



# After Hiroshima: The G7 Summit, Economic Security and the EU-Japan Partnership

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## Key Issues

- Japan and the European Union are increasingly aligned on international economic issues, as was clear at the G7 summit in Hiroshima in May 2023. The summit reinforced Japan and European Union's common approaches to economic security.
- Although Japan and the European Union increasingly worry about an assertive China, they seek to temper the United States' over-reaction to Beijing's aggressiveness. They have a shared approach in "de-risking" rather than "decoupling" from Beijing.
- Increasing economic cooperation between Japan and the European Union could provide the foundation for greater strategic and military cooperation, but there are important limitations here – not least due to geography.

This has been an important spring time for Japanese Prime Minister Kishida Fumio. He has passed the midway point in his term as Liberal Democratic Party (LDP) president, a position that is the equivalent of prime minister by virtue of the LDP's control of the Diet – and Kishida's popularity has been slowly rebounding after a worrying [26.5% approval rating](#) in January 2023. Moreover, the Chairmanship of the G7 grouping has put Japan – and Kishida's leadership – under the spotlight internationally.

While the war in Ukraine largely dominated the Hiroshima G7 Summit in May, nuclear non-proliferation, an issue dear to Kishida's heart, and [economic security](#) featured prominently in the discussions. Looming large over any evaluation of his tenure this year will be international economic issues, and, in these efforts, the European Union (EU)

has assumed a key role. While Washington continues to be pre-eminent in Tokyo's calculations, the Japan-EU relationship has grown more intimate and intense in recent years. In some cases, Brussels may even prove to be a more important partner than the United States (US).

Until the mid-2010s, the Japan-EU relationship was more symbol than substance. Several agreements have put considerable flesh on the bones of the partnership since – or created the opportunity for them to do so: the Strategic Partnership Agreement (SPA), in force since 2018, the Economic Partnership Agreement (EPA), in force since 2019, and the [Partnership on Sustainable Connectivity and Quality Infrastructure](#) (signed seven months after the EPA). Japan was also the first country with which the EU concluded a [Digital Partnership](#), which was

launched in May 2022. Such initiatives have created the means and modalities for engagement that facilitate cooperation between Tokyo and Brussels on issues of shared concern on the international economic agenda.

As he looks ahead to the rest of the year, Kishida has three priorities on his economic agenda and the EU should be a key partner in the realisation of all three. As this Policy Brief shows, success will help Japan and the EU advance their global interests, as well as aid Kishida's bid for a second term as prime minister. The EU and Japan are increasingly coordinating their approach to economic security, and, we argue, this is having an effect on the policy of the US. Significantly, however, there will remain important limitations to taking the EU-Japan relationship beyond international economic issues.

### The G7 Hiroshima Summit

The first of Kishida's three economic priorities is the stewardship of the G7. Japan is chair of the G7 in 2023 and Kishida wants to strengthen a bulwark of partners against powers that wish to rewrite the rules of the international order, a threat made real by Russia's invasion of Ukraine. Maintaining a coalition against Russian aggression is the immediate concern, but Kishida has insisted that '[the security of Europe and the Indo-Pacific are inseparable](#)'. In stating that '[Ukraine today may be East Asia tomorrow](#)', Kishida is calling for solidarity with Europe in the face of China's own revisionist impulses.

At Hiroshima, Kishida succeeded in putting China front and centre at the summit and in the [final communiqué](#). Strong language emphasised Taiwan's importance to international security and prosperity and urged China to refrain from '[interference activities](#)'. At the summit, Japan focused on maintaining a rules-based order, while pushing for peaceful co-existence with China. In addition to forging consensus among G7 members on these issues, and central to any eventual success, is outreach to pivotal states in the developing world, which Kishida made a priority as well.

Indeed, Japan and the EU worry about economic security, and the pressure that revisionist governments use to compel acquiescence to their ambitions. Successive Japanese administrations

have focused on this issue, restructuring the national security bureaucracy to better address this challenge and passing the [Economic Security Promotion Act](#) in 2022. That bill has [four pillars](#): supply chain resilience, protecting critical infrastructure, promoting development of critical technologies and protecting such technologies through the use of secret patents.

Promoting supply chain resilience and protecting against economic coercion were core elements of Japan's G7 agenda, with the leaders issuing a [statement](#) on Economic Resilience and Economic Security. They articulated principles on resilient and reliable supply chains and pledged to apply them in the Partnership for Global Infrastructure and Investment. Finance Ministers [agreed](#) in early April 2023 that they would cooperate on measures to deal with economic coercion such as import-export restrictions and tariff hikes. These are priority [concerns](#) for Europeans too, who want to promote coordination between Tokyo and Brussels, as well as other European and G7 capitals.

Geography renders Japan acutely sensitive to the threat posed by China, both its potential for redrawing borders and its readiness to use economic coercion to achieve policy objectives without resorting to force. Europe is well aware of Beijing's economic might, as several EU member states have felt the lash of Beijing's coercion. In 2021, China imposed trade sanctions against Lithuania after it decided to open a "Taiwan Representative Office" in Vilnius. Consequently, the EU filed a [case against China](#) at the World Trade Organization (WTO) questioning the legality of its measures, as well as Chinese court rulings that prevent EU high-tech patent holders from accessing EU courts to protect their intellectual property. While Brussels is not directly affected by China's territorial revisionism, efforts to erode international law and redraw regional boundaries damage European interests too.

Since 2020, the radicalisation of Xi Jinping's authoritarian regime, the revelations about human rights violations in Xinjiang, Beijing's handling of the COVID-19 pandemic, the crackdown in Hong Kong and rising tensions in the Taiwan Strait have led to a deterioration of China's image in Europe. The final straw was Beijing's tacit support of Russia's

war in Ukraine. In a major speech on 30 March 2023, European Commission President Ursula von der Leyen acknowledged China's assertiveness in its neighbourhood, adding that '[any weakening of regional stability in Asia, the fastest-growing region in the world, affects global security, the free flow of trade and our own interests in the region](#)'. In addition, she referred to Beijing's policies of disinformation

encourage Washington to take a less confrontational approach toward Beijing. Their success is evident in the G7 final communiqué's reference to "de-risking" rather than "decoupling". The US' adoption of this concept is both a nod to Japanese and EU concerns, as well as acknowledgment that its hard-line on China does not enjoy support beyond its most fervent advocates. Indeed, in the 40-page "Leader's

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and economic and trade coercion, mentioning retaliatory measures against Lithuania. She made a powerful call to develop an '[economic de-risking strategy across four pillars](#)' including greater use of EU trade instruments, investment in key technology sectors and the deepening of partnerships. All these measures mirror Japan's approach to economic security.

### Blunting the US hard-line

For all his concern, Kishida does not want to close the door on cooperation with China – not least because doing so could disadvantage Japanese businesses that rely on the Chinese market. Europe shares that thinking. As a result, while Japan and the EU worry about Chinese intentions, neither has adopted as hard a line as that of the US. This is the second core element of Kishida's economic agenda. For him, Europe is an ally in efforts to blunt the sharper components of US policy toward China and to ensure space for diplomatic maneuver with Beijing. While all three view Beijing as a systemic rival and competitor, there is room for nuance in the specific policies that each adopts to constrain China's behaviour and engage Beijing in economic matters.

Japan's three-pillar approach to China of [conditional cooperation, counterweight and deterrence](#), shares similarities with Europe's balanced triptych approach of acknowledging China as a partner, competitor and systemic rival. Consequently, both advocate for economic de-risking rather than decoupling. Tokyo actively collaborated with European partners to

Declaration" China is not identified by name until paragraph 51 on page 34.

Additionally, the EU and Japan have held strategic discussions in the context of the High-Level Economic Dialogue (HLED), where '[EU-Japanese strategic alignment on key economic and geopolitical challenges](#)' was confirmed. In fact, at the second HLED the EU invited Japan to join the multi-party interim appeal arbitration arrangement (MPIA). The MPIA is a stop-gap arrangement that is being used as a substitute until reform of the WTO dispute settlement has been agreed. The US has blocked all appointments to the Appellate Body, which hears appeals of panel rulings, paralysing the dispute resolution mechanism. On 10 March 2023, the Japanese Cabinet approved [Japan's participation in the MPIA](#), another example of Tokyo's inclination to align with Brussels to shore up the international economic order in the face of US objections.

Japan and the EU are also cooperating to reduce the more protectionist elements of US industrial policy (e.g. the Inflation Reduction Act). [Both are angered](#) by parts of the legislation that set national content restrictions for eligibility for subsidies – for green technologies in general, but especially for electric vehicles – that would disadvantage their companies. Both have struck deals with the US to loosen those restrictions so that their businesses can join ventures and not prejudice access to subsidies. The chorus of complaints from Japan, Europe and South Korea was instrumental in getting Washington to [amend the legislation](#).

## “New Capitalism”

Kishida’s third major concern in his economic agenda is his call for a “New Capitalism”. Kishida has championed this idea since he declared his candidacy for LDP president, and continues to tout it since taking office. In those two years, it has remained largely undefined, but it appears to seek a reduction of inequalities and the promotion of innovation to achieve that end. Some elements have become clearer and Kishida seems to be emphasising digitalisation, economic security and green technologies. Since these are also EU priorities, opportunities for cooperation are plain. At the May 2022 EU-Japan Summit, the two partners emphasised their [‘determination to strengthen cooperation in promoting economic security’](#), launched the EU-Japan Digital Partnership and promised [‘to implement with determination the EU-Japan Green Alliance’](#), inaugurated the year before. This common ground, explained a former European diplomat, [‘includes Europe’s two most fundamental long-term priorities – digitalisation and the green transition’](#).

One promising area of cooperation, which provides fertile ground to implement both the green transition and the digitalisation agendas, is “connectivity”. An international buzzword since China launched its Belt and Road Initiative, enhancing connectivity through sustainable and quality infrastructure has been a common goal for Brussels and Tokyo since 2019. Not much has been done in practice since, mostly due to the COVID-19 pandemic outbreak, which put a break on the initiative. However, the potential of joint connectivity and sustainable development projects, especially in developing countries, is positive. Not only could it provide an alternative to China’s expanding investments and political influence, but it might benefit the EU-Japan partnership as such, adding a list of concrete achievements to display and build on.

### A win-win partnership?

Prime Minister Kishida is well aware of the domestic political advantages that follow if he succeeds in those efforts. While Japan is not scheduled to hold an election until October 2025, Kishida

could capitalise on a boost from the successful G7 summit – Japanese prime ministers, like most leaders, typically gain popularity after foreign policy accomplishments – prompting speculation about an early election to exploit those gains and secure his prospects in the forthcoming LDP ballot.

Joining forces with the EU ticks many boxes for Kishida’s foreign policy and domestic agendas. As the outcomes of the Hiroshima G7 Summit have shown, strength comes from numbers and an agreement on many of Japan’s priority topics, be it China, anti-coercion practices or the climate and environmental agenda, would not have been possible without EU support. In practical terms, new initiatives like the [EU’s anti-coercion instrument](#), can be an inspiration to other countries and regional groupings facing – or wanting to prevent – possible economic backlash.

Conversely, the EU has much to gain from its new-found closeness with Tokyo. Japan’s active support for Ukraine and condemnation of Russia’s aggressive actions [brought the two partners together](#). It helped raise awareness in the EU for Tokyo’s own security concerns, too. Eager to step up its political and security profile in the Indo-Pacific and globally, the EU can capitalise on Japan’s “like-mindedness” and support for economic security to withstand the effects of great power competition. Growing cooperation with NATO and more joint [defence technology projects](#) will solidify the political foundations of the partnership.

Japan is forging tighter bonds with European counterparts on conventional security concerns as well, but that effort has been slower due to geography. Distance ensures that the Indo-Pacific will remain a lower priority in European military calculations, especially when there are immediate threats in the neighbourhood. Simple geographic realities ensure that economic and diplomatic cooperation will guide relations between Japan and Europe. In the 21st century, economic issues will in most cases eclipse hard security concerns when it comes to geopolitical competition. When they do not, governments will need to draw on a wide range of tools to deter adversaries and defend national interests. Economic instruments will be among the most important here. Japan and Europe are preparing for that eventuality.





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