

“[D]o the EU and Japan have the capabilities and resolve to save the global multilateral order—and save themselves?”

Europe and Japan Try to Stave Off Global Disorder

EDWARD A. FOGARTY AND GENE PARK

We live in an age of status anxiety. As global market forces, self-oriented elites, and encroaching newcomers disrupt established institutions, many people fear the erosion of old certainties. Such anxiety also afflicts allies of the United States. The European Union and Japan face economic competition from younger, more dynamic countries. They remain dependent on their superpower patron, which now seems more antagonist than partner. And geopolitical disrupters such as China and Russia are challenging basic international norms. There is once again a Rome-Berlin-Tokyo axis—this time, an axis of angst.

Washington is the primary cause of the anxiety. President Donald Trump’s withdrawal from the Trans-Pacific Partnership (TPP) undercut Japan’s goal of reasserting its economic position in East Asia, just as his withdrawal from the multilateral agreement to curb Iran’s nuclear ambitions, the Joint Comprehensive Plan of Action (JCPOA), thwarted European firms’ new investments in Iran’s oil and gas sector. Both Europe and Japan are vexed by the United States’ planned exit from the Paris Agreement on climate change and the steps it has taken to sideline the World Trade Organization (WTO).

While these actions negatively affect European and Japanese interests, the US assault on multilateralism—partially abetted by China—is threatening at a deeper level. After 1945, Western Europe and Japan underwent profound transformations from imperial powers to “postmodern” actors that voluntarily constrain their actions by conforming

to rules and institutions and pursuing interests through trade and other forms of collaboration. This has allowed them to enjoy unprecedented political stability and economic prosperity, spawning imitators in their own regions and beyond. But current US and Chinese foreign policies threaten this postmodern model that made postwar Europe and Japan what they are today.

In 2018, the EU and Japan concluded economic and strategic partnership agreements to collaborate on trade and other issues of geopolitical common interest such as energy, climate change, and nuclear proliferation. But do the EU and Japan have the capabilities and resolve to save the global multilateral order—and save themselves?

THE POSTMODERN TURN

During the 1930s, the world order was bilateralist, organized around hub-and-spoke relationships connecting great powers to subordinate states. Europe and Japan were at the center of this order: Britain and France controlled large overseas empires; Nazi Germany consolidated its New Order in Central Europe; and Japan built its Greater East Asia Co-Prosperity Sphere. Institutional arrangements reinforced hierarchy and coercion rather than equality and consent—and generated war and misery instead of stability and prosperity.

After World War II, the United States led the way in constructing a multilateral order emphasizing voluntary, rules-based cooperation among sovereign states. This new order promised broad equality in rights and set expectations that states would pursue collective security, international trade openness, and the like. These principles served US interests by opening new markets to American firms, ameliorating conditions ripe for communist insurgencies, and requiring allies to contribute to their own security.

EDWARD A. FOGARTY is an associate professor of political science at Colgate University and the director of its international relations program. GENE PARK is an associate professor of political science at Loyola Marymount University and the director of its Global Policy Institute.

With US support, Western Europe and Japan were fully reconstituted within this order, importing multilateralist principles into their own institutions. In Europe, six countries—including long-standing rivals France and (West) Germany—established the European Economic Community (EEC). This bloc widened and deepened over subsequent decades through hard-won compromises, ingraining multilateralism in their single market and across a range of policy areas, eventually becoming the European Union. In international trade or climate-change negotiations, or in managing relations with Russia or Iran, a single European position is possible because political elites have internalized the multilateral principles of voluntary cooperation through mutual adjustment and contribution.

In East Asia, no US-led collective defense institution equivalent to NATO emerged. Japan came to embrace its US-imposed “peace constitution” requiring it to renounce the use of force to settle disputes, and resisted subsequent US pressure to rearm. Instead, the extended deterrence provided by the United States gave Japan the luxury of focusing on economic growth and mitigated regional fears of renewed Japanese militarism. With self-imposed limits on its military capabilities, the Japanese government relied on multilateral institutions, foreign aid, trade, and investment as its core instruments of foreign policy. Whether negotiating market access through the WTO or complying with UN Security Council mandates regarding situations nearby (North Korea) or far away (Iran and Iraq), multilateralism has defined its foreign policy orientation.

The EU and Japan’s internalization of multilateral principles puts them in their own separate postmodern status, as the British diplomat Robert Cooper argued in his 2003 book *The Breaking of Nations*. Whereas the United States, China, Russia, and India are modern, sovereignty-oriented states, the Europeans and Japanese have embraced interdependence and the international institutions needed to manage it. They accept that they must comply with these institutions’ rules, contribute to their effectiveness, and accede to their demands for transparency. They accept that conflicts of interest will be resolved through negotiation rather than domination. And they accept that sovereignty must be pooled rather than hoarded.

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This postmodern status does not guarantee harmony—the Japanese and Europeans often free ride on others’ contributions and insist on national autonomy in sensitive areas like immigration, intelligence, and taxation. But it has produced a basic expectation of cooperation and reciprocity, as well as historically unparalleled political stability and economic prosperity.

The EU and Japan’s postmodern status is dependent on the global multilateral order. NATO, the UN Security Council, and the nuclear nonproliferation regime grant them sufficient security that they do not engage in arms races with their neighbors. The WTO solidifies their economies’ orientation toward trade, providing reliable access to foreign markets and authoritative dispute settlement. The Paris Agreement, committing countries to establish targets for reducing carbon emissions and report on their progress, offers the possibility of avoiding catastrophic climate change. These and other multilateral institutions have fostered a predictable environment in which Europeans and

Japanese can embrace interdependence—and constrain and refract US and, more recently, Chinese power.

But now the international conditions supporting their status are eroding. Under the Trump administration, the United States has become an unreliable, quasi-revisionist bully. China presents a subtler challenge, selectively embracing elements of the multilateral order that serve its medium-term interests, even as it defies others.

THE BILATERALIST GIANTS

Common to these US and Chinese challenges is their bilateralist quality. The Trump administration favors bilateral negotiations in which it can maximize its leverage. Its renegotiated free trade pact with South Korea and current trade negotiations with Japan leverage these countries’ security dependence to extract deals more heavily favoring American interests.

China is attempting to settle disputes over competing territorial claims to the South China Sea bilaterally rather than through the Association of Southeast Asian Nations, and is ignoring an International Court of Justice arbitration ruling in favor of the Philippines. Beijing also has used state-directed investment and predatory loans to coerce smaller states. Sri Lanka in late 2017 granted

China a 99-year lease on the port of Hambantota strategically located on the Indian Ocean when it was unable to repay Chinese loans that financed its construction.

In their own ways, Washington and Beijing are bringing back the bilateralist order of the 1930s—in an act of historical restoration for China and one of self-renunciation for the United States. Should US and Chinese bilateralism destabilize key pillars of the multilateral order, Japan and the EU would struggle to sustain the internationalist, rules-oriented policies that have defined their foreign and even domestic policies since 1945. They would no longer be able to achieve their interests in the same way, and might have to revise their own institutions to adapt to a more hostile world.

Like most sufferers of status anxiety, Japan and Europe have options to shore up their positions. Passivity is not an option: giving in to American and/or Chinese bilateralism would consign them to decline and irrelevance. Thus they must exert global leadership—and greater Euro-Japanese collaboration is necessary to make their leadership credible.

There is still strong demand for the rules-based multilateral order, which for all its flaws has delivered peace among the great powers and, in more recent decades, notable advances in human development. It has always been awkward to have the United States as the leader of this order: a hegemonic power ambivalent about its creation, sometimes remaining outside the rules (for example, refusing to sign up to the Kyoto Protocol and the International Criminal Court) and at other times brazenly flouting them (the 2003 invasion of Iraq). China, meanwhile, is economically powerful but squarely focused on its sovereignty and national interests, and lacks credibility as a provider of global collective goods. Surely countries that have internalized and act in accordance with multilateral values are appropriate leaders of a global multilateral order?

COMBINED CLOUT

While neither the EU nor Japan has the requisite capabilities to individually assume global leadership, together they have a great deal of economic heft, military potential, and institutional status. They account for 31 percent of global GDP, 19 percent of international trade, 17 percent of military spending, and 32 percent of spending on research and development. (Comparable figures for the United States are 26 percent, 13 percent, 34 percent, and 31 percent, respectively.) They also

have privileged positions in key international institutions: two of the five permanent seats on the UN Security Council, 36 percent of voting shares in the International Monetary Fund, 33 percent of voting shares in the World Bank, and five seats in both the Group of 7 and the Group of 20.

A 2015 EU-Japan joint statement indicates that they aim to translate these capabilities into action: “Given our combined global economic weight and international standing, we have a common interest and responsibility to show joint leadership” and to promote “common values of democracy, the rule of law, human rights, and shared principles such as open markets and [a] rules-based international system.”

Two recent Japan-EU pacts, the Economic Partnership Agreement (EPA) and the Strategic Partnership Agreement (SPA), formalize coordinated action. The EPA is the largest trade deal since the Uruguay Round concluded in 1994. It covers about 30 percent of the global economy and embodies a commitment to open trade and high standards. The agreement’s preamble proclaims fealty to the WTO, the UN Charter, and the Universal Declaration of Human Rights. Its provisions remove or reduce tariffs on most industrial goods and agricultural products. It also sets labor and environmental standards, and creates a mechanism to settle trade-related disputes in those areas. The SPA is a general framework affirming shared values and a commitment to collaborate toward shared goals in matters such as energy, climate change, and cyber security.

Negotiations for both agreements began in early 2013, and advanced with greater urgency after the 2016 US election that brought Trump to power. They both affirm the EU and Japan’s orientations toward institution building and collaboration. The greater specificity of the EPA also indicates where Europe and Japan’s strongest capacities lie: in the economic and institutional arenas.

As two of the largest economies in the world, they have market power—their control over others’ access to their large internal markets gives them real influence. Their civil servants possess world-class expertise and privileged positions in international negotiations, whether on trade, finance, climate change, or a variety of security issues. Both also have considerable soft power, as successful models to be copied and as comparatively trustworthy political and economic partners.

But their market power and institutional capacities have likely peaked, at least in relative terms.

And these capacities are not matched by military power, especially in Japan and Germany. A lack of strategic flexibility limits their influence on non-economic issues.

Recent developments in the trade, climate change, and nuclear nonproliferation arenas show how EU-Japan market power and institutional capacities give them some leadership credibility. But strategic constraints—Japan's in particular—make them less viable leaders on climate change and especially nonproliferation than on trade.

TRADE TENSIONS

The Trump administration's assault on the multilateral trading regime, and to a lesser extent Beijing's state capitalist challenge, strike at the heart of the EU and Japan's status as postmodern trading states. Japan's postwar economy substituted trade for direct control over resources, and became a model for other East Asian countries. Europe's internal integration demonstrated the pacifying power of trade, and its governments chose an outward orientation rather than a "Fortress Europe" approach when launching the single market in the 1990s. For both, trade bred interdependence, which in turn created a need for rules. A hobbled global trading system threatens not only their exports and economic growth but also their postmodern models centered on rules-governed interdependence.

One priority has been to reinforce the WTO by continuing to settle grievances through it. The EU is challenging Trump's tariffs on steel and aluminum at the WTO. Both the EU and Japan, like the United States, have refused to grant China market-economy status in the WTO, permitting them to continue to apply anti-dumping duties—and hindering the primary tools of Beijing's bilateralist strategy, its state-owned enterprises (SOEs). As part of a group of 13 like-minded countries—including Canada, Mexico, South Korea, Brazil, and Kenya—they held WTO reform talks in late October 2018 that explicitly excluded Washington and Beijing. They have been the WTO's guardians, refusing to accept US attempts to sideline it and China's attempts to avoid its full obligations.

They have also moved ahead on new trade agreements with high standards. Japan and the EU are each other's second-largest export markets, so the EPA makes sense on purely economic terms. But it is also a clear statement about their commitment to rules-based cooperation beyond commerce. While the negotiations were not entirely

smooth—they have principled differences over issues such as investor-state dispute resolution—their common purpose ensured that these differences did not scuttle a landmark agreement.

The EPA is at the center of an emerging network of trade agreements in which experienced European and Japanese negotiators are defining the terms. The EU has completed free trade agreements with Canada and Mexico, and is negotiating a deal with the South American bloc Mercosur. In each case the EU sought provisions covering product, labor, and environmental standards, as well as clauses on democracy and human rights. Japan's revival of the post-American version of the TPP, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), due to come into force at the end of 2018, promises a high-standards alternative to China's Belt and Road Initiative and a fallback framework for the world's most dynamic region should the WTO founder.

Market power is the primary reason Europe and Japan are plausible global leaders on trade. All countries and multinational companies want access to their large and wealthy markets for trade and investment. This was demonstrated by the haste with which many companies moved to comply with the EU's General Data Protection Regulation, which took effect in May 2018.

Threats to retaliate against US tariffs and to limit access to China's SOEs are both credible and (mostly) WTO-compliant, meaning the EU and Japan need not choose between power and principle. The prospect of access to their wealthy consumers limits the qualms potential partners might have about negotiating labor, environmental, and other provisions in trade agreements. Global leadership on trade has fallen to them by default, and they have demonstrated resolve to exercise it.

The Chinese government has also made a bid for leadership in shoring up rules-based trade, and with its enormous, fast-growing economy it has formidable strengths. The EU and Japan have incentives to continue to work with China to preserve the multilateral system even as they demand its fuller compliance with WTO rules, particularly on trade-related investment measures and intellectual-property protection. An incipient EU-Chinese joint challenge to US tariffs at the WTO suggests such tactical cooperation may become more common.

Dealing with Washington will require a delicate balance between countering US pressure and promoting reconciliation. While they have the moral

high ground in using WTO mechanisms to assert their rights, the Europeans and Japanese must remain aware of their own vulnerabilities. The EU is vulnerable to divide-and-conquer strategies on the part of both Beijing, through strategic infrastructure investments, and Washington, which has encouraged nationalist resentments against Brussels. Japan, more strategically dependent on the United States, succumbed to US pressure in September 2018 and agreed to bilateral trade talks.

Yet on trade the vulnerabilities are balanced. The EPA and the CPATPP will put a number of US exports, including wine, beef, and pork, at a competitive disadvantage. Washington's bilateralism is constraining its influence on setting the rules for services, intellectual property, and many other issues. The Trump administration may come to a fuller appreciation of the costs of targeting its allies on trade, and should that happen there must be space to reintegrate the United States.

CLIMATE DEFENDERS

The EU and Japan, like the rest of humanity, have an existential interest in preventing catastrophic climate change. They have been key players in the global regime centered on the UN Framework Convention on Climate Change and its subsidiary Kyoto and Paris agreements. This regime has struggled more because of free riding than great-power bilateralism. The United States, India, and Brazil have long sought to evade the costs of emissions reductions. China, the largest producer of greenhouse gases, has committed to meaningful action only on its own terms and rejects independent monitoring of its emissions. Among large emitters, the EU and Japan are alone in embracing robust multilateral cooperation.

Persistent US shirking has allowed Japan and especially the EU to lead. They have championed multilateral principles, including universal contributions—especially emissions reductions by large countries—and transparency in national emissions reporting. EU officials drew on their internal experience of persuading member states to accept emissions reductions as they lobbied other countries to sign and ratify the Kyoto Protocol. They were the primary diplomatic force behind Russia's ratification of the treaty in 2004. By linking ratification to Russia's accession to the WTO, they achieved a double victory, drawing Russia more

fully into multilateral institutions.

Yet the hollowness of this “win” demonstrates the limitations of a soft-power approach. Russia was not being pulled into a postmodern “Euro-sphere” so much as engaging in tactical cooperation to create new market opportunities for its state-backed companies. That highlights the challenge facing postmodern states that attempt to assume global leadership: persuasion and attraction can induce reliable cooperation by modern states such as Russia, China, and the United States only if complemented by more muscular diplomacy.

What muscle do Japan and the EU possess in this context? Linking cooperation on climate change with trade agreements would permit the use of market power not just as a carrot but, if necessary, as a stick. Under President Nicolas Sarkozy, France proposed an EU climate tariff on goods from countries that refused to adopt appropriate greenhouse gas emissions reductions. In 2009, Washington embraced WTO-based climate

tariffs, but the proposal was rebuffed by developing countries, notably China. Now the alignments have shifted: the US withdrawal from the Paris Agreement gives the EU and Japan incentives to work with China to revisit climate tariffs. While the United States

(and many developing countries) would surely block adoption of climate tariffs in the WTO, a side agreement among actors representing more than half of global GDP would have a great deal of force behind it.

Japan, however, faces obstacles that limit the potential for co-leadership. After the Fukushima nuclear disaster caused by an earthquake and tsunami in 2011, Japan idled all of its nuclear reactors, compensating for much of the decline in power production with natural gas and coal. And even as Tokyo indicated regret at the US withdrawal from the Paris Agreement, it refrained from overt criticism. This reflects Japan's weak strategic position: a climate change realignment involving partnership with China and punishment of the United States would be a risky venture for the EU, but almost certainly impossible for Japan.

Meaningful Euro-Japanese joint action on climate change is thus unlikely for the foreseeable future. Any move to force Washington back into the multilateral fold in the near term would require tactical coordination between the EU and China.

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PRESERVING NONPROLIFERATION

Security has made the postmodern status of Europe and Japan possible, and the global nonproliferation regime, centered on the Treaty on the Nonproliferation of Nuclear Weapons (NPT), is an essential pillar. This regime demands transparency: the International Atomic Energy Agency (IAEA) has intrusive powers to inspect nuclear energy facilities to verify that they are not used to produce weapons-grade materials.

Similar verification mechanisms are the centerpiece of the JCPOA, the 2015 agreement between Iran and major powers—the United States, Russia, China, Britain, France, Germany, and the EU—to ensure Iran's compliance with its NPT commitments. The US withdrawal from the JCPOA in 2018 posed a serious challenge to EU and Japanese interests in promoting stability in the Middle East and exploiting commercial opportunities in Iran's oil and gas sector. The US decision also created a leadership vacuum, raising the question of whether and how the EU and Japan might step to the forefront.

EU-Japan collaboration on this issue predates their Strategic Partnership Agreement. After Washington sidestepped the UN Security Council to lead the 2003 invasion of Iraq—ostensibly to enforce nuclear nonproliferation—the EU and Japan began seeking alternative approaches. At a 2004 summit they affirmed their support for various multilateral arms control treaties and for the IAEA as chief verifier. They also urged other countries and regions to emulate their “best practices” regarding nuclear safety and verification. At a 2015 summit they reiterated these goals and proclaimed their strategic partnership to promote them. They have taken similar positions in NPT review conferences, and asserted their intention to find ways to preserve the Iran nuclear agreement despite the US withdrawal.

One of the first acts of European integration involved nuclear power: member states created the European Atomic Energy Community (Euratom) at the same time as the EEC in 1957. Euratom is a source of nuclear safety and materials-sharing practices that outsiders can emulate, and its transparency and sovereignty-pooling allow other European states to regard the British and French nuclear arsenals as unthreatening. For its part, Japan, as the only country to suffer a nuclear attack, retains deep anti-nuclear norms that account for its strong sup-

port for the NPT and its refraining from pursuing a nuclear weapons program despite having the technological capability to do so.

The EU and Japan's capacity to fill the leadership vacuum left by the US withdrawal from the Iran deal will again depend on their ability to balance hard and soft power and the availability of tactical alliances. It is difficult to measure the extent to which their nuclear best practices have been emulated by other nations, but their influence may well be extensive given the leading role their personnel play in the IAEA, which has had a Japanese national as director general since 2009. Both have foregone commercial gains by enforcing sanctions on North Korea and Iran—and, given their importance as export markets and sources of energy investment, they can ensure that any sanctions imposed on NPT violators have real bite.

Yet EU-Japan asymmetry is once again a stumbling block to joint leadership. The EU could plausibly rely on France for nuclear deterrence, and threaten economic countermeasures if Washington punishes European firms that invest in Iran under the terms of the JCPOA. In August 2018, German Foreign Minister Heiko Maas called for an EU-centered alternative to the SWIFT global payment system. Notwithstanding Russia's recent incursions in Ukraine, the EU does not face regional security challenges comparable to what Japan faces with North Korea and China.

Japan has no obvious alternative to the US nuclear umbrella, and Trump's suggestion that this protection might be subject to conditions has raised alarms in Tokyo. Collaboration against Washington with any of the parties to the Iran deal would be a very risky proposition for Japan. A nuclear arsenal would change this equation, but it is doubtful whether a nuclear-armed Japan could retain its postmodern qualities.

THE SPECTER OF NATIONALISM

It will not be easy for the EU and Japan to respond effectively to an eroding multilateral order. Their market power gives them a great deal of influence on trade and, should they choose to exploit it, on climate change as well. However, military dependence limits their influence in the nonproliferation regime. Japan's dependence on the United States for security defines the limits of its strategic collaboration with Europe.

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Yet Japan has a more conducive internal political environment for strategic realignment than Europe. A changing security landscape in East Asia has made the public more receptive to an assertive foreign policy and cognizant of the hazards of reliance on the United States. But growing Japanese nationalism could trigger regional anxieties.

In Europe, public opinion is strongly supportive of greater EU authority over foreign and security policies. In the fall 2017 Eurobarometer survey, 66 percent of respondents voiced overall support for a common EU foreign policy.

However, the rise of nationalism and Euro-skepticism is pushing hard in the other direction. Brexit will deprive the EU of one of its most capable military powers and a UN Security Council seat. The emergence of populist parties in governing majorities (for example, in Italy, Poland, and Hungary) and as leaders of the opposition (as in Germany, France, and the Netherlands) ensures that rejectionist voices will be heard both on the streets and in intergovernmental negotiations on external policy. The populist Italian government, for instance, has endorsed Russia's return to the Group of 7.

The rise of populism is an existential threat to Western Europe's postmodern status. It could undercut the single currency and even the single market—the basis of the EU's market power. It could also weaken the underlying principles of nondiscrimination, transparency, and sovereignty-pooling. The "Europe of nations" promoted by nationalist parties is a call not for something new, but rather for a return of pre-World War II security competition and the balance of power.

HOLDING ON

The Trump administration may seem the perfect foil to Europe and Japan's postmodern status. Its actions serve as a model for committed nationalists but repel those who wish to preserve the peace and prosperity that have been the fruits of postmodernity. Yet the only way for Europe and Japan to stay where they are, and what they are, is to move. Self-satisfaction is not enough.

Their options are greatest on trade, due largely to their market power. Strategic constraints limit their capacity to exercise leadership on climate change and nonproliferation. In all cases, unless both are willing to complement their soft power with more punitive measures—a particularly dif-

ficult proposition for Japan—they will be limited to small and temporary achievements. And unless they can contain and refract nationalism, internal conditions may do more to erode their postmodern status than external pressures.

The best overall strategy is a holding pattern: reaffirming their commitment to existing institutions, looking skeptically on US and Chinese bilateralist schemes, and punishing rule-breaking, even as they pave the way for an American course correction. This means continuing to comply with the Paris Agreement and, if possible, the Iran nuclear deal, and challenging noncompliant trade policies in the WTO. Just as the EU needs Britain to bear significant costs for its decision to leave, to deter other would-be exiters, multilateral institutions need the United States to bear some costs for its defections.

But the EU and Japan must also demonstrate a greater willingness to bear costs themselves. This means not only sustaining open markets and reducing carbon emissions but adopting policies that could preempt American complaints of free riding—namely, doing more to stimulate their domestic economies (to pull in more imports) and spending more on defense. For Japan, it also means taking meaningful actions to overcome historical grievances and facilitate greater cooperation with South Korea, which a nationalist leader like Prime Minister Shinzo Abe has the credibility to undertake. While there would be both domestic and international opposition to such moves, they could position the EU and Japan to have greater influence alongside a more amenable future US administration.

Can the Europeans and Japanese do anything to hurry along a multilateralist restoration in Washington? Attempts at direct intervention into US politics would likely backfire. A better course would be to take advantage of broad and deep ties with Americans who want to sustain the rules-based multilateral order, among both the political and economic elite and like-minded states and regions (the Northeast, the West Coast, and many large cities). This should not be a divide and conquer strategy: the EU and Japan need a unified and confident United States back in their corner, supporting the multilateral order. But the axis of anxiety itself must find the confidence to confront a world in which such a restoration may not happen, at least not soon. ■