

30 EU GLOBAL STRATEGY EXPERT OPINION

Hitoshi Tanaka

Chairman, Institute for International Strategy

The Japan Research Institute

When the G7 was established in 1975, the economies of its member states (Canada, France, Italy, Germany, Japan, the UK, and the US) commanded 70% of global GDP; this share has now declined to less than 50%. The US, while still the world's sole superpower with overwhelming military might in absolute terms, is less inclined to exert its military power abroad after suffering a serious drain on its resources during the wars in Afghanistan and Iraq. The credibility of future US global leadership has also been put in doubt throughout the US presidential election primaries amid provocative statements by some candidates regarding issues such as immigration.

For its part, the EU is weathering a number of crises which are testing its cohesiveness and resilience to serious stress – namely the sovereign debt crisis since 2009; the refugee crisis (with over one million asylum applications in 2015); and a referendum in the UK this coming June with the possibility of a 'Brexit' from Europe.

Meanwhile, Japan's economy stagnated during the previous decades and the country is undergoing

a profound demographic shift with an ageing society, a shrinking tax base, and public debt in excess of 200% of its GDP. Given these difficulties, an EU Global Strategy on Foreign and Security Policy (EUGS) would be most welcome.

The rise of others

In contrast to the G7, China's influence is on the rise. This is evidenced through its establishment of the Asian Infrastructure Investment Bank (AIIB) and the One Belt, One Road (OBOR) initiative; the increasingly global scope of its international cooperation; and its ever more assertive maritime strategy in the East and South China Seas. Yet the sustainability of its rapid economic growth has recently been put into question.

Russia, seeking to regain its lost international prestige following the collapse of the Soviet Union, has been increasingly willing to flex its military muscles and appears determined under President Putin to re-establish itself as a major world power. As a demonstration of the country's aspirations, Russia's unilateral annexation of Crimea enjoyed

strong domestic support, and Putin's approval ratings remain almost as high as ever. Sino-Russia cooperation is also intensifying as evidenced by the 2014 oil and gas deals (which are worth more than \$400 billion over a 30 year period), improved coordination over the OBOR with the Eurasian Economic Union, and security ties through the Shanghai Cooperation Organisation (SCO).

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The need for the G7

To maintain global stability in this shifting geopolitical landscape, three key measures should be pursued. First, the G7, which has been said to be losing relevance due to the emergence of the G20, should be reinvigorated with an expanded agenda including political, as well as economic issues. Political directors' meetings must be held more frequently and aim to adopt a new orientation focused on strategic consultations among the G7 countries.

The principal objective should be to maintain and strengthen the liberal values of the global system as a foundation for shared peace and prosperity between democracies and non-democracies alike. At the same time, the US 'rebalance' to Asia has damaged its role as a global leader. The next US president must resolve to take proactive leadership globally with the strong support of the other G7 member states.

During this process, a number of potential differences in approach *vis-à-vis* China and Russia must be discussed and coordinated. Economic cooperation packages recently concluded between China and EU countries and member states' participation in the AIIB may be natural given the financial incentives, but some in the US and Japan believe that this pays insufficient consideration to the

broader strategic factors in relations with China, most notably its aggressive maritime strategy in the East and South China Seas. Moreover, Japan's dialogue with Russia, which aims to find a resolution to the Northern Territories dispute, may also be viewed with some concern in the EU and US given the ongoing crisis in Ukraine and Crimea.

Second, 'track two' Wise Persons groups among the G7 countries should be established. Given the complex nature of the challenge in managing global stability between liberal democracies and emerging powers, this is necessary in order to (re)construct a long-term approach to global governance and to ensure the injection of fresh ideas by experts and academics.

Third, strategic cooperation is needed to shape the future of global economic governance standards. In the Asia-Pacific, the 12-nation Trans-Pacific Partnership (TPP), including the US and Japan, has finally been signed. Although it must still be ratified by the signatories, it is a major step towards setting common rules and regulations between partners. But greater strategic cooperation is needed at a global level to promote and entrench liberal free-market principles across all regions.

To this end, the EU and the US should follow through on the Transatlantic Trade and Investment Partnership (TTIP) negotiations, and the time has come for the EU and Japan to quickly conclude an EU-Japan Free Trade Agreement. The G7 should be ready to assist to ensure the complementarity of these mega-regional deals.

