

Institut Europey Środkowej
Institute of Central Europe 

IEŚ

8/2023

POLICY
PAPERS

Japan and Central Europe: Geopolitics, Security, and Economy

Edited by
Tomasz Stępniewski
and Adrianna Śniadowska



CENTRUM
STOSUNKÓW
MIĘDZYNARODOWYCH



Publishing series IEŚ Policy Papers

Number 8/2023

Series editors Beata Surmacz and Tomasz Stępniewski

Institut Europey Środkowej
Institute of Central Europe



Japan and Central Europe: Geopolitics, Security, and Economy

Edited by
Tomasz Stępniewski
and Adrianna Śniadowska

Lublin–Warsaw 2023

Reviewers

Tom Hashimoto, PhD, Associate Professor and Director of Financial Economics Programme at ISM University of Management and Economics, Vilnius, Lithuania

Barbara Kratiuk, PhD, University of Warsaw, Poland and Institute for Security and Development Policy, Stockholm, Sweden

Copyright Instytut Europy Środkowej | Institute of Central Europe

ISBN 978-83-67678-17-9

Published and edited

Instytut Europy Środkowej | Institute of Central Europe

ul. Niecała 5

20-080 Lublin, Poland

www.ies.lublin.pl

Cover design and typesetting www.targonski.pl

Cover photo © Beautrium | [shutterstock.com](https://www.shutterstock.com)

Print www.drukarniaakapit.pl



Table of contents

Executive summary	7
Tomasz Stępniewski and Adrianna Śniadowska Japan and Central Europe: Geopolitics, security, and economy – introduction	11
Stephen Nagy The Russian-Ukraine war as a critical juncture: Economic realism and Japan's new National Security Strategy	15
Bruno Surdel Japan and the Russia-Ukraine war: Solidarity and reconstruction	25
Ewa Dąbrowska Geopolitization of the economy and technological development: Will Poland benefit from a strengthened alliance with Japan?	35
Anna Wróbel Japan and Central Europe: The economic dimension	45
About the Authors	57



Executive summary

The Russian-Ukraine war as a critical juncture: Economic realism and Japan's new National Security Strategy

- The invasion of Ukraine by Russia on 24 February 2022 was a critical moment for Japanese security thinking. The invasion demonstrated that authoritarian states and a Machiavellian, might-is-right approach to foreign policy threatens the international rules-based order that has been the basis for Japan's and the broader region's prosperity and security in the post-WW2 period. For Prime Minister Kishida Fumio, it conveyed the stark reality that "Ukraine today could be East Asia".
- In the context of Russia's invasion of Ukraine and the challenges that China presents to the regional order in the Indo-Pacific, this essay will analyse Japan's economic realism and new National Security Strategy

(NSS), highlighting the precarious balance Japan employs to secure its economic and national security.

Japan and the Russia-Ukraine war: Solidarity and reconstruction

- This essay examines Japan's response to the Russo-Ukrainian war and its role in supporting Ukraine's reconstruction efforts. Japan's stance on the conflict has been shaped by concerns over Russia's revisionism and China's expansionism. The summary discusses Japan's shift in security perception and the abandonment of its "soft" policy towards Russia. It explores Japan's diplomatic, financial, and trade measures, including the imposition of sanctions on Russia and Belarus, as well as support for Ukraine and its refugees.
- Japan has played a significant role in providing direct aid and grant contributions to international funds. The summary highlights Japan's commitment to grassroots assistance and the involvement of the private sector in Ukraine's recovery and reconstruction. Tokyo's multifaceted approach underscores its dedication to regional stability, peace, and alignment with European and American allies.

Geopolitization of the economy and technological development: Will Poland benefit from a strengthened alliance with Japan?

- Geopolitical factors in the contemporary economy matter more than they used to a decade ago. More and more companies, including Japanese ones, are considering decoupling from China following a wave

of decoupling from Russia. At the same time, Central Europe is less interested in investments from China than a few years ago.

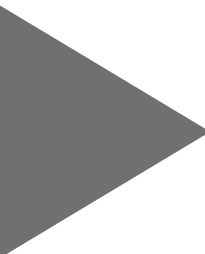
- There is a rise in economic interest in Central Europe, not least on the part of Japan. Investments in decarbonization technologies and tech startups complement traditional electronics and automobile industry ventures. However, Central Europe is still much less competitive than Western Europe as regards attracting foreign direct investments (FDIs).
- Though lagging in introducing green technologies, Japan is much more advanced on this path than Poland. Poland's continuing reliance on coal might discourage foreign investors. If the Polish government wishes to attract more green investments, it should change its industrial and energy strategies.
- Regarding digitalization, there is a potential synergy between Polish startups in the tech sector and Japanese manufacturing giants. However, cooperation with Japan over digital technologies is not likely to replace the Chinese Digital Silk Road investments Poland hoped for in the 2010s.

Japan and Central Europe: The economic dimension

- Relations between Japan and Central Europe have evolved in recent decades under the influence of political as well as economic factors. Undoubtedly, a fundamental change in these relations is associated with the end of the Cold War and the beginning of the process of political and economic transformation in Central Europe. Another factor influencing the development

of Japan-Central Europe relations, especially economic, was the process of integration with the European Union.

- Japan's relations with Central Europe should be analysed in the context of the geoeconomic and geopolitical rivalry between the United States and China in the Indo-Pacific region and China's growing activity in Central Europe.
- After an initial period of caution toward Central European partners, Japanese entrepreneurs have gradually increased their economic presence in the region. The V4 countries gradually became a stable and reliable economic partner for Japan.
- The main motive for the Visegrad Group to develop cooperation with Japan is primarily to further strengthen relations with one of the world's largest economies and to strengthen economic cooperation with other Asian countries. The high level of technological sophistication of the Japanese economy and the prospect of knowledge transfer along with Japanese foreign direct investment in Central Europe are also important factors.
- Japan is the first non-European country with which the Visegrad Group has established cooperation in the V4+ format.
- The war in Ukraine may become another factor in the tightening of Japan-EU political relations in view of the growing uncertainty in international relations and the negative economic consequences of the conflict for some European countries in particular, including the V4.



Tomasz Stępniewski
and Adrianna Śniadowska

Japan and Central Europe: Geopolitics, security, and economy – introduction

In recent years, the relationship between Japan and Central Europe has gained increasing attention in the realms of geopolitics, security, and economics. Japan's engagement with Central Europe has significant implications for regional and global affairs. As Japan strives to diversify its strategic partnerships and enhance its presence on the international stage, Central Europe has emerged as a key region of interest. Geopolitically, this engagement reflects Japan's recognition of the evolving power dynamics and the need to forge new alliances beyond its traditional partners. Central Europe, on the other hand, seeks to expand its economic and security ties, capitalizing on Japan's advanced technological expertise, economic prowess, and stable political systems. Security concerns form another crucial dimension of the Japan-Central Europe relationship. With the rise of global challenges such as terrorism, cyber threats, and regional conflicts, both

Japan and Central European states face common security risks. Moreover, the economic dimension plays a vital role in the Japan-Central Europe relationship. Japan's extensive trade networks, investment capabilities, and technological advances have sparked interest among Central European nations, offering opportunities for economic cooperation, infrastructure development, and knowledge exchange.

Stephen Nagy, a Senior Associate Professor at the Department of Politics and International Studies at the International Christian University in Tokyo, examines the Ukraine-Russian war as a critical juncture within the framework of economic realism and Japan's New National Security Strategy. This chapter delves into the implications of the conflict for Japan's security outlook and its economic aspects.

Bruno Surdel, Senior Analyst at the Centre for International Relations, investigates Japan's role in the aftermath of the Russia-Ukraine war, with a particular emphasis on solidarity and reconstruction efforts. This chapter sheds light on Japan's possible contributions to the recovery and rebuilding process in the affected region.

Ewa Dąbrowska from Freie Universität Berlin/SCRIPTS analyses the geopolitization of the economy and technological development, specifically focusing on whether Poland can benefit from a strengthened alliance with Japan. This chapter explores the potential synergies between the two regions and the resulting impact on economic growth and technological advances.

Anna Wróbel from the University of Warsaw explores the economic dimension of the relationship between Japan and Central Europe. This chapter examines the dynamics of trade and investment, identifying opportunities for collaboration

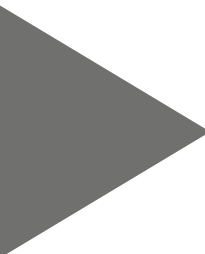
and economic integration between Japan and Central European countries.

Overall, this IEŚ Policy Papers provides a comprehensive analysis of the multifaceted relationship between Japan and Central and Eastern Europe. It covers topics such as security strategies, economic cooperation, and the geopolitical implications of recent events. The diverse perspectives offered by the contributing authors contribute to a better understanding of the dynamics shaping this important regional relationship.

This IEŚ Policy Papers is the result of a collaboration between the Institute of Central Europe in Lublin, the Centre for International Relations in Warsaw, and international researchers from Canada, Japan, and Poland. This IEŚ Policy Paper is the latest addition to a series focusing on Asia-Central Europe affairs. In 2022, we published two Policy Papers: *China towards Eastern Europe: Between Plague and War* edited by Michał Słowikowski and Tomasz Stępniewski, “IEŚ Policy Papers”, no. 5/2022, and *The Many Faces of Chinese Engagement in Serbia* by Bartosz Kowalski et al., “IEŚ Policy Papers”, no. 6/2022.

We would like to thank the authors for providing their input and analysis on Japan-Central Europe relations during the Russia-Ukraine war. Drawing on expert analysis and comprehensive research, these papers provide valuable insights and recommendations for policymakers, researchers, and stakeholders interested in understanding and maximizing the potential of this significant relationship in the contemporary global landscape.

Tomasz Stępniewski and Adrianna Śniadowska
Lublin–Warsaw, June 2023



Stephen Nagy

The Russian-Ukraine war as a critical juncture: Economic realism and Japan's new National Security Strategy

Introduction

In December 2022, Japan unveiled its new National Security Strategy (NSS). Grounded in Japan's three non-nuclear principles¹ of not possessing, not producing, and not permitting the introduction of home-based nuclear weapons, the new NSS is both transformative in focusing on counterstrike capabilities and boosting defence spending and consistent with Japan's deep committed to its post-WW2 Pacifist constitution, the rejection of military force as a legitimate tool of foreign policy, and support for a rules-based order.

In accordance with Japan's constitution, counterstrikes have been conceived as a minimum necessary measure for

¹ <https://www.mofa.go.jp/policy/un/disarmament/nnp/index.html#:~:text=My%20responsibility%20is%20to%20achieve,like%20with%20Japan's%20Peace%20Constitution>

self-defence and remain consistent with the Three New Conditions for Use of Force². These are: 1) when an armed attack against Japan occurs or when an armed attack against a foreign country that is in a close relationship with Japan occurs and as a result threatens Japan's survival and poses a clear danger to people's right to life, liberty and pursuit of happiness; 2) when there is no other appropriate means available to repel the attack and ensure Japan's survival and protect its people; and 3) use of force limited to the minimum extent necessary. The reasons for acquiring these capabilities are numerous.

In the context of Russia's invasion of Ukraine and challenges that China assertive policies presents to the regional order in the Indo-Pacific, this essay will analyse Japan's economic realism and new NSS, highlighting the precarious balance Japan employs to secure its economic and national security.

The Ukraine-Russia war as a critical juncture

The invasion of Ukraine by Russia on 24 February 2022 was a critical moment for Japanese security thinking. Not only did it disrupt food and energy supply chains, but it demonstrated that authoritarian states and a Machiavellian, might-is-right approach to foreign policy threatens the international rules-based order that has been the foundation for Japan's and the broader region's peace, prosperity, and security in the post-WW2 period. For Prime Minister Kishida Fumio, it conveyed the stark reality that "Ukraine today could be East Asia tomorrow".

² https://www.mofa.go.jp/fp/nsp/page1we_000084.html

Japan's overarching concern is that China will repeat Russia's aggression in one or more of the various geopolitical hotspots in the Indo-Pacific. Tokyo's anxieties are not without reason.

China's militarization since entering the World Trade Organization (WTO) in 2001 has continued unabated. By way of example, from 2000 to 2010, China's known military spending increased by at least 10 percent annually. The most contemporary known military budget increase of seven percent³ for fiscal year 2022 surpassed USD 229 billion. Investments include its extensive anti-access/anti-denial system meant to circumvent the US's comparative asymmetric naval advantages by lining the east coast of China with "carrier killers"⁴ and other offensive systems.

The military exercises conducted around Taiwan in August 2022 following Nancy Pelosi's visit to the island – exercises that included naval and land assets⁵ such as the Chinese aircraft carriers the *Liaoning* and the *Shandong* and at least 75 amphibious assault ships, at least one Type 55 cruiser, and several Type 54 frigates – pose a serious risk to the sea lines of communication (SLOCs) that surround Taiwan and are critical arteries to transport import/exports as well as energy resources in and out of Japan.

The SLOCs in the South China Sea are also vulnerable to accidental or intentional disruption following the building

³ <https://english.news.cn/20220305/e044f80401f5401daa8a188d7eed7a55/c.html>

⁴ <https://www.airandspaceforces.com/PDF/MagazineArchive/Documents/2013/December%202013/1213china.pdf>

⁵ <https://www.navalnews.com/naval-news/2022/08/pla-navy-surrounds-taiwan-with-a-massive-naval-exercise/>

and then militarization of artificial islands⁶ in the South China Sea by China.

The deepening Beijing-Moscow relationship following the invasion of Ukraine, including increased military coordination between Russia and China, and newer-model equipment and the implementation of large-scale military exercises in the Far East region has led Tokyo to similar conclusions to those of Michał Bogusz, Jakub Jakóbowski, and Witold Rodkiewicz in their report “The Beijing-Moscow axis: The foundations of an asymmetric alliance”⁷. For Tokyo, the Russian-Chinese quasi-alliance is a strategic convergence of Beijing’s and Moscow’s priorities to strengthen their strategic positions vis-à-vis the US. By “simultaneous aggressive policies – Russia in Europe, and China in the IndoPacific”, they each seek to dilute Washington’s limited resources “to put an end to the dominant role of the United States and Western institutions on the international arena, and to create a favourable international environment for the survival of their authoritarian regimes”.

Kyiv’s willingness to defend itself against Russian aggression has garnered support from the US, the EU, Japan, South Korea, and Australia in terms of providing additional military and non-military resources to defend Ukraine. This is in addition to the diplomatic coordination that has occurred to pressure Moscow with financial and other sanctions.

Ukraine’s unexpected success in defending its territory from Russia’s invasion has planted into the minds of security planners in Tokyo the importance of investing in Japan’s

⁶ <https://amti.csis.org/island-tracker/china/>

⁷ <https://www.osw.waw.pl/en/publikacje/osw-report/2021-11-15/beijing-moscow-axis>

security instead of just depending on its alliance partner, the US, to come to its aid in the case of a conflict involving North Korea, Taiwan, or the East China and South China Seas. Simply, if Tokyo is not willing to defend itself, why should it expect the US to shed blood on its behalf?

Moreover, Tokyo has seen Ukraine's absence from multi-lateral security, economic, and other frameworks as part of the explanation for Russia's willingness to invade Ukraine. As a result, Tokyo continues to deepen its alliance partnership with the US, to diversify its security partnerships through reciprocal access agreements (RAA) with the UK and Australia, and to expand its leadership and cooperation within the Quadrilateral Security Dialogue (Quad). It has even formed new Quad minilateral cooperative partnerships with the US, Australia, and the Philippines.

Economic realism and Japan's new National Security Strategy

Based on Japan's increasingly severe regional environment, its 2022 NSS focuses extensively on enhancing economic security as a crucial component of its overall foreign policy strategy. The NSS recognizes the increasing interdependence of economic and national security and the need for Japan to safeguard its economic interests amidst a rapidly evolving global landscape. This includes safeguarding supply chains and economic relations from weaponization and economic coercion.

The NSS also includes an emphasis of dealing with the most severe traditional security environment in the post-WW2 period. This includes weapons of mass destruction (WMD) proliferation on the Korean peninsula and in China,

and grey zone and lawfare operations across the Taiwan Strait and in the East China and South China Seas.

Japan's NSS⁸ emphasizes the importance of promoting economic resilience and diversity. With direct experience with the weaponization of economic relations by China such as a rare earth embargo⁹ in 2010 and anti-Japanese violence and vandalism¹⁰ against Japanese businesses based in China following the nationalization of the Senkaku Islands in 2012, Japan has recognized the vulnerability of overconcentration of its manufacturing footprint in China. The COVID-19 pandemic and associated supply chain disruptions further cemented concerns that Japan's economic security was at risk not only due to geopolitical tensions and non-tradition security challenges such as transnational diseases but also policy choices by China's leaders such as the Dynamic Zero COVID-19¹¹ policies.

The strategy endeavours to enhance the nation's economic strength by fostering innovation, diversifying supply chains, and promoting the growth of emerging sectors. By reducing its dependence on any single industry or country, Japan seeks to minimize potential disruptions to its economy, ensuring stability and sustained growth. This does not mean decoupling from China – it refers to selective diversification or de-risking that is driven by profitability, geopolitics, policy choices, and the realization that black swan

⁸ <https://www.cas.go.jp/jp/siryou/221216anzenhoshou/nss-e.pdf>

⁹ https://www.globalasia.org/v17n04/cover/chinas-rare-earth-resource-nationalism-learning-from-japans-experiences_florence-w-yang

¹⁰ <https://theasiadialogue.com/2012/09/26/anti-japanese-outbursts-and-beijings-dilemma-amid-territorial-row/>

¹¹ https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zwjg_665342/zwbdt_665378/202207/t20220715_10722096.html

events such as the COVID-19 pandemic can be highly disruptive to supply chains and economic security.

The strategy prioritizes the protection of critical infrastructure and technology. Japan is highly aware of the risks posed by cyber threats, intellectual property theft, and technological vulnerabilities. To counter these challenges, the strategy advocates for increased investment in cybersecurity measures, the development of advanced technologies, and the establishment of robust mechanisms for protecting intellectual property. By safeguarding its critical infrastructure and technological advancements, Japan aims to maintain its competitive edge and prevent unauthorized access to vital economic assets.

Another key aspect of Japan's economic security policy is the promotion of international economic cooperation. Recognizing that economic security cannot be achieved in isolation, the policy emphasizes the importance of collaborating with like-minded nations to address common challenges. Japan actively seeks to strengthen economic partnerships, engage in free and fair-trade practices, and support multilateral frameworks such as the WTO, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the evolving Indo-Pacific Economic Framework (IPEF). Through these efforts, Japan aims to foster a stable and predictable global economic environment that benefits all nations and is solidly built on transparent and enforced rules.

To achieve these objectives, Japan aims to work with like-minded countries. To illustrate, the 23 May 2023 G7 Leaders' Statement on Economic Resilience and Economic

Security¹², the G7 Hiroshima Leaders' Communiqué¹³, and the 27 May 2023 Press Statement on the Substantial Conclusion of IPEF Supply Chain Agreement Negotiations¹⁴ reflect Japan's intention to instil resilience into supply chains and the region's economy through a layered and diverse approach.

The strategy underscores the significance of economic security in the Indo-Pacific region broadly. Tokyo recognizes the region's growing economic importance and the need to maintain stability and prosperity. The strategy advocates for active engagement in regional economic initiatives such as the Free and Open Indo-Pacific (FOIP) vision¹⁵ and supports the development of infrastructure projects that enhance connectivity among nations. By promoting economic integration and cooperation, Japan looks to the region's overall economic security and strengthen its own position as a key player.

Part and parcel of Japan's economic realism and its NSS is to help different regions in the Indo-Pacific to strengthen their strategic autonomy by deepening the degree of intra-regional and inter-regional integration. By way of example, Tokyo has invested heavily in infrastructure and connectivity projects in Southeast Asia and South Asia (India). In the case of the former, the East-West, Southern, and North-South infrastructure corridors in Southeast Asia are meant to deepen intra-ASEAN integration such that the partners trade more with each other than they do with China. In the case of the latter, Japanese Overseas Development Aid

¹² <https://www.mofa.go.jp/files/100506815.pdf>

¹³ https://www.g7hiroshima.go.jp/documents/pdf/Leaders_Communique_01_en.pdf

¹⁴ <https://www.mofa.go.jp/files/100510680.pdf>

¹⁵ <https://www.mofa.go.jp/files/100477660.pdf>

(ODA) to India, the building of the Kolkata-Mumbai transport corridor and industrial manufacturing sites Northeast of New Delhi aim to enhance and deepen India's economic integration and ability to serve as another production and transport site for the Japanese manufacturing sector.

Tokyo's resilience logic is that these emerging centres of production will be in regions that are less affected by the geopolitical challenges that exist between Tokyo and Beijing. At the same time, Tokyo believes that through ODA and Foreign Direct Investment (FDI) into the region, it can enhance each region's strategic autonomy, making them more reliable partners when dealing with issues associated with China but also with Russia and North Korea.

Investing in deterrence and defence capabilities sits side by side with the NSS' focus on economic security. Policy makers in Tokyo are acutely aware that North Korea's accelerated production of a plethora of missile delivery systems, including short-, mid-, and long-range inter-continental ballistic missiles and technologies to evade anti-ballistic missile (ABM) systems, Chinese militarization and determined efforts to reunify with Taiwan, and deepening Russo-China alignment will require enhanced deterrence and defence capabilities.

To strengthen Japan's enhanced deterrence and defence capabilities, Tokyo has made a commitment to double defence spending over five years. Investments include comprehensive domain awareness technologies such as satellites, over the horizon radar systems, cybersecurity initiatives, and drone technologies that can be deployed in various environments to provide cheap but comprehensive situational awareness in light of the growing security challenges

emerging from China's rapid military expansion and North Korea's WMD proliferation.

Simultaneously, it advocates for a strengthening of the US-Japan Alliance, maintaining and developing a free and open international order, and strengthening ties with like-minded countries and others.

Unsurprisingly for allies and friends of Japan, the NSS advocates for fundamentally reinforcing defence capabilities as the last guarantee of national security through acquisition of "counterstrike capabilities: capabilities which, in the case of missile attacks by an opponent, enable Japan to mount effective counterstrikes against the opponent to prevent further attacks while defending against incoming missiles by means of the missile defence network".

In conclusion, Russia's invasion of Ukraine has emphasized to Japan that war is a possibility and that authoritarian states such as Russia and China are willing to use force, the grey zone, and economic coercion to achieve their strategic objectives. Notwithstanding this, as the third-largest economy and a country that has major trading relations with China, Japan's 2022 National Security Policy places significant emphasis on economic security as a vital component of its foreign policy strategy. Through the promotion of economic resilience, protecting critical infrastructure and technology, fostering international economic cooperation, prioritizing the Indo-Pacific region, and supporting defence capabilities, Japan aims to safeguard its economic interests and contribute to global stability. These policies reflect Japan's recognition of the interconnectedness between economic and national security and its commitment to proactive engagement in shaping the evolving global economic landscape.



Bruno Surdel

Japan and the Russia-Ukraine war: Solidarity and reconstruction

Introduction: The end of an illusion: the “revolution” in Tokyo-Moscow relations

The Russian invasion of Ukraine has had profound consequences for the international landscape following the end of the Cold War, significantly destabilizing Europe’s political and economic foundations while reigniting tensions between and within the Eastern and Western hemispheres. Japan, in alliance with Europe and the United States, finds itself not only apprehensive about Russia’s revisionist actions but also China’s expanding influence as a prominent Asian powerhouse. Consequently, Japan’s perception of its own security has undergone a fundamental shift, with Russia now regarded as a substantial threat. This essay examines Japan’s comprehensive and varied approach to supporting Ukraine’s resilience and reconstruction plans in the aftermath of the devastating act of aggression.

The conflict in Ukraine has marked a significant turning point in Japan's foreign and trade policy, much like it has for Germany. For more than ten years, Japan has pursued diplomatic and economic relations with Russia, with around 170 Japanese companies engaging in collaborative projects with Russian firms¹. The investments in the Russian energy industry, such as the "Sakhalin" 1 and 2 projects, increased bilateral trade, and the establishment of Japanese automobile factories in Russia held not only economic implications for the former prime minister, late Shinzo Abe, but also served as goodwill gestures to encourage the Kremlin to negotiate a peace treaty and address the long-standing issue of the Kuril Islands, which Russia has occupied since World War II. However, despite the efforts made by the Japanese government, including by current prime minister Fumio Kishida during his time as foreign minister, significant progress has not been achieved. Russia's aggression against Ukraine that began on 24 February 2022 brought an end to Japan's "soft" approach towards the Kremlin, which was particularly evident after the annexation of Crimea in 2014 when Tokyo, under pressure from Washington, reluctantly imposed symbolic sanctions against Moscow.

New policies towards the Kremlin

The annual "Diplomatic Blue Book" published in 2022 by the Japanese Foreign Ministry on the international situation stated that "Aggression against Ukraine not only fundamentally destroys the security structure in Europe, but also threatens the world order after the Cold War and can

¹ <https://rudlinconsulting.com/japanese-companies-still-in-russia/>

be called an important turning point in history”². The Japanese authorities expressed their intention to collaborate with the international community, including the G7, in demanding that Russia withdraw its troops and cease all activities that violated international law. Japan also emphasized that Moscow would face severe consequences for its aggression against Ukraine, as Tokyo implemented sanctions against Russia in coordination with its Western allies. On 16 December 2022, the Japanese government released its new National Security Strategy (NSS), the first since 2013, reflecting the country’s response to the rapidly changing global and Indo-Pacific political landscape³. Notably, two significant changes in the strategy are the consideration of a counterstrike in the event of an attack on Japanese territory and a realistic approach towards cooperation with Moscow, acknowledging the fallacy of previous assumptions. The primary destabilizing factor in today’s global affairs is Russia’s invasion of Ukraine, marking an unprecedented criticism of the Kremlin’s actions in Japan’s post-Cold War strategy. According to the NSS, the Russian aggression against Ukraine undermines the fundamental principles that shape the international order and poses the most substantial and direct threat to European security. However, it is also a grave challenge for Japan itself, given Russia’s active presence, including its military activities – jointly with China – in the strategically important Indo-Pacific region.

Therefore, following the outbreak of the war, the Japanese government took decisive steps in the diplomatic,

² https://www.mofa.go.jp/policy/other/bluebook/2022/pdf/en_index.html

³ <https://www.cas.go.jp/jp/siryou/221216anzenhoshou/nss-e.pdf>

financial, and trade arenas. As part of the sanctions package, Tokyo revoked Russia's "most favoured nation" status under the World Trade Organization (WTO) system. Simultaneously, Japan implemented an import ban on machinery, wood, vodka, and gold originating from Russia. In the energy sector, Japan opted to decrease its reliance on Russia, leading to a gradual phase-out of imports of Russian coal and oil and ultimately a complete ban. Regarding exports, the Japanese government imposed sanctions⁴ on the shipment of goods to Russian military-related entities, as well as the export of dual-use items like semiconductors, high-tech products, oil refining equipment, and goods that could enhance Russian industrial capabilities. Additionally, restrictions were placed on products that could potentially be employed in the production of chemical and biological weapons.

In financial terms, the Japanese government made the decision to decrease transactions with the Russian central bank and to freeze the assets of individuals linked to the Russian government, including President Putin and the so-called oligarchs. Furthermore, the assets of eleven Russian banks, including SberBank, Alfa-Bank, VEB.RF, Promsvyazbank, Bank of Russia, VTB Bank, and Sovcombank, were also frozen. Tokyo, in collaboration with other G7 nations, also endeavoured to isolate Russia from the international financial system by excluding certain Russian banks from the SWIFT messaging system.

The Japanese sanctions also had an impact on President Lukashenko's regime in Belarus. The assets of four major Belarusian banks, namely Belagroprombank, Bank Dabrabyt,

⁴ https://www.mofa.go.jp/press/release/press6e_000371.html

the Development Bank of the Republic of Belarus, and Belinvestbank were frozen. Sanctions were imposed, including the freezing of assets belonging to designated individuals and entities associated with Belarus, among them President Lukashenko. Similar to the measures taken against Russia, there has been a prohibition on exporting goods to Belarusian military-related entities, as well as dual-use items with both civil and military applications, such as semiconductors.

It is important to highlight that the sanctions imposed on Russia have received significant support from the Japanese public. According to a public opinion survey conducted by Nikkei Inc. and TV Tokyo shortly after the onset of the Russian invasion of Ukraine, 61% of respondents expressed their favour for imposing severe sanctions on Russia⁵. Moscow swiftly responded to that development. On 7 March, Japan, alongside European Union member states, South Korea, Australia, and others, was added to the Kremlin's list of "unfriendly countries"⁶.

Diplomatic relations between Tokyo and Moscow rapidly deteriorated in the subsequent months of the Russo-Ukrainian war. In March 2022, Moscow abruptly terminated the peace treaty talks with Tokyo. Then, on 20 September 2022, during his speech at the UN General Assembly, the prime minister of Japan, Fumio Kishida, declared a pivotal moment, stating, "We are standing at a historic turning point. Russian aggression against Ukraine is an act that suppresses the vision and principles of the United Nations Charter. It is crucial that all countries are subject to the rule of law and

⁵ <https://blogs.prio.org/2022/06/japanese-perspectives-on-the-ukraine-war/>

⁶ <https://tass.com/politics/1418197>

not the rule of force, which we absolutely cannot allow”⁷. Just a few days later, on 26 September 2022, the Russian FSB security service apprehended a Japanese diplomat in Vladivostok under suspicion of espionage. Consul Motoki Tatsunori was declared a “*persona non grata*” by the Russian government and was compelled to leave Russia. In retaliation, the Japanese authorities implemented similar diplomatic measures against the Russian consul in Sapporo.

Solidarity with Ukraine

The Japanese government’s actions have extended beyond imposing sanctions on Russia and Belarus; it has also provided considerable aid to war-torn Ukraine. Japan has bolstered Ukraine’s resilience capabilities by sending various resources to Kiev, including drones, bulletproof vests, helmets, winter combat uniforms, tents, food rations, binoculars, medical supplies, and civilian vehicles.

Furthermore, President Volodymyr Zelensky was invited to address the Japanese parliament via video link, and his speech was warmly received by the Japanese media and society⁸. The concerns of Ukrainians regarding the Russian attacks on areas near nuclear power plants resonate strongly with the sentiments of the Japanese people affected by the 2011 disaster at the Fukushima nuclear power plant.

In preparation for the winter of 2022/23, Prime Minister Kishida unveiled a programme for Ukraine called “winter assistance”. As part of the initiative, Japan provided heating

⁷ <https://news.un.org/en/story/2022/09/1127301>

⁸ <https://www.japantimes.co.jp/news/2022/03/23/national/politics-diplomacy/japan-diet-volodymyr-zelensky-speech-text/>

systems and other necessary equipment to support displaced individuals in coping with the severe winter conditions. Additionally, in May 2023, Japan's Finance Minister Shunichi Suzuki announced a financial aid package of USD 1 billion to Ukraine's neighbouring countries, which have been accommodating refugees⁹. While Japan has traditionally been cautious about accepting migrants, Tokyo has granted extended stays to Ukrainian residents within Japan and has warmly welcomed over 2,300 Ukrainian refugees. These individuals receive comprehensive support, including housing, food, healthcare, and assistance in job placement, with a focus on grassroots efforts.

In a remarkable development, on 21 March 2023, Prime Minister Kishida visited Kyiv and took the chance to invite President Zelensky to attend the G7 summit in Hiroshima in May. At the summit, Kishida made an announcement regarding Japan's contribution to Ukraine, stating that approximately 100 military vehicles and 30,000 food kits would be sent. He also expressed Japan's willingness to provide medical support to wounded Ukrainian soldiers. Moreover, Japan's Foreign Ministry revealed that the Japan Bank for International Cooperation would offer insurance for Samurai bonds worth USD 674 million for Poland, with the aim of assisting Ukrainian refugees¹⁰.

⁹ <https://www.reuters.com/world/japan-pledges-mobilise-1-blm-help-nations-around-ukraine-accept-refugees-2023-05-11/>

¹⁰ <https://www.jbic.go.jp/en/information/press/press-2023/0518-017774.html>

Japan's vision for the reconstruction of Ukraine

Japan envisions providing a substantial amount of USD 7.6 billion for the humanitarian aid, recovery, and reconstruction of Ukraine¹¹. Within that package, in April 2023, Tokyo announced a grant contribution of USD 471 million to the Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund (URTF) under the auspices of the World Bank¹². With a primary emphasis on critical sectors like transportation, healthcare, and energy, the allocated funds will be utilized to carry out essential repairs in various areas, including energy facilities, roads, bridges, housing, schools, and clinics.

Japanese Foreign Minister Yoshimasa Hayashi actively took part in the “Ukraine Recovery Conference” held in London on 21-22 June 2023, which was co-hosted by the United Kingdom and Ukraine. The conference brought together representatives from more than 60 countries, international organizations, and private companies. Minister Hayashi drew upon Japan's own experiences in overcoming the devastation caused by atomic bombings and natural disasters, highlighting the country's expertise in recovery and reconstruction.

The Japanese government also established the Council on Preparation for the Promotion of Ukraine's Economic Reconstruction. Moreover, Japan announced the forthcoming Japan-Ukraine Conference for Economic Reconstruction

¹¹ SSU Forum “Ukrainian Reconstruction: Ways and Mechanisms”, The University of Tokyo Institute for Future Initiatives (u-tokyo.ac.jp), <https://ifi.u-tokyo.ac.jp/en/event/11647/>

¹² *Japan Contributes \$471 Million to the World Bank in Support of Ukraine Relief Efforts*, <https://www.worldbank.org/en/news/press-release/2023/04/21/japan-contributes-us-471-million-to-the-world-bank-in-support-of-ukraine-relief-efforts>

in Tokyo that heralds the country's serious commitment to Ukraine's post-war rebuilding. The Ukraine Recovery Conference was also used by the Japanese government as an opportunity to organize the Japan-Ukraine Public-Private Roundtable jointly with JETRO (the Japan External Trade Organization). The event garnered the participation of around 120 attendees representing various industries from Japan and Ukraine¹³.

JETRO has appointed a representative in Warsaw, Poland, to manage operations in Ukraine and share information on rebuilding projects with Japanese firms. In addition, the Japan International Cooperation Agency (JICA) has enlisted the Nippon Koei consultancy to evaluate the damage caused by the invasion and create reconstruction strategies. Nippon Koei intends to suggest initiatives that utilize Japanese technologies to restore Ukraine's social infrastructure.

Furthermore, the Japan Business Federation, also known as Keidanren, has made a significant move by setting up a dedicated committee to offer support for Ukraine's economic reconstruction¹⁴. By working closely with the government and coordinating reconstruction projects, starting with the restoration of vital infrastructure like telecommunications, roads, and bridges, the committee aims to contribute to the development of high-quality infrastructure that incorporates digital technology for efficient maintenance.

Finally, Japan has decided to set up a liaison system to aid in reconstruction efforts. This assistance is going to be based on the experience gained from such disasters as the

¹³ https://www.meti.go.jp/english/press/2023/0623_001.html

¹⁴ <https://www.asahi.com/ajw/articles/14939034>

2011 earthquake and tsunami and will focus on rebuilding houses, schools, water and sewage services, and transport infrastructure. Following the collapse of the Nova Kakhovka dam and the subsequent floods in southern Ukraine, Japan has already committed to providing USD 5 million in aid. This support encompasses water purifiers, generators, and construction machinery to aid in the ongoing recovery endeavours¹⁵.

Conclusions

The Russo-Ukrainian war has had profound implications for Japan's foreign policy and security outlook. Japan has responded by imposing sanctions on Russia and Belarus, freezing assets, and limiting financial transactions. Additionally, Japan has provided substantial aid to Ukraine that envisions an effective and smart reconstruction.

Moving forward, Japan should continue to actively engage with the international community and align its efforts with like-minded countries to address the challenges posed by Russia's aggression and China's expansionism. It is recommended that Japan further strengthen its economic and diplomatic ties with Ukraine, exploring opportunities for investment, trade, and technology transfer to support Ukraine's long-term recovery, reconstruction, and resilience.

¹⁵ *Japan PM Kishida vows \$5m support after Ukraine dam collapse*, Nikkei Asia, <https://asia.nikkei.com/Politics/International-relations/Japan-PM-Kishida-vows-5m-support-after-Ukraine-dam-collapse>



Ewa Dąbrowska

Geopolitization of the economy and technological development: Will Poland benefit from a strengthened alliance with Japan?

Russia's war of aggression against Ukraine and systemic rivalry between the US and China sharpened geopolitical divisions in the modern political economy in Europe and Asia-Pacific, making many countries reevaluate their alliances. As a member of the G7, Japan supports Ukraine in its defence against Russia, symbolically and materially. Like other Western powers, Japan sees the war against Ukraine as a war waged to disrupt the liberal, rules-based world order.

A turning point in Japanese defence policy follows this interpretation of the war in Ukraine. Japan has acknowledged the importance of defence against authoritarian challengers to the liberal order and is strengthening alliances with individual liberal democracies and supranational entities: the US, Australia, New Zealand, India, ASEAN, and the EU, including Central Europe. Since Poland, Lithuania,

Latvia, Estonia, and other countries of the region recognized the Russian threat much earlier than Western Europe and adjusted their foreign policy and defence expenditures accordingly, as well as due to their significant support given to Ukraine, the region is experiencing its “geopolitical momentum”.

In a time characterized by diverse ruptures, such as climate change, ecological crisis, and technological disruptions, and significant public and private investments to address them, geopolitical alliances are likely to determine the flows of these investments. Central Europe, including Poland, has attracted Japanese investments since the 1990s. For now, more than 300 Japanese companies continue their activities in Poland. Despite its contemporary problems with workforce shortage and high energy costs, the Central European region is still attractive for foreign investments due to the relatively low cost of labour, including qualified workers. Will the geopolitical dynamics lead to an additional surge of investments? Can Poland expect economic and technological advantages from being a geopolitical ally of Japan? Moreover, will Japanese investments be so significant and targeted as to help Poland tackle the challenges of green transformation and digitalization of the economy?

Japanese economy vis-à-vis challenges of green transformation and digitalization

Japan is one of the wealthiest countries in the world and has technological advantages in numerous fields, such as advanced materials, micro and nanoelectronics, photonics, transport, industrial biotechnology, and advanced manufacturing. However, green transformation and digitalization

pose a challenge for Japan, as they do for most countries. Nevertheless, the Japanese government has launched several policy efforts to meet them. The Society 5.0 strategy (launched in 2018), National Energy and Environment Strategy for Technological Innovation Towards 2050 (from 2016 on), Green Growth Strategy (started in 2021), Green Transformation (GX): GX League Basic Concept (2022), and GX Basic Policy (2023) apply to green transformation. The Smart Japan ICT Strategy (launched in 2014), Connected Industries (2017), Integrated Innovation Strategy 2020, and Strategy for Semiconductors and the Digital Industry cover different aspects of digitalization and digital transformation of the economy¹.

Being an advanced industrialized country, Japan was hesitant to embrace green transformation for a long time. It was only in 2022 and 2023 that significant steps in this direction were undertaken. Energy efficiency measures and policies to increase the share of renewables in Japan's energy mix are among them, as is a gradual introduction of carbon pricing schemes. More surprisingly, nuclear energy has been rehabilitated. Furthermore, a controversial technique of carbon capture and storage (CCS) is promoted, as is liquified natural gas (LNG) and cofiring of ammonia at coal-fired power plants. That is, despite a commitment to energy transition, industrialization and energy security remain priorities of the Japanese government.

Digitalization is equally challenging to the Japanese political economy, which relies on communitarian structures

¹ European Commission, Report on Japan: technological capacities and key policy measures. Advanced Technologies for Industry – International reports, 2021.

and values labour. The notion of digital disruption is not compatible with a highly institutionalized economy driven by communitarian values. Correspondingly, Japan is relatively less advanced concerning digital technologies such as artificial intelligence, big data, the internet of things, blockchain and quantum technologies, than technology champions such as the US and China.

For a long time, Japan benefited from investments in the digital sector in China and cooperation with Chinese companies, such as ZTE and Huawei². However, China's military posture, tensions and technological rivalry between the US and China made the Japanese government and many Japanese companies question Japan's economic presence in China and commercial ties between the countries. From the point of view of many actors in Japan, Japan's investments in China are not secure, given the potentially escalating dynamics between geopolitical blocs and a threat of a war over Taiwan³.

Due to this danger of escalation, Japanese companies are likely to look for other investment opportunities in countries not posing a political risk. Japan started the process of gradual diversification of their FDIs more than ten years ago in connection with the disputes with China over the Senkaku-Diaoyu islands (2010–2012) and accelerated it during Trump-era tensions between the US and China⁴.

² The Japanese mobile communication company Softbank was one of key investors in the Chinese e-commerce giant Alibaba in the beginning of its business activity.

³ However, not all companies see engagement in China as risky. Many of them want to continue benefitting from Chinese growth and technological development.

⁴ A. Adachi, K. Shigenoi, *Japan's Chinese lesson – diversifying only production is not enough*, MERICS, 2022, <https://www.merics.org/en/comment/japans-chinese-lesson-diversifying-only-production-not-enough>

Japan's interest in Poland

Japan is already one of the leading foreign investors in Poland, with almost every voivodeship featuring the presence of a Japanese firm. Japanese companies often locate their investments in Special Economic Zones, manufacturing and industrial assembly sites, or outsourcing activities. More than 300 Japanese companies are currently active in Poland, and most plan to extend their activities.

In contrast, cooperation at the intergovernmental level between Poland and Japan has been scarce until recently. The Memorandum of Cooperation for the Peaceful Use of Nuclear Energy in March 2010, Agreement on Cooperation on Clean Coal Technology Development in September 2010, and Letter of Intent between the Polish Ministry of Economy and the Japanese New Energy and Industrial Technology Development Organization from May 2014 are notable exceptions from 2000–2015. The Strategic Partnership Agreement between Poland and Japan, which was concluded in 2015, entered into force in 2019, in addition to the Economic Partnership Agreement between Japan and the European Union (also in force since 2019).

However, we have observed a surge in Polish efforts to attract investment from Japan since 2021 and even more since 2022. They are apparently successful, as a number of companies from Japan are realizing new investments in Poland, including Daikin, Fujitsu, TS Tech, Mabuchi Motor, Toshiba Carrier Corporation, Nidec Motors and Actuators, Nifco, and Nippon Seiki have invested in recent years⁵. De-

⁵ In 2010-2015, several Japanese firms, such as Panasonic, Sharp, Sony, and Toshiba, liquidated their investments in Polish regions.

carbonization technologies have joined the traditional electronics and automobile sectors. Is this new positive dynamic in Japanese investment due to geopolitical factors?

Indeed, we observe a rise in interest in Poland and Central Europe more broadly as a destination for foreign direct investment by Japanese (and also Western) companies trying to reduce their activities in China. However, Central Europe and Poland will only attract investment in selected economic sectors and from certain companies, for which Poland's geography, a qualified and affordable workforce, as well as government-supported infrastructural projects matter more than its relative disadvantages vis-à-vis Western Europe. In Western Europe, technological development and innovation infrastructure are more advanced, the energy mix is greener, and subventions to attract FDIs higher⁶. For example, Daikin, a company specializing in technologies that help the economy transition to green energy, including heat pumps, has entered the Polish market, thus aligning with the EU's strategy to promote green growth and to restructure the economy to reduce the CO₂ emissions. Fujitsu is also looking for an investment site in Poland to produce heat pumps with the same ambition to serve the growing European market.

As for the digital sector, Japanese corporations and the Japanese Bank for International Cooperation invest via the ff Venture Capital fund in Polish startups, especially in green/clean tech and industrial tech/robotics companies. The vibrant Polish startup scene complements industrial

⁶ JETRO, *Japanese corporate innovation in Europe. 2022 report (v2.0)*, 2022, <https://www.jetro.go.jp/newsletter/london/2023/invest/JCl2023s.pdf>

giants in Japan that are looking for solutions to digital transformation and are relatively less advanced on this path than industrial companies in some other countries. However, in 2022 there were no Japanese investments in Polish startups, in contrast with 16 startups in the UK and three in Central Europe (from Latvia, Lithuania, and the Czech Republic).

A further geopolitical development that is likely as far as Japanese investments in Central Europe are concerned relates to the rebuilding of Ukraine. The rebuilding efforts have already started in some parts of Ukraine, despite the ongoing war, and are likely to intensify when the war is over. Japanese companies might be interested in rebuilding Ukrainian infrastructure, alongside Polish, other European, and American companies, who have already expressed such an interest. For example, the Japanese company Tsubame BHB Corporation, Polish firm Hynfra, and Ukrainian company UTEM intend to build a green industrial zone in the symbolic town Bucha near Kyiv in Ukraine⁷.

The Polish perspective

As for the Polish perspective on investments from Japan, the geopolitical dimension is undoubtedly present in the intensified efforts of the Polish government to attract them. Until recently, Poland hoped that China would help it renew its physical and digital infrastructure, but gradually renounced this option due to growing suspicion of digital surveillance on the part of Chinese companies, US pressure

⁷ B. Supernak, *Polska firma Hynfra, Tsubame BHB Corporation, UTEM zainwestują w Buczy na Ukrainie*, inwestycje.pl, 2023, <https://inwestycje.pl/biznes/polska-firma-hynfra-tsubame-bhb-corporation-utem-zainwestuja-w-buczy-na-ukrainie/>

to stop technological cooperation with China, as well as unease vis-à-vis China's lack of condemnation of Russia's war in Ukraine. Japan, which was nearly absent in public discourse in 2015–2020, as was South Korea, which had invested in Poland more than China, suddenly became reappreciated as Poland's ally and economic partner.

For Poland, attracting foreign investors is essential to its industrial and growth policy. This policy has changed relative to the 1990s and 2000s, with governmental agencies demanding high-quality jobs and a higher share of value-added that FDIs should bring to Poland. Not all FDIs are welcome anymore; they need to fulfil specific criteria that align with Poland's developmental goals to be courted by the Polish government. Japanese investments are mostly regarded as in line with these goals.

Due to Poland's relatively unadvanced position regarding green sources of energy (which represent only 30% of its energy mix), the country particularly needs green FDIs. At the same time, Poland's reliance on traditional sources of energy is a disadvantage for many foreign investors, including those from Japan, who care about low energy costs and sustainability. Coal energy is responsible for high energy prices in Poland due to the carbon offsetting mechanism. If Poland were to turn this disadvantage into a strategy for attracting green investment, however, it would have to improve the regulation of its energy market and reduce the monopoly of state enterprises in the energy sector.

As for infrastructure, the Polish government is looking for investors to build a Central Communication Hub (Centralny Port Komunikacyjny) and railways connecting it with multiple Polish cities and towns, as well as infrastructure

connecting Central Europe with South Eastern Europe in the framework of the initiative Trimarium (Trójmorze). Hints that Japanese firms are welcome to realize some of these investments, as are South Korean ones, are formulated at various meetings of Polish politicians and economic diplomats with representatives of the Japanese government and business. Nevertheless, it remains to be seen whether Japanese (and South Korean) FDIs can replace China's infrastructural projects. China's initial ambitions to build infrastructure in this region were more substantial than Japanese and South Korean projects.

Concerning digital infrastructure, Japan might not be able to replace Chinese Digital Silk Road investments, either. Japan does have one advantage vis-à-vis China in digital technologies, as it produces high-quality semiconductors, which are scarce and valuable in the contemporary economy. However, it is unlikely to build another production site in Poland, especially given that subventions that the Polish government could offer to attract this sector are much lower than in Western Europe. An inverse direction of cooperation could be more promising for Poland's tech sector. According to the Polish Agency for Investment and Trade, information-communication technologies, fintech, and computer games offered by Polish companies have the potential to become successful in the Japanese market.

Conclusion

Geopolitical factors in the contemporary economy matter more than they used to a decade ago. More and more companies, including Japanese ones, are considering decoupling from China and looking for new investment sites in

countries that do not pose a geopolitical risk. Russia's war of aggression against Ukraine and ensuing sanctions showed a risk of engaging economically with a country endangering peace and the liberal world order. In this context, Central Europe increasingly plays the role it used to play in the 1990s and early 2000s – it attracts new investment thanks to a qualified and affordable workforce. Japan is investing in manufacturing decarbonization technologies in Poland, and more investment, including in the Polish tech sector, is likely to follow. However, the strategy of the Polish government should change to accommodate this investment better and encourage technology transfers. The government focuses on expanding traditional infrastructure – railways and airports – and does not do enough to transform the Polish economy towards green growth and digitalization. Furthermore, Western Europe is still more attractive for Japanese companies – due to greener technologies; better infrastructure, including knowledge and innovation infrastructure; and higher subventions to FDIs – so Japanese investment in Poland should not be taken for granted.



Anna Wróbel

Japan and Central Europe: The economic dimension

Introduction

Japan and Central Europe relations have evolved in recent decades under the influence of political as well as economic factors. Undoubtedly, a fundamental change in these relations is associated with the end of the Cold War and the beginning of the process of political and economic transformation in Central Europe. Another factor influencing the development of Japan-Central Europe relations, especially economic, was the process of integration with the European Union. The entry into force of the Economic Partnership Agreement (EPA) between the European Union and Japan and the European Union's Indo-Pacific strategy opened a new chapter in this cooperation. In addition, Japan's relations with Central Europe should be analysed in the context of the geoeconomic and geopolitical rivalry between the United States and China in the Indo-Pacific region and China's growing activity in Central Europe and the Balkans. The

analysis can also take into account the COVID-19 pandemic and consider the intensification of Japan-Central Europe economic cooperation as part of the search for new factors to stimulate economic growth under crisis conditions. The aim of the study is to analyse the evolution of economic relations between Japan and Central European countries. Due to the limited framework of the study, the analysis will be limited to the Visegrad Group (V4) countries, i.e. Poland, the Czech Republic, Slovakia, and Hungary.

Determinants of Japan-Central Europe economic cooperation

During the Cold War, cooperation between Japan and the Central European countries were a derivative of relations with the Soviet Union. The Central European countries were treated as satellite states of Moscow. It was not until October 1956, after lengthy negotiations, that Japan and the Soviet Union ended their formal state of war. Poland was the first of the Central European countries to establish diplomatic relations with Japan. The agreement was signed on 8 February 1957 in New York during a session of the United Nations General Assembly. On 8 May 1957 in London, Japan agreed with Czechoslovakia on the same issue. The gradual normalization of Japan's relations with Central European countries continued until the late 1960s. Japan then established diplomatic relations with all countries in the region¹.

The normalization of political relations allowed the gradual development of economic cooperation. In 1970, Poland

¹ J. Kobus, *Polityka Japonii wobec krajów Europy Środkowo-wschodniej w latach dziewięćdziesiątych – zarys uwarunkowań*, "Azja-Pacyfik" 1999, no. 2/99, pp. 18-19.

became Japan's first trading partner in Central and Eastern Europe. The value of Polish imports of goods from Japan reached USD 22.4 million (at current prices). In turn, the value of exports amounted to USD 39.6 million. In the mid-1970s, Poland's share of Japanese trade with Central Europe reached 27.5%. At that time, trade with European socialist countries (including Yugoslavia and Albania) reached 1.2% of all Japanese exports and 0.42% of imports. Following the imposition of martial law in Poland in December 1981, Japan introduced sanctions against Poland and the Soviet Union in response to an appeal by President Ronald Reagan. In the case of Poland, however, they were reduced to a symbolic minimum. In 1985, following Foreign Minister Shintaro Abe's visit to Poland, relations with Japan normalized. At that time, talks began about restructuring Poland's debt to Japan².

The collapse of the Eastern Bloc in the late 1980s and early 1990s opened a new phase of political and economic relations between Japan and Central Europe. Japan, as well as other highly developed countries, offered economic aid including, in particular, debt deferment and restructuring. Japan signed an agreement to this effect with Poland on 25 October 1989. In November 1989, the Japanese offered an economic aid package to Poland worth USD 1.05 trillion. Details of the assistance were presented by Prime Minister Toshiki Kaifu during his visit to Poland and Hungary in January 1990. It included, among other things, emergency food loans, subsidized training programmes for managers, loan guarantees for Japanese exporters, and guarantees from

² *Ibid.*, p. 20.

the Export-Import Bank of Japan for private investors from Japan. In November 1990, on the occasion of the enthronement ceremony of Emperor Akihito, Hungarian President Arpad Goncza visited Japan. In September 1991, Hungarian Prime Minister Joseph Antali was the first head of government from Central Europe to visit Japan. In the same year, Polish Prime Minister Jan Krzysztof Bielecki paid a visit to Japan³.

After an initial period of caution toward Central European partners, Japanese entrepreneurs have gradually increased their economic presence in the region. This is evidenced by data not only on trade but also on foreign direct investment (FDI). During the period of economic transition, the V4 countries gradually became a stable and reliable economic partner for Japan. Central Europe became an investment location for the automotive and electronics industries. This was supported by the prospects for the Central European countries' integration with the European Union, their central location, their proximity to the highly developed markets of Western European countries, and lower labour costs.

Faced with geoeconomic challenges from the United States and China, Japan is stepping up cooperation with Europe, including the V4 countries. China's high economic growth rate, growing protectionism in US trade policy, the US withdrawal from the Trans-Pacific Partnership (TPP), and the deepening crisis of the World Trade Organization (WTO) have prompted Japan to intensify its international activities to bring it closer to the European Union. A manifestation of

³ *Ibid.*, pp. 21-22.

this policy is the signing of the EPA. The agreement went into effect in 2019. In addition to the traditional disciplines of reducing tariffs and liberalizing trade in services, the agreement also includes provisions for developing cooperation in the face of global environmental challenges and combating climate change. The agreement is also expected to contribute to regional stability and secure access to energy supplies. It is worth noting that Japan-EU relations have gone beyond the economic level by reaching a strategic partnership agreement (SPA), including cooperation on issues such as the Iran nuclear deal, freedom of navigation in the South China Sea, and international security⁴. It also appears that the war in Ukraine may become another factor in the tightening of Japan-EU political relations in view of the growing uncertainty in international relations and the negative economic consequences of the conflict for some European countries in particular, including the V4.

Trade and FDI

The V4 countries are not major trading partners for Japan. Japan's top ten trading partners include only one European country: Germany. Japan, as is the case with EU countries, trades mainly intra-regionally. Hence, its main trading partners primarily include the major Asia-Pacific economies, i.e. China, the United States, the Republic of Korea, Taiwan, Hong Kong, Thailand, Singapore, Vietnam, and Australia. In 2021, Germany stood eighth in this ranking. In contrast,

⁴ R. Fürst, *Japan and the Visegrad 4: The Unsensational strategic partners*, Institute of International Relations Prague, Centre for EU-Asia Relations, "Policy Paper", 12 May 2020, pp. 2-3.

Japan's fourteenth major export market was the Netherlands. Central European countries occupy distant places in this ranking. However, there has been a steady increase in trade between Japan and the V4 countries (Table 1 and 2).

Of the V4 countries, Japan's trade is the highest for Poland. In 2022, Japan exported goods worth USD 4,153.56 million to Poland. Meanwhile, the value of Japanese exports to the Czech Republic reached USD 2,303.20 million. In turn, goods worth USD 1,510.30 million were exported to Hungary. In the case of Slovakia, the figure was only USD 138.48 million. In addition to trade with Slovakia, Japan usually records a positive balance in goods trade with V4 countries. The situation is different in the balance of services. According to the data presented in Table 2, Japan usually records a deficit in services trade with V4 countries. During the period under review, Japan only recorded a slight surplus with the Czech Republic in the balance of services between 2016 and 2020.

Japan's surplus in goods trade with the V4 countries is linked to the structural advantages of this economy over the Central European countries as manifested, *inter alia*, in higher levels of labour productivity and manufacturing innovation. Japan exports to Central Europe mainly high-tech machinery and equipment for various sectors of the economy. High export rates are also generated by Japanese corporations that have invested directly in the countries of the region. The intermediate goods necessary for production located in Central European countries are exported from Japan and the finished products made using them find their way to the markets of EU countries. An example of such production is the automotive sector. The V4 countries

Table 1. Japan-V4 trade in goods (USD millions)

	2016			2018			2020		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Czech Republic	1235.69	767.26	468.43	1634.71	1034.22	600.49	1496.39	1099.26	397.13
Poland	1695.93	1152.30	543.63	2131.56	953.53	1178.03	2859.71	941.56	1918.15
Slovakia	256.47	226.26	30.21	223.26	254.17	-30.91	171.49	328.40	-156.91
Hungary	1458.47	1234.32	224.15	1645.02	1055.01	590.01	1586.16	1067.13	519.03
	2021			2022					
	Exports	Imports	Balance	Exports	Imports	Balance			
Czech Republic	2177.92	1646.60	531.32	2303.20	1613.42	689.78			
Poland	3354.70	1165.98	2188.72	4153.56	1291.74	2861.82			
Slovakia	141.68	373.06	-231.38	138.48	408.03	-269.55			
Hungary	1742.19	1182.93	559.26	1510.30	1166.84	343.46			

Source: OECD, <https://stats.oecd.org> [1.07.2023].

Table 2. Japan-V4 trade in services (USD millions)

	2016			2018			2020			2021		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Czech Republic	332.08	281.63	50.45	394.05	320.36	73.69	326.63	322.25	4.38	382.44	472.21	-89.77
Poland	325.13	446.38	-121.25	410.64	451.71	-41.07	396.17	458.35	-62.18	463.93	626.87	-162.94
Slovakia	95.72	119.32	-23.60	100.22	128.98	-28.76	97.36	158.85	-61.49	96.73	189.73	-93.00
Hungary	296.39	462.53	-166.14	346.36	533.52	-187.16	269.78	416.45	-146.67	272.64	469.19	-196.55

Source: OECD, <https://stats.oecd.org> [1.07.2023].Table 3. Japanese Foreign Direct Investment in V4
(FDI Financial Flows Total, Outward Investment, USD millions)

	2016	2017	2018	2019	2020	2021
	Czech Republic	142.2	168.3	169.1	93.9	111.3
Poland	144.6	72.5	18.0	113.5	-9.3	74.0
Slovakia	48.4	16.6	17.7	-1.4	28.4	28.4
Hungary	125.9	139.9	209.8	247.9	293.8	116.5

Source: OECD, <https://stats.oecd.org> [1.07.2023].

export electrical machinery products, chemical products, and agri-food products to Japan.

As with trade in goods and services, Central European countries are not the largest recipients of Japanese investment in Europe. According to OECD statistics, Hungary has been the main location market for Japanese FDI in the V4 group in recent years. This was usually followed by Poland then the Czech Republic and Slovakia (Table 3). After the Republic of Korea, Japan is the second Asian investor in Poland, Hungary, and Slovakia and the first in the Czech Republic. Japanese companies in Central Europe invest mainly in the automotive and automotive-related, medical-pharmaceutical, and food sectors. The following Japanese corporations are present in the region: Toyota Motor, Takeda, Fujitsu, Hitachi, Ajinomoto, and Mitsubishi, among others. Japanese investments in the region are characterized by a very high level of innovation and technological solutions applied⁵.

Institutionalization of Japan – V4 cooperation

Japan is the first non-European country with which the Visegrad Group has established cooperation in the V4+ format. This took place in 2003 on Japan's initiative and was linked to the impending accession of Poland, the Czech Republic, Slovakia, and Hungary to the European Union. The development of relations with the V4 is regarded by Japan as a practical instrument for simultaneously maintaining

⁵ Ministerstwo Rozwoju, Departament Handlu i Współpracy Międzynarodowej, *Japonia. Informacja o stosunkach gospodarczych z Polską*, <https://www.gov.pl/attachment/a6366f92-2e14-416a-81fo-39bd260d2443> [1.07.2023].

relations with the four Central European countries with which it has had extensive economic relations since the 1990s. It is also one element of deepening cooperation with the European Union as a whole. This form of cooperation is also a tool for exerting political influence over Central Europe in order to balance China's policy in the region. This is evidenced by the revival of Japan-V4 political cooperation following China's launch of the 16+1 format. In a statement adopted in 2013, Japan and the V4 expanded the scope of joint activities to include, inter alia, the coordination of activities in international organizations⁶.

The main motive for the Visegrad Group to develop cooperation with Japan is primarily to further strengthen relations with one of the world's largest economies and to strengthen economic cooperation with other Asian countries. The high level of technological sophistication of the Japanese economy and the prospect of knowledge transfer in the event of Japanese FDI in Central Europe are also important factors. Regular meetings in the V4+Japan format also allow the countries of the region to deepen their political dialogue and pursue joint projects. This dialogue covers a range of issues. For example, in Warsaw in May 2021, the seventh meeting of the foreign ministers of the V4 countries and Japan discussed the prospects for cooperation in the Central European region, including a joint commitment to the Western Balkans and actions on connectivity. Security issues in Europe and the Indo-Pacific, as well as relations with the United States and the European Union-Japan partnership, were also addressed. The meeting

⁶ V. Józwiak, *Perspektywa współpracy V4 i Japonii*, "Biuletyn" (PISM) 2021, no. 121(2319).

provided a platform to promote Japan's Indo-Pacific strategy at a time when the European Union was developing its strategy towards the region. The Japan-V4 dialogue also includes cooperation on development assistance to third countries and the promotion of research and development in science and technology⁷.

Conclusions

Japan's policy towards the Visegrad countries is characterized by reactivity. The increased interest in the V4 countries in the political sphere stems from its existing economic presence in the region and is a response to China's actions in Central Europe and the global and regional geo-economic rivalry between China and the United States. The development of cooperation with the V4 countries is also part of Japan's overall European strategy.

In describing the Japan-V4 relationship, in addition to the policy responsiveness, it is also important to note the asymmetric nature of this partnership⁸. The asymmetric relationship is mainly due to differences in economic potential. Japan is the world's third largest economy after the United States and China. It is among the world's top five exporters and importers of goods and services. It also ranks among the world's most innovative and technologically advanced economies.

After the collapse of the Eastern Bloc, Japan was well ahead of other Asian investors in launching economic

⁷ Ibid.

⁸ A. Higashino, *Japan and Central and Eastern European Countries (CEECs)*, Global Governance Programme, Robert Schuman Centre, "Policy Briefs" 2022, no. 41, pp. 2-3.

expansion in the Visegrad countries. The positive experience of Japanese companies in the markets of these countries has subsequently encouraged other Asian economies to develop economic cooperation with the V4. Such examples include the Republic of Korea, which is now the largest Asian investor in Poland, Slovakia, and Hungary.

The V4 countries are competing economically for Japanese investment or market access to the country's goods and services. However, a coordinated political dialogue with Japan seems to favour each of them. It is in the group's interest to develop cooperation and strengthen relations with Japan in several dimensions – political, economic, and security. The development of political and security relations is certainly facilitated by a common ally – the United States. On the other hand, the different attitudes of countries in the region toward China may become a factor that hinders the development of Japan-V4 cooperation.



About the Authors

Ewa Dąbrowska, PhD, is a post-doc researcher in the Cluster of Excellence “Contestations of the Liberal Script” (SCRIPTS) and at the Institute for East European Studies at the Freie Universität Berlin. Her research interests include the political economy of emerging markets, digital economy, industrial policy, and the rise of economic interest in Asia and Africa in Central and Eastern Europe. In her post-doc project, she examines how emerging powers challenge the liberal mode of governance of the digital economy.

Stephen Nagy, PhD, received his PhD in international relations/studies from Waseda University in 2008. His main affiliation is as a professor at the International Christian University, Tokyo. He is also a fellow at the Canadian Global Affairs Institute (CGAI); a visiting fellow with the Japan Institute for International Affairs (JIIA); a senior fellow at the Macdonald-Laurier Institute (MLI); and a senior fellow with the East Asia Security Centre (EASC). He also serves as the Director of Policy Studies for the Yokosuka Council of Asia Pacific Studies (YCAPS) spearheading their Indo-Pacific Policy Dialogue series.

He has published widely in peer-reviewed international journals on topics related to security, trade, nationalism, and China-Japan relations. He has also published in think tank and commercial outlets such as the “China Economic Quarterly” on trade and political risk. In addition to writing in media and policy forms outlets in Japanese and English such as Diamond OnLine, SCMP, the East Asian Forum, and Policy-net on issues facing the region. He is a frequent political/economic and security commentator on Japan-China-Korea-US relations in Japanese and international media outlets such as the “New York Times”, BBC, CNN, SCMP, WSJ, “The Japan Times”, “The National Post”, CNBC, Al Jazeera, Channel News Asia, the Australian Broadcasting Corporation, etc.

Tomasz Stępniewski, Doctor Habilitatus (Polish Academy of Sciences, Warsaw, Poland); Deputy Director at the Institute of Central Europe in Lublin (www.ies.lublin.pl); and Associate Professor at the Institute of Political Science and Public Administration, Faculty of Social Sciences, The John Paul II Catholic University of Lublin. His most recent publications include: T. Stępniewski and G. Soroka (eds.), *Ukraine after Maidan. Revisiting Domestic and Regional Security*, ibidem-Verlag, Columbia University Press (ibidem-Verlag’s book series “Soviet and Post-Soviet Politics and Society” – SPSS edited by Andreas Umland), vol. 188, Stuttgart 2018.

Bruno Surdel, PhD, Senior Analyst at the Centre for International Relations, political scientist and historian, PhD in humanities. Graduated from the University of Warsaw. In 2011–2016 he was a lecturer at the Zirve University in Gaziantep, Turkey. Several times visiting professor at the Chinese Academy of Social Sciences in Beijing, the National Institute of International Strategy in Shanghai, the Shanghai International Studies University, and Renmin University

in Beijing. He attended many international conferences on Asia and the Middle East. He has conducted research on international security in Turkey, the Middle East, and China, with particular focus on Syria and Iraq (political Islam, terrorism). His research interests also involve the New Silk Road initiative (One Belt One Road).

Adrianna Śniadowska, PhD Candidate at the University of Warsaw, Chief Executive Officer at the Centrum Stosunków Międzynarodowych (Centre for International Relations), Warsaw, Poland.

Anna Wróbel, PhD, Assistant Professor at the Faculty of Political Science and International Studies (Chair for Regional and Global Studies), University of Warsaw, Poland. She completed her postgraduate studies in foreign trade at the Warsaw School of Economics (2004) and obtained her PhD in Political Science from the Institute of International Relations, University of Warsaw, Poland (2007). Wróbel is a founding member of the Polish Association of International Studies, governing board member and treasurer of the Polish Association of International Studies – Warsaw Branch, and governing board member and treasurer of the World International Studies Committee (WISC). Her expertise lies in global trade governance, international trade in services, common commercial policy, and trade regionalism.

IES

8/2023

POLICY
PAPERS

IES
POLICY
PAPERS

2023

In recent years, the relationship between Japan and Central Europe has gained increasing attention in the realms of geopolitics, security, and economics. Japan's engagement with Central Europe has significant implications for regional and global affairs. As Japan strives to diversify its strategic partnerships and enhance its presence on the international stage, Central Europe has emerged as a key region of interest. Geopolitically, this engagement reflects Japan's recognition of the evolving power dynamics and the need to forge new alliances beyond its traditional partners. Central Europe, on the other hand, seeks to expand its economic and security ties, capitalizing on Japan's advanced technological expertise, economic prowess, and stable political systems. Security concerns form another crucial dimension of the Japan-Central Europe relationship. With the rise of global challenges such as terrorism, cyber threats, and regional conflicts, both Japan and Central European states face common security risks. Moreover, the economic dimension plays a vital role in the Japan-Central Europe relationship. Japan's extensive trade networks, investment capabilities, and technological advances have sparked interest among Central European nations, offering opportunities for economic cooperation, infrastructure development, and knowledge exchange.

Tomasz Stępniewski and Adrianna Śniadowska

ISBN 978-83-67678-17-9



9 788367 678179

www.ies.lublin.pl