MICHAEL AUSLIN: Ladies and gentlemen, good morning and welcome to the American Enterprise Institute. We’d like to get started right on time, because we know you’re busy, the ambassador is busy, our panelists are busy and we have a lot to talk about this morning.

My name is Michael Auslin. I’m a resident scholar here, at AEI, and run the Japan Studies Program as well. And we are very pleased to have you join us for a discussion on Japan and the TPP.

Many of you will remember that back in February, during his visit to Washington, Prime Minister Abe famously proclaimed that Japan is back. And a big part of that has been his economic policies, which already have their own name, Abenomics, and the effect that it’s having on global trade. Coincident with that, Japan has made the decision to join the TPP, which many people feel is a game changer, which is what we have actually titled our session this morning.

We are going to have a panel of experts that will be speaking starting around 10:30 a.m. or so, but it is my great pleasure now to introduce the ambassador of Japan, who will be giving some comments.

Most of you here know Ambassador Kenichiro Sasae so I don’t need to spend too much time going through his illustrious career, but he is the current ambassador of Japan to the United States. Many of you worked with him when he was the vice minister of the Japanese Ministry of Foreign Affairs just before this job, and when he was the director general of the Asian and Oceanic Affairs Bureau of the Foreign Affairs.

Ambassador Sasae has a full plate here in Washington and has made clear that his priorities are to integrate Japan more fully into the range of discussions that we have in Washington on policy issues related to everything from maritime, space, cyber issues, the U.S.-Japan relationship, obviously, in the alliance, how Japan can play a role as a stabilizer in the Asia-Pacific region, building regional networks and making progress, of course, on the realignment issue in Japan, including the Futenma station, which has been something that many in Washington have spent a lot of time on.

Today, of course, we’re going to be focusing on the economics of Japan, Japan’s entry in the TPP, what it means for world trade, and the alliance as well. And so, with no further ado, please join me in welcoming Ambassador Sasae.

AMBASSADOR KENICHIRO SASAE: Thank you, Michael, for a kind introduction. Today, I’m very glad to speak before this distinguished audience. You know why? Well, these days I kind of feel relaxed to talk about Japan. I don’t have to be so much guarded against some of the things we are talking about for some years. But for the first time, I want to say this: there is an optimistic bright mood in the nation. And, as ambassador, I’m glad to talk about those things.
As Michael just said it, Japanese Prime Minister Abe has come back with this vision and will to implement it. He came over to Washington and had a good meeting with the president. But the most important part about the meeting was he laid out what he was going to do. And, also, the important thing is he is delivering that now.

I think TPP is one of those positive things he set in his meeting with the president and also the positive things he’s now delivering. I just want to spend some time how we are doing this. As you know, over some years, I think there was very stagnant mood in the nation, not because of the long years of economic stagnation, but also the mood of the nation was a bit, you know, inward looking, partly because all this tsunami and earthquake we are pretty busy – but it is an urgent call to me possibly from prime minister. But anyway, you know, we are too much, you know, absorbed in tackling all these domestic challenges. And people are not really confident about what we are doing, about what we will do in the future.

But, as you know, the prime minister has laid down his Abenomics, and mobilizing financial policy, and a fiscal policy, and now, he’s working on the growth strategy. And the people are now paying much attention what he’s going to deliver about this growth strategy.

And a part of that strategy would include, and should include, all this exercise of TPP from the Japanese point of view. And that’s how we are talking about the meaning of TPP today. As you know, when we go into negotiations, we are waiting for that now, as you know. And the prime minister made a decision to participate after the meeting with the president and then we went through the bilateral talks with the American government and also the other TPP governments. And in doing so, I think we make clear that we are seeking high-level comprehensive agreement based upon the consensus made by the other TPP participating countries.

And there was some concern expressed about, should Japan really pursue this high-level standard comprehensive agreement? The answer is, yes. I will say it. And although both leaders recognize some of the political sensitivities involved – on our part, naturally, there are certain agricultural products we have sensitivity. In the United States, we all know that there are industrial sensitivities, including some sectors here, but, on the whole, I think there was general strong will expressed by both leaders we are pursuing high-level comprehensive agreement.

And having said it, let me just say a couple of points about the value and the meaning of Japanese participation into this TPP.

And, obviously, the title is that is “game changer.” What is a game changer? I think what matters is the value and the size of the exercise, as you know, and Japan’s GDP, although now is not necessarily second globally, but we are still number three, you know, of the GDP producing countries. And together with the United States and other TPP participant, I think this value of the TPP exercise will be double. You know, the – our GDP is more than the other 10 participating countries. And together, I think Japan
and the United States would play a bigger role in adding the value to this exercise. Without Japan in it, it’s a small exercise, I just want to say it.

And number two – and this is also very important – is that on the – in the course of these talks, we are not really talking about the traditional, you know, trade barriers anymore, although we’ve addressed this tariff question and some of non-tariff barrier questions and to the extent that they are relevant to TPP negotiation. And also, with the United States, we will be involved with some of the bilateral discussion in power.

But what I want to say is that the days of trade frictions and dispute back in 1980s and even ’90s are over. I think in Japan, we have a trade deficit. We used to have a huge trade surplus, but that day is over. But we are a big consuming country. There’s massive foreign investment in Japan.

Now, lots of American companies now are operating as Japanese companies. We know that there are several American insurance companies doing very successfully. And we welcome they would do more and employing more of Japanese people.

As we see, some of our cars – Japanese cars, you know, companies are doing here. They are not Japanese companies anymore. They are employing a great number of American workers. And they are producing one third of their brand cars globally. That one third is produced in the United States and they even export their cars produced in the United States to the other countries so they are – brand name is Japanese, but they are actually American companies.

So all this – you know, mutual investment and even, where it’s appropriate, there are strategic alliances going on. So I think the days for the trade friction is over. It’s now the time for us to find strategic collaboration in the wider area of the Asia-Pacific.

That’s why I think the rule making and the high-standard rule making is important. I think there is sufficient ground we could move on on that. I would introduce some of the high standards agreement Japan and the United States are working together already. And this will be the basis for us to move further on. I would tell you what.

Both Japan and the United States are part of IPR protection agreement. It is called ACTA, as you know. And both Japan and the United States are participant through government procurement codes. And both Japan and the United States are a partner of intellectual – sorry, IT product trade liberalization, and also, we are a member of OECD export credit and anti-bribery clause. And we are also part of investment liberalization, OEC code. And both Japan and the United States have several high standard bilateral treaties already. Both Japan and the United States have environmental goods and service liberalization groups. That’s OECD group. And we are working together for the international cyber security negotiation.

If you look at some of the participants to TPP, some of them are not really part of these exercises or existing international agreements. So there will be a merit for the
United States to have Japan as a partner to move forward on the high standards and benchmark in Asia-Pacific. And only Japan and the United States and Canada are participant to all the arrangement exercises I just mentioned. And you demand – (inaudible) – participating most of it, but not necessarily all the other countries, very few. So I think it’s good for us, for exercise – for us to work together for the higher benchmark and standard for free trade in Asia-Pacific.

Now, and finally, I want to talk a little bit about the strategic implications of this exercise. This is basically designed to pursue the Asia-Pacific, you know, free trade. But this is also a design to set the future economic order, I would say, in Asia-Pacific. There are some other bilateral and sub-regional FDA exercises going on, in East Asia there are ASEAN+6 and also Japan, China, and South Korea exercises going, and other bilateral things are going on.

But, in the future, I think if Japan and the United States could get together and try to work as an engine for the future of economic order, I think this TPP will be the major one to attract, I would say, other kinds of bilateral FDA and even sub-regional FDA.

And in the future, I think this TPP exercise should be inclusive whatever the countries who might be participating in the higher standards of free trade. I think that’s why I think this TPP should lead the future order of Asia-Pacific economic structure.

And, secondly, the fact that both Japan and the United States would work together for this Asia-Pacific regional order has a great strategic meaning in terms of, I will say, rule of law, freedom, democracy, and human rights. I think that is also consistent with the current American government trying to pursue under the banner of rebalancing policy. I think whatever the rebalancing might be, if that is a strategic one, that has to include very important strategic economic component. I think that’s what TPP should be all about.

Thirdly, I think this TPP exercise, if we could conclude successfully with Japan in it, I think that would elevate the meaning of bilateral alliance on the economic front. There are a lot of other agenda on the bilateral scene, but I believe that this TPP exercise will be a vital core of bilateral alliance.

Well, thank you very much for listening. I’m looking forward to further debate by the panelists. Thank you very much. (Applause.) Take questions?

MR. AUSLIN: And the ambassador has kindly agreed to take questions for about 14 minutes. So we’re going to have some microphones. I ask you to wait for the microphone please. Identify yourself and ask a brief question. So would you like to field your own questions, sir?

AMB. SASAE: Yeah. Right. Before taking some questions, my staff gave me a sheet of paper correcting what I said. The Japanese affiliated automobile companies in the United States, their productions of the cars in the United States, the ratio is two-thirds.
I said possibly one third. So that’s more than what I just said. I just wanted to make sure. Thank you. Thank you for the support. Please.

Q: OK. Thank you very much, Ambassador. I’m Iluzu Yi (ph) from the Shanghai Institute of International Studies. I’m a visiting fellow – (inaudible). I have a question. Just that you mentioned Japan simultaneously participated in the negotiations with TPP and you also participate CJK and RCEP. And you just mentioned that maybe, in the future, TPP is higher and under your lead other bilateral or sub-regional FTA. So do you think there’s some contradictions between RCEP and TPP? Thank you.

AMB. SASAE: Well, I don’t think so, to be frank. You know, there are always, you know, undertakings, this and that. And the most universal global regime is WTO as we know, but, somehow, WTO is not really – I don’t say working well but not really successful, I would say, in carrying out the expected work for the global round of the talks.

There are several reasons for that, because one reason is there are two divergent interests. And you can’t really define, you know, whether the interest is between rich and poor, or between the emerging country and even other developing countries. Well, even emerging countries, there are some differences and even developing country there are differences from Asian countries, and Latin-American countries, and African countries. We all know the history.

So I think the question is what do you do with all these flourishing mushrooming bilateral free trade? And also, there are some regional undertakings, like the one in Europe, the one in Asia, the one in North America and intercontinental agreement, everywhere there are free trade agreements.

I don’t think that all these things are inconsistent with each other. That is natural. So I think it’s a good thing for us to have this American – I don’t say America-led, but this TPP exercise on the one hand, and there are some other exercises who are trying to have their own free trade arrangement with those who are willing to do so.

And I think the fundamental difference, possibly, if there is any, between TPP and also in the ASEAN plus Six, whatever you call is that perhaps would all the high – you know, benchmark TPP is pursuing could be adaptable to those who are not necessarily developed enough to swallow all this high criteria.

Even to Japan, there must be something going on which we don’t know. We don’t know what’s happening now inside TPP negotiations. We haven’t seen all the thousands of pages of textbook yet. But if we – we are rather confident that we could – well, we have to look, but we don’t think there will be major difficulties, but there are still something we have to check on and see what we can do more or if there are some necessity we have to revise one or two things.
But when we come to some of the developing partner in Asia, this could be difficult, possibly, in terms of requirement of, you know, all this liberalization of investment, and also intellectual property rights, and also some of the transparency issues. And there are some countries which take more time to adjust to the requirement of the day.

So I think in the end, I hope that there will be some merging process if there is an Asia-Pacific wide regional wider free trade and not only these 11 or 12, 13 countries. But if this TPP will be leading and setting a higher standard and the others are not necessarily catching up, but still try to pursue that further, you know, higher standard – (inaudible). So in that way, I don’t think that all of these exercises are inconsistent with each other. Please.

Q: Hi, Ambassador. My name is Nadia Tsao, Washington correspondent for “Liberty Times,” Taiwan. Thank you for giving this remark today. We know that Japan’s been criticized for closing its market for a long time. This obstacle has existed for, you know, many years. And, all of a sudden, Prime Minister Abe decided to negotiate. You know, what’s the difference now from, you know, the situation before? Because you still have all the resistance and problems in your domestic politics. So what’s the advantage that Japan now faces and what do you – and what kind of a resistance or obstacle do you expect from your own country?

AMB. SASAE: Well, first of all, let me say this. Well, your image of Japan being closed, I think that’s the wrong imagine now. I think if you look at the tariff rate, I think all most industrial tariff is zero. I think Taiwan is still putting up a lot of high tariff. And, of course, there are some, you know, problems when a foreign company tries to get into the market. But whatever the market, there are always some difficulties.

But I don’t think that in terms of international criteria or the rules set by either WTO, TPP or whatever, I don’t think there our market is closed. Our market is basically open. And if you look at the number of foreign companies operating in Japan, I think the investment environment is open, and all of this non-tariff measures, some of them are addressed and that will continue to be addressed.

But we have a huge, you know, deficit now. But that’s – the trade balance doesn’t always speak about the market openness, I know, but still, on the whole, judging from, say, 10 or 20 years ago, when we had a huge dispute with these countries and I think that time is over. So I don’t think that will be a problem.

Now, about domestic resistance and opposition, yes, I think in every undertakings of free trade, there are always those people who are concerned. And they are the people who are trying to maintain the status quo. But whenever you have to move forward, you have to make adjustment in a way to improve more of the competitive environment. But, at the same time, you have to have legitimate safeguard measures in place. And that has to be based upon the international rules. And when it comes to agriculture, when it comes to sensitive industrial products, I think there are always some measures in place. So I
think we would address that question possibly. They are already addressed within the frame of TPP, but if those safeguard measures are legitimate ones, I think that’s the way it should be.

And in Japanese politics – this is not a place to talk about Japanese politics, you know, but still, I could say that we have stable government, very strong government. And although there is some cautious note from some of the sectors, but we are pretty confident that the majority of public supports this TPP exercise. And if you look at the public opinion polls, that show that. And with that as a support for the government exercise, I think we have to go through very careful discussions and talks with the individual interests involved. And, in that way, I think there has to be some political concerns to be merged to take care of some of the sensitive sectors. And I’m hopeful for that. Thank you. Please.

Q: Ambassador, Li Boli (ph) of Voice of America. Could you say something or comment if there is any link or connection between your government’s decision to participate in TPP and the tension between your country and People’s Republic of China? Thanks.

AMB. SASAE: Well, I’d say the answer is very simple. No. I think there is no relevance whatever of what we have been doing in terms of decision making to participate in TPP. I mean, to be frank – I mean, this is basically designed for economic, I would say, integration, free trade, but eventually, as I said it, when I talk about the strategic implication, naturally, the economic order and economic basis will be the heart of the governance, whether it is within the country or across the boundary. I think whatever the economic – (inaudible).

So in that context, I don’t say that this is irrelevant to China or whatever other countries, but what I’m trying to say is that even China and other countries who are not really participating in this exercise should be a part of the exercise in the future if they could be measuring up to the demands of the day. Thank you. Please.

Q: Thank you, Ambassador. My name is Kosuke Ito from – (inaudible). I have a question about according to U.S.-Japan agreement of the – I’m sorry. The agreement – according to the agreement of the U.S.-Japan bilateral negotiation consultation to participate TPP in the – but the U.S. – United States auto tariff, both countries have agreed that they will set the longest time of the – longest period of the time to reduce the U.S. auto tariff.

What – I want to ask what does that longest time mean? You know, it is time – for the United States to prepare their structural reform in their auto industry or is it a time for Japan to address non-tariff barrier issues, which the United States is concerned? So that’s my question.

AMB. SASAE: Well, thank you very much. I think this – the agreement we had struck with U.S. government on the auto tariff and that is basically auto tariff of the
United States. And what you’re talking about, this long time, you know, period for phasing out auto tariff, is something that came out as a result of very sincere discussions between the two governments projecting the fact that there is a sensitivity on the auto sector in this country. We are friends and allies. And that’s why I think we need to take into that sensitivity.

How that will be decided, I think since we haven’t really gone into even negotiations, and I think we need to see the option negotiation taking hold, if there are very long, you know, staging period and so forth in whatever the tariff negotiation, that would certainly be taken in account. But how that will be, still it’s too early to talk.

But other non-tariff things, I think that is not connected, to be frank. And auto tariff issue is a tariff issue so I think we shouldn’t connect the tariff issue with other issues. Thank you. Yes, please.

Q: Ambassador, Paul Puchett (ph) from the Corp of Engineers. Beautiful country, an engineering wonderland, in my opinion, but two brief questions: one, as an ally, how can you convince the American people or the United States government to build supersonic trains here in the United States?

AMB. SASAE: What trains?

Q: Supersonic trains here in the United States. And the second is: do you foresee any demographic change in the future for Japan?

AMB. SASAE: Well, since I came to Washington six months ago, I realized that there is good metro in Washington. When I was in Washington 30 years ago, it was just starting. So you have a good, you know, mass transit system in place in Washington. I think you are enjoying that one possibly.

And now, the United States government is trying to develop more modern systematic transportation system across the country, I would say, and not on the part of the countries. But that would require enormous investment, as you know. So I basically appreciate the United States is now moving forward, reviewing this possibility of building further infrastructure, including railway system.

But I don’t think that the people would be suddenly replacing their automobile with the mass transit system in this country. It’s too big and too wide. And it’s not Japan, but at the same time, it might be meaningful possibly, from my point of view, that the people would have a better, you know, mass transit system, especially in Eastern America, from New York to Washington, for example, Boston and so forth. If you have high-speed trail, well, that might be competing with the airplane and so forth. But some people might find it more useful to take on the railway.

But since – and I think there are some interests on the part of Japanese, I mean, companies and industry trying to be part of the United States effort to improve this mass
transit system. If there is more interest in understanding of the merit of Japanese
technology and all the experiences we have build up over the past 30, 40 years of mass
transit system in Japan, I think that will be very much welcome and that could a symbol
Japan-U.S. economic partnership.

Now, what was the second question? I forgot. Oh, demographic thing. Right. Yes.
I think that’s an enormous challenge, as you know, in Japan since we are an aging
society, and the number or the ratio of aging population over 65 years, it’s more than the
status of the United States. And, in the future, there are more aging populations.

And I think we have to adjust our own social economic policy to that. I think one
big subject of this is, again, addressing the context of disclosed strategy. And the prime
minister is working on this and one of these – (inaudible) – is to mobilize more the –
untapped – the ability of women. You know, in Japan, a lot of women quit working
because they have to deliver babies, and take care of the babies, and don’t have sufficient
nursing places. And I think the prime minister is doing his best to make the working
environment for the women better. I think in that, why you could utilize the potential
power of women for the further economic growth. And also try to have more of the
innovative technology to be transferred into future growth.

But when we come to fundamental policy of how much, how much we should
depend upon the foreign labor or workforce, I think that is still a subject of debate. I think
our policy is basically to welcome those labor with skill and not necessarily – (inaudible)
– labor. And for that, we follow the debates and the movement in the United States quite
interesting.

And I envy the United States in a way, that every year, you have a new
immigrants coming in and forming the basis of the new generations of younger people
who will be the workforce for the future economic engine. But we haven’t done this,
extcept for accepting for the younger generation as – (inaudible) – but this issue will be
debated in the context of how we will cope with the aging society, how should it be
sufficient for us to simply, you know, devise a mean to cope with the aging population
but how can we do to create more of the younger generation.

That far-reaching subject perhaps I’d have to spend one hour to speak on that
issue, but thank you for raising that issue. We have a big problem for that. Thank you.

MR. AUSLIN: Well, the ambassador’s time has run out, but please join me in
thanking him for a really – (audio break). (Applause.)

AMB. SASAE: Thank you.

(END)