halt, even as economic interdependence grew. *Seirei keinetsu* was rapidly becoming the new norm in Japan-China relations. Bilateral tensions under the Koizumi administration peaked in April 2005, when anti-Japanese protests, some of them violent, broke out across China.

Like many former adversaries, Japan and China have found it difficult to overcome bitter and conflicting memories of the past. Even during the 1980s, which has been called the golden age of Japan-China relations, tensions were continually bubbling up over such issues as the treatment of past Japanese aggression in Japan's history textbooks or visits by government officials to Yasukuni Shrine, regarded by the Chinese as a symbol of unrepentant militarism. In the absence of a basic agreement dealing with these issues, the pro-Chinese bloc of the LDP played an essential role as a buffer system, preventing disputes from escalating and facilitating political solutions in collaboration with the "China school" of the Foreign Ministry and the "Japan hands" in the Chinese government.

However, the fracture of the pro-China Keiseikai in 1993—at a time of dra-

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matic change in the international environment—was the beginning of the end for the old LDP political machine. The electoral reforms of the mid-1990s greatly diminished the role of the factions in electoral politics, bringing to a close an era in which the pro-China bloc of the LDP had a stabilizing effect on Japan-China relations.

March 14, 2016

Embracing Diversity

Asian Experts Offer Insights into Region's Shared Values and Democracy

Tokyo Foundation

The world today is marked by growing divisiveness, as manifested in sectarian violence and extremist political positions—even in industrial countries. In Asia, though, the region's traditional tolerance of divergent viewpoints is encouraging democratization. Indeed, Asia now has more people living under democracies than any other region of the world. While democracy is often regarded as a Western concept, the fact that it has been embraced by so many Asian countries today suggests that they share certain core values that have made them receptive to democratic systems of government, despite their myriad philosophical and religious traditions.

On January 19, 2016, political, religious, and intellectual leaders from the region gathered at the Nikkei Hall in Tokyo to explore the topic of “Shared Values and Democracy in Asia” from a broad spectrum of viewpoints and experiences. The international symposium featured keynote speeches by former Indonesian President Susilo Bambang Yudhoyono and Abbot Emeritus Kosei Morimoto of the temple Todaiji; closing remarks by Japanese Prime Minister Shinzo Abe; a video message by Indian Prime Minister Naredra Modi; and panel discussions among experts on Asian history, religion, and political systems.

Organized by Nikkei Inc. and co-organized by the Tokyo Foundation, Japan Foundation, and Vivekananda International Foundation, the symposium was held as the second leg of a pair of Japan-India conferences. The first, titled “*Samvad: A Global Hindu-Buddhist Initiative on Conflict Avoidance and Environment Conscientiousness*,” was held in September 2015 in New Delhi, India.

World's Largest Democratic Bloc

Asia's diversity was perhaps best highlighted during the second panel discussion, as some of the region's leading researchers shared their insights from a broad range of perspectives.

Referring to Margaret Thatcher's comment that Europe was determined by its thousand-year history, while the much younger United States was determined by philosophy, University of Niigata Prefecture President **Takashi Inoguchi** noted that Asia, with a history of around two thousand years, could be defined by coexistence with nature. "In the West, there is a clear tendency to overestimate the human



ability to control nature, whose negative side effects have been felt in recent changes to the climate. In Asia, by contrast, humans are regarded as being part of nature," Inoguchi said. "In 2014, national elections were held in Indonesia, India, and Japan involving 1.8 billion people. The EU has a population of just 500 million and the

United States 300 million. The Asian region is now largest democratic bloc in the world. To accommodate such diversity, efforts are being made to embrace such values as freedom, human rights, compassion, and human dignity."

The civilizations, cultures, and economies of Asia evolved in very different ways, noted **Tsuneo Watanabe**, director of policy research at the Tokyo Foundation, who summarized the discussions conducted during the morning, closed-door panel. "The diverse backgrounds of Asian countries pose a stark contrast with European countries, which share a common path of development, and can more easily work together. One key to meeting the challenge of moving toward democracy under such diversity is to aim for good governance, which might be described as the promotion of the welfare and prosperity of the people. Democracy is a means to those ends, but establishing democratic institutions and actually making them work are two different things. And in terms of values," Watanabe pointed out, "you shouldn't forget China, since Confucianism has had an enormous impact on governance in Asia."

"Our democracy began with a shaky start in 1999 with public protests, ethnic conflicts, and rising separatism. Many believed that we were not ready for democracy, saying that the people were too poor and not educated enough. Some warned that open elections would lead Indonesia to become an Islamic state, but we kept our faith in democracy and as a result, Islamic parties have become staunch supporters of our democracy and strong defenders of our pluralism, tolerance, and religious freedom. Today, Indonesia is one of the strongest democracies in Southeast Asia, enjoying periodic elections and peaceful transfers of power." —Former Indonesian President Susilo Bambang Yudhoyono



History underlies Asian values, claimed **Ambeth Ocampo**, associate professor at the Ateneo de Manila University in the Philippines. “But when people talk of history, they tend to frame it in the past, making it irrelevant to the present and to the future. If we actually take a look back, though, we see that the Philippines hasn’t changed in 2,000 years,” despite the many years under Western colonial rule, he said. “The basic value underlying Philippine society is to accommodate—rather than control—the other. And individualism in Asia is always seen in the context of others: family, peers, community. These Asian values should be seen not only as objects of comparison, contrast, and the search for commonalities but also for how they can help people better manage the changes taking place today as barriers between states, cultures, and national identities are lowered.”

“Democratic transitions take time,” said **Rahimah “Ima” Abdulrahim**, executive director of the Habibie Center in Indonesia, who pointed out that considerable groundwork had been done by civil societies and students before Reformasi, or the process of democratization, began in her country. “We’ve accomplished quite a lot in a short span of time, compared to countries that have been democracies for decades or even centuries, but we also can’t be complacent. We have to keep in mind the role of civil society and the role of women in transitioning to democracy.”

Shokei Matsumoto, a Buddhist Priest at Komyoji Temple in Tokyo, talked about the Japanese word for “nature”—*shizen*—which originally meant not just the trees, plants, and animals in the natural environment but also one’s natural, unadulterated self. “*Shizen*—or *jinen* as it was formerly pronounced—is much broader than the English term and sees humans as part of the external world, not separate from it. It’s a view,” he remarked, “that is widely shared in Asia that enables a uniquely Asian approach to democracy.”

“Geographically speaking, Asia was largely defined through the process of Western colonization,” remarked University of Tokyo Professor **Shin Kawashima**. “And it was in the wake of their struggles for independence that they developed as



“Buddhism spread to Japan in the middle of the sixth century, raising questions on whether or not to accept it. The Japanese rulers at the time recognized the profoundness of Buddhist philosophy and the sophistication of Buddhist culture and decided to proactively embrace it. This did not lead to the exclusion of Shintoism, however. These two faiths were assigned different social roles, opening the way to the coexistence of Shintoism and Buddhism.” —Kosei Morimoto, Abbot Emeritus, Todaiji Temple

democracies, nurturing systems based such shared cultural and religious values as pluralism, tolerance, and acceptance of differences.”

The Arab Spring and Its Aftermath

Moderator **Sota Kato**, director of policy research at the Tokyo Foundation, raised the issue of the Arab Spring democratization movement and its subsequent deterioration into sectarian conflict and political turmoil. Reminding panelists of substantial Muslim populations in non-Arabic Asia, he asked panelists to compare the compatibility of democracy with the cultures and traditions of the Middle East and the rest of Asia and to offer suggestions on how such conflicts may be mitigated through Asia’s values.

Thitinan Pongsudhirak, director of the Institute of Security and International Relations at Chulalongkorn University in Thailand, reminded participants that 2016 marks the 100th anniversary of the Sykes-Picot Agreement, by which the British and the French “drew the map of the Middle East in the sand.” The Arab Spring was the “culmination of a decade-long period of instability that originated in 2001 with the invasion of Afghanistan,” triggering an effort by countries in the Middle East to “reclaim the global preeminence they enjoyed a thousand years ago. The parameters for the rest of Asia were largely set up after World War II, including for Japan and India—the wealthiest and largest democracies in Asia today.” The course democracy takes in East Asia, he noted, pivots around the new axis between Japan and India and the kind of democratic values that Prime Ministers Abe and Modi promote.

Shin Kawashima added that the Middle East cannot be blamed for the failures in democracy, noting that it was after 1925, when universal male suffrage was introduced in Japan, that the country took a more militant path and that in Germany, fascism gained ground through democratic elections.

“We may be asking too much from the Arab Spring,” admitted **Shamsul Amri**

“Our idea of democracy is not just a game of numbers, mediated by the rules of majority and minority, as it happens in numerical democracies. Our democratic approach is founded on consensus. It does not rest on the idea of rights alone, but also includes duties. The Indian constitution provides for moral fundamental duties of individuals towards one another and to the creation which sustains us all. The inclusion of nature and environment makes our life and approach less anthropo-centric and more eco-centric.”
—Indian Prime Minister Narendra Modi



Baharuddin, director of the Institute of Ethnic Studies, National University of Malaysia, who noted that the real issue is not democracy but “mediacracy,” under which the mass media effectively controls the voting public by setting the agenda, choosing what is presented to the public, and giving opinions. “There’s been a McDonaldization of the news. We have to look at the platform on which information is delivered to the public, and democracy now is delivered through not only market capitalism but also digital capitalism.”

The Chinese understanding of the turmoil in the Middle East is that the democratization process carries high risks, noted **Yu Tiejun**, associate professor and vice president of the School of International Studies at Peking University’s Institute of International and Strategic Studies. “Democracy as a value system is a source of political legitimacy. But how it is introduced must be considered very cautiously,” he said, referring to the remarks by Shin Kawashima about greater democratization abetting militaristic and fascist forces in prewar Japan and Germany. “China, according to the Chinese constitution, is a democracy, since the supreme authority lies with the People’s Congress, which is a representative organization. It’s a democracy with Chinese characteristics based on Confucian values, placing emphasis on the community rather than the individual, harmony rather than competition, and responsibility rather than freedom.”

“All Rivers Flow to the Same Ocean”

Attempts at homogenization are counterproductive to democracy, asserted **R. Vaidyanathan**, professor at the Indian Institute of Management Bangalore. “We have to accept heterogeneity. In India we believe that truth is one—that god is one—but people call it by different names. Just as all rivers flow to the same ocean, people can reach the same goal even when they take different paths. Accepting different approaches is the path of conflict *avoidance*, which eliminates the need for conflict *resolution*. East Asian Islam may be different from that in the Middle



“Asia was never monolithic, being marked by the absence of unilateralism, whether in thought or action. Even though there was confluence between the great philosophies it produced, there was no erosion of identity. There is enough room for all countries of Asia to prosper together.” —*Indian Minister of Home Affairs Kiren Rijiju*

East because of Buddhist and Hindu influences. There's a willingness to accept differences and to recognize that there are multiple paths to the ultimate truth."

"Myanmar started with a top-down form of transition," said Myanmar-born **Tin Maung Maung Than**, now a visiting senior fellow at the ISEAS-Yusof Ishak Institute of Singapore. "It was the military junta that set the rules for the transition to so-called democracy. But because of the law of unintended consequences, the election of November 2015 resulted in a kind of bottom-up meeting the top-down. The ruling party expected to lose, but not by that much. As our Chinese friend said, there needs to be some caution and a harmonization of values among the military, the ruling party, and the democratic opposition. People are now worried that Aung San Suu Kyi's party could become authoritarian because of its landslide victory and supermajority in both house of parliament. The problems we've seen in the Middle East is not so much with democracy; whenever you have a violent revolution against a repressive regime, a vacuum emerges, and democracy cannot fill that gap—it's not designed to fill that gap."

With regard to the correlation between religion and politics, **Thitinan Pongsudhirak** pointed out that Indonesia is the largest Muslim country in the world with a flourishing democracy, "So Islam and democracy are certainly compatible. Parties in Indonesia understand the importance of waiting their turns to contest for the popular mandate. When the players accept the rules, the game can move on."

"The pattern of democracy in Southeast Asia—and perhaps also other parts of the Asia—is that different civilizations have existed for thousands of years before democracy was imported," said **Shamsul Amri Baharuddin**. "These civilizations are a permanent feature of that we've inherited, and they cannot be ignored. The most important analytical tool we have to study this phenomenon is "embeddedness"—the layers of a civilization that have existed for thousands of years and that continue to inform those societies when new cultural elements are introduced. People in Southeast Asia had their own religions and civilizations, so when Islam, Buddhism, and Hinduism came to Southeast Asia, they manifested differently in Thai-

"Democracy can never be anything but a work in progress. It is, and will forever remain, a work yet unfinished. But there is one absolute requirement, namely, being open to others while imparting mutual respect towards differing opinions and points of view. What improves it one step at a time is a commitment to due process and an adherence to the rule of law. I believe that a beautiful and large-blossomed lotus flower is now coming into bloom in Asia. Coupled with increasingly flourishing trade and investment, it is bringing peace and prosperity. If this is not something for us to rejoice about, then I must ask, what on earth is?" —*Japanese Prime Minister Shinzo Abe*



land, Vietnam, Laos, Cambodia, Malaysia, and Indonesia. If you see democracy in an embedded sense, you can see how it has been adopted and reshaped in ways that are suited to each region.

Home Grown Democracy

Asian experts also considered the issue of democracy from the viewpoint of political leadership. In the first panel session, **Swaminathan Gurumurthy**, a distinguished research professor at Sastra University in India, remarked, “Our democratic roots go back to Emperor Ashoka, who established a large empire covering most of the Indian subcontinent that was marked by a most peaceful and honorable rule. He did much more than merely arithmetically aggregate the people. Given that every democracy is home grown, he realized need for democratic traditions to evolve from within and take root in the culture, traditions, and philosophies of the country.”



In 1951 the United Nations notified the underdeveloped nations they would have to give up their native culture and value systems in order to modernize. “But there is a U-turn taking place today,” Gurumurthy said. “In 2008, the G20 countries came to the conclusion that there is no universal model of economics which fits all. Each nation has to develop its own economic model and unless it develops its own economic model, there is no way it can grow.”

“From a Southeast Asian perspective,” said Thailand’s **Surin Pitsuwan**, who is former secretary general of the Association of Southeast Asian Nations, “the only way to manage the diversity we see in Asia is for each and every one of us to open up more space, allowing and inviting people to participate and to make a contribution to the different forms of democracy that we are now pursuing. My country, Thailand, may be called one of the ‘noisy democracies’ in ASEAN,” he said, “where democracy has not always been a guarantee of good governance. To create a prosperous East Asian community, we need to work with each other and have people participating in this evolution.”

“Mongolians are a nomadic people,” said **Sangajav Bayartsgot**, minister and chief of the Cabinet Secretariat of the government of Mongolia, “and nomadic culture emphasizes coexistence with a harsh environment.” This was already evident in the great Mongolian empire during the thirteenth century,” he said when

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“Islamic mosques, Christian churches, Buddhist temples, and shamanistic practices all coexisted in the capital city of Kharkhorin. Of Genghis Khan’s nine famous advisors, five were foreigners. Asia is very diverse, so we have to accept and coexist with one another. This is a very important point in developing democracy in own ways in our countries.”

Moderator **Masayuki Yamauchi**, emeritus professor at the University of Tokyo and a professor at Meiji University, concluded the session by noting that Asia must experiment with its own brand of “noisy democracy.” This, rather than insisting on harmony, “may be the key to achieving coexistence with the diversity of values of Asia.” (*Report compiled by Nozomu Kawamoto*)

All photos courtesy of Nikkei Inc.

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PROGRAM

Opening Remarks: Masahiro Akiyama (President, Tokyo Foundation)

Message from the Government of India: Kiren Rijiju (Minister of State, Indian Ministry of Home Affairs)

Vote of Thanks: Gen. N.C. Vij (Director, Vivekananda International Foundation, India)

Keynote Speeches:

Kosei Morimoto (Abbot Emeritus, Todaiji Temple, Japan)

Susilo Bambang Yudhoyono (Former President, Republic of Indonesia)

Panel Session 1. “Shared Values and Leadership in Asia”

Panelists:

Swaminathan Gurumurthy (Distinguished Research Professor, Sastra University, India)

Surin Pitsuwan (Former ASEAN Secretary General, Thailand)

Kosei Morimoto (Abbot Emeritus, Todaiji Temple, Japan)

Sangajav Bayartsogt (Minister, Chief of the Cabinet Secretariat of the Government of Mongolia)

Moderator:

Masayuki Yamauchi (Emeritus Professor, University of Tokyo; Professor, Meiji University)

Video Message: Narendra Modi (Prime Minister of India)

Panel Session 2: “Shared Values and Democracy in Asia”

Panelists:

Takashi Inoguchi (President, University of Niigata Prefecture, Japan)

Shin Kawashima (Professor, Graduate School of Arts and Sciences, University of Tokyo)

Shokei Matsumoto (Priest, Komyoji Temple, Tokyo)

R. Vaidyanathan (Professor, Indian Institute of Management Bangalore)

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Rahimah “Ima” Abdulrahim (Executive Director, Habibie Center, Indonesia)

Shamsul Amri Baharuddin (Director, Institute of Ethnic Studies, National University of Malaysia)

Tin Maung Maung Than (Visiting Senior Fellow, ISEAS-Yusof Ishak Institute of Singapore, Myanmar)

Ambeth R. Ocampo (Associate Professor and former Chair, Department of History, Ateneo de Manila University, Philippines)

Thitinan Pongsudhirak (Director, Institute of Security and International Relations, Chulalongkorn University, Thailand)

Yu Tiejun (Associate Professor and Vice President, School of International Studies; Institute of International and Strategic Studies, Peking University)

Tsuneo Watanabe (Senior Fellow and Director of Foreign & Security Policy Research, Tokyo Foundation)

Moderator:

Sota Kato (Senior Fellow and Director of Policy Research, Tokyo Foundation)

Closing Address: Shinzo Abe (Prime Minister of Japan)

Symposium emceed by Mikiko Fujiwara, Public Communications Officer, Tokyo Foundation

February 4, 2016

The Importance of Japan-India Nuclear Cooperation

Satoru Nagao

The memorandum on Japan-India civil nuclear cooperation that Prime Ministers Abe and Modi signed last December, while no more than an agreement in principle, has raised contentious issues regarding the transfer of nuclear technology to a country that has not joined the Nuclear Nonproliferation Treaty. National security expert Satoru Nagao weighs these concerns against the economic and strategic merits of a full-fledged agreement on nuclear energy cooperation.

* * *

At a bilateral summit in New Delhi last December, Prime Minister Shinzo Abe and Indian Prime Minister Narendra Modi signed a memorandum of agreement on civil nuclear cooperation. While not without symbolic importance, the agreement does not, in itself, open the way for the transfer of Japanese nuclear-power technology to India. Before the two sides can conclude a full-fledged nuclear cooperation pact, they must resolve their differences over such key issues as Japanese companies' liability for nuclear accidents, the reprocessing of spent nuclear fuel,¹ and the consequences of any future testing of nuclear weapons by India.

Given these thorny issues, is such an agreement even worth pursuing? This is a topic that needs to be debated more fully. In the following, I offer my own perspective on the implications of Japan-India civil nuclear cooperation from the standpoint of economic growth and development, nuclear nonproliferation, and regional strategic concerns.

Satoru Nagao *Research Fellow, Tokyo Foundation; Lecturer (National Security Strategy), Gakushuin University.*

¹ Because the plutonium produced through reprocessing of nuclear fuel can be used in nuclear weapons, Japan has thus far refused to sign any cooperation agreement that grants the importing partner the right to reprocess its spent fuel domestically.

Boosting the Indo-Pacific Economy

From an economic standpoint, I believe that an agreement on the transfer of civil nuclear technology between Japan and India is vital to India's continued economic growth and development. Let me explain why.

India's economy began to develop rapidly not long after the government overhauled its economic policies in the 1990s. But energy is the booming Indian economy's Achilles' heel. In 2013, India overtook Japan as the world's third-largest importer of crude oil.² The government is looking at ways to expand the use of renewables, but given the current state of technology, nuclear power is the only realistic means of ensuring a steady supply of energy to meet the nation's burgeoning demand for electric power without increasing greenhouse gas emissions.

With this in mind, New Delhi has already concluded nuclear energy agreements with a number of countries. US and French companies are eager to launch nuclear power projects in India. But they cannot proceed without large forged components from Japan, some of which claim 80% of the global market. And Japan cannot supply those components without a full-fledged nuclear agreement resolving the aforementioned issues between Japan and India. For this reason a Japan-India nuclear deal is crucial to India's nuclear energy program and essential to resolving India's energy dilemma.

This is not India's problem alone. Just as China's economic slowdown has affected the many countries around the world that trade with China, Japan and other nations of the Indo-Pacific region have a large stake in the Indian economy. A Japan-India nuclear agreement is an essential key to the steady growth of India's economy and, by extension, that of the entire region.



Prime Minister Abe being greeted by Prime Minister Modi prior to a bilateral summit in New Delhi in December 2015.

India's Nukes and the Nonproliferation Regime

India is not a party to the Nuclear Nonproliferation Treaty (NPT) because it pro-

² "India Overtakes Japan as World's No. 3 Crude Importer," Reuters, January 30, 2014, <http://in.reuters.com/article/india-japan-crude-oil-import-idINDEEA0T06Q20140130>.

ceeded with its nuclear weapons program even though it was not recognized as a nuclear-weapon state under the terms of the treaty. India's maintains that it is arbitrary and unfair to acknowledge the right of China to possess nuclear weapons but to deny the same right to India simply because it began testing its weapons a decade later.

Some would argue that the Japanese government should not enter into a civil nuclear agreement with a country that has not committed to the NPT and is unlikely to do so any time soon. However, if one considers the matter carefully, it becomes clear that civil nuclear cooperation between Japan and India would have virtually no negative impact on the nonproliferation regime.

The main reason is that India has demonstrated a firm commitment to nonproliferation. It launched its own nuclear weapons program some 50 years ago, and in all the time since, it has rigorously guarded against proliferation. In this sense, it clearly differs from countries like Pakistan, North Korea, and Iran, which have conducted shady dealings on the "nuclear black market." If India continues to control its nuclear technology as carefully as it has for the past half-century, cooperation on the use of nuclear energy for peaceful purposes should not undermine the NPT.

Second, even if the international community were to acknowledge India's right to possess nuclear weapons as a sixth nuclear-weapon state, this would in no way weaken the NPT, since there are no other viable candidates for that status waiting in the wings. Pakistan, Iran, and North Korea have all disqualified themselves by their involvement in illicit trading of nuclear technology. Other countries that may have had nuclear weapons programs in the past (such as South Korea, Taiwan, Libya, Brazil, Argentina, and South Africa) have already shut them down. Although Israel is assumed to have nuclear weapons, it has a longstanding policy of refusing to publicly affirm the fact. In short, accepting India's status as a nuclear state would in no sense undermine the nuclear nonproliferation regime. This is why 11 countries have already signed civil nuclear cooperation agreements with India, namely, the United States, Russia, Britain, France, Australia, Canada, South Korea, Mongolia, Kazakhstan, Argentina, and Namibia.

Regardless of such international trends, some people nonetheless argue that Japan, as the only nation to experience atomic bombings, must maintain exceptionally rigorous anti-proliferation standards. But the truth of the matter is that India's nuclear policies are very similar to Japan's. Both countries are committed to the "total elimination of nuclear weapons," as they reaffirmed in last December's joint

statement.³ At the same time, both countries realistically acknowledge the need for nuclear deterrence in today's world.

When China began testing nuclear weapons in 1964, its neighbors were deeply alarmed. Over the next few years, Japanese policymakers weighed the idea of developing an independent nuclear capability—possibly in cooperation with West Germany—but such a step was ultimately deemed unnecessary on the grounds that the US “nuclear umbrella” afforded sufficient deterrence under the terms of the Japan-US alliance. What few people realize is that India also appealed to the United States for some sort of nuclear umbrella but was refused. Requests were also made, unsuccessfully, to the Soviet Union, Britain, and France.

Obligated by circumstances to develop and maintain its own deterrent capability, India has conducted nuclear tests on two occasions, in 1974 and 1998. Many in Japan were highly critical of India when it conducted the 1998 tests. But we need to keep in mind that Japan's long-term commitment to abolishing nuclear weapons has not prevented it from taking advantage of the deterrent power of the US nuclear umbrella. In this respect, our position differs very little from India's.

Given these circumstances, Japan's commitment to nuclear nonproliferation and the NPT should not be regarded as a fundamental obstacle to the conclusion of a civil nuclear cooperation agreement with India.

Strategic Considerations

Finally, a Japan-India civil nuclear cooperation agreement has important strategic implications for the Indo-Pacific region.

Japan and India share deep concerns over China's growing naval presence and its expanding influence in the East China Sea, South China Sea, and Indian Ocean. Particularly troubling is Beijing's ongoing efforts to consolidate control over countries in Southeast Asia and beyond. In addition to military power, the export of infrastructure is one of the tools China has used to bring these countries under its sway. Its construction of nuclear power facilities in Pakistan is a case in point.

Of course, the Japan-US alliance is one key mechanism for countering this expansion. But it is unclear how much longer we can rely on US power alone. China is working slowly but surely to close the military gap with the United States; between 2000 and 2014, China added 41 new submarines to its fleet, while the United States commissioned just 11. To be sure, America's submarine force is supe-

³ “Japan and India Vision 2025 Special Strategic and Global Partnership,” December 12, 2015, www.mofa.go.jp/s_sa/sw/in/page3e_000432.html.

rior in capability, but in the East China Sea, South China Sea, and Indian Ocean, China is now in a position to deploy more submarines than the United States. This is the military reality underlying China's increasingly coercive and adventurist conduct in the region. One may legitimately wonder how far that behavior will escalate as the modernization of China's navy continues.

What this means is that other countries in the region need to cooperate to keep China's political, economic, and military influence within bounds. For Japan, this means supporting India's rise as a regional power by cooperating in the development of civil nuclear energy. India, of course, has its own concerns about China's expanding power and has already responded by providing aid to countries like Vietnam and the Philippines. It is in Japan's best interests to promote a stable power balance in the broader Indo-Pacific region by supporting India's emergence as a regional power.

A Possible Deal Breaker

Given the economic, nonproliferation, and strategic considerations examined above, it seems clear that the recent Japan-India memorandum on civil nuclear cooperation is fundamentally a development to be welcomed. As I noted at the outset, however, the memorandum leaves a number of issues unresolved. Prominent among these is the question of whether India is likely to conduct further testing of nuclear weapons, and how such tests would impact on the bilateral agreement.

India has said that it already has all the data it needs to ensure normal operation of its nuclear weapons systems and upgrade their capability. However, if it turns out that the data is insufficient, then further tests might be needed in order to maintain India's nuclear deterrent capability.⁴

If India were to conduct a nuclear test, nuclear cooperation between Japan and India—even for peaceful purposes—would become untenable, since there would be no assurance that resources provided by Japan had not been diverted to India's nuclear weapons program. The depth of Japan's concern over this can be gathered from the inclusion of the following item in the December 2015 Japan-India joint statement: "Prime Minister Abe stressed the importance of early entry into force of the Comprehensive Nuclear Test Ban Treaty (CTBT) which should lead to nuclear disarmament." Unfortunately, the CTBT can only go into effect after all 44 states

⁴ "Nine Questions of India's Nuclear Strategy," *ISPSW Publications*, June 2014, Issue No. 277 (Institut für Strategie- Politik- Sicherheits- und Wirtschaftsberatung, Germany), <http://www.isn.ethz.ch/Digital-Library/Publications/Detail/?id=181116>.

listed in Annex 2 of the treaty have ratified it, and 8 of those states have yet to do so. But the fact that Japan insisted on including this reference in the joint statement is an indication of its concern over the possibility of future testing. India needs to keep Japan's worries in mind.

Provided that India appreciates the need to refrain from nuclear testing, civil nuclear cooperation could well become the basis for a long-term cooperative relationship with major economic and strategic benefits for the region and no adverse effect on the nonproliferation regime. Such a development would give true meaning and substance to the idea of a "special strategic and global partnership."

February 22, 2016

Can Trump Win?

Paul J. Saunders

The real-estate mogul could wind up winning the Republican nomination and even the race for the White House, but he will first need to overcome highly negative favorability ratings among both Republicans and the general public. An even bigger issue highlighted by Trump's rise, notes Paul Saunders, is the growing divisions within the GOP.

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Donald Trump's victories in the New Hampshire and South Carolina primaries have led many to ask whether the businessman-turned-television personality could eventually win the GOP nomination or even the November 2016 presidential election. The short answer is that it is indeed possible, though he would face significant challenges in securing the nomination and especially a general election victory. No less important, however, are the profound challenges facing the Republican Party.

Expert assessments of Trump's prospects have improved dramatically since the spring and summer of 2015, when most observers did not think that Trump's support in polls would translate into votes or that his sometimes offensive statements would force him out of the race. By September, a Republican Party political strategist had produced a confidential memorandum [https://www.washingtonpost.com/apps/g/page/politics/memo-on-donald-trump-from-ward-baker-to-nrsc-senior-staff/1898/?tid=a_inl] to party leaders outlining how the party and congressional and state candidates could manage the consequences of Trump's nomination.

In December, party leaders privately acknowledged another possibility: a contested party convention, resulting from the failure of any one candidate to win sufficient delegates in state-by-state races. [<https://www.washingtonpost.com/politics/gop-preparing-for-contested-convention/2015/12/10/d72574bc-9f73->

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11e5-8728-1af6af208198_story.html] Trump's performance so far makes each of these outcomes increasingly realistic.

Roadblocks to the Nomination

The forces in Trump's favor are anti-establishment voter anger and a sense that Trump is an "authentic" outsider, a divided Republican party producing multiple weak candidates who struggle to match Trump's popularity, and momentum going into early March, when twenty-one states will award Republican delegates during a two-week period. Polls suggest that Trump could continue to do well in many of these states.

In the best-case scenario for Donald Trump's campaign, continuing primary victories would strongly encourage Republican elites and voters to consolidate around his candidacy to win tactical advantage against the eventual Democratic nominee by uniting sooner and reorienting the GOP's focus outward rather than inward. In another favorable scenario for Trump, continuing battles among multiple second-tier candidates, now limited to Senator Ted Cruz, Senator Marco Rubio, former Governor John Kasich, and retired neurosurgeon Ben Carson, would allow him slowly to build the majority of delegates needed to win the nomination.

"High negatives"—a large number of potential voters who don't like Trump, even among Republicans—are perhaps the largest obstacle facing the Trump campaign. Indeed, after reviewing exist polls, the respected political statistician Nate Silver set Trump's net favorability rating at -25% among Republicans. [<http://fivethirtyeight.com/features/donald-trump-is-really-unpopular-with-general-election-voters/>] While 33% of Republicans evaluate Trump favorably, some 58% see him unfavorably. Trump's net favorability among independents and Democrats is even lower, at -27% and -70%, respectively. This enduring opposition to Trump could prevent him from winning sufficient delegates prior to the Republican Convention, to take place in Cleveland, Ohio in July 2016.

Trump's approach to financing and running his presidential campaign may well become another obstacle. Trump has famously stated that he is financing his own campaign rather than courting major political donors. In practice, Trump appears to have relied heavily on loans to his campaign (which the campaign would presumably repay in the future), small donors, and complicated arrangements through which some of his existing employees work for his campaign while being paid by his companies. At the same time, some reports suggest that about one-fourth of his campaign expenses are actually payments to his own companies. [<https://www.washingtonpost.com/opinions/five-myths-donald-trump-tells-about->

donald-trump/2016/01/28/b7cead16-c46e-11e5-9693-933a4d31bcc8_story.html]

In 2015, Trump appeared to resist creating an expensive full-scale traditional campaign organization focused on identifying and mobilizing his supporters; if he is to be the nominee and eventually to win, he is likely to need such an organization. At a minimum, he will suffer for not having it. Indeed, from this perspective, Trump's second-place finish in the Iowa Caucus—which usually requires a strong “ground game,” as political operatives put it—is all the more impressive.

Damaging for the GOP

Ultimately, however, whether or not Donald Trump wins the Republican nomination, the 2016 election cycle could be a very damaging one for the Republican Party. If Trump wins the nomination, many establishment Republicans—including elites and ordinary voters—may refuse to back him. Conversely, if Trump wins the largest share of delegates (perhaps 35% to 45%) but fails to win an outright majority and loses the nomination in a so-called brokered convention, his supporters may turn on the GOP. In that case, Trump himself may choose to run as an independent candidate.

This problem—divisions in the Republican Party—may ultimately be the most significant roadblock for a Trump presidential campaign. That said, US presidential elections are choices between alternatives, not up-or-down votes. Barring serious legal problems stemming from the investigation of her personal email server, Hillary Clinton is quite likely to become the Democratic nominee and is herself a polarizing figure, both among general election voters and among Democrats, something powerfully demonstrated by Senator Bernie Sanders' early successes.

If Donald Trump does win the Republican nomination, the 2016 election could be decided less by who has the most supporters than by who has the most opponents—and whether they decide to vote or stay home.

March 1, 2016

Can China Curb Carbon Emissions?

Hikaru Hiranuma

In the wake of the Paris Agreement on climate change, all eyes are on China, the world's biggest carbon emitter, to see if it can put the brakes on fossil fuel consumption while maintaining economic growth. Hikaru Hiranuma examines the evidence for signs of a seismic shift in Beijing's domestic energy policy.

* * *

On December 12 last year, the Paris climate conference (COP 21) adopted the Paris Agreement, a groundbreaking international framework for stemming climate change in the coming decades. In the document, the parties to the UN Framework Convention on Climate Change agreed to take concrete measures to achieve zero net anthropogenic emissions sometime during the second half of the twenty-first century with the long-term goal of holding the average global temperature increase to within 2°C (and preferably 1.5°C) of preindustrial levels.

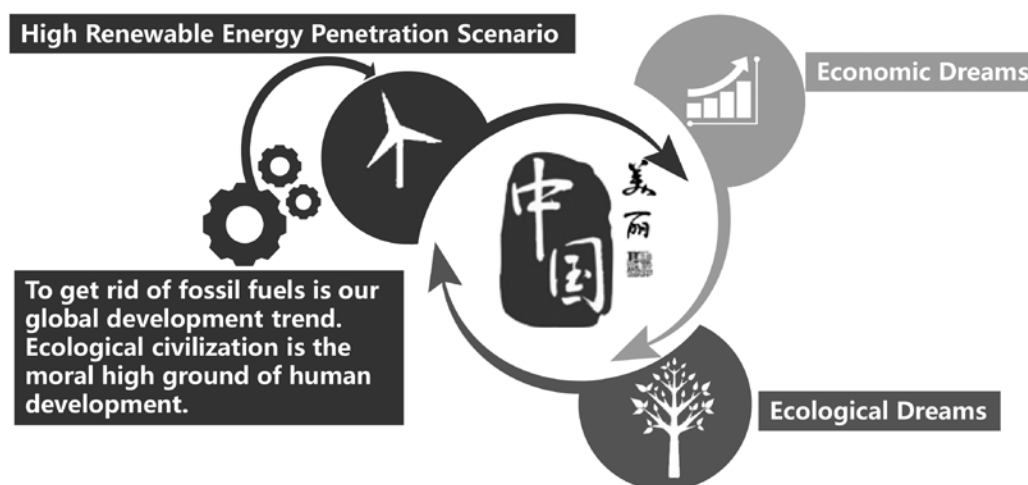
Although the Paris Agreement does not impose country-by-country targets for reducing greenhouse gas emissions, it does mandate that all of the parties—including the United States and China—draw up and submit their own targets and adopt domestic policies to achieve them.

Now it is up to each country to take concrete action, and one of the most carefully watched countries will be China, the world's biggest greenhouse gas emitter. How Beijing meets the challenge is sure to have a major impact on government policies elsewhere in the world.

An Ambitious Energy Roadmap

The China 2050 High Renewable Energy Penetration Scenario and Roadmap

Hikaru Hiranuma Research Fellow and Project Manager, Tokyo Foundation.

Figure 1. The Goal of Building a “Beautiful China”

Source: Energy Foundation China, *China 2050 High Renewable Energy Penetration Scenario and Roadmap Study*

Study may provide some clues as to where China's energy policy is heading in the wake of COP 21.¹ Released by the Energy Research Institute (part of the National Development and Reform Commission) and the Energy Foundation China in April 2015, a few months in advance of the Paris climate conference, the report calls for a wholesale shift toward such renewable energy sources as wind and solar in order to achieve the three goals of independence from fossil fuels, economic prosperity, and environmental recovery, with the overarching development goal of building a "Beautiful China" (Figure 1).

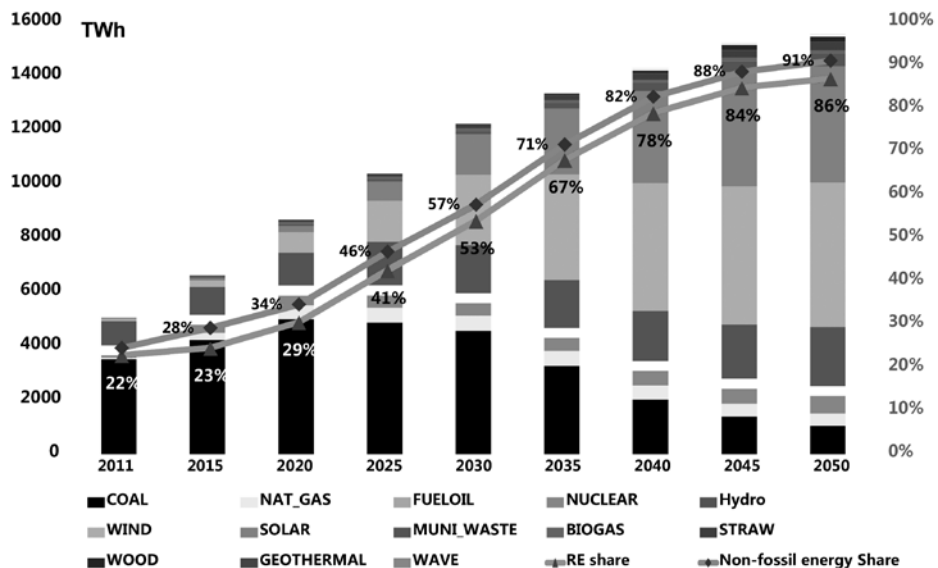
Under the High Renewable Energy Scenario, the contribution of renewable energy to total electricity consumption would rise from the 2011 level of 22% to 53% by 2030 and 86% by 2050, dramatically reducing dependence on coal and other fossil fuels. Fossil fuel consumption and greenhouse gas emissions, which have risen continuously, would peak around 2025 (Figure 2).

At the same time, the study projects that the development and growth of green industries, including wind power, solar power, and electric vehicles, would contribute substantially to gross domestic product and sustain roughly the same level of employment currently supported by fossil-fuel energy (Figure 3). In this way, the

¹ Energy Foundation China, *China 2050 High Renewable Energy Penetration Scenario and Roadmap Study*, <http://www.efchina.org/Reports-en/china-2050-high-renewable-energy-penetration-scenario-and-roadmap-study-en>.

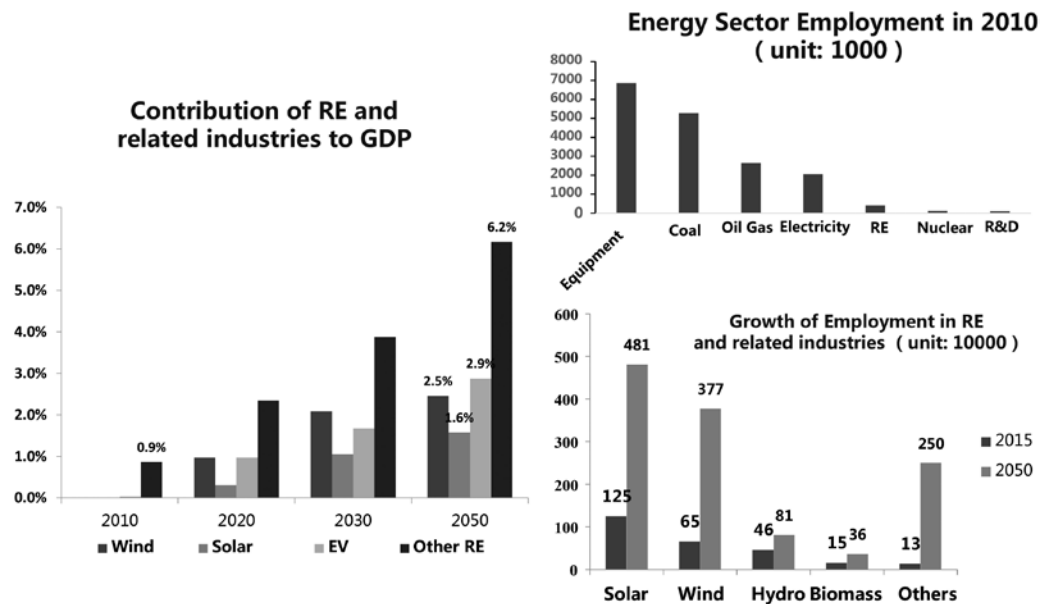
ENERGY

Figure 2. Power Generation under the High Penetration Scenario



Source: Energy Foundation China, China 2050 High Renewable Energy Penetration Scenario and Roadmap Study.

Figure 3. Renewable Energy as a Driver of Economic Growth



Source: Energy Foundation China, China 2050 High Renewable Energy Penetration Scenario and Roadmap Study.

scenario claims to simultaneously meet the three challenges of phasing out fossil fuels, stimulating economic growth, and restoring environmental health.

The report's vision of boosting renewable energy's share of total electricity generation from 22% to 53% by 2030 may strike some as unrealistic, given that the Japanese government's latest Long-Term Energy Outlook, released last June, projects no more than a 22%–24% contribution by renewable energy in 2030.² Yet China's target is not substantially more ambitious than the European Union's goal of boosting renewable energy's share in electric power generation from 21% today to 45% by 2030.

The ERI, which drew up the High Renewable Energy Scenario, is a national research institution directly under the authority of the National Development and Reform Commission. As such, it can be considered the center of energy research in China. I traveled to Beijing in October 2015, during the fifth plenary session of the 18th Communist Party Central Committee, to sound out researchers and officials at the ERI and other energy-related agencies concerning the study's relationship to government policy and the concrete steps China must take in order to turn it into reality.

Action Plan for a Zero-Emissions Society

To achieve the aforementioned targets, the High Renewable Energy Scenario outlines an action plan for government, industry, and society, organized under 15 headings. In addition to the development of a competitive electric power market, a component of the action plan that has drawn special attention is the conversion of China's coal-fired power stations from base-load plants operating at maximum output into variable-load plants designed to provide backup for renewables as the latter assume a central role in the nation's power supply.

Because wind power and other renewable energy sources rely on weather conditions, they cannot be counted on to generate a stable power supply by themselves. If the contribution of renewables is to jump to 53% by 2030 and 86% by 2050, a backup source will be essential. For this purpose, China's base-load coal-fired plants would gradually be converted to load-following plants whose output can be adjusted to compensate for the variable output of renewable energy.

According to ERI Deputy Director General Wang Zhongying, the coal-fired

² A report published by the Environment Agency in 2014, on the other hand, maintains that Japan could achieve a renewable energy ratio of 33%–35% by 2030. See <http://www.env.go.jp/earth/report/h27-01/>.

plants would eventually operate no more than about 1,000 hours a year on average, down from the current average of about 5,000 hours, and the contribution of coal-fired plants to total power generation would fall from 75% in 2011 to 38% in 2030 and a mere 7% in 2050. Experts at the institute are also studying new price mechanisms, such as dynamic pricing and time-based pricing, to help compensate for the loss of income attending the drop in plant utilization and output.

Another concept that has attracted notice is that of using an anticipated boom in electric vehicles to stabilize a power grid that depends heavily on wind and solar energy. The idea is that the batteries of electric vehicles could store power when renewable energy sources produce an excess. Assuming that car ownership in Beijing rises to 10 million by 2030, if half of those vehicles are EVs equipped with 40 kWh batteries, they should be sufficient to even out short-term imbalances in supply and demand even when 53% of all electric power is produced by renewable energy.

Does Beijing Mean Business?

Given the situation in China today, it is difficult to imagine such radical changes as the conversion of coal from a base-load energy source into a backup source or the kind of widespread penetration of electric cars envisioned under the scenario. In terms of actual policy, is there any evidence that the government is prepared to pursue such a course?

Beijing has already adopted a number of key policy initiatives designed to move the nation in this direction. One is the establishment of a cap-and-trade system for carbon dioxide emissions, scheduled for launch in 2017. The trading regime will apply to the steel, chemical, construction, paper, and nonferrous metals industries, as well as the high-emissions electricity sector. Companies that exceed their cap will face penalties, and since coal is a notoriously dirty energy source, conventional coal-fired power plants will face an increasingly hostile economic climate once the new system is in place. Beijing and six other municipalities and provinces have been conducting emissions-trading pilot programs since 2013, and the trials seem to be proceeding smoothly, with some 5.3 million tons of carbon (about 230 million yuan) traded as of October 15, 2015.

The fact that the emissions-trading scheme was explicitly included in the joint statement issued by President Xi Jinping and US President Barack Obama following their White House meeting last September is another indication that Beijing is serious about weaning the power industry from fossil fuels, specifically coal. Another positive sign is the fact that none of China's five major electric power com-

panies have registered their opposition to the plan. Barring some major shift in course, the trend seems certain to continue. Incidentally, ERI is spearheading the effort to design a carbon market, attesting to the institute's important role in China's energy policy.

The government has also adopted concrete measures to promote the proliferation of electric cars, including tough auto fuel consumption standards. The Energy-Saving and New Energy Vehicle Industrialization Plan, released by the State Council in 2012, assumes a maximum average (by automaker) of 6.9 L/100km by 2015—down from 7.4 L/100 km in 2012—and 5.0 L/100km by 2020, one of the toughest standards in the world. To achieve such an average, automakers will have little choice but to include electric vehicles in their fleets. Judging by current policy, moreover, the future belongs to plug-in EVs, not hybrids; the former are eligible for government subsidies for low-emissions vehicles, while the latter are not.

ERI's Domestic and Foreign Partners

The question remains: What is the status of the scenario in relation to China's official energy policy?

According to ERI Deputy Director General Wang Zhongying, the scenario was the result of three years of research by specialists in the field, produced with the aim of influencing the content of the government's 13th Five-Year Plan as well as the 2030 long-term development plan. Wang emphasized that the report did not represent the views of the Chinese government. Nonetheless, its credentials are such as to guarantee considerable influence over government policy. To carry out and complete the study, ERI and Energy Foundation China collaborated with virtually all key domestic players in the energy field, including the State Grid and the Chinese Academy of Sciences, which is directly under the State Council.

More interesting, perhaps, is the report's mention of the US Department of Energy and the government of Denmark as providers of technical support. This explicit acknowledgement of the contribution of foreign expertise is one of the study's unique features (Figure 4). The DOE's involvement, along with the inclusion of CO₂ emissions reduction targets in the November 2014 joint statement by Obama and Xi Jinping, suggests a high level of US-China cooperation in the areas of energy and the environment, notwithstanding growing bilateral friction over China's behavior in the South China Sea and other security concerns.

Although it is too soon to predict the full impact of the High Renewable Energy Scenario on government policy, the goal of building a "Beautiful China" is echoed in the guidelines for the 13th Five-Year Plan adopted by the Communist Party at

Figure 4. Partners and Technical Support



Source: Energy Foundation China, China 2050 High Renewable Energy Penetration Scenario and Roadmap Study.

the fifth plenary session of the CPCC last October. The significance of the study will become clearer once the details of the plan are fleshed out and formally adopted at the National People's Congress in March 2016. Japan's policymakers need to keep a close eye on Beijing's energy policies and work to keep abreast of global trends as it charts its own energy strategy going forward.

February 1, 2016

Why Is China Muzzling Its Lawyers?

Tomoko Ako

China's nationwide crackdown on civil-rights lawyers may seem like a clear case of top-down repression, but in reality the dynamics are much more complex. The author shines a light on the structural problems fueling the latest civil-rights campaigns and the government's misguided response.

* * *

In recent years China's lawyers have come under intense pressure as officials crack down on civil-rights advocacy. The trend peaked in July 2015, with the mass detention and questioning of more than 200 lawyers nationwide. Was this a coordinated campaign orchestrated by the leadership of the central government and the Communist Party with a unified purpose in mind?

With President Xi Jinping's state visit to Washington and London in the offing, why would the Chinese government deliberately embark on a course of action that would invite Western criticism? Foreign analysts are sharply divided on this question. Was it an indication of the regime's confidence and its indifference to outside opinion? Or was it a panicked response precipitated by the stock market crash of the previous month?

The driving forces behind Chinese politics—from the Communist Party's internal power struggles to the processes surrounding the adoption and implementation of individual policies—are often hidden from view. That said, it seems to me that we can gain a deeper understanding if we approach recent developments like these not only as clues to the current regime's intent and policy direction but also as symptoms of the broader structural issues with which China is grappling.

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The State Media's Smear Campaign

According to Amnesty International, Chinese authorities detained or questioned more than 200 lawyers between July and the beginning of October. While most have since been released, more than 20 were still in custody or missing as of this writing.¹ At the center of the crackdown is the Fengrui Law Firm in Beijing, whose director, Zhou Shifeng, was seized and jailed on criminal charges along with lawyer Wang Yu.

Within days of the lawyers' detention—before authorities had a chance to draw up formal charges, let alone conduct a thorough investigation—such state- and party-controlled media as Xinhua, *Renmin Ribao* (People's Daily), and China Central Television (CCTV) were treating the lawyers as criminals and explaining their alleged crimes in considerable detail. Officially sponsored media smear campaigns of this sort have become increasingly common in recent years.

A July 12 piece carried by Xinhua reported, “the Ministry of Public Security has ordered police in Beijing and elsewhere to take concerted action to break up a major crime ring centered on the Fengrui Law Firm of Beijing, which has organized more than 40 politically incendiary incidents since July 2012 and severely disrupted public order.”²

Preceding this account of events is a series of loaded questions calculated to sow suspicion: “Why have certain lawyers appeared time and again on the scene of controversial incidents, stirring up trouble? Why do so many protesters join with them, carrying signs and creating a disturbance? Why have judges and officials in charge of politically sensitive cases been waylaid outside the courtroom, attacked, and made the targets of online exposure campaigns? Why does one so often glimpse behind these escalating controversies the presence of groups that intentionally agitate and manipulate for their own illicit purposes?”

Among those charged with serious crimes is Wang Yu, who has earned a reputation as China's most intrepid female lawyer and a powerful force for civil rights. Wang Yu's clients include Ilham Tohti, a prominent Uighur scholar currently serving a life sentence; human-rights activist Cao Shunli, who died of poor health (amid accusations of neglect) after five months in detention; Fan Mugen, arrested for

¹ For data on the investigation and detention of lawyers in China, see Amnesty International, “China: Lawyers and Activists Detained or Questioned by Police since July 7 2015,” <https://www.amnesty.org/en/documents/asa17/2277/2015/en/>.

² Zou Wei and Huang Qingchang, “Jiekai ‘weiquan’ shijian de meimu” (The Puppeteers Behind the “Rights Protection” Incidents), *Renmin Wang* (People.com), July 12, 2015, <http://politics.people.com.cn/n/2015/0712/c1001-27290030.html>.

assaulting police authorities when he resisted forced eviction; and a group of underage girls who were raped by a school principal.

On July 20, CCTV's evening newscast aired footage of Wang Yu confronting a group of security officers in a courtroom, shouting, "You're a pack of scoundrels, you're beasts!" Doubtless many viewers reacted negatively to this scene. I myself questioned the use of such violent language in a court of law. But feminist activist Ye Haiyan put the incident in context, explaining that four stocky court police officers had physically restrained Wang's female client in the midst of an emotional testimony regarding the torture she had endured under police interrogation.³ If what Ye says is true, it means that CCTV took the incident out of context and highlighted it in a deliberate attempt to show Wang Yu in the worst possible light.

Making a Crime of Advocacy

Because China does not recognize the independence of the judiciary, attorneys often battle against impossible odds as they attempt to secure justice in the face of political interference. In some cases they cannot even meet with their clients. Key evidence or testimony may be excluded from consideration. Family and associates may be barred from the courtroom and denied access to court transcripts. Detainees are held without trial past the legal time limit for prosecution, and the court may reach a verdict before defense attorneys even have an opportunity to present their case. Increasingly, moreover, attorneys are facing threats to their own safety and liberty.

In a society in which the judiciary is neither independent nor transparent, the law alone is insufficient to hold the government accountable for violations of civil rights and other social issues. Cognizant of this problem, lawyers in charge of controversial cases have taken to working in concert with interested citizens and the media to strategically raise public awareness regarding incidents and problems. They may take to the streets with a megaphone or release videos and other key information on the Internet. This can be considered a form of advocacy, a way of pushing society and the government to address important social issues. Internationally, advocacy of this sort is widespread and acknowledged as essential to the development of a healthy society. In China, however, advocates are increasingly branded as troublemakers and even enemies of the state. China's public security officials have come to regard this alliance among lawyers, activists, and aggrieved citizens as a major threat to stability.

³ Ye Haiyan offered the explanation in a comment posted on Sina Weibo, a Chinese microblogging and social networking site.

Amid these concerns, the public backlash over the Qing'an station incident of May 2015 clearly touched a raw nerve. On May 2, a police officer at a station in Qing'an county in Heilongjiang Province shot and killed a man by the name of Xu Chunhe as he was waiting to board a train with his wife, three children, and 81-year-old mother. The officer claimed justifiable defense, but rumors spread online that the victim was a disgruntled citizen on his way to Beijing to petition the government, and that the officer was trying to prevent him from boarding. A video of the altercation found its way onto the Internet and went viral.

In China, individuals with grievances can petition the national government directly, and countless citizens who feel they have been denied justice at the local level travel to Beijing to submit their petitions to central government authorities. Since a large number of petitioners from a given area reflects badly on local officials and can lead to disciplinary action, provincial governments have been known to intercept and even detain petitioners without just cause. Whether or not Xu himself was a petitioner is almost impossible to establish now that he is dead and reporters have been denied access to his family, but reports later emerged that local authorities have offered his mother a substantial sum of money, presumably in exchange for her silence.

The Communist Party's Central Publicity Department did its best to control coverage of the story, but the online community was soon abuzz with testimony and comments that had the authorities on the defensive. There were growing calls for an independent commission to investigate the incident.

The government's discomfiture over the affair and its aftermath are apparent in the aforementioned Xinhua piece, which includes pointed remarks about the role of lawyers and their collaborators in the Qing'an incident. "They concocted the false allegation that Xu Chunhe was a petitioner and that the police had shot him on orders from local leaders," the authors write. "The lawyers who raised their banners at the station and signed a contract to represent Xu Chunhe's mother also orchestrated an exposure campaign [*renrou sousuo*] against a local official who defended the police officer's action. When they discovered an irregularity in the official's past, they exaggerated the problem in a bid to put pressure on the government."

The term *renrou sousuo* (literally, "human flesh search") used in the piece refers to organized efforts to dig up damaging personal information and to publicize it through the Internet. Local officials are the most frequent targets of *renrou sousuo*. In the wake of the Qing'an incident, Internet users targeting Deputy Magistrate Dong Guosheng discovered that he had misrepresented his age and education on a résumé and that his wife was receiving wages from the government despite having no official position. Dong was suspended pending an investigation.

The Xinhua piece continues, “A key instigator, Internet user ‘Chaoji Disu Tufu,’ a.k.a. Wu Gan, rushed to the scene and promised to ‘pay 100,000 yuan to anyone providing video footage of the Qing’an incident.’⁴ According to [detained Fengrui lawyer] Zhai Yanmin, Wu Gan is an old hand at creating a public uproar from politically sensitive incidents and is well known among those involved in such activities. . . . The protesters who hurried to the scene testified that they each received a 600 yuan ‘reward’ for carrying a sign. Some of the protesters were detained by police, and according to Zhai Yanmin, they were feted as ‘heroes of Qing’an’ after they returned to Beijing.”

Blogger Wu Gan was detained in late June and arrested on charges of disorderly behavior, defamation of character, and inciting subversion of state power. According to the Xinhua piece, the Fengrui Law Firm had hired Wu Gan as an assistant and was paying him a salary of more than 10,000 yuan per month, plus expenses.

The Fengrui Law Firm was probably working with Wu Gan in order to draw attention to cases it had undertaken. Wu Gan had frequently used the Internet as well as street demonstrations to help aggrieved citizens publicize incidents and pressure the government for action or disclosure. When such activity was insufficient to raise public awareness, he would search for evidence of corruption or malfeasance by officials involved in the incident and publish the information on the Internet. In this way he would pressure the authorities to acknowledge the victim’s suffering and offer compensation or an apology. An online fund-raising campaign had even solicited contributions from abroad to support this mode of activism, which Wu termed “slaughtering the pigs.”

A Threatening Coalition

Civil-rights coalitions of this type, in which activists and citizens make skillful use of the Internet to mobilize public support, have become increasingly common in recent years, but the authorities have begun taking strong measures to suppress them. In the 2014 Jiangsanjiang incident, lawyers Tang Jitian, Jiang Tianyong, Wang Cheng, and Zhang Junjie were held at a “legal education base” in Heilongjiang province on charges of “using cult activities to harm society” after they joined with citizens to protest the unlawful detention of Falun Gong devotees, petitioners, and others. This provoked a backlash from supporters outraged by the authorities’ high-handed measures.

⁴ Chaoji Disu Tufu, literally, “Super Vulgar Butcher,” is the handle of the well-known human-rights blogger Wu Gan.

Another proponent of this type of alliance was legal scholar and rights advocate Xu Zhiyong, who launched a citizens' campaign around 2010 to lobby for the disclosure of officials' personal assets and equal educational opportunity—a campaign known as the New Citizens' Movement. The movement came to an end in 2014, when Xu and other key figures around the country were sentenced to prison for disrupting public order.

Officials have also moved against independent think tanks and nonprofit groups involved in citizen outreach. Two notable targets are the Transition Institute of Social and Economic Research in Beijing, a private think tank that has won kudos for its constructive policy proposals, and the Liren Rural Libraries, a non-governmental organization that built a rural library network to provide broader access to free books and educational opportunities. In 2014, authorities detained a number of key figures from both the Transition Institute (including founder Guo Yushan and administrative supervisor He Zhenjun) and Liren (among them Executive Director Xue Ye and Deputy Director General Liu Jianshu).⁵

It should be noted that, unlike Nobel laureate Liu Xiaobo's *Charter 08*, which called for a new constitution guaranteeing democratic elections and a multi-party system, the New Citizens' Movement and other civil-rights campaigns of recent years have refrained from attacking China's basic political system or challenging the CPC's one-party dictatorship. They have sought only incremental social change based on the rule of law under the existing constitution, which recognizes the legitimacy of one-party rule by the CPC but also provides explicit guarantees of freedom of speech, freedom of the press, freedom of assembly, and the right to demonstrate or protest peacefully. Yet even with such relatively moderate goals, these groups' expanding networks and growing ability to mobilize popular support have clearly made the authorities nervous.

But another important factor behind the severity of the crackdown, even in far-flung regions, may be an overreaction by officers and officials farther down the chain of command, who fear being held responsible for possible outbreaks of unrest. Below we look more closely at this dynamic

China's Bloated Security Apparatus

When the government drafted its 2012 budget calling for 701.8 billion yuan for public security and 670.3 billion yuan for national defense, the international media

⁵ Guo Yushan and He Zhenjun were abruptly released on September 14, 2015, shortly before Xi Jinping's visit to the United States.

picked up on the story, reporting that China's domestic security spending had outstripped defense spending for the first time ever. The Chinese government was quick to respond to these reports. One finance official (speaking to a reporter for Guangzhou-based *Nanfang Dushi Bao*, or Southern Metropolis Daily) explained that "expenditure for public security" included such things as public health, public transportation, construction safety, and food safety, as well as law enforcement.

This explanation was greeted with skepticism. According to the explanatory notes in the 2011 China Statistical Yearbook, "expenditure for public security . . . refers to the spending of government on maintaining social and public security, including the expense on armed police force, public security [local police] forces, state security, prosecution, courts, justice, prison, labor education and rehabilitation, protection of state secrecy, anti-smuggling police, etc." In addition, the breakdown of the 2010 public security budget published by the government revealed that, out of a total of 551.8 billion yuan in actual spending, the armed police accounted for 93.4 billion, public security (local police) forces for 281.6 billion, the courts for 54.5 billion, the justice system for 16.6 billion, and anti-smuggling and anti-trafficking operations for 1.1 billion yuan. The remaining category of "other" accounted for a mere 1.2% of the total, suggesting that the bulk of the funds allocated for public security spending does indeed go to the police and criminal justice systems.⁶

These expenditures have been rising at a fairly dramatic rate. Between 2010 and 2014, total outlays by the central government (excluding local allocations) rose by 40%, but spending on public security rose 170%. We should note in this context that three-fourths of the public-security budget (unlike the defense budget) is shouldered by local governments, most of which have been under severe fiscal constraints due to the slowing down of economic growth. Why do they continue to ramp up their spending on public security despite falling revenues and high levels of local government debt?

One likely reason is that public-security indicators count prominently among the evaluation criteria by which local officials are promoted or, in some cases, disciplined. As one local government official explained to me, "We are expected to prevent large-scale protests before they happen, and how we deal with petitioners is an important indicator as well."

Another possible reason is that unnecessary work is being created by organiza-

⁶ See Yutaka Kitamura, "Chian iji hi ga gunji hi o uwamawaru Chugoku shakai," *Nikkei Business Online*, March 16, 2012, <http://business.nikkeibp.co.jp/article/world/20120314/229787/?rt=nocnt>.

tions and personnel engaged in public safety as they seek to aggrandize their own benefits. As Parkinson's law dictates, the bureaucracy expands "irrespective of any variation in the amount of work (if any) to be done."⁷ Budget decisions and the process of implementation are quite opaque in China, and information regarding public security is guarded particularly closely, as it often involves state secrets and other important matters. Rather than considering the good of their organization or country as a whole, officials, according to Parkinson, are wont to multiply subordinates and to make work for each other so as to increase the size of their budgets.

Nearly all of the Chinese lawyers, journalists, and scholars I know claim to have been tailed or questioned by the *guobao*, the secret police directly under the Ministry of Public Security.⁸ Some have even been given money and told to "go somewhere remote" during a major event or international conference in Beijing. The director of a private group involved in labor issues told me that a *guobao* officer put a stack of cash on his desk, saying, "It would make our jobs a lot easier if you would quit yours." Other acquaintances speak of being plied with gift certificates, vouchers, liquor, and cigarettes. On the basis of such anecdotal evidence, one can imagine how quickly expenses could mount in the name of "dealing with potential troublemakers."

Near the bottom of the domestic security hierarchy, different motivations come into play. A lawyer I know got so accustomed to seeing the same *guobao* agents lurking around his home and workplace that he began engaging them in conversation. "They were overjoyed whenever I made them gifts of some liquor or tea that I'd received from clients. I think many of the rank-and-file agents are having a hard time making ends meet," he said. These are low-ranking officers with few privileges and small, closely monitored spending accounts. No doubt, some are struggling to support their families. Such agents may feel the need to make a show of diligence and zeal and to adjust their level of familiarity with their subjects in order to keep their posts and advance through the ranks. It would hardly be surprising to learn that some alter their reports to their superiors as circumstances dictate.

The economic slowdown has doubtless contributed to a general atmosphere of

⁷ As articulated by Cyril Northcote Parkinson in his book, *Parkinson's Law: The Pursuit of Progress*, based on his extensive experience in the British Civil Service.

⁸ The chief responsibilities of the *guobao* are reportedly to maintain national security, social and political stability, and ethnic solidarity and to crack down on foreign enemies attempting to permeate China, forces fostering ethnic division, terrorist groups, radical religious organizations, Taiwan separatists, heretic religions, organized crime, and people who threaten national sovereignty or seek to overthrow the administration.

paranoia, since security officials understand that economic stress can trigger political instability. And paradoxically, Xi Jinping's tough anticorruption campaign seems to have exacerbated the situation. The corruption investigations are carried out by the Communist Party's Central Commission for Discipline Inspection, whose criteria for prosecution are vague, arbitrary, and subject to change. Anxious to avoid becoming targets, officials are at pains to gauge which way the wind is blowing and to tailor their behavior accordingly. Under the circumstances, it is inevitable that some will overreact or make the wrong choices.

The Top Proposes, the Bottom Disposes

Such problems are endemic to the Chinese system, which combines elements of a rigid top-down command structure—as embodied in the national party apparatus and the central government—with a vast and unruly network of horizontal relationships at the local level. While China's central government and party organs lay down the law, they have relatively little control over its implementation in the provinces, where there is a strong tendency toward localism, together with bureaucratic bloat, inefficiency, and incompetence.

As the Chinese are fond of saying, the top has its measures, the bottom has its countermeasures (*shang you shengce, xia you duice*). While giving the appearance of following the directives they receive from above, local officials are adept at ignoring them so as to protect the interests of their own department, relations, and cronies. The central government, for its part, has been largely willing to turn a blind eye to irregularities at the local level—even if they make a mockery of the nation's laws and systems—providing they do not threaten the central power structure. This environment of political instability and the unpredictable nature of the ongoing anti-corruption campaign have induced visible changes to longstanding personal and organizational networks that had previously been built on common interests.

As an example, we might cite the repercussions from the 2012 downfall of Bo Xilai, who wielded tremendous power in the Communist Party's Central Political and Legal Affairs Commission (which has jurisdiction over public security and information) and his close associate Zhou Yongkang, who oversaw domestic security as secretary of the commission. Although internal power struggles are difficult to document, various sources note that the disgrace of these two powerful officials and the ensuing reorganization of the party's central domestic security apparatus spawned confusion in Beijing's local security apparatus, leading to inconsistencies in the treatment of lawyers and journalists.

Sustainable Development and Freedom of Expression

With their traditional emphasis on social relationships, the Chinese are often said to place “rule of man” ahead of the “rule of law.” This tradition, combined with a byzantine administrative structure in which rampant localism tends to circumvent the centralized authority of the Communist Party, creates an environment favorable to cronyism, favoritism, and the abuse of authority.

After the introduction of free market reforms, a lax regulatory environment helped incentivize investment and entrepreneurship, contributing to China’s explosive economic growth. At the same time, traditional family and community ties helped fill the gaps in the government’s social security system. In today’s China, however, the shortcomings of “rule of man” can no longer be ignored. Wholesale political reforms will ultimately be essential if China is to achieve sustainable development. Old habits die hard, though, and the transition to the “rule of law” will not occur overnight.

The prospects for wholesale reform seem particularly remote given the current government’s attempts to curtail freedom of expression. The mainstream media, the publishing industry, and academic institutions are suppressing the kinds of news, investigations, research, and commentary that could galvanize reform for fear of punitive action. And although the Internet continues to facilitate the flow of information and ideas on an unprecedented scale, the crackdown on free speech has polarized and fragmented public discourse along ideological and political lines.

So, is the central government to blame for failing to pursue political reform? Or does the problem lie with Chinese society itself and its abiding predilection for “rule of man”? In a sense, this is like asking whether the chicken or the egg came first. In his 2015 book *The Age of Ambition: Chasing Fortune, Truth, and Faith in the New China*, *Chicago Tribune* reporter Evan Osnos quotes his local informant as follows: “I see our society as an enormous pond. For years, people have been using it as a restroom, just because we could. And we enjoyed the freedom of that, even as the pond got filthier and filthier. Now we need someone who can stand up and tell everyone that the pond has been fouled and if you continue to pollute it, nobody will survive.”

China is a vast country with a history spanning millennia. Addressing its problems and reforming its systems is a monumental task, and radical reform is not a realistic option. The only option is incremental change via a persistent, collaborative effort by government and society to address the challenges in each sector one by one.

Ultimately, the key to positive change is probably freedom of expression. In the

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current environment, with its lack of legal guarantees and its restrictions on thought and speech, social morals can only decline, as experience reinforces the conviction that honesty and social responsibility do not pay. Such an environment discourages the growth of new ideas and values oriented to the betterment of society. Faced with unprecedented challenges, the state is sabotaging itself with policies that discourage the development of social responsibility and civil society. The government persecutes lawyers and intellectuals with a social conscience, fearful that they will highlight the stresses and inequities afflicting Chinese society. In so doing, it allows the underlying problems to fester and grow. It is a vicious circle that is bound to continue until China's rulers come to terms with the vital importance of free speech in a modern society.

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Putting CSR at the Center of Corporate Operations

Yoshihiko Takubo

Companies exist to fulfill certain social responsibilities and offer value for society. From that standpoint, “corporate social responsibility” is a concept that lies at the heart of corporate management. There is thus no need to talk about or undertake CSR initiatives as if they were something special.

This is a notion that managers, including in Japan, have begun to appreciate in recent years, but understanding this intellectually and implementing it in day-to-day operations are two different things. Many companies still cling to an old-fashioned image of CSR as an extension of corporate philanthropy, divorced from their main business activities.

A New Way of Thinking

When people talk about CSR in Japan they often refer to the principle of *sanpo yoshi*—a business philosophy among the feudal merchants of Omi Province (now Shiga Prefecture) that sees the key to success as being to offer products and services that are “good for the buyer, good for the seller, and good for society.” Ensuring benefits for all three parties is an excellent idea, of course, and the concept’s relevance remains undiminished today. Many factories across Japan, for example, support their local communities through ongoing employment and a range of activities that contribute to regional development, and some companies have established astonishingly deep and cooperative ties with the community. Many Japanese companies, for instance, went out of their way to provide relief in the wake of the March 2011 Great East Japan Earthquake. Their deep concern for local areas deserves special mention.

That said, *sanpo yoshi* should not be used as an excuse for failing to give

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greater thought to the needs of corporate management today. We should recognize that the number and kinds of corporate stakeholders have greatly increased since the days of the Omi merchants and that there is need to respond to such profound changes. Great influence on corporate governance is now exerted by nonprofit and nongovernmental organizations, as well as by investors who look for socially responsible corporate management. Global expectations have also expanded, as exemplified by the launching of the ISO 26000 guidelines by the International Organization for Standardization and the Global Compact's Ten Principles by the UN Secretary General. Companies must henceforth think about their relationship with a vast array of stakeholders and give attention to balancing their needs.

Case Study: Akebono Brake Industry

Akebono Brake Industry engages in a variety of activities based on its view that employees represent important stakeholders. Automotive brakes are extremely important products, but they are also rather inconspicuous. The company thus promotes in-house branding activities so that employees can take pride in their work, helping them to feel that any social value the company creates emerges from them.

For 50 years, the company has operated a Vocational Scholarship Program to support young people who wish to become nursery school teachers, enabling them to attend junior college while working at the company's factory to support their studies. Akebono also employs many people with disabilities at a special subsidiary.

Financial circumstances often force companies to scale down or cut traditional CSR projects. Akebono has not only sustained the projects it considers important but has turned them into the company's strengths. Such initiatives may not be easy for other companies to emulate, but they are an excellent example of Japanese-style CSR.

Initiatives labeled as being CSR at Japanese companies have overwhelmingly been in the fields of environmental protection and compliance. This is not surprising, for many companies have learned hard lessons from problems caused by pollution in the past. Japan's manufacturing industry, in particular, now has world-leading environmental protection policies, which is an admirable achievement. Compliance policies are also of crucial importance, without which companies will be unable to survive. Companies understandably place as much emphasis on compliance as on their chief operations that generates value for them.

As a consequence of the narrow focus on these two areas, though, Japanese companies have failed to adequately address the more recent demands of global society. They have, for example, frequently been cited for labor management issues at their second-tier and third-tier contractors.

Companies with global operations, in particular, need to be aware of differ-

ences in social conditions and development levels in each region and must take note of the speed with which these conditions change. To fulfill their social responsibilities in an ongoing manner, companies must look to the medium and long term and put CSR at the center of their management strategy. This will require a new organization and enhanced information gathering capacity to integrate CSR into management policy. In short, companies must change the way they think about CSR.

Case Study: Sompo Japan Nipponkoa

Many Japanese companies still equate CSR with environmental protection and compliance. Sompo Japan Nipponkoa, though, has identified five “material issues” and is implementing a variety of initiatives, despite the fact that insurers—compared to manufacturers—face greater obstacles to implementing multifaceted CSR. These five issues were arrived at through a unique process consisting of (1) analysis and implementation of a questionnaire survey based on the ISO 26000 guidelines for social responsibility and (2) dialogue with experts. Sompo Japan actively seeks opinions from outside the company because it is painfully aware how easily organizations can become rigid in its thinking when left on their own.

The company also makes effective use of key performance indicators and the PDCA cycle in its CSR. It pays close attention to developments outside the company and uses KPIs to effectively manage those initiatives. There is much other Japanese companies can learn from Sompo Japan’s example.

Integrating CSR into Medium- and Long-Term Strategy

For companies to continue fulfilling their unique responsibilities in an increasingly complex society, they must adapt to changing times, constantly asking why, for what, and for whom they exist, and have a deep understanding of themselves and their meaning in society, questioning what strengths they can draw on to expand their business and offer greater value.

Companies must obviously confront these weighty issues when discussing their management strategy. But because most companies conceptualize CSR as being divorced from such fundamental questions, employees—that is, the stakeholders closest to management—see little meaning in their companies’ conventional CSR activities. These measures often have no relevance to the company’s strengths and are implemented simply because other companies are doing so. It is little wonder that many of them are discontinued after a time and fail to produce any significant value.

Said another way, compliance should be considered a given when discussing

CSR; initiatives must, as a matter of course, be advanced in accordance with a corporate strategy that reaffirms the *raison d'être* and inherent strengths of each company. This is the gist of what putting CSR at the center of corporate operations means. Activities that have a limited or no relationship to a company's operations can happily come second. Incidentally, I have authored a study of exemplary relief efforts organized by companies following the March 2011 Great East Japan Earthquake. Even though these companies were operating under emergency conditions, they still made full use of their own strengths. That is surely a testament to the importance of putting CSR at the heart of corporate operations.

There is, however, a trap here. A company might declare that it is already fulfilling its corporate social responsibilities through its main business operations and that there is no need to further consider, expand, or develop initiatives aimed at responding to society's needs. A company's main business no doubt constitutes the fundamental value it creates for society, but there is also a need to react to rapidly evolving social trends, sustain and improve the company's strengths, and continue meeting the challenges of a competitive market.

From this viewpoint, it becomes obvious that CSR is inseparable from a company's medium- and long-term management strategy.

Private companies, by their very nature, must obtain short-term profits as well, so corporate priorities do not always align with the longer-term needs of society.

In many cases, though, meeting such needs can become business opportunities. A number of Japanese companies moved into Asian markets 20 to 30 years ago to ascertain latent social needs, putting them in a position to offer solutions as the needs slowly became apparent. In this way, they were able to expand their business in step with the evolution of the local community. Becoming part of the community and winning people's trust and loyalty are tasks that take time—putting them at odds with demands for short-term profits. That is all the more reason for companies to turn CSR into an integral part of their longer-term management strategy and to think about how they can fulfill their responsibilities in the societies in which they operate.

Giving attention to the longer-term needs of society also has the benefit of inspiring innovations in anticipation of those needs. Excellent examples of technologies that have already been or are soon expected to be commercialized to address social issues include eco-friendly hybrid cars; compact automobiles with significant improvements in fuel efficiency; new drugs to treat AIDS and other diseases; robots to deal with major accidents, such as in the wake of the Tohoku earthquake; more reliable communication networks; factories that have less impact on the environment; and simpler, cheaper medical devices.

Case Study: Kirin Group

The Kirin Group actively implements a CSR program called “one action, two values,” under which each initiative must simultaneously produce value for both society and Kirin’s own business. This may not sound very unusual, but it is much more than just a slogan at Kirin, as employees are called upon to clearly indicate in company documents what social value the action is intended to engender, ensuring that the program leads to real results. There are many examples of how this concept has created social benefits, including the development of Kirin Free—a nonalcoholic, beer-taste beverage—to help eliminate drunk driving; improvement in the environmental sustainability of Sri Lankan farms producing tea for Kirin’s Afternoon Tea beverage; and active use of fruit from areas hit by the Great East Japan Earthquake for a *shochu* cocktail. As these examples show, the “two values” concept has spawned new innovations. By compelling employees to be constantly aware of the need for social value creation, Kirin has been successful in achieving this goal. The food industry is at the mercy of changing consumer preferences, and new innovations may quickly fall out of favor, but Kirin’s program is nonetheless an excellent example of how CSR initiatives can create opportunities for innovation.

For companies doing business in many different parts of the world, CSR is an issue that is integrally linked to their globalization efforts. “Environmental regulations are decided by local governments and authorities,” a CSR manager at a Japanese manufacturer once told me, “while corporate activities span national borders. When making similar products in different countries, companies can lower their standards in countries where laws are lenient to save costs or maintain uniform standards in operations worldwide. Lowering standards could turn out to be a very costly decision, though, if an NGO in a different country points this out, leading to a boycott of the company’s products.”

This is an issue that arises from the gap between the legal requirements of individual countries and the demands of society at large, and it is something that all companies operating in multiple markets need to contemplate. A company choosing to adhere to its own standards around the world may want to reconsider its presence in a region with cheap costs if it hopes to avoid major disruptions to its operations (inasmuch as the ISO 26000 guidelines assign companies responsibility for their entire value chain). These are issues that companies should address not in an ad hoc manner but as part of their longer-term survival strategy and in line with their core management policies. Environmental and other policies have had—and will continue to have—a huge impact on the structure of industry.

CSR as a Management Tool

Generally, as a company grows so does its sphere of operations and its geographi-

cal scope. This can make mutual understanding and information sharing more difficult. Department policies are implemented in isolation of one another, as a result of which a full understanding of the company's operations becomes harder to ascertain. In such a situation, companies are wont to say things like, "We do all kinds of CSR"—the reality being that the full range of CSR-related information acquired by the company remains totally underutilized and unintegrated. This is particularly prevalent among companies with global, diversified operations, with headquarters having little idea of the initiatives being taken by local branches.

Some companies are taking steps to mitigate the inevitable weakening of a shared outlook as a company grows by conducting employee surveys, the results of which are used to identify the issues on which the company should focus. Such companies, though, are few and far in between.

Looking at the situation within companies, as revealed by the responses to the Tokyo Foundation's questionnaire survey on CSR, many companies have a full assortment of initiatives to address environmental issues but leave other CSR issues to the discretion of individual departments. CSR departments tend to be small, and their effectiveness is frequently determined by the individuals who happen to be in charge. This is what happens when CSR does not lie at the center of a company's operations.

The result is not only that in-house information remains underutilized but that companies are unable to collect and analyze information regarding the needs of domestic and global society and approaches to meeting emerging agendas.

Case Study: Itochu Corp.

Like other general trading companies, Itochu Corp. is involved in a very broad range of businesses and has operations scattered around the world. These features and today's rapidly changing business environment make it extremely challenging for the company's CSR department to collect all the information it needs on its own. The solution it has adopted, quite reasonably, is to have employees with knowledge of conditions on the ground provide such input. Employees of trading firms often have an interest in helping solve social issues in developing countries and are actively involved in community initiatives—and those at Itochu are no exception. So the bottom-up approach to identifying CSR initiatives is in close alignment with its actual operations. This, though, does not guarantee the success or continuity of those projects. Underpinning Itochu's current CSR activities is the company's founding philosophy and corporate culture nurtured over many years, as well as the great degree to which these principles have permeated through the company.

Meeting the Expectations of Global Society

One important expression of what global society looks for from the corporate

sector is the 1999 UN Global Compact, which sets forth 10 principles that companies are expected to uphold. Companies pledging to operate in accordance with these principles receive certification from the United Nations, which can have such practical benefits as inclusion in socially responsible investment indices. As of January 2016, though, only 227 Japanese companies have declared their participation. With so much talk of globalization, more companies should surely show interest in embracing these principles.

Another set of guidelines is ISO 26000 covering such issues as governance, human rights, labor practices, the environment, fair business practices, consumer issues, and community involvement and development. It places great emphasis on the value chain and applies not just to the company itself but also to a broad range of areas affected by its policies and business activities. In other words, the company is called upon to take responsibility for everything in the value chain, both upstream and downstream. There have been cases of products being refused entry into Europe, for instance, because certain components used by Japanese manufacturers did not meet EU environmental standards.

The business activities of many companies, meanwhile, continue to expand, and this has dramatically heightened the risks of companies confronting unexpected issues due to their not being aware of various rules and regulations and realities on the ground.

A recent example is the requirement introduced in July 2010 by the US Securities and Exchange Commission for listed companies to report any use of conflict minerals from the Democratic Republic of Congo, the aim being to cut off funding sources for armed groups engaged in the country's civil war. In response, one corporate group set a policy on dealing with conflict minerals, publicized it on their website in October and, in effect, declared that they would no longer use those minerals. What this global company did was to fundamentally rethink its supply chain to facilitate a resolution of a regional conflict in the face of growing international concern about and calls for the business community to address a deepening human crisis.

Corporate activities, in other words, are being affected by developments that cannot be neatly categorized into such conventional notions as market, competition, and suppliers. As mentioned before, companies must monitor global CSR developments and form their strategy accordingly from a medium- to long-term perspective. This, in essence, is what globalization is all about; Japanese companies must keep abreast of what their ever-diversifying stakeholders are doing and prepare to meet the needs of global society. These surely should be the core tasks addressed in a company's management strategy.

Case Study: Takeda Pharmaceutical

The pharmaceuticals industry is led by giant multinationals with turnovers in the trillions. Their operations span the globe, and cross-border M&As occur with great frequency. The biggest players are based in Europe, a region also at the forefront of CSR initiatives, so Japanese pharmaceutical companies, including Takeda, must remain alert to the diverse needs of international society and the standards being set by the sector's top companies. Pharmaceutical firms have close ties with local communities and with NPOs and NGOs that function as watchdogs, and they also deal with drugs, which can have life-or-death consequences. This is why CSR must be at the center of their operations and management strategy, inasmuch as CSR involves addressing the needs of multiple stakeholders in society. Takeda's initiatives can be considered a model not just for other pharmaceutical firms but also for all Japanese companies operating globally.

Securing and Developing Human Resources

Lastly, I want to touch on the meaning CSR has in Japan today. Many believe that the Japanese people's values underwent a change following the 2008 global financial crisis and the 2011 Great East Japan Earthquake. Young people in their twenties and thirties, in particular, are highly aware of social issues, and many students devote considerable time to volunteer and other nonprofit activities. A heightened interest in social issues is something I personally feel when interacting with university students and young businesspeople. When students look for potential employers, they no longer apply just to popular companies but also to small NPOs. Indeed, many NPOs receive an incredibly large number of resumes. This is a development whose significance corporate managers should carefully consider.

A desire to contribute to society is especially strong among the most outstanding students. This may be a consequence of the financing doors that Internet-mediated methods like crowdfunding have opened.

Companies must realize that attitudes are shifting. They must adapt their corporate strategies to create space in their business for young people who are oriented toward social contribution. So from the perspective of human resources recruitment and development as well, CSR should be given a central place in the corporate management agenda.

Attracting outstanding students and offering them opportunities to work for the good of society will require that companies reaffirm the social value of their business operations, put this down into writing, and repeatedly communicate this message. They must explain how, why, and for whom their company exists, what their strengths are, how they are undertaking their business, and what values they are creating. To repeat: companies exist because they engender social value and

fulfill responsibilities to society. To continue growing in a changing world, companies would do well to reaffirm this basic truth.

Case Study: Dentsu Inc.

Dentsu's "Labs" program ingeniously gives self-motivated employees space to address social issues head-on under a highly flexible framework, and this has no doubt brought significant benefits in the recruitment and development of human resources. These Labs enable relatively young employees to play prominent roles, irrespective of their position in the company structure. So it is easy to imagine how this can help nurture future leaders for the company.

As Japan's leading advertising agency, Dentsu already probably has a highly self-motivated staff. The program enables these employees to act with freedom and autonomy and is thus a perfect match for both the company's existing workforce and workers it hopes to recruit in the future. It is also closely aligned with Dentsu's core business. As an advertising agency, the company is a communication specialist, and there is potential for the Labs to help broaden the company's activities in all sorts of new directions.

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Japanese Corporate Management and CSR

Keiichi Ushijima

CSR: A Misunderstood Concept

More than a decade has passed since Japanese companies actively began implementing initiatives under the “corporate social responsibility” banner. But the meaning of this concept is still not well understood, and relatively few companies consider it to be a core element of corporate management. The number of people who equate CSR with corporate philanthropy or with regulatory compliance has decreased, but it still tends to be discussed as something distinct from management, business operations, and the bottom line.

According to the Tokyo Foundation’s CSR Corporate Survey, the environment is just about the only field in which businesses incorporate measures to address social issues into their own products and services. They may be aware of other issues, but these are given only passing attention. In most cases, CSR activities are used as a means of achieving other objectives, such as improvement of brand image and the development of human resources.

This is due to the failure to understand CSR as a management concept or to define the role and operations of the CSR department in concrete terms. The scope of CSR encompasses areas ranging from the environment, supply chains, human rights, and the BOP (base of the pyramid) business. Such operations have generally been managed by other, existing departments within the corporation—supply chains by the procurement department, environmental issues by the environmental department, human rights by the personnel department, and so forth—so the CSR department has tended to be left dealing mainly with tasks like contributions to society, for which no other department had responsibility, and enterprise risk management, which it used to carry out before it was renamed the CSR department. As a result, people inside the company have come to see CSR as referring only to ac-

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tivities handled by the CSR department, notably contributions to society and risk management.

In what follows I will discuss the essential nature of CSR management and the place of CSR in global corporate operations.

Supporting Long-Term Sustainability

People often say that CSR is the very essence of corporate management. This has been misinterpreted by some to mean that corporate activities are already contributing to society—thus embodying the concept of CSR—so there is no need for companies to do any more than what they are currently doing.

A company is not likely to go bankrupt even if it breaks the law, but it can easily be driven out of the market if it stops paying attention to people's needs. To achieve sustainable corporate management, companies must keep evolving by adapting to changes in society. The concept of CSR goes beyond legal compliance and includes the element of sustainability. So, the role of the CSR department is not just to keep abreast of new laws and regulations but also to ensure that management adapts to society in areas transcending the regulatory framework and to give managers advice on long-term orientation as a way of achieving sustainability for both the company and society. In other words, the CSR department should be expected to conduct medium- to long-term management planning.

Local Conditions and Global Norms

The globalization of corporate operations has greatly broadened the range of issues that must be addressed by management. Approaches that are in line with public expectations or have proven to be effective in the domestic market may not be applicable when doing business in countries with different laws and commercial practices or with people espousing different values.

At many Japanese companies, however, decisions affecting global operations are being made at a head office in Japan, primarily by Japanese people born and raised in the country. Is it really possible to get a feel for the rest of the world from a boardroom window in Tokyo? Is reading Japanese newspapers and watching Japanese TV news enough to gain an understanding of how people outside the country think?

Many Japanese companies have entered the Myanmar market today, but back when the country's military rulers were suppressing human rights, I was involved in a debate at one Japanese company on whether or not to launch a business there.

At the time, many Western countries imposed economic sanctions on Myanmar, so doing business there was out of the question for companies in those countries. But because Japanese law did not prohibit trade and economic activities, many managers at the company argued that operating in Myanmar would be no problem. This was an attempt by a company with its head office in Japan to apply Japanese rules to a situation in another country that was the subject of great international concern. The very idea of trying to apply the rules and conventions of one country to all regions around the world is unrealistic.

At the same time, there are some Japanese companies that go so far in respecting local rules and conventions that they fail to insist on adherence to international norms. For example, when considering whether to participate in the United Nations Global Compact, some companies reportedly hesitate due to the compact's principle of freedom of association. There are some countries, they argue, where the formation of labor unions is prohibited. But such reluctance to enforce the compact's principles is often just a veil for their own fears that if local workers were to unionize, they may begin pressing for higher wages. In many cases, they were never enthusiastic about upholding the Global Compact, and their deference to local rules was simply an excuse not to join.

These two cases may appear to be polar opposites, but they are essentially the same because both involve attempts to apply a particular country's rules and values universally, without examining the true nature of differences and contradictions.

The key here is the company's own values. Since the same issue can appear to have many aspects depending on the angle from which it is viewed, outward differences themselves are not so important; what is essential is developing a set of values on which management decisions are based and that are shared throughout the organization. Contradictions are bound to arise in a global enterprise. Rather than seeking to eliminate them, companies should focus on creating the values and philosophies that guide their actions and statements and form the basis of their corporate culture. These are the things for which companies should seek to win society's support in order to achieve sustainable management.

Business Leaders for a Borderless Age

Various issues that the international community faces are discussed today in a borderless context—an approach called multi-stakeholder dialogue. And the business leaders of tomorrow will need to be capable of performing ably in such borderless arenas.

Until recently, the resolution of problems in areas like the environment and

human rights was regarded as the domain of politics. But now we see government-affiliated organizations and initiatives seeking to get companies involved, such as through the UN Global Compact and the European Commission's CSR strategy. At the same time, citizens' groups, nongovernmental organizations, and others involved in addressing global social issues are pressuring companies to go beyond their legal requirements and address these issues proactively. These moves are helping to promote awareness of social responsibility in the business sector. Some companies today are larger than cities or even countries in the scale of their budgets and workforces. It is only natural to expect such giant corporations to shoulder their share of responsibilities for these issues.

While there is already active cooperation between industry and academia in research and development, joint efforts to address social issues are also on the rise. Furthermore, a growing number of investment funds are focusing on companies that undertake socially responsible management. In these ways, social issues are now being treated cross-sectorally by governments, civic groups, scholars, investors, and businesses.

Another aspect of the borderless age is the speed with which information travels around the world. Environmental issues have long been considered borderless, as water and air move without regard to political demarcations. Now, advances in information and communications technology have made information borderless as well. News of events occurring in faraway lands can be reported worldwide by the next morning, and such events can potentially affect global brands and reputations, even if the scope of direct damage and impact is limited. When a number of global companies became the targets of consumer boycotts in China during the lunar New Year holidays, for example, the news was reported first not in China but in the European press. Although the problem took place in China, the rapid spread of information made it necessary for the companies to explain the situation in Europe as well. This shows that dealing with problems only domestically may not address the problem completely. When a protest against a company occurs, it is important for businesses not just to conduct public communication activities in the country where it occurred but to share the information and coordinate its response with offices around the world based on an assessment of the likely global impact.

Economic activities, information, and corporate operations are already borderless, unrestricted by political dividing lines. In the face of globalization, companies need to view themselves as being more than just the incorporated entities of a single country and to take on responsibilities as citizens of a global community. Executives will need to manage their companies on the basis of values and ethics that transcend differences. A true leader in a globalized, borderless world is some-

one who has an objective view of their company's and management's responsibilities and is capable of achieving unity while respecting diversity.

True Global Management

Sometimes people in major corporations have the illusion that they can dictate what goes on around the world from the company's head office in Japan. As long as this mindset continues, the company will never become a truly global enterprise. It is presumptuous to think that the world should follow the standards used in Japan by the Japanese people—even at a company with its headquarters here. The truth of the matter is that the rest of the world thinks of Japan as an economic Galapagos—an isolated market with standards that apply only locally.

So what does a truly global company look like? First of all, it would amalgamate the best business models from around the world and apply them in the most advantageous ways. It would hire the best talent for each area from the world and build a team featuring the best, most advantageous mix. Globally competitive products and services are those that have succeeded in the world's toughest markets under the harshest conditions. The key to an effective global strategy is to optimally combine the world's best approaches to maximize value.

Second, it would incorporate global perspectives in its management decisions. As I noted above, one must look beyond Japan's domestic rules and standards to reach decisions that are globally sound, effectively incorporating viewpoints and values that are different from one's own. Japan's management system tends to be very hierarchical, so before information reaches the top it goes through many different "filters," with arbitrary interpretations often being added at each stage. Japanese companies also have largely homogeneous human resources—employees who have received the same kind of education and who are reluctant to stir up a controversy or express unorthodox opinions. It is unrealistic to expect sound global management decisions in such a workplace; at the very least, there must be global diversity within the top management team, perspectives from around the world should be reflected in the decision-making process, and a framework needs to be created to incorporate different viewpoints in corporate management.

The sharing of ideals and management philosophies is a prerequisite for tapping the world's strongest business models and for creating a framework that incorporates global, often divergent perspectives in the company's management. Corporate ideals are a company's *raison d'être*, and in many cases they represent the values that a company seeks to contribute to society. They explain what the company is working for and why it is carrying out its business. Unless the ideals (the

“whys”) are shared, the employees working for the company in other countries will do as they please, instead of integrating their strengths toward a shared goal—thus weakening the company’s impact on society. When employees understand the company’s ideals, they will start thinking of ways to achieve them; the actions that emerge from such thinking naturally help the company achieve its goals, and it frees top executives to delegate authority to those on the front lines. The sharing of ideals is thus integral to the company’s success.

Putting Ideals into Practice

To reiterate, carrying out global management in the face of many contradictions requires the sharing of the values and philosophies that provide the basis for the company’s decisions. The sharing of management ideals may seem like a matter of course, but it is important that they be embodied in action, not merely recited like a mantra.

In the face of business realities, corporate ideals often take a back seat to the desire for profits through the identification of new, lucrative markets. While many employees at major Japanese corporations probably know their company’s ideals by heart, if asked whether their own actions align with those ideals and whether their workplace environment is conducive to putting those ideals into practice, the number confidently saying yes to both questions would no doubt be much smaller. Japanese employees with a full grasp of the company’s ideals are more likely than their foreign counterparts to place the ideals up on a pedestal for display without making an effort to put them into practice. They will not think deeply about things that are taken as a matter of course—or rather, they will neglect to think about them because they see no need to do so. Organizations that have grown large are often pervaded by a “don’t rock the boat” mentality, with employees assuming that problems will be taken care of by somebody else.

The results of the Tokyo Foundation’s CSR Corporate Survey reveal that companies are providing products and services that address environmental issues, thanks to institutional support and sizable markets. However, initiatives for other social issues are limited. What sort of results would we have been seen if the survey was taken when Japan was still a developing country? I think we would have found management to be more oriented toward addressing key issues confronting society and companies conducting their operations with a greater sense of mission. Japan has become affluent in material terms, but if we look overseas there are many countries that are still striving for growth while coping with a range of social problems. Are Japanese companies bringing the same sense of mission to operations in

those countries that they displayed when Japan was a developing country? Perhaps the focus needs to be shifted from the identification of profitable markets to the creation of such markets.

A Frontrunner in Sustainable Management

In 2020, Tokyo will host the Olympic Games. The previous Tokyo Olympics in 1964 resulted in a dramatic transformation of people's lives, as new expressways were built, the bullet train service was launched, and color television sets found their way into more living rooms. What will the upcoming Olympics bring for Japan?

Japan faces many difficult challenges as a country with frequent earthquakes and other natural disasters; it is also beset by a low birthrate and an aging population. At the same time, it is a frontrunner in sustainable management, with among the world's highest number of companies that are over a century old. Japan reportedly has more than 4,000 such companies, far greater than second-place Germany with 2,000 and third-place Britain with 500. It is a mature country that, despite its many challenges, can offer valuable hints for sustainable management and lead the way in resolving global issues. By shifting its focus from goods to services, Japan should seek to apply its management ideals to addressing global challenges, placing a priority on building long-term trust over reaping short-term profits and helping to resolve social and environmental issues in an effort to create a better society for all.

January 25, 2016

Sustainability Reporting

Challenges for Japan

Naomichi Terasaki

With the help of the United Nations Environment Program, the Global Reporting Initiative was established in the United States in 1997 to provide international guidance on sustainability reporting. It was the brainchild of Ceres, an environmental nonprofit organization, and the Tellus Institute, a research and policy NPO.

Environmental Accountability

Ceres was founded in 1989 by small group of pension funds, investment trusts, and other investors following the *Exxon Valdez* tanker oil spill. It published the Ceres Principles—a 10-point code of environmental conduct for companies aiming to minimize the negative impact of their activities. It also set up a GRI department to encourage environmentally responsible behavior and established an accountability mechanism.

What began as a small, private investment framework gradually expanded to involve many other stakeholders, including business enterprises. Today, more than 130 organizations are members of the Ceres network, including the Natural Resources Defense Council and other environmental protection groups, NPOs like Oxfam, and associations of institutional investors. More than 80 companies endorse the Ceres Principles, a third of which are among the Fortune 500.

Ceres also organizes the Investor Network on Climate Risk, created in response to rising awareness among investors of the risk to corporate activities posed by climate change. Over 100 institutional investors—handling assets totaling nearly \$10 trillion—are members of the INCR. With its huge assets and considerable influence, Ceres continues to scrutinize and promote the environmental conservation practices of corporations.

Naomichi Terasaki CSR Research Adviser, Tokyo Foundation.

In 1998 Ceres established a multistakeholder steering committee charged with overseeing efforts on issues other than the environment, and this became the basis on which the GRI guidelines were developed. Ceres widened its focus to include issues related to society and governance, leading to the GRI concept of a “triple bottom line” to evaluate not only environmental impact but also the economic and social aspects of corporate behavior.

A Standard for Sustainability Reporting

A public draft of the Ceres Sustainability Reporting Guidelines was issued in 1999, and the first full guidelines (G1) were published in 2000, with GRI becoming an independent organization in 2001. The reporting guidelines and other guidance provided by the GRI soon secured a position as the standard framework for sustainability reporting.

In 2002 the GRI published the second-generation (G2) guidelines and moved its headquarters to the Netherlands following official recognition by the UN secretary general as a partner organization of the UN Environment Program.

The third-generation (G3) guidelines were compiled in 2006 as a truly multistakeholder undertaking with input from more than 3,000 experts from the business world, civil society, labor organizations, and multilateral institutions. The G3 guidelines dramatically bolstered international awareness and understanding of the guidelines, leading to strategic partnerships with the UN Global Compact, the Organization for Economic Cooperation and Development, and the International Organization for Standardization (ISO). The partnership with the Global Compact, which promotes fundamental corporate responsibilities through its 10 Principles relating to human rights, labor, the environment, and anti-corruption, was aimed at enabling private businesses to proclaim a culture of integrity through their institution of comprehensive, organized, integrated, and near-universally accepted management strategies.

The G3 guidelines were revised in 2011 to incorporate changes to performance indicators for gender, community, and human rights. The modifications were limited, though, and the new guidelines became known as G3.1.

Sustainability across the Supply Chain

In 2006, around the time that it strengthened its partnership with the GRI, the Global Compact also entered into a similar agreement with the ISO, bringing a degree of unity—if not complete convergence—to international CSR initiatives that had previously been carried out independently.

The latest guidelines, called G4, were published in May 2013 as the first major revision since 2006. In drafting the new guidelines, the GRI spent nearly three years engaging with a broader range of stakeholders—including from developing countries—representing the views of the business community, civil society, labor organizations, institutional investors, and international organizations.

The gist of the revisions was an emphasis on materiality, with organizations being given the option of choosing between two sets of standards—“core” and “comprehensive”—in preparing their sustainability reports “in accordance with” the guidelines. The new compliance standards called for the disclosure only of information relating to “identified material aspects,” defined as the activities that have a dramatic economic, environmental, or social impact or a significant influence on stakeholder evaluations or decisions regarding the company.

Reporting organizations are not obliged to disclose other information, but they must show the process by which they selected the material issues to be disclosed and a list of the material aspects that were identified as a result of that process. Such information is to be reported for the items and indicators specified in the Disclosure on Management Approach (DMA).

Of the performance indicators measuring economic, environmental, and social impact, the G4 guidelines include 6 additional environmental indicators and 10 new social indicators. Many of these relate to suppliers, including “supplier environmental evaluation” in the environment category and “supplier evaluation for labor practices” and “supplier human rights assessment and grievance mechanisms” in the social category. These additions reflect a growing awareness that in today’s global society companies usually cannot address sustainability challenges alone and that standards need to deal with issues of social compliance across the entire value chain, including suppliers and subcontractors.

Issues addressed in the social category, such as child labor and other employment practices, fair working conditions, and human rights, have recently emerged as major challenges for companies based in industrial countries that are operating in the developing world. The 2013 factory collapse at Rana Plaza in Bangladesh made clearer than ever the need to ensure that suppliers comply with standards on working conditions and reduce environmental impact.

The addition of indicators for suppliers no doubt reflects the GRI’s awareness that individual companies find it difficult to resolve social issues involving the entire supply chain on their own. As Western companies needed to collaborate with one another in the wake of the Rana Plaza tragedy, there are clearly limits to what any one company can achieve in fulfilling its corporate responsibilities. There is a need for greater coordination among multiple companies to ensure the sustainabil-

ity of corporate operations. These latest revisions can be seen as evidence of the need for companies to engage in CSR efforts across the entire supply chain.

Apart from these issues, the chief characteristic of the G4 revisions was the large number of items calling for additional disclosures on governance issues.

Challenges for Japanese Companies

The GRI guidelines are intended as a practical manual outlining reporting principles, disclosure standards, and approaches to drawing up sustainability reports. Around 800 companies endorsed the GRI guidelines when G3 was published in 2006, and the number increased to 3,000 in 2013, when G4 came out. Clearly, the guidelines have emerged as an important set of standards that companies around the world use in compiling their sustainability reports.

The guidelines have been developed in line with the concerns of stakeholders mainly in Europe and North America and represent an important standard for sustainability reporting. Such efforts merit praise, along with the GRI's ongoing dialogue with stakeholders and in-depth analysis and its efforts to encourage the use of these guidelines through collaborative and cooperative undertakings with private businesses.

How, then, should Japanese companies make use of the GRI guidelines? The social category items that were added in the G4 guidelines, such as labor practices, fair working conditions, and human rights, are not normally regarded as issues in Japan, so very few companies make references to them in their sustainability reports. Generally speaking, Japanese companies tend to be strong in the environment (E) category and weaker in the social (S) and governance (G) areas of ESG. Strengthening these components of socially responsible management will be a challenge for the future.

The guidelines, regrettably, do not make references to the many progressive initiatives taken in Japan in the field of the environment, such as laws promoting efficient energy use and global warming countermeasures. So they do not allow Japanese companies to draw on the areas where they enjoy an advantage. This may be one reason why they have been noncommittal about embracing the GRI guidelines thus far.

In the face of a rapidly globalizing and extremely competitive business environment, though, nearly all Japanese companies—not just the big multinationals—are part of the global economy today, since they rely, in one way or another, on the worldwide supply chain. It would surely make sense for more companies to consider adopting the internationally accepted disclosure and evaluation standards

contained in the GRI guidelines in compiling their sustainability reports. This would make the information offered easier to use and compare, enabling stakeholders to make informed decisions.

The GRI guidelines are not exclusively for the biggest companies. Embracing the guidelines would allow all companies, irrespective of sector or size, to respond more effectively to stakeholder expectations in those countries that have played a leading role in developing standards for CSR.

February 25, 2016

CSR: The Evolution of a Business Tool to Address Social Issues

Takayuki Shoji

Introduction

In the Foreword to *Corporate Social Responsibility: A Government Update*, published by the British Department of Trade and Industry in May 2004, Minister of State for Energy, E-Commerce, and Postal Services Stephen Timms notes of being impressed by “the level of creativity and enthusiasm brought to the subject [of CSR] from all quarters. We’ve seen encouraging progress. I’d like to highlight some significant recent developments and look at where we need to focus for the future.”¹ This was a time when people not just in Britain—now regarded as a pioneer in CSR—but around the world were busily identifying social issues that companies needed to address. The attempts many Japanese companies began making to integrate their main business activities with social initiatives in 2003, regarded as Year One of the CSR era in Japan, was thus part of a broader global trend.

Naturally, the move toward integration also had an impact on corporate reporting. As more institutional investors prioritized socially responsible investment (SRI) as an evaluation criterion, there was rapid progress in the compilation and introduction of integrated company reports that demonstrated companies’ determination to strategically link the financial and nonfinancial components of their annual reports.

Surprisingly many people seem to be under the impression that the integration of main business activities and CSR evolved quite naturally. In reality, as David Vogel argues, CSR has been a “moving target” that continues to undergo change

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¹ UK Department of Trade and Industry, *Corporate Social Responsibility: A Government Update*, 2004, p. 3.

even today.² A “look at where we need to focus for the future” might help to highlight the true nature of CSR, leading to a fuller understanding of its historical dimensions and a clearer grasp of the most important issues.

“Discovery” of a CSR Model

The concept of CSR is generally regarded as having originated in North America, from where it spread first to Europe and then to the rest of the world. Charitable donations and other types of philanthropy form the gist of CSR in the United States, however, making it quite different from the integration model that seeks to resolve social issues through a company’s main business. From where, then, did this model of CSR come?

One clue lies in the recent history of British public policy. In the second half of the 1970s, the costs incurred by the Labour government’s generous cradle-to-grave welfare policies saddled the country with huge deficits. The economy groaned under a drawn-out recession that became known as the “British disease.” A major turning point came in 1979, when the Conservatives led by Margaret Thatcher won the general election. In addition to developing North Sea oil, the new prime minister set about privatizing national utilities and industries in an attempt to achieve a smaller government.

Thatcher was succeeded by John Major in 1991. Like Thatcher, Major continued to make small government a keynote of his policy. But there was a difference. One characteristic of the Major years was the attempt to use market forces to bring about qualitative improvements in government efficiency through tools like the private finance initiative (PFI) and value-for-money (VFM) auditing.

The move to small government under successive Conservative prime ministers has been credited with reinvigorating the economy, but it has also been associated with exacerbating a number of social problems, such as environmental pollution, poverty, unemployment, and urban decay. Efforts to mitigate the damage were subsequently launched by both industry as a whole and individual companies. Companies set up board-level CSR committees, hired more specialist staff, and began to compile codes of conduct and annual CSR reports.³ While these initial

² David Vogel, *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility* (Washington, DC: Brookings Institution Press, 2005), p. xxi.

³ Yoshinori Yaguchi, “Kinnen no Igrisu ni okeru CSR no tenkai: Seisaku-men ni chakumoku shite” (Recent Developments in CSR in the United Kingdom, Focusing on Policy), in ed. Meiji University Graduate School, *Keieigaku kenkyu ronshu* (Collected Articles in Business Management Studies), no. 27 (September 2007), p. 31.

efforts were mostly aimed at monitoring the effectiveness of measures intended to address social problems, there was as yet little integration of CSR into corporate management. They did, though, lead to the “discovery” of a basic model for CSR and spawned moves around the world to bring about closer integration.

Guidelines for Integration

The first steps toward full-scale integration of CSR and corporate management became evident in the early 1990s, when the model developed in Britain to address social problems through a company’s main operations spread to other parts of the world.

Various guidelines to promote such initiatives were published. The Rio Declaration on Environment and Development issued at the 1992 Earth Summit led to the launch of the United Nations Global Compact in 2000. While the Organization for Economic Cooperation and Development had adopted guidelines on the activities of multinational corporations as early as 1976, they were designed more to minimize problems relating to the environment, poverty, or human rights in a third country than to encourage closer integration. What emerged in the 1990s was the notion that social issues, previously regarded as being outside the domain of corporate management, should be seen as being in a close and mutually complementary relationship with it. This was the first step toward integration.

The task of drawing up integration and reporting guidelines required much closer cooperation between the United Nations and civil society than had previously existed, the guidelines for the Global Reporting Initiative being a case in point. The nongovernmental organization closely involved in developing GRI was Ceres (Coalition for Environmentally Responsible Economies), founded in 1989. Partnering with the UN Environment Program in 1997, Ceres published the first draft of the guidelines in 1999.⁴ The GRI guidelines incorporate the concept of a “triple bottom line” to evaluate not only a company’s financial performance but also its social and environmental impact, enabling companies to more objectively compare the extent and degree of their own integration with the efforts being made by other companies.

GRI and other guidelines drawn up in the 1990s thus helped companies to align their business activities with efforts to address social issues. Corporate activities, though, are influenced not just by the policies of the government, international organizations, and NGOs; companies must also answer to the demands of

⁴ Global Reporting Initiative, *Carrots and Sticks: Promoting Transparency and Sustainability*, 2010, p. 6.

the market and, in particular, investors, as I touched upon above. It was through the concrete measures necessitated by the concept of socially responsible investment, then, that companies embarked on a new era of integration.

Two Approaches to SRI

The publication of the UN Global Compact in July 2000 created an additional spur to forms of integration quite different from those encouraged by earlier guidelines. The GRI guidelines continued to evolve over the years, including through the publication of the International Integrated Reporting Council framework in December 2013. But SRI perhaps brought about even more fundamental changes, impacting closely on business operations.

SRI-related regulations that are more binding than the reporting guidelines are spreading throughout Asia, but it has been Europe that has spearheaded efforts in this area. For example, since 2000 corporate pension funds in Britain have been required to disclose information on their policies for environmentally and socially responsible investment. Similarly, a 2012 French environmental law requires fund managers to explain online and in annual reports how their investment policy takes environmental, social, and governance (ESG) issues into consideration and to provide details of all relevant investments.⁵

Other countries, including Germany and the Netherlands, have passed legislation with distinctive features. Germany's Renewable Energy Act (2000) provides guaranteed payments to energy companies producing wind, hydro, solar, and biomass power as a way of incentivizing investment in these companies. And the Netherlands recently enacted a law banning investment in entities that produce cluster munitions.⁶ Both laws encourage transparency and offer guarantees for socially responsible conduct, thereby supporting efforts to integrate business activities with social sustainability.

In addition to generating new legislation, SRI has prompted new approaches to adherence with preexisting guidelines and frameworks. Finland, Sweden, and Norway are among the countries that are using a mix of domestic frameworks and the UN Principles for Responsible Investment, published in April 2006, under which institutional investors voluntarily incorporate ESG standards in their investment decisions to enhance the long-term returns of beneficiaries.⁷

⁵ Eurosif, *European SRI Study 2012*, pp. 34, 59.

⁶ *Ibid.*, pp. 39, 47.

⁷ *Ibid.*, pp. 32, 49, 55.

The evolution of these two approaches to SRI has encouraged companies to address social issues not just as a consequence of the political and legislative environment in which they operate but also in response to market pressure, which is a crucial consideration for any business. The efforts at integration have thus evolved through the interplay of environmental and market factors around the nexus of SRI.

Conclusion

The road to integration has been marked by the twin trends toward diversification and sophistication. A process of trial and error is still underway, as different companies in different parts of the world progress at different speeds through an intertwined web of institutional frameworks. As with any attempt to reach a lofty goal, there are bound to be setbacks and periods of stagnation. As the trial and error continues, new questions will no doubt be raised regarding the value and significance of integration.

Naturally, private companies themselves must be the drivers of efforts to address social issues through their business activities. And they must be on their guard against complacently putting together patchwork sustainability policies given the proliferation of integration guidelines and other frameworks. The frameworks may have been developed by entities with a wealth of corporate experience and expert knowledge of social issues, but the goal of integration will remain elusive unless companies themselves make a proactive effort to address specific social problems.

As other articles in this CSR White Paper have shown, companies making effective use of integration frameworks are still in the minority. The proliferation of global frameworks may, in fact, have distracted attention away from the need for localized efforts to facilitate the integration initiatives of individual companies.

The broad array of guidelines and legal frameworks, brought about by pressure from investors and the need to address major social issues, is not without internal contradictions, moreover. These integration frameworks were designed to serve as a means to an end, with their growing diversification and sophistication providing companies with more accurate signposts to measure their progress. But they have also resulted in higher costs, making it more likely for companies to fall into the trap of treating these means as an end in themselves. This is presumably one reason why a heightened awareness of the need for integration has not brought about more tangible results.

When CSR was “discovered” in Britain more than three decades ago, few people foresaw that it would evolve into the kind of broad, profound concept that it

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has become today. Over these years, CSR has emerged as an important tool companies use to fulfill their social responsibilities through their business activities. The task, in looking “at where we need to focus for the future,” will be to work out the internal contradictions, described above, that still remain unresolved.

January 18, 2016

Shaping the Future with a Multi-Stakeholder Approach

Masahiko Haraguchi

Global Governance Futures is a program under which 25 young professionals from five countries are asked to develop concrete policy recommendations for the effective and accountable governance of three issues that are likely to be of crucial importance in 10 years' time. The Tokyo Foundation, in partnership with the Global Public Policy Institute of Germany, hosted the Tokyo round of the program in 2014–15. Masahiko Haraguchi, a PhD student at Columbia University, was one of five fellows from Japan and wrote the following report.

* * *

Why I Joined GGF 2025

I joined the Global Governance Futures program because I expected that I could produce policy recommendations with talented young professionals. Therefore, before GGF 2025 began, I was hoping that creating policy proposals with young professionals from other countries would be an enjoyable experience. Because I was to participate in the working group on geoengineering, I prepared for the first meeting by reading relevant technical books to acquire the specialized, scientific knowledge that I thought I would need. Then, I traveled to Berlin for the first round believing that I was well prepared for the discussion based on natural science.

However, it did not take long for me to discover that my expectations were way off the mark. Once discussions began, I found that participants were approaching the issue not just from the perspective of natural science but also from those of business, international law, and civil society. I had also expected our discussions to

Masahiko Haraguchi Sylff Fellow; PhD candidate, The Earth Institute, Columbia Water Center.

be friendly, since the fellows were interested in global governance, and therefore they were presumably adept at discussing in a friendly manner.

The debates, though, were heated; some fellows argued furiously, got upset, and left the room. The atmosphere was the complete opposite of what I had expected. Based on these initial observations, I became very anxious about our subsequent meetings over the coming year, and I was no longer sure how we could collaborate to make effective proposals for global governance.

Another reason why I joined the GGF program was that I wanted to learn whether I had overcome the challenges that I had previously encountered while participating in a similar multinational program called the Global Youth Exchange program. The GYE was organized by the Japanese Ministry of Foreign Affairs and invited youths from 30 countries around the world. Through the GYE program,



the fellows produced actionable recommendations on global challenges, such as extreme poverty and justice in a globalizing world.

Because I realized from my GYE experience that I lacked debating skills, English proficiency, and technical expertise, I had decided to go study

and work in the United States to cultivate these skills. Therefore, through GGF 2025, I wanted to know whether my capabilities had become sufficient enough to discuss global governance issues with professionals from around the world. Below, I would like to share my thoughts on the meaning of global governance and the skills required to discuss governance policy recommendations. I also share my views regarding what Japan should do to more actively engage in shaping the global order.

Geoengineering Working Group

I belonged to the working group that focused on geoengineering. (The other two groups focused on Internet governance and global arms control.) The group was so diverse: the team had a lawyer at the United Nations, a management consultant, a staff member at an environmental NGO, a public policy think tanker, and a researcher in geoengineering. We decided to focus on solar radiation management (SRM) and created two scenarios using a scenario planning method. Our final policy recommendations were: (1) The Intergovernmental Panel on Climate Change should produce a special report about SRM; (2) an SRM advisory body should be

established within the United Nations; and (3) a negotiation process should be created under the UN Framework Convention on Climate Change.

In addition, our report discusses the possibility that geoengineering could create a moral hazard by discouraging current and future efforts to mitigate greenhouse gas emissions and adapt to climate change.

Before arriving at our conclusions, we faced many challenges. Debates were heated, and during the Tokyo round we literally discussed the issues from the morning to midnight. The main reason for the heated debate was the diverse backgrounds of the participating fellows. There was only one expert in geoengineering, and the other eight members had little in common. The scenario planning methodology enabled us to incorporate various stakeholders' viewpoints, but it was a great challenge to pull all the views together into a coherent policy proposal.

I now believe, however, that this challenging process was necessary to create an effective proposal for global governance. Global governance, after all, is precisely about working with multiple stakeholders from a variety of backgrounds, cultures, and interests to craft common rules and frameworks.

The Need for Toughness

The social gatherings after the official program played an important role in helping foster a deeper understanding among participants with diverse backgrounds. It was very important to reestablish friendly ties after our heated discussions with other fellows. Therefore, we needed to be physically tough to join these social gatherings after a full-day program.

Mental toughness was an important quality too. We needed to argue our point tenaciously and be ready to defend our positions when someone disagreed with us.

We needed intellectual toughness as well. We needed to not only argue passionately but also to explain our reasoning very logically so that even non-experts could understand. Coming from an engineering background, I also needed to acquaint myself with the viewpoints of business, international law, and civil society.



Japan's Involvement in Global Governance

How do policymakers and experts in each country perceive what global gover-

nance entails? During the GGF process, I realized that perception gaps exist between Japan and other countries. Policymakers in other countries tend to actively engage in designing “how global governance should be,” while those in Japan are inclined to think “what global governance will be.” I do not mean to attribute this to the Japanese government’s lack of international influence. Rather, this is an issue that anyone even slightly involved in global governance should address at the individual level.

Through my participation in GGF, I have come to think that physical, mental, and intellectual toughness, as well as the engagement of multiple stakeholders, are crucial to leading the discussion on designing global governance. Just taking the small step of involving many stakeholders could lead to improving global governance. As such, individuals play a large role in shaping the way the world is governed; relying only on politicians or bureaucrats will not solve our problems. Each individual must take steps to improve conditions around them, and the building up of small steps can lead to an overall improvement in global governance.

Birth of a Policy Network

The GGF 2025 program has engendered a policy network among the fellows and collaborators. For example, thanks to a German fellow in the geoengineering working group, Stefan Schaefer, I was invited to join the Climate Engineering Conference in August 2014 in Berlin. I was consequently able to learn the latest developments in geoengineering at the meeting and to apply what I learned to the GGF discussions. I also got an opportunity to interact with Japanese geoengineering researchers. Because I am now studying in the United States, this was a valuable experience that familiarized me with the current status of geoengineering research in Japan. We even collaborated on writing up a symposium report.

After the first GGF 2025 round in Berlin, I was at a loss as to how we could proceed to create proposals for global governance, as our discussion was so heated. Now that we have finished producing our policy recommendations after five sessions of GGF 2025, I would say that global governance is essentially a process of rule-making that involves a variety of stakeholders.

What are the skills required to contribute creatively to global governance? Language proficiency, debating skills, and a certain amount of expert knowledge are of course necessary. But I now feel that these are not sufficient. Even more critical are such “cross-border” skills as the ability to overcome differences in culture, nationality, and areas of specialization; physical, mental, and intellectual toughness; and the ability to get a large pool of stakeholders involved.

VOICES FROM THE SYLFF COMMUNITY

Now that GGF 2025 is finished, I may not be as actively involved in contributing to global governance in my daily work and research. However, the experience is still very much alive, tangibly providing me with precious ties to young professionals all over the world as well as the “guts” to take a step forward and try to make a difference. Preparations are now moving forward for GGF 2027. I wish it great success and hope that the next group of fellows will have as rewarding an experience as I did!

February 10, 2016

[Report] The Refugee Crisis in Europe and the Role of the Czech Republic

Keita Sugai

Martin Faix and Věra Honusková, Sylff fellows from Charles University in Prague, organized a conference on the migrant and refugee crisis in Europe that was supported by an SLI grant. Tokyo Foundation director Mari Suzuki and program officer Keita Sugai attended the conference as observers. The following is a report by Keita Sugai.

* * *

Introduction

The migrant and refugee crisis in Europe has the potential to precipitate social and geopolitical changes that could prompt the European Union to thoroughly reexamine its border policy from political, pragmatic, and humanitarian perspectives. Today, news of refugees fleeing from war-torn, failed states or oppressive dictatorships reaches readers around the world every day, and the issue has elicited both sympathy and hostility toward the migrants within the EU. While EU ministers voted for a plan to relocate 120,000 migrants and refugees in September 2015, central European countries, including Romania, Hungary, the Czech Republic, and Slovakia, voted against the plan. The issue has been highly divisive.



In an attempt to gain a fuller understanding of this issue through objective, impartial discussion, Sylff fellows Martin Faix and Věra Honusková organized a

Keita Sugai Program Officer, Tokyo Foundation.

one-day conference in Prague—supported by a Sylff Leadership Initiatives (SLI) grant—that focused on the legal dimensions of the debate. As an observer at the conference, I became acutely aware that the legal foundations of the refugee issue were often completely overlooked in the discussions intended to consider and articulate the plight of the refugees.

The SLI-funded conference on the “Refugee Crisis on the Borders of Europe and the Role of the Czech Republic” was held on November 12, 2015, at Charles University in Prague, from whose Faculty of Law both Faix and Honusková received their PhDs. The fellows have profound legal knowledge of refugee-related issues, with Honusková having substantial practical experience through her career at an NGO and in academia.

In this report, I will first provide background information and then summarize the main arguments for the legal foundations of this issue, along with other topics covered at the forum. I will also share my observations on how the two Sylff fellows succeeded in fulfilling the purposes of the conference.

Background Information

In my conversations with the fellows, I learned that the refugee issue has been politicized in their country and that attempts to stir up public sentiment have resulted in strong anti-refugee opinions and policies. When the number of refugees entering the EU increased dramatically in spring 2015, discussions oriented toward accepting them were difficult to initiate because the political environment was very negative. This was challenged by humanitarian groups on several occasions, and a groundswell of sympathy emerged when the photo of a Syrian boy found dead on the southern Turkish coastline caught worldwide attention. Arguments were made calling for a more flexible policy, and stakeholders became more willing to listen to different viewpoints.



Věra Honusková

Faix and Honusková carefully timed the conference to coincide with this shifting mood. Their primary objective was to examine the legal foundations of the refugee issue, and waiting until November was quite fortuitous, as policy stakeholders became more interested in different perspectives and were in need of objective policymaking guidelines.

They were successful in laying out

the legal foundations in the presence of diverse stakeholders: Speakers included academics from the Czech Republic, Belgium, Hungary, and Austria; administrators from the Czech Ministry of the Interior and the Office of the Public Defender of Rights; and a judge from the Czech Constitutional Court. Their presentations stimulated intense debate, which, as planned, sometimes became very heated.

Audience members included academics from domestic and other EU universities, Czech public officials and administrators, and media personnel. This diversity of participants enabled information to be conveyed from a broad spectrum of viewpoints and facilitated multifaceted discussions.



Martin Faix

Legal Foundations

This report will not delve into the technical details of the debate, and I will only provide the essence of the legal foundations presented and discussed during the conference.

Schengen Agreement and Dublin Regulation

Legally speaking, the refugee crisis has seriously diluted the effectiveness of two important EU agreements signed by most member states. One is the Schengen Agreement, which abolished internal border controls to allow individuals to move freely within the Schengen Area. In response to the massive influx of migrants, however, some countries closed their borders to prevent their entry. These countries point to national security concerns. Many experts believe that the Schengen Agreement is no longer working and that it needs to be reconsidered.

The other is the Dublin Regulation, under which almost all migrants seeking asylum in the EU must apply to the first country of entrance—which then is responsible for reviewing the application. This convention is being questioned from the viewpoint of practicability, as it forces coastal states like Italy and Greece to be inundated with applications. Germany's announcement in August 2015 that it will accept applications from Syrians who had neither applied for refugee status nor had their applications reviewed was seen as the moment that made states give up on the strict enforcement of the Dublin Regulation.

It is important to note, though, that the massive scale of the migration in 2015 was totally unforeseen by these two agreements. This is not to say that they are flawed but that emergency, intervention measures are needed.

Convention on Refugees

The 1951 Geneva Convention relating to the Status of Refugees is a UN multilateral treaty that contains a definition of a refugee, the rights of individuals granted asylum, and the responsibilities of nations granting asylum.

According to the definition that was amended in a 1967 protocol, a refugee is a person who is outside the country of his/her nationality and is unable or unwilling to return owing to a “well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion.” Refugees are protected by the principle of “non-refoulement,” or forcible return, which the parties to the convention must observe. It is a safeguard to prevent refugees from being returned against their will to territories where their life or freedom could be threatened.

The speakers talked of the convention as something like a Magna Carta, serving as the basis of all other legal documents on the rights and entitled protections of refugees.

European Union Law

Article 67 of European Union law (Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union) states: “[The Union] shall ensure the absence of internal border controls for persons and shall frame a common policy on asylum, immigration and external border control, based on solidarity between Member States.” Article 77, meanwhile, states: “The Union shall develop a policy with a view to: (a) ensuring the absence of any controls on persons, whatever their nationality, when crossing internal borders; . . . [and] (c) the gradual introduction of an integrated management system for external borders.” And Article 78 states: “The Union shall develop a common policy on asylum, subsidiary protection and temporary protection with a view to offering appropriate status to any third-country national requiring international protection and ensuring compliance with the principle of non-refoulement.”

The provisions concerning asylum for refugees thus reaffirm the Refugee Convention’s protocol regarding the rights of refugees and responsibilities of member states. It is notable that EU law upholds a “common policy” on the protection of

refugees. This is a strong argument for EU member states to undertake necessary measures collectively, especially if the Schengen and Dublin agreements are not fulfilling their originally envisioned common policy goals.

What emerged from the conference was a message that member states are required, under the Geneva Convention and EU law, to provide relief measures for refugees to some extent but that they can fulfill those requirements in a number of ways. There is a need to respond to the humanitarian crisis, but states do not necessarily have to allow all people who come to Europe's shores to settle in the EU. The issue is made more legally complicated by the fact that many of those entering Europe are not refugees in the conventional sense. The most difficult and controversial aspects of the issue are how the legal foundations should be applied in enabling practical policy measures when political interests and orientations dictate a different response. EU member states were divided over their policy choices, as the actual number of migrants in 2015 far exceeded levels envisioned under the current policy framework.

Many of the EU members opposed to allowing the entry of refugees, including the Czech Republic, pointed to national security concerns. The tone of the debate was dominated by a sense of crisis, and political emotions ran high, fostering negative views toward the acceptance of refugees.

The conference highlighted the point, though, that EU member states cannot avoid their responsibilities. The fellows explained to me that many participating political and government officials, as well as the mass media, came away from the conference with a heightened interest in the legal dimensions of the issue. There is no doubt a need to keep political emotions in check and encourage more objective discussions; this conference could be the first step toward that goal.

The fellows were thus very careful about downplaying the influence of emotion and creating an environment conducive to objective, sober debate. For example, speakers were discouraged from using visual images of refugees, particularly of children, which could trigger a sympathetic, humanitarian response.

Other Issues

These discussions raised more fundamental questions about the nature and role of the European Union. The EU was established to consolidate certain functions of national governments and promote solidarity. Member states must act as one on a broad range of policy issues. The refugee crisis alone will not erode the EU's spirit of solidarity, which is required in addressing the many challenges it faces, including financial crises, economic stagnation and unemployment, conflict with Russia over



Ukraine, and Britain's possible withdrawal. But a critical mistake in a key policy area could produce seeds of fragmentation. The fact that the conference addressed the refugee problem with reference to fundamental aspects of the EU was an excellent idea.

Another insight into the fundamental aspects of the refugee crisis was gained through the introduction of historical documents from about a hundred year ago, which showed that sovereign states did not have a key role in maintaining migrant controls. Culture was, in some ways, a bigger factor in human mobility, not only leading to a reexamination of the status quo but also prompting major changes. Adapting to changing circumstances enabled cultures to grow stronger, thereby facilitating their continued and sustainable development. Discussions of the refugee crisis thus shed new light on the fundamental role and historical significance of the EU process.

Conclusion

The Sylff Leadership Initiatives program is intended to support fellows wishing to address socially relevant issues. Honusková and Faix were well aware of the aims of SLI and had a shared interest in taking an objective look at the influx of migrants into Europe. Their efforts to promote thorough debate from a legal point of view—whose importance had often been overlooked—contributed to the success of the conference. Honusková and Faix are both experts on the legal aspects of the refugee issue; the two worked effectively as a team, with Honusková taking the lead in shaping the substance of the discussions, while Faix was mainly responsible for administrative matters.



There was no time to bask in the afterglow of their success, however. On November 13, 2015, only one day after the conference, terrorists launched coordinated attacks in Paris that killed over a hundred people. This tragedy has negatively impacted on efforts to protect and accept refugees, making it all the more imperative to promote levelheaded, legally

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grounded debate. I have invited Faix and Honusková to write about the conference and the refugee crisis in their own words in a forthcoming Voices article.

December 10, 2015

Rising India: When and How?

Joyashree Roy

Joyashree Roy, the Sylff Programme Director at Jadavpur University since 2003, is researching multidisciplinary approaches to understanding developmental and climate challenges, and is among the network of scientists who shared in the 2007 Nobel Peace Prize awarded to the IPCC (Intergovernmental Panel on Climate Change). She provides an Indian perspective on climate challenges.

* * *

I often hear debates about how India might rise over the course of the next two and half decades, by which time the country's population growth will be peaking. Should India reinvent the wheel of progress or should it try to catch up? Thirty percent of human settlements in India have already followed the path of progress that has proved successful in improving individual quality of life and are on the way to adopting solutions for improving social and environmental quality. So the real question is about the remaining 70% of settlements, where people do not have adequate access to basic necessities like energy for cooking, lighting, cooling and heating, safe drinking water, sanitation and hygiene, shelter from natural calamities, access to good healthcare service, sufficient skills to participate in mainstream discourse, and so on.

Through hard work, knowledge, wisdom and scientific endeavour, humanity has made tremendous progress over the past centuries in its ability to take care of personal hygiene, health, and to protect the social and natural environment. India is already on that pathway. There is no reason why the Indian population in poor settlements will not rise, taking advantage of the proven knowledge embedded in advanced technology, infrastructure design, and the energy service supply. If we talk of equality and justice there can be no denial of progress for the rest of India,

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Millions must bathe and cook in villages with no private water access arrangements and no modern fuel and technology access due to supply constraints and poverty.

given that no difference exists in human aspiration levels. The faster we move to bridge the gap, the faster peace and harmony will arrive, along with a society that can wisely deliver environmental good. Urban green spaces, urban agriculture, and urban biodiversity are boosting the growth of a new service sector.

Political arguments and scientific literature focused exclusively on rather simplistic interdependencies like “poverty as a driver of environmental degradation” or “indoor air pollution and rural women’s health” have failed to achieve more than incremental changes over the past three or four decades. Besides some fuel subsidy programs, these political arguments could generate some philanthropic extensions, NGO activities with government support for improved cooking stove programs involving the public distribution system, and some solar lantern distribution systems, in addition now to some solar-based micro grid system demonstration projects. But no transformative change can yet be seen. The debate has been rejuvenated in the context of “energy poverty and climate change.” Now is the time for questioning the past experiments that have involved a confused search for unknown alternative growth paths which are sometimes questionable from the point of view of both efficiency and justice.

How can India deny what we know to be the most efficient examples of land use patterns in human settlement design, in which a strip of road provides space for multiple basic service delivery infrastructure, including water supply pipelines, transport and mobility, telecommunications, drainage and sewerage, a grid-based electric supply, T&D network, street lighting, and avenue plantation? How can we not keep options for vertical and horizontal living patterns for Indians, while the rest of the world is enjoying these options and not discarding them?

Today there is no mystery about how to effectively purify water for safe drinking. Nevertheless, people still die of water-borne diseases in 70% of settlements in

India. Lack of an adequate power supply is the major reason for a lack of safe water. How can there be any debate about extending the grid to supply power to all settlements? Why should there be policies or actions taken in favor of not extending the grid-based electric supply over larger parts of India in the name of a dream of an alternative developmental trajectory? This dream involves solar lanterns, solar power-based domestic lighting systems and micro grids, but does not lead anywhere except back to the initial state of affairs. Such experiments may have satisfied some philanthropists and enriched solar technology research outcomes. But ultimately their main result has been to delay progress in the quality of life of those communities by two or three decades.

Today, when frustration is leading to social conflicts over lack of access to basic facilities and competition for better facilities in local communities, the first step to be adopted is the establishment of grid power connectivity. It is grossly wrong to say that Indians need three bulbs to light their houses and no more, on the assumption that their aspiration levels are low. Do Indians have to consume less as latecomers in development while food waste is a way of life in many rich communities and countries? These are questions of justice.

It is easy to see that lack of adequate infrastructure kills aspiration. Potatoes, tomatoes, garlic, onions, and other vegetables and fruits are left to rot in many villages because of a lack of cold storage facilities. Food-processing industries are not able to move to the point of produce because of lack of adequate power connections. Life therefore remains stuck at subsistence level, and the day ends with sunset. This has nothing to do with aspiration levels. Hot summer days of 40 degrees Celsius and 98% humidity take a toll on life and labor productivity. It is not that simple Indians do not want air-conditioned spaces. Nor can any ethical consideration be put forward to say that Indians should not aspire to have space cooling as they become affluent enough to afford it, on the grounds that it will mean increased global warming. These are the minimum aspirations for good living and for productive thinking.

It was proved fifty years ago how India can achieve food security using modern tools and techniques and scientific research. Today, thanks to improved irrigation facilities and advanced agricultural equipment, India produces no fewer than a dozen top-quality varieties of rice, cereals, mangos, and so on. If strategically managed, these resources would be able not only to feed India's own population but also to feed large parts of the rest of the world. The much-bruited adverse impact on soil quality and water table levels are misrepresentations of the environmental concerns: they result from a lack of investment in environmental resources management and in managing these resources. Experiences in the field give grounds for

hope, when orchards are seen replacing paddy cultivation in some of the degraded lands of Punjab, drip irrigation is replacing flooded irrigation, and vegetables and horticulture are bringing in more cash and adding diversity to dietary habits.

As a result of anticipated high power needs over the next twenty years, even coal use will not peak within the next decade. Even if the most ambitious targets are met and coal use declines dramatically by 2050, coal capacity will still be at 2012 levels. Carbon capture and storage technology will need serious consideration if the capacity needs to be decarbonised at that time. Solar and wind power are increasing and together are expected to account for almost 40% of total electricity generation capacity in 25 years' time. But it will be difficult to close the door on other non-carbon power sources like nuclear and hydro once the total generation capacity reaches levels six times higher than at present. These growth rates are merely those required for providing universal access to a decent life and are far removed from a lifestyle that would change dietary habits, currently based on locally grown agricultural produce and low per capita meat consumption (approximately 5 kg per capita a year, compared to 120 kg in the United States and 80 kg in Germany).

India's energy-intensive industries are almost on a par with the best technologies globally. Technological advancement promises to deliver efficiency and justice simultaneously. Energy-efficient home appliances can deliver the same service level for millions more with the same energy supply, and perhaps without increasing total energy use. All the air conditioners in India today can be given a five-star rating. So there is no reason why India should not succeed in bringing its masses through the mainstream developmental pathway. The work of delivering universal human wellbeing (better shelter, better workplaces, a healthier environment, and so on) should not only be maintained but pursued with all vigour. It is now or never.

India cannot afford to miss out on the demographic dividend. The youth of the country needs to innovate the path toward their future wellbeing using modern science. If humanity is to live in peace and harmony—the two best indicators of human wellbeing—let's not delay India's progress in the name of experimenting with romantic ideas of alternative development models or “degrowth.”

Let us remind ourselves of what India has achieved so far, even after following global developmental trends. India's total electricity generation equals that of Russia today and is at the same level as China in 1994. Less than 10% of urban households own a car; car-sharing is a lifestyle in India, 42% still use a bicycle, motorized two-wheelers are used by 35% of urban households, per capita CO₂ emissions are less than 2 metric tons, compared to 17 MT in the United States, 7 MT in the EU,

and 6.7 MT in China. Industries have begun to adopt cleaner production to maintain global competitiveness. Whereas the industrial output growth rate in the 1970s was roughly equal to the energy demand growth rate, in the current decade technology growth has decoupled activity growth and energy demand growth to such an extent that a five-fold increase in energy growth can now produce twenty-fold activity growth thanks to energy-saving technology.

From an Indian perspective, growth now, with the adoption of increasingly advanced technology, means progress and justice for the masses. The search for alternative development models should and will continue, given human curiosity and imagination. But experimenting with India would be equivalent to “development delayed is development denied.” How can we ask the poor of India not to aspire for better food, better hygiene, and better health? Who has given the privileged few the right to deny them these options?

December 4, 2015

Using Traditional Patriarchal Institutions to Address Women's Problems

Romina Istratii¹

That modernity does not necessarily bring secularisation in most parts of the world is knowledge rarely disputed in our times. People working in the field of development are increasingly acknowledging the continuing influence of patriarchal² religious norms on individual and collective life and looking for ways to promote female empowerment within the local reality.³ At the same time, there is growing evidence that gender-specific programmes in the past have produced negative side effects, perhaps because they failed to understand the interdependent livelihoods of men and women in traditional societies. This has led to some efforts to make men and boys central actors of female empowerment.⁴ Ordi-

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¹ I would like to thank sincerely the Tokyo Foundation in Japan for believing in the proposal I submitted, and for granting me the means to begin to realise it. I also want to thank Dr. Harwood Schaffer at the University of Tennessee for sharing his work with me and introducing me to the community of Guédé Chantier, and its first Mayor Dr. Ousmane Pame, for willingly accepting my proposal and facilitating my fieldwork and activities there. I also wholeheartedly thank the population of Guédé Chantier for accepting me and for showing patience and willingness to engage with this endeavour.

² 'Patriarchy' etymologically results from the combination of two words, pater>patria and arkhein, which mean respectively 'father>family/clan' and 'to begin/to rule/to command' (Online Etymology Dictionary). Patriarchy here then is not defined as androcentrism, but as an organisational structure in which the male plays a central role. Whether a male-led institution becomes unequal will depend on how that subject uses the authority given to him.

³ See for example E. Tomalin (ed.), 2015, *The Routledge Handbook of Religions and Global Development*. Routledge.

⁴ See for example E. Esplen and A. Brody, 2007, "Putting Gender Back in the Picture: Rethinking Women's Economic Empowerment," http://www.bridge.ids.ac.uk/sites/bridge.ids.ac.uk/files/reports/BB19_Economic_Empowerment.pdf

nary women in more traditional societies still grapple with culture-specific challenges that are rarely addressed in global initiatives. These include fundamentalist wars against their piety, frictions between modernisation and cultural identity, and intergenerational communication problems that interfere with young women's choices.⁵

These were some of the challenges local people repeatedly conveyed to me through their accounts during a year of research in sub-Saharan Africa. The project described here was designed in response to these findings, and proposes to address asymmetries in the lifestyles and livelihoods of men and women working through the patriarchal institutions that inevitably make up the building blocks of most traditional societies. Pragmatic development must be relevant to the realities of local people, and must work within those realities to create an environment for change from within that is led by the people themselves out of their free choice.

Background

The idea that development programmes need to be cautious not to promote existing inequalities between men and women is the product of Western feminist movements. Gender sensitivity has been a mainstream part of development since at least the 1995 International Conference on Women held in Beijing.⁶ In 2013, in an attempt to understand the need to integrate gender-sensitivity in African agricultural development programmes, I embarked on a year-long fieldwork project in Ghana, Ethiopia, Rwanda, and Tanzania.⁷ My methodology was to listen to what men and women had to say about their livelihoods, to observe how men and women lived together, and to become exposed to Western gender and development approaches so as to investigate their impact.

The findings overall revealed a gap between people's nuanced lifestyles (and the

⁵ It is little surprise that many scholars in developing countries continue to call for alternative epistemological approaches to gender theorisation. See for example O. Oyěwùmí, (ed.), 2011, *Gender Epistemologies in Arica: Gendering Traditions, Spaces, Social Institutions, and Identities*, Palgrave MacMillan. The same position is echoed in anthropological arguments that have long called for practice designed on the basis of local knowledge. See for example L. T. Smith, 1999, *Decolonizing Methodologies Research and Indigenous People*, London: Zed Books Ltd.

⁶ See for example C. Moser, 1993, *Gender Planning and Development: Theory, Practice and Training*, Routledge: London and New York.

⁷ I was awarded the Thomas J. Watson fellowship by the eponymous foundation in New York after being nominated by Bates College in 2012. The project was of my own conceptualisation and design, and was implemented during the period of one year.

even more nuanced relationships between men and women) and the theoretical assumptions underpinning most gender and development programmes. The mainstream theoretical framework seemed to be premised on a consistent set of assumptions about gender relations in other countries and the implicit idea that most cultural influences are pernicious to women. In addition, the fact that gender analysis was done from the standpoint of leading Western societies meant that the impact of faith on material life was rarely researched or accounted for. In the societies where I lived, however, it was evident that cultural and faith-based ideas and beliefs shaped gender identities and relations, also influencing women's possibilities as food producers. It was rarely recognised in the programmes I saw that improving women's livelihoods would require understanding and engaging with these deeply embedded ideas and socialisation norms *first*. I therefore developed an alternative strategy that would include traditional institutions both in the analysis of gender realities and in sensitisation processes. Getting local religious and patriarchal figures involved in this process was another priority.

My proposal was to achieve this by combining ethnographic methods of research with participatory methodologies for community discussion. The process of group sensitization would be guided by ERDA methodology, a tool developed by research partners at the University of Tennessee to promote collective problem solving in communities.⁸ Through such a process of collective dialogue participants were expected to become more aware of the positives and negatives in their community. The gender-sensitive aspect of the approach would in turn provide a platform for thinking about asymmetries in the livelihoods and social roles of men and women, and trace their origin possibly in religious and cultural conventions. At the same time, ERDA would guide the process of sensitization and reduce my role to that of interlocutor. I employed this approach for the first time in the community of Guédé Chantier in Senegal, in response to an invitation by the mayor, Dr. Ousmane Aly Pame, to support the community's development in ways that would be inclusive and culture-sensitive.⁹

⁸ This tool was developed by research partners at the University of Tennessee. It is known by the acronym ERDA (Evaluate, Research, Develop and Assess), and according to my partner, Dr. Harwood Schaffer, was adapted from a well-known tool in Business Studies called Cycle of Innovation. It was designed to set in motion an ongoing cycle of community insight-sharing and re-assessment, securing community ownership of decision-making, to encourage cooperative problem-solving. It was developed on the idea that when practitioners depart, the community must be able to continue to resolve its problems independently.

⁹ Dr. Pame was introduced to me through my research partner at the University of Tennessee, who was at the time working closely with Dr. Pame to address agriculture-related issues

Socio-economic Conditions through the Gender Lens in Guédé Chantier

Guédé Chantier was established in 1933 by the French colonial administration as an irrigated agriculture project, resettling some 50 families to the area to grow rice.



Guédé Chantier and the central canal that enables farmers to irrigate their rice fields.

The original local inhabitants were Fulani, although today Guédé is ethnically diverse. The population is homogeneously Muslim, with the majority belonging to the Sufi branch of Islam, and specifically the Tidjanniya brotherhood.¹⁰ Guédé has a population of approximately 7,000, with a large population of young women.

Men are expected to provide for their families. They usually work in pastoralist, agricultural, fishing, artis-

anal, and entrepreneurial activities in the village and nearby areas. Women are responsible for looking after children and running the house. Many women work small parcels of land to produce vegetables, which they sell to buy cooking materials. Almost all women are involved in the transformation of raw foodstuffs for sale, including preparing salted peanuts and turning rice into flour.

Currently the community faces a number of problems, including soil depletion, water pollution due to use of synthetic fertilizers, shortage of pastoral land, drought, unstable income due to seasonal problems, and migration. Women have limited control of land, limited access to agricultural inputs,



Khadija, a mother of four in a polygynous marriage, preparing salted peanuts.

in the community. Since Guédé Chantier was upgraded to the status of a *commune* (2008-2009), Dr. Pame has been committed to mobilising its local population toward more sustainable growth pathways. The community was reportedly the first to be registered as an eco-village.

¹⁰ Sufism is the mystical version of Islam, and is defined by the followers' search for inner spirituality and approximation of God. The Tidjanis share three foundational principles, which are: 1. Praying to be forgiven for your sins ('*Astafiroullah*'), 2. Recognising no one as divine but God ('*La Illa Ha Illalah*'), 3. Praying to the Prophet Mohammad ('*Salatou Allale Nabby*'). (Principal Imam Abdoulaye Ly, personal interview, 1 April 2015, consent granted).

and find it difficult to secure credit. Livelihoods for both men and women are becoming more difficult as the price of living increases. This is felt particularly by women, who must manage daily household needs on very meagre funds.

Project Activities

A. Context Analysis

The project was planned as three rounds of activities to unfold over the period of one year. In the first round, I completed questionnaires with men and women in their homes that asked them about their livelihoods and gender-specific challenges. I also spoke to key informants, representatives from local youth organisations, and ordinary men and women. Two focus group discussions—one with men and another with women—were held to unpack profounder religious and cultural beliefs and norms underpinning girls' and boys' socialisation. This information was used to prepare the participatory workshop.



Participants' own definitions of "development."

B. Participatory Workshop

The workshop had a timeline of two days; it attracted 14 participants on the first day, and 21 on the second (38% female). The group was diverse in terms of age, education levels, marital status, and other so-



Participants reflecting on how they understand “development” in the context of their own lives.

cio-economic characteristics.¹¹ The workshop followed the ERDA methodology, starting with an evaluation of current realities, followed by exercises to bring out problems caused by the intersection of traditional values and norms and modern influences, to assess possible needs and opportunities, and ultimately to produce a platform for action toward sustainable community growth.

¹¹ Participation at this point was self-selected, however an attempt was made to communicate directly with women and men in the community so as to ensure that everyone was informed before the day of the workshop.

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In the second part of the workshop, a conversation about moral values led participants to examine their ideas and perceptions about people from different backgrounds, and the issue of equality and difference. This led gradually to the topic of the relations between men and women in Pulaar society. Young men and women, both married and single, worked together to list differences and similarities between men's and women's livelihoods. Participants also discussed the impact of family, schooling, and religious education on their perceptions about women and men and their respective roles in society. A conversation about spousal and inter-generational communication followed. Although disagreement occasionally halted dialogue early on, by the end of the workshop participants were fully engaged and more aware of their shared identities than differences. Participants also expressed excitement at the ERDA methodology, which they felt could be replicated to promote other communal development initiatives.¹²

C. Meeting with Patriarchal Leaders

In the second round of activities a meeting was held with religious leaders: Muslim clerics and local elders (a total of nine participants). I planned this discussion to summarise the participatory workshop and its findings to the local 'patriarchs,' and to discuss issues of equality in Islam as they had been articulated during the workshop, the focus groups and the personal interviews. The aim was to hear how local leaders thought about the intersection of faith-based, culturally embedded norms about men and women and the needs of younger generations in a constantly globalising world. I also wanted to see how they would visualise development in their community, and their role and responsibility in it.



Working together to identify differences and shared characteristics between men and women.

¹² Participants proposed various suggestions, but due to the fact that we ran out of time, no action plan was created. The different pathways were discussed in follow-up conversations.

Progress and Future Directions

The ethnographic activities showed that men and women have different roles, responsibilities, and expectations in this society. The asymmetries in livelihoods most likely reflect religious norms compounded by cultural practices. Patriarchal arrangements of social life, such as in the ways land is allocated, did seem to make equality more difficult to sustain. But the real impediment was found in mentalities that viewed women as less capable than men and belonging exclusively in the home. The participatory workshop showed that most people are interested in change and condone equality, but in ways that do not depart from patriarchal structures that they perceive as foundational to either faith or culture. Any intervention that aims to address women's problems would need to take into account this subtle relationship between growing ideas of equality and a strong sense of identity, especially in cases where the latter combines with an androcentric worldview.

It also emerged from the activities that there is much untapped potential for personal and economic growth in women's agricultural and revenue-generating activities *at home*. From the conversation with religious leaders it became evident that they would not oppose economic activities led by women, although there was a general preference that women should not work. Because women spend most of their time within the house, growing food in gardens was identified as a possible pathway for providing women with a stable and independent source of income, and also improving their children's nutritional habits in the long run (which currently lack diversity).

Subsequently, in a third trip to the village, a workshop was held with women on the themes of nutrition and agriculture. The workshop again employed the ERDA methodology of collective dialogue. In the discussions, women recognised linkages between cultural influences and tradition and current nutritional practices and deficiencies, and raised the need for change. Some participants proposed forming an association for women that would pilot a collective project to grow more nutritionally rich foods at the established local genetic centre. In line with this project's premises that change must be free-willed and start from within, it was left to the local population to decide how they will leverage on the ERDA activities and what changes they will proceed to make.¹³

¹³ My conviction is that development must respect free choice. This echoes the work of Amartya Sen (Nobel Prize in Economics 1998). My approach takes Sen's theory seriously and recognises that people value different things and that development must be formulated

Objectives, Aims, and Expectations

This project's objective has been two-fold: first, to see more community members sensitised about differences and asymmetries in the lifestyles and livelihoods of men and women, and second to create an environment for men and women to come together, discuss their problems and needs, and become aware of new collective and individual pathways for action. The underlying aim was to pilot a new approach to development practice that is based on local gender knowledges, and does not attempt to impose change based on *a priori* conceptualisations of what ideal gender relations should be. The activities in the village also provided the context for my master's research titled "Gender through the Lens of Religion: An Ethnographic Study from Senegal" (University of Sussex, Institute of Development Studies), which should add to the field's understanding of the intersection of faith-based worldviews and Western ideas of gender equality, as well as the implications of this intersection for sustainable development in African societies and elsewhere.¹⁴

"Power lies with the individual who has the freedom of choice. This choice, however, requires will, maturity and knowledge."

—Young woman in Guédé Chantier

based on such values. See A. Sen, 1999, *Development as Freedom*, Oxford University Press.

¹⁴ This has become my MA dissertation at the Institute of Development Studies (IDS), University of Sussex, under the title "Gender through the Lens of Religion: An Ethnographic Study from a Muslim Community in Senegal."

February 18, 2016

How Can Mathematics Help Us to Understand Complex Systems?

László Csató

Network analysis has emerged as a key technique in many fields of study, including economics, geography, history, and sociology. One fundamental concept that researchers try to capture is centrality: a quantitative measure revealing the importance of nodes in the network. The values assigned to the nodes are expected to provide a ranking which identifies the most important vertices. Naturally, the word “importance” has a wide range of meanings, leading to many different definitions of centrality. László Csató, a Sylff fellow at Corvinus University of Budapest in Hungary, is exploring the methodological background of some centrality indices.

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In the analysis of complex social and economic structures, actors and the relationships among them are often interpreted as a network. The topology of the network can provide insight into its characteristics and functioning independently from the chosen system (a group of people, a supply chain, international trade relations). The graph-theoretical approach offers a possible approach to modelling these networks. Its strengths lie in the measurement of structural attributes as well as in visualization.

A well-known concept of the graph-theoretic analysis is centrality, which reflects the relative importance of the nodes in the whole network. Many methods exist for this purpose, although not every metric is suitable for every network—the choice depends on the nature of processes in the network and the aims of the analysis.

Most centrality measures have an interpretation on the network graph. However, their axiomatic background deserves more attention: little is known about

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which measures are excluded and which are supported by accepting a plausible property. The adopted approach is a standard path in (cooperative) game and social choice theory, and is gradually coming to prominence in economics, illustrated by the Nobel Memorial Prize in Economic Sciences awarded to Alvin E. Roth and Lloyd S. Shapley in 2012. It can significantly contribute to the effort to find the right measures for a network.

Since my research has a strong theoretical orientation, I want to illustrate it through an example. Readers interested in the details can consult two working papers by me on the topic.^{1,2}

This paper attempts to develop an index for measuring the accessibility of nodes in networks where each link has a value such that a smaller number is preferred. Examples might include distance, cost, or travel time. In the following, we will give some insight into the results.

Measuring Accessibility

The Marshall Islands in eastern Micronesia are divided into two atoll chains, one of which is Ralik. Figure 1 shows a (simplified) graph of the voyaging network among the 12 islands of the Ralik chain (Ailinglaplap, Bikini, Ebon, Jaluit, Kwajalein, Lae, Lib, Namorik, Namu, Rongelap, Ujae, Wotho). The links between the nodes show the possible routes of inter-island journeys by canoe. For example, it is not feasible to directly travel from Bikini to Jaluit: this journey requires at least five inter-island hops through Rongelap, Kwajalein, Namu and Ailinglaplap. We can therefore say that the distance between Bikini and Jaluit is 5. The problem is to provide a numerical answer to the question “How accessible is a node from other nodes in the Ralik chain?” The islands should be ranked with respect to the probability that they might become the centre of the chain.

An obvious solution is distance sum, the sum of the distances to all the other nodes. For example, Ailinglaplap has a distance sum of 25 since its distance to Bikini is 4, to Ebon 2, to Jaluit 1, and so on. The distance sum is characterized by

¹ Csató, L. (2015): “Measuring centrality by a generalization of degree.” Corvinus Economics Working Papers 2/2015. URL: <http://unipub.lib.uni-corvinus.hu/1846/> This paper contributes to network analysis, dealing with the issue of how to identify key nodes in a network. For this purpose a new centrality measure, called the generalized degree, is suggested, based on the idea that a link to a more interconnected node is preferable to a connection to a less central one.

² Csató, L. (2015): “Distance-based accessibility indices.” Corvinus Economics Working Papers 12/2015. URL: <http://unipub.lib.uni-corvinus.hu/1986/>

Figure 1. The Voyaging Network Graph of Marshall Islands' Ralik Chain

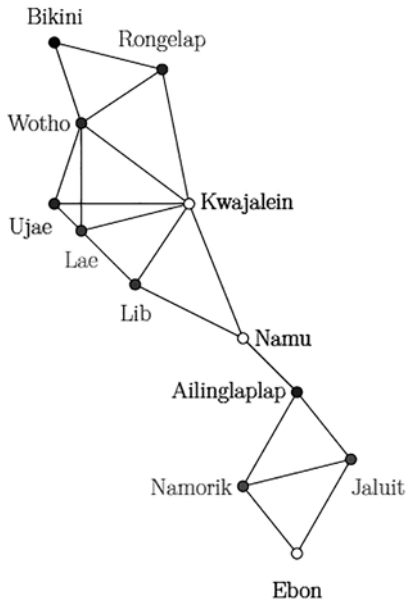
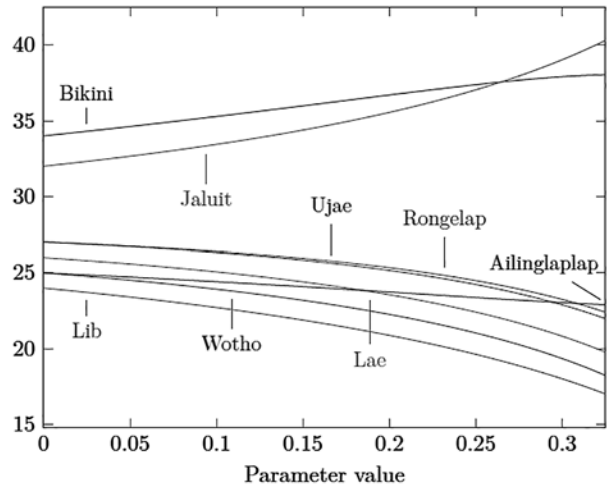


Figure 2. Generalized Distance Sums



three independent properties (axioms) such that it satisfies all of them, but any other accessibility index violates at least one property. The three conditions are as follows:

- **Anonymity:** The accessibility ranking does not depend on the name of the nodes. Note that Jaluit and Namorik are structurally equivalent in the network, both being connected only to Ailinglaplap and Ebon.
- **Independence of distance distribution:** If the distance of a node is decreased and the distance of another node is increased by the same amount, the accessibility ranking does not change.
- **Dominance preservation:** A node not far from any other is at least as accessible. For instance, Rongelap should be more accessible than Bikini since the former is closer to certain nodes (e.g., Kwajalein), and there does not exist any island which is farther from Rongelap than from Bikini.

The distance sum focuses exclusively on the shortest paths. Sometimes this is not a desirable feature, as these paths can be vulnerable to link disruptions. Therefore a generalized distance sum, a parametric family of accessibility indices, is

suggested. It is linear (easy to calculate), considers the accessibility of vertices besides their distances, and depends on a parameter in order to control its deviation from distance sum. This means that it should violate one axiom of the characterization above, which turns out to be the independence of distance distribution. However, the generalized distance sum is anonymous and satisfies dominance preservation if its parameter meets an appropriate condition.

Figure 2 shows the generalized distance sums for some nodes (on the vertical axis) as a function of a parameter (on the horizontal axis), which measures the influence of the other (i.e., not the shortest) paths. If the parameter is zero, the generalized distance sum is equal to the distance sum, however, some changes can be observed by increasing the value of the parameter:

- The tie between Ailinglaplap and Wotho (25) is broken for Wotho. This makes sense since the nodes around Wotho have more links among them.
- The tie between Rongelap and Ujae (27) is broken for Ujae. This is justified by Ujae's direct connection to Lae instead of Bikini as the former is more accessible than the latter.
- Lae (26), Rongelap, and Ujau gradually overtake Ailinglaplap (25) and Bikini (34) overtakes Jaluit and Namorik (32) in the accessibility ranking. The reason is that the network has essentially two components: the link between Ailinglaplap and Namu is a cut-edge, and the above part around Kwajalein (where Lae, Rongelap, Ujae, and Bikini are located) is bigger and has more internal links.

Kwajalein (with a distance sum of 20) and Namu (21) are the first and second nodes in the accessibility ranking for any value of the parameter. Ebon (34) is “obviously” the least accessible node. These nodes are not shown in Figure 2.

To summarize, the generalized distance sum seems to reflect the vulnerability of accessibility to a disruption on the edge between Ailinglaplap and Namu: if this occurs, then the islands of Ailinglaplap, Ebon, Jaluit, and Namorik suffer more as they have a smaller “internal” network. The parameter can be said to measure this danger to a certain extent.

What Is It Good For?

Accessibility measures can be used in a number of interesting ways:

- Knowledge of which nodes have the highest accessibility could be of interest in itself (e.g., by revealing their strategic importance);

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- The accessibility of vertices could be statistically correlated to other economic, sociological, or political variables;
- Accessibility of the same nodes (e.g., urban centers) in different networks (e.g., transportation, infrastructure) could be compared;
- Proposed changes in a network could be evaluated in terms of their effect on the accessibility of vertices;
- Networks (e.g., empires) could be compared by their propensity to disintegrate. For example, it may be difficult to manage from a unique center if the most accessible nodes are far from each other.

Network analysis has emerged as a key technique in modern sociology as well as in anthropology, biology, economics, geography, history, and political science. My methodological research aspires to support these applications to get an insight into different networks. I believe robust mathematical foundations are crucial to a better understanding of similar complex systems.

February 25, 2016

Chinese Investment in Central and Eastern Europe

Ágnes Szunomár

Ágnes Szunomár, a 2015 Sylff fellow at the Hungarian Academy of Sciences, summarizes her research on the recent trend of Chinese investment in Central and Eastern Europe. In her article, she describes how it differs from investments by other Asian and European countries.

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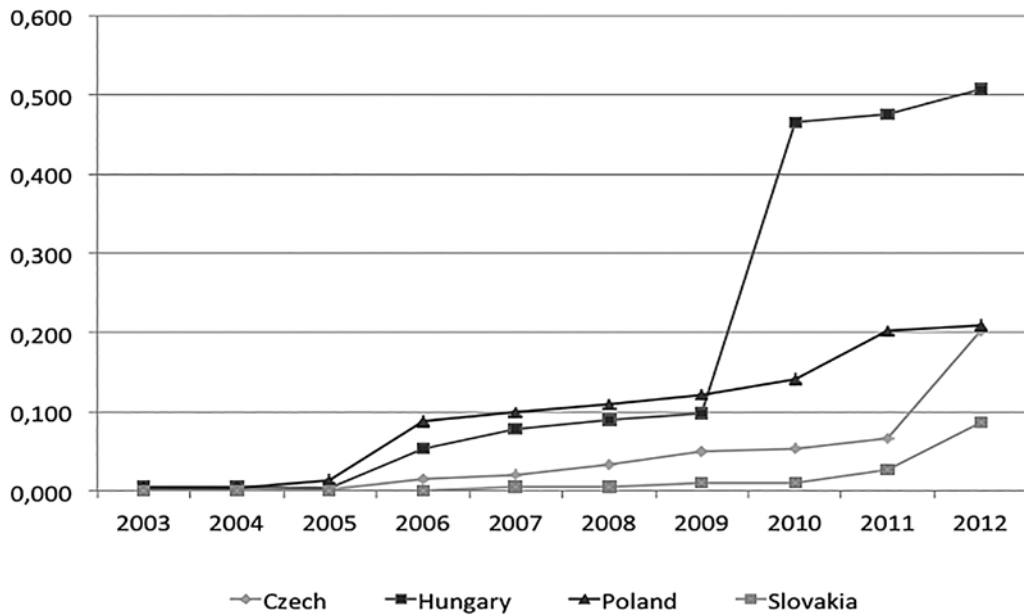
Introduction

Chinese outward foreign direct investment (OFDI) is one of the most spectacular developments in recent international economics in terms of its rapid growth, geographical range, and takeovers of established Western brands. Chinese firms mainly invest in Asia, Latin America, and Africa, where they search for markets and natural resources. They have also been active in the developed economies of Western Europe and the United States, however, that offer markets for Chinese products and assets that Chinese firms lack, such as advanced technologies, managerial knowledge, and distribution networks. Chinese firms are also increasingly investing in Central and Eastern European countries (CEECs). These investments are quite a new phenomenon and still constitute a small share of China's total foreign direct investment (FDI) in Europe (10%), but since 2006 we have seen a growing influx of Chinese investments into the region, which is expected to increase further in the future (see the figure below).

The aim of my research was to analyse the motivations and location determinants of Chinese FDI in the largest recipient countries within the CEECs, with a special focus on the role and impact of host country macroeconomic and institutional factors.

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China's OFDI Stock in Visegrad Countries, 2003–2012 (USD billion)



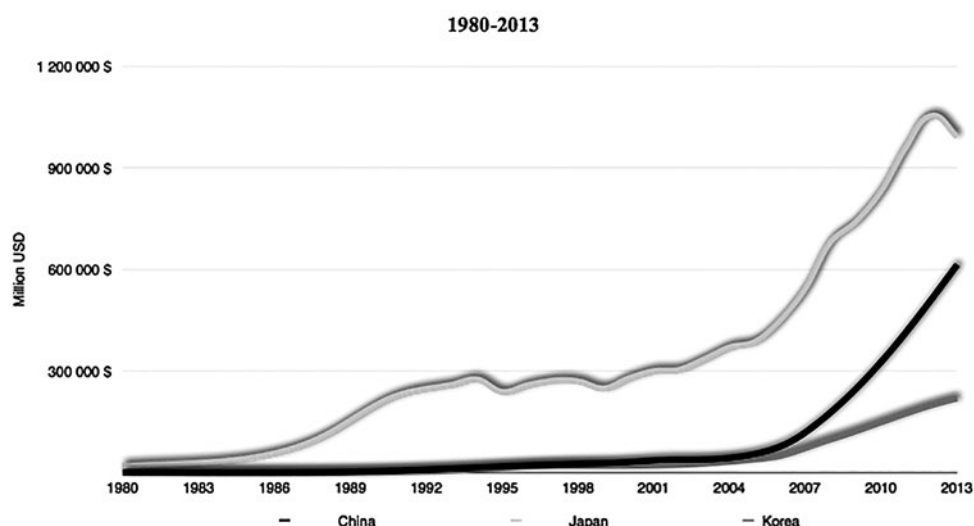
Source: CEIC China Premium Database, 2012; MOFCOM 2013.

Background

China's rise is often compared to the postwar "Asian Miracle" of its neighbors. An analysis of the internationalization experiences of Japanese, Korean, and Chinese companies reveals several common features as well as some differences. One of the main common characteristics shared by all three is the creation and support of the so-called national champions, that is, domestically based companies that have become leading competitors in the global market. In fact, during their developmental period, both the Japanese and Korean governments gave strong state financial support to their companies in order to protect and promote them as well as to strengthen them for international competition. China has followed this example in subsidizing domestic industries and supporting their overseas activities, for example in the form of government funding for OFDI.

Although the CEECs differ in many respects, they do have some features in common as possible locations for East Asian investors. Their economies have been in the process of catching up over the last decades, defined mainly by European powers. FDI has played a key role in their restructuring. Investment from East

Chinese, Japanese, and Korean OFDI Stock at Current Prices



Data source: UNCTADStat

Characteristics of the Selected CEECs

	GDP (billion USD),	GDP per capita (USD)	GDP (PPP) as % of world total	Population (million)
Czech Republic	198,3	18858	0.33	10.5
Hungary	132,4	13405	0.23	9.9
Poland	516.1	13394	0.94	38.5
Slovak Republic	95.8	17706	0.15	5.4

Source: World Economic Forum Global Competitiveness Report 2014–2015

Asian countries in the CEECs began as early as the 1990s (with a Japanese Suzuki factory in Hungary).

In the past decade most of these countries became increasingly interested in boosting trade and attracting investments from East Asian economies. The global economic and financial crisis of 2008 intensified these ambitions. The largest recipient countries of East Asian investments within the CEECs are Hungary, Poland, the Czech Republic, and Slovakia. Around 90% of foreign investments in the four countries are from Europe, with an average of only 7.4% of FDI from other countries, mainly from the USA, South Korea, Japan, and China.

Utility of the Research

Typically, the international literature examines the motivations of Chinese OFDI on a global basis, and most previous studies have focused on China's growing investments in the developing world. Studies dealing with the characteristics and motivations of Chinese FDI in Europe rarely deal with the Central and Eastern European region. Although significant research has been done on FDI flows to the CEEC region, most of these studies do not include Chinese investments. The literature is thus incomplete, and detailed description and analysis of this issue is lacking. The primary aim of this research was therefore to complement the literature.

Besides complementing the literature, my results also have an inherent message for CEEC corporate decision makers and policy makers. For the CEECs, the Chinese relationship is increasingly a priority, especially since the economic and financial crisis of 2008. Most countries in the region see a closer relationship with emerging economies such as China as a promising way of recovering from the recession. The further development of corporate or government strategies in this regard may be supported by the results of this research.

Methodology

Given the broad concept and geographical scope of Central and Eastern Europe, instead of focusing on the relations of all the region's countries with the main East Asian investors, the research concentrates on a fair sample of CEEC countries: the Czech Republic, Hungary, Poland, and Slovakia. These countries were selected in consideration of their size, reflecting their proximity, growing business ties, and geographic location, as well as their political and economic relations with China. The Czech Republic, Hungary, Poland, and Slovakia are the most developed and most important players in the CEEC region and are members of the Visegrad Group as well as the EU and the Schengen Area.

At the beginning of the research I reviewed theories and literature on FDI location determinants with a special focus on FDI determinants in the CEECs. The next step was to analyze the changing patterns and motivations of Chinese and other East Asian OFDI as I tried to find similarities and differences between the characteristics and motivations of Chinese, Japanese, and South Korean FDI in the CEECs. In addition, I provided a detailed description of the impact of both macro-economic and institutional factors based on case studies and interviews with East Asian firms established in the CEECs.

To continue this research in the near future I also prepared an online opinion survey on East Asian companies' investment patterns, which will be sent out to several Chinese, Japanese, and South Korean companies operating in the CEECs to collect more information on their activities, motivations, and strategies.

Research Results

My investigation into the motivations of Chinese OFDI in the CEECs shows that Chinese investors mostly search for markets (market-seeking investment). Investors are attracted by the relatively low labor costs, skilled workforce, and market potential. EU membership allows Chinese investors to avoid trade barriers, and the countries serve as an assembly base due to the relatively low labor costs (efficiency-seeking investment). However, in parallel with the increasing number of mergers and acquisitions in the region, strategic asset-seeking motives have become more important for Chinese companies in recent years. Chinese investments are also motivated by the search for brands, new technologies, or market niches that they can fill in European markets. For example, in early 2012 Liugong Machinerys acquired Huta Stalowa Wola's construction equipment division and its distribution subsidiary, Dressta. Secondly, in 2013 China's Tri Ring Group Corporation acquired Polish Fabryka Łożysk Tocznych (the biggest Chinese investment in Poland so far), a producer of bearings for the automotive sector.

Chinese investment has flowed mostly into manufacturing (assembly), but over time services has attracted more and more investment as well. For example Hungary and Poland are home to branches of the Bank of China and the Industrial and Commercial Bank of China, as well as offices of some of the largest law offices in China (Yingke Law Firm and Dacheng Law Offices). Regarding the Chinese entry mode, there are examples of greenfield or quasi-greenfield investments (Huawei, ZTE, Lenovo), as well as mergers and acquisitions (Wanhua) and joint ventures (Orient Solar, BBKA).

Having examined the CEEC-East Asian economic ties, my conclusion is that while Japan and South Korea previously had larger roles, China has increasingly come to the fore in recent years. Analyzing the difference in motivations before and after the global economic and financial crisis suggests that although the crisis did not have a direct impact on East Asian investments in the CEECs, there was an indirect impact since it was in the aftermath of the crisis that the CEECs started to search for new opportunities to help them recover from the recession. For example, Hungary's "Opening to the East" policy was initiated after (and partly as a result of) the crisis, but the crisis also made Poland look eastward. China took these op-

portunities and has increased sectoral representation of Chinese firms in the CEECs in recent years.

The results of my research suggest that the characteristics, motivations, and location determinants of Chinese investments in the CEECs differ somewhat from Western as well as other East Asian investors' motivations. While macroeconomic factors, such as labour costs, market size, and corporate taxes, had and continue to have a decisive role in selecting FDI locations for investors from other countries, Chinese firms seem to attach greater importance to institutional factors. Country-level institutional factors that impact Chinese companies' location choice within the CEECs seem to be the size of the ethnic Chinese population, as well as investment, privatization and public procurement opportunities, but also good political relations between the host country and China. One example is Hisense's explanation of the decision to invest in Hungary. Besides traditional economic factors, this decision was apparently motivated by the "good diplomatic, economic, trade, and educational relations with China, the sizable local Chinese population, Chinese trade and commercial networks, and associations already formed." Another example is the Nuctech company, which established its subsidiary in Poland in 2004 and participated in public procurement.

My research also suggests that the CEEC region is not homogeneous and that there are differences in the economic relations between the CEEC countries and China. Moreover, the CEECs often view each other as competitors rather than working together to achieve shared goals (that is, to attract more Chinese investment). This is unfortunate, since according to the literature on the perceptions of the CEEC region among Chinese, many Chinese business investors consider the region to be a unified bloc.

Conclusion

To conclude, I found that:

(1) The role of Chinese investments within the CEEC region increased significantly after the crisis, and investment from China will be increasingly important for the countries of the region in the future, as the Chinese share of total inward FDI in the CEECs increases.

(2) Chinese investments in the CEECs differ somewhat from other countries' investments in the region in terms of motives, which in the Chinese case are driven by both political and economic factors.

(3) The level and warmth of political relations with the host country have an increasingly important influence on Chinese companies' investments in the region.

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And (4) the CEEC region tends to be seen more as a unified block than as a group of countries by the Chinese. Greater cooperation among the CEECs might therefore help to increase the chances for successful economic relations with China.

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