The future of globalization and multilateralism: responding to and looking beyond the Covid-19 pandemic

Interview with Tomoaki Ishigaki

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Question 1: With the pandemic, issues like de-globalization and re-localization have become important topics. Could they put in danger the discourse on cooperation and liberalism?

What the global spread of the Covid-19 taught us the most is the need to be prepared and work closely among ourselves when coping with the unknowns. If there is a risk that cannot be fully ascertained at the outset, each government or society has to make a most educated estimate and responses based on available information and data. Sharing of information and lessons would naturally require cooperation and open-minded approaches. In this regard, it is imperative that each government including Japan works closely with others and all relevant stakeholders. While it is necessary to find ways to mitigate risks and potential damages by diversifying supply chains and securing the flow of goods and services, that does not mean that the globalized economy would cease to exist. One of many ways to ensure access to essential
goods and services is to find local sources of supply but that would not replace all of our economic activities. The level of interdependence among people and economies is so deep and it would not be practical to look away from the reality of our globalized society.

**Question 2:** Is one right to speak of “trade wars” or even “new cold war” when the issues at stake are often truly related to economic and trade practices? How can a government best position itself in the discourse for value-based democracies on these issues?

Cross-border economic activities have become extremely complex and diverse in today’s world and competition among companies and investors has become ever fiercer in search of cutting-edge technologies and new opportunities. In this regard, the depiction of economic competition and rivalry as trade war is nothing particularly new but it would require much caution to assume that the tension among parties is irreconcilable or their disputes unsolvable. What is at stake now is to adjust and update the existing rules-based multilateral trade system and to keep up with the fast pace of business and technological innovation. As the WTO continues to struggle with creating upgraded trade rules for the 21st century, many countries have tried to adapt to the new environment through devising rules in regional and bilateral contexts. Japan remains committed to the rules-based multilateralism yet it is no exception in this trend as the TPP/CPTPP, the Japan-US digital agreement and the Japan-UK EPA have all included new rules in various areas including digital trade.

Furthermore, the emphasis on sustainable economy and business practices by companies, investors and civil society have also increased the need to focus more on societal values such as decent work, sustainable use of resources and protection of the environment. This trend has facilitated the discussions among relevant stakeholders to align their business practices with the UN Sustainable Development Goals and so-called ESG (Environmental, Social and corporate Governance) principles, subsequently creating guidelines and benchmarks for business owners and investors. In fact, in the most recent Japan-UK EPA, there is a chapter on women’s economic empowerment which puts emphasis on more diverse corporate structures and business practices. These business practices and trends are no longer a conceptual framework or abstract, and they can also be seen as a positive trend in promoting economic and trade rules based on economic and societal values.

**Question 3:** How can we reconcile the positive side of new FTAs and the TPP/CPTPP with a growing trend of exploiting fear and anxiety against globalization in many parts of the world?

A single economic agreement or regional framework alone cannot solve economic and social issues or ensure economic growth. Any economic partnership agreement (EPA) or regional framework is one of many tools to facilitate further economic and social development and it can become effective only through the combination of domestic policy and financial measures as well as bilateral, regional and global cooperation on issues.

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besides trade and investment. For instance, the recent spread of the Covid-19 has made all of us aware of the need for global cooperation in the area of public health and science. It is often pointed out that the negative reaction towards economic integration and furthering of interdependence may have been prompted by a sense of isolation and marginalization felt by those who may not identify themselves as beneficiaries of the globalized world. It is not easy to identify exactly what part of these economic agreements would benefit individual lives but they can easily be targeted as a symbol of globalization as well as the cause of economic hardship for some. In order not to be tempted by such a simplistic worldview, it is essential to describe exactly what these economic partnerships can do and what needs to be resolved in combination with other policy measures.

Economic partnership agreements and frameworks of regional cooperation are effective in providing new opportunities by reducing trade barriers and other obstacles. They will facilitate more interaction across borders and contribute to enhancing transparency and predictability in business through articulating specific rules on economic activities. Japan’s efforts in concluding various EPAs have resulted in more accessible goods and services across borders. Trade and investment between Japan and the European Union (EU) have kept steady pace one year after its entry into force in 2019 despite the general slowdown of the global economy. The export of Japanese automobiles, beef and sake to the EU has increased 14 %, 35 % and 5 % respectively, and European export of wine and clothing rose 13 % and 2 % compared to the previous year. As such, providing concrete evidence and specific examples is essential in order to refute the argument that economic integration or globalization would have negative consequences.

**Question 4:** Japan and Europe do share common values. However, does the discourse on shared values can play a practical role in implementing best practices in economic and trade affairs including investments?

Respect and sharing of values such as human rights and sustainable development play an important role in creating new rules in international affairs including trade and investment. The primary focus of creating and implementing trade and investment rules is usually placed on setting practical arrangements and guidelines on business activities. However, the underlying principles of such rules are based on ideas such as non-discrimination, fairness and equity as well as adequate use of resources. The growing interest for sustainable development, corporate stewardship in responsible investment as well as critical awareness on data security and privacy have made rule-making more attune to a wider range of stakeholders beyond those who are directly involved in trade and investment business.

Between Japan and the European Union, the conclusion of the Strategic Partnership Agreement as well as the Economic Partnership Agreement in 2019 was the epoch-making landmark that brought the relationship to the next level. Not only in the realm of trade and investment – the two made a strong commitment to advance political and security cooperation bearing in mind the geopolitical shift worldwide. As the European Union has adopted its strategy on connectivity with Asia, there is ample room for cooperation between Japan and the EU to enhance the
linkage between the two regions. The European strategy envisions improvement in inter-regional connectivity in areas such as transport, digital and human connections, and Japan expressed its willingness to work with European counterparts in such occasions as the EU Connectivity Forum in September 2019. With regard to the United Kingdom, Japan has signed the Comprehensive Economic Partnership Agreement in October 2020. The agreement encompasses a wide range of issues related to trade and investments and it also includes a chapter on the empowerment of women in the global economy. As such, it could be said that Japan and European countries have expanded their scope of cooperation in economic and trade issues while adding more emphasis on shared social values.

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