Enhancing U.S.-Japan Cooperation: A Conversation with Ambassador Hagerty

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TRANSCRIPT

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KEN WEINSTEIN: Good afternoon, and welcome to the Betsy and Walter Stern Conference Center here at Hudson Institute. I'm Ken Weinstein, president and CEO of Hudson Institute. Our mission is to promote U.S. leadership and global engagement for a secure, free and prosperous future. Of course, looking at American relationships around the globe, no bilateral relationship is more important than the U.S.-Japan relationship. We at Hudson Institute have a long and distinguished history of work on Japan, which dates to our founder Herman Kahn, who in 1962 was the first to predict the rise of Japan as the world's second-largest economy. And we have just recently announced our Japan Chair and are significantly increasing our work on Japan. We were delighted earlier this week to receive Japanese National Security Adviser Shotaro Yachi as part of the delegation here in Washington to prepare the prime minister's visit. He was just the latest of the Japanese dignitaries to honor us with a visit and a very substantive exchange on critical policy issues.

This is, of course, a historic time for the U.S.-Japan relationship as Prime Minister and Mrs. Abe head to Washington to meet President and Mrs. Trump to celebrate the first lady's birthday together as couples, but also to focus on the complexity of the U.S.-Japan trade agreement that both nations seek. The friendship between the Abes and the Trumps is no accident. President Trump and Prime Minister Abe have worked hand-in-hand together to assure that our security policies are aligned as never before through joint efforts to operationalize the concept of a free and open Indo-Pacific - a vision, of course, developed in Tokyo but adapted here in Washington. The result is, as one of these Japanese officials who streamed through here not too long ago indicated in a closed-door session, that the U.S.-Japan relationship has never been better. One of the key reasons for this is the man whom we will hear from this afternoon - William Hagerty, the U.S. ambassador to Japan. The United States has been blessed by some extraordinary ambassadors to Tokyo from both political parties - Michael Mansfield, Howard Baker, Walter Mondale, Tom Schieffer and Caroline Kennedy and - all of us in this room know and everyone in Tokyo knows that Bill Hagerty has earned his place among the very best.

This is no surprise. If you know Ambassador Hagerty, he's an outside-the-box thinker with a strategic mindset who has a record of extraordinary accomplishments long before he was appointed ambassador, whether in the private sector as a businessman, as an investor - in the public sector, most notably, as commissioner of the Tennessee Department of Economic and Community Development, where he helped to bring significant foreign investment to Tennessee, including from Japan. I should note that he is also a good friend of Hudson Institute. He has spoken for us in the past in Tokyo and via video for the launch of our new Japan Chair, but he has never been here before in person, so it's a real honor to have him here. Following some opening remarks from the ambassador, we have invited him to sit down in conversation with Hudson Institute's Asia-Pacific security chair, Patrick Cronin. Patrick, like the ambassador, is a transformative leader. He has held leading positions at USAID under President George W. Bush and at top think tanks including IISS, CSIS and CNAS before putting on the Hudson Institute jersey. Please welcome - please join me in welcoming Ambassador Hagerty. Thank you very much.

WILLIAM FRANCIS HAGERTY IV: And thank you for that warm introduction. If you don't mind, I'll just stay here in my seat. After a long, long flight, it's a little bit more comfortable here. But it is indeed an honor to be here with you, Ken - Patrick, to join you here on stage. It's great to be here with Hudson Institute. I've been a friend of Hudson for many, many decades thanks to my good friend, Tom Duesterberg, who is with us today. Thank you, Tom, for being here. And it's
great to be with you, Mr. Libby - back together again. It's, again, tremendous to be here with the group. I'm so proud of what Hudson continues to accomplish. Hudson has been at the forefront of policy development for decades. Your long history in policy arenas has been well-documented. But your move to form a Japan Chair, I think, is extraordinarily strategic and very timely. As Yachi-san, I'm sure, underscored when he was here with you earlier this week, there's been no better time to be focused on U.S.-Japan relations. The relationship between the United States and Japan has never been stronger. So we are at the precipice of some new challenges. The alliance is critical to that. And I think we're going to have a wonderful discussion today talking about the number of issues that are before us that are related to that region but also to the world at large. So thank you for having me here today.

PATRICK M. CRONIN: Well, Mr. Ambassador, thank you. Let's just jump right in with your top priorities. I mean, you've now been in the ambassador's position for a while. I remember visiting people like Ambassador Howard Baker, and he'd sit at a long table and say, well, what should my top priorities be? But I think you've got a very clear set of issues that you're working on. And I'm just - what are your two or three top priorities right now?

HAGERTY: Our priorities fall into three broad buckets, Patrick. And it's pretty simple - security is first and foremost. And we deal with that on a regular basis. And I don't think the alignment between the United States and Japan could be any tighter. There is literally zero daylight. And we are working every day to bring our capabilities to the fore in that region. So security is No. 1. No. 2, and actually related, is our economic relationship. But we are striving to make that even deeper than ever before. We see more and more cross-border investment. In fact, the United States is the largest direct investor in Japan by a long shot. And Japan has been a very significant investor here. We're working on trade right now, I'm sure we'll talk about that some more. But the economic component is also quite important.

And finally, we are constantly working to find ways to engage on a personal level - to bring our people closer together. Those personal ties, whether it's the president and his wife enjoying a birthday dinner with the prime minister and Mrs. Abe, whether it's the golf game we'll probably have on Saturday or other things like that - all bring us closer together. And I want to see that that relationship exists not only at the top but throughout. So we're looking for opportunities, whether it's student exchanges, celebrating sports and athletics. We've got the Olympics coming in 2020 to Japan, and many American athletes are moving through right now. We've launched a program called Go for Gold that will bring Japanese schoolkids together with our athletes and really get them excited about America. And I think more and more Americans are interested in what's happening in Japan, too. So working at all three of those levels, we're working hard every day to advance our relationship.

CRONIN: Well, it sounds like an exciting time to be in Tokyo with you and your lovely family. You know, you've got a family of ambassadors. Every time I open the newspapers, your children are seemingly thriving there and your wife as well...

HAGERTY: They've done a great job.

CRONIN: I mean, so you're managing a lot. Picking up on the security issue that you've mentioned is number one goal on the bilateral relationship. Last Friday, there was a two-plus-two - we had the Foreign Minister Kono and the Defense Ministry Iwaya. I'm not sure that that got a lot of publicity here in the United States. So from your point of view, what were the major outcomes of that important document?
HAGERTY: The two-plus-two, I think, was an excellent engagement. We reaffirmed a number of things. First and foremost, on the security front, is the unqualified representation that we are here to protect and defend Japan under Article 5 of our security agreement. That includes Japanese administration of Senkakus, which is very important. But I think something very important also came out. And that is, under certain circumstances, a cyberattack can qualify under Article 5. And Japan enjoys the deterrent effect of the United States. We've pledged to protect Japan by all means, conventional and nuclear. Japan is our strongest ally, and that is a very important relationship that was underscored. We also talked about new arenas. We talked about space. We talked about cybersecurity, even the electromagnetic spectrum. So what you're seeing and what you saw come through that two-plus-two is a deepening and a broadening of our commitment and a modernization of our ongoing relationship to address the threats, not only of today, but of tomorrow. So it was a very strong engagement at that level.

CRONIN: Indeed, when I read through that document, the commitment on cyberspace - the fact that this could be construed as an act of war under the treaty - struck me as a very important statement that, again, got no publicity here.

HAGERTY: It's a statement whose time has come as well. We know what the threats are. But to articulate it in that way, I take my hats off to Acting Secretary Shanahan and also, certainly, to Secretary Pompeo for taking the leadership there and really addressing modern-day threats in a way that's quite appropriate.

CRONIN: One of the things that Ken mentioned in his introduction was the commitment of the two countries to a free and open Indo-Pacific. And I wondered whether - and how you, on a daily basis with your Japanese counterparts, are trying to implement the vision of a free and open Indo-Pacific. How does that actually get actualized in policy these days?

HAGERTY: Well, there'd been much - excuse me. There had been much discussion about the U.S. withdrawal from the TPP as somehow taking our interest in the strategic aspects that that relationship was supposed to address away from the region. In fact, the free and open Indo-Pacific strategy has taken us even deeper with all elements, not just economic, but also military and defense. Whether it's FONOPs that are moving through the area, keeping our waterways and airways free and open for trade for commerce and for liberty, or it's our economic activity - searching for infrastructure projects that - together with Japan, together with Australia, together with other like-minded countries - we can support. We have great participation in the region for a transparent and market-driven infrastructure investment in an area that has gotten more than half the world's population and a tremendous amount of growth potential. So we are really focused on an area that's critically important to the world. And our free and open Indo-Pacific partnership with Japan is at the cornerstone of that relationship.

CRONIN: Again, it seems to me that it doesn't get enough good publicity but it has a great narrative, a great story and a great set of values behind it. And yet, every day, I'm reading the Chinese press, and the Chinese are - there's nothing wrong with the Belt and Road Initiative, it's wonderful, it'll save the world. The technology is benign. There's not any interest in 5G, you know, property theft or any other kind of intellectual property theft coming out of China. What - how is the Chinese behavior, in particular, in trying to work with Japan and our ally to make China support the rule of law and the norms - international norms that we support and that they sometimes support. But many times they're not supporting. So what is it that Japan is doing to help keep China honest?
HAGERTY: Patrick, I'll take you back to September of last year - another story, another piece of great news that hasn't been reported as fully as we might hope. And that is when Japan and the EU joined with America to reform the WTO on particularly those items that you mentioned - to update the WTO structure, to deal with cybersecurity issues, to deal with the theft of intellectual property, to deal with the malign behavior of China in a way that the old rules, drafted many decades ago, just aren't equipped to do. So I'm extraordinarily pleased to see Ambassador Lighthizer, his counterpart, Minister Seko in Japan, and Mrs. Malmstrom in EU, all three working together to try to address and modernize WTO rules to begin to take into account the intellectual property theft concerns that we have - forced technology transfer, those sorts of things need to be addressed. And we are working together with our allies in Japan and the EU to do that.

CRONIN: Well, I think that underscores the important point that the rules had to be adapted for the 21st century and for the information age among other things. What is it on the trade relationship with Japan though, right now, that you're looking at and you're working on as new trade talks have opened up? What can Japan, the United States accomplish here in this economic trade space that's so important? And are we going to get that done? This seems to be such an important element of this relationship. You mentioned it was the No. 2 pillar right there with security in terms of the bilateral relationship. So what is your outlook on the trade front?

HAGERTY: Well, I think the trade front is indeed important. It's an element of our economic relationship, but it's an important one. And it's one that needs to be addressed soon. It's one that needs to be addressed on terms no less favorable than any other trade partner that Japan has. I would prefer to have seen it addressed even sooner than it has been. I think from a very practical standpoint, the fact that the president actually withdrew from the TPP process when he came into office has been good for Japan because it's allowed Japan to go ahead and move forward with their efforts in the TPP and bring the 11 countries together. My hope then that - certainly we said nothing negative about the TPP or done anything to damage Japan's ability to bring it forward. But my hope has always been - and I'll go back to April of 2017, when the vice president first came to Japan with Secretary Ross.

We have hoped and aimed to have a bilateral trade relationship in place, either before or at least concurrent with the implementation of the TPP 11 and with the new EU free trade agreement. We're a little bit behind on the timing, and the result of that is it puts American farmers, American ranchers, American business people at a disadvantage when it comes to differential tariff rates. And I don't think that could have been the intention of our allies in Japan. We are the closest allies in the world. And the strength of our security relationship, the strength of our diplomatic relationship certainly warrants an economic relationship that's second to none. So I'm very optimistic that Ambassador Lighthizer and Minister Motegi, who will be meeting again this week, the conversations that the president and the prime minister will have this week, and again, we've got another big set of events happening in Japan in May - but we will have the opportunity to move this ball forward and put in place a relationship that is every bit as strong as any other. I think it's important that we get this taken care of quickly on a number of dimensions.

One, again, I don't think it would ever be anyone's intent to put American partners at a disadvantage relative to other countries. But two, it brings together the opportunities that we can enjoy with one another. America is the largest and freest market, from a trade perspective, in the world. And we are seeking a reciprocal relationship with Japan. So that same sort of openness and freedom is there. It has not been in the past. And I think, you know, we've had a long, persistent trade deficit with Japan. The Japanese market is not as open to the United
States as our market is to Japan. So that's what the president is hoping to accomplish. And I think the Japanese economy will be better off for that. I think the U.S. economy will be better off, too. And together, as our economic alliance strengthens, we have an even stronger strategic relationship, vis-a-vis the rest of the world. And if you put that into context, America and Japan are the two largest free markets in the world - the two largest free economies. China overtook Japan, you know, in the past decade as the second-largest economy.

But when you think about the alignment of our values and our perspectives and our interests, Japan and the United States should be rock solid and aligned on every front, economic included. And I'll go back to the TPP for just a minute. From the U.S. perspective, we already have agreements in place with six of the TPP partners. The only one that we are - the only large economy that we don't have an agreement in place with is Japan. When you add Japan to that equation, you have by far the trade activity - all of the trade activity that would have been included there. And then if I switch over to the efforts on the free and open Indo-Pacific strategy, we're achieving the strategic goals as well, in terms of providing economic alternatives to the region that are market based and transparent. So my hope is that we'll bring our bilateral relationship into alignment very soon on terms that are favorable to both our countries - I'm optimistic of that - and that we'll begin to realize the benefit of a combined economic and strategic relationship that is the strongest in the world.

CRONIN: Well, I've always worked on the security side of the US-Japan relationship and it's never been better and stronger there. But I hope that the Japanese and our allies understand the urgency of moving ahead on that trade because without that, we're providing an opportunity to be exploited by other actors. And we're looking as somewhat diminished and people cast us as in sort of retrenchment or becoming too protectionist. And I think there's a difference between wanting to correct and refine the rules of the road and retrenching. But I'm just wondering if we're going to get to a deal on trade with Japan soon enough, so that we can send a broad signal, not just to the Japanese people and American people, but to the region in the Indo-Pacific, that these two economies are going to continue to be important. And if I can add onto that, sort of more statement than question, a longer-term view of Japan, as demographics change and where this relationship is heading, you know, just - these agreements have to be done now, but where will they lead in the decades to come, with Japan changing fundamentally among other - rapidly changing region?

HAGERTY: Your last is a great point. I'll come to that in just a minute. But I'd like to say one thing and to be very clear about it - that no one should mistake the president's desire for reciprocity for protectionism. As I mentioned, we've been the most open market in the world. And there are historic reasons going back to post-World War II that we had different arrangements as these economies were developing and growing. But as Wilbur Ross has stated many times, we should have timestamped that. And we're at a different point now. We're - the countries in Europe, the countries in Japan, our other partners are fully developed nations. And we should have a more reciprocal relationship. We're not starting out even. We're starting out as a disadvantage from a reciprocity point of view. And that's what's important to the president. So please don't mistake an effort to achieve reciprocity for protectionism.

Second, in terms of timing, I don't know what the exact timing will be, Patrick, but I'll tell you why I'm optimistic. The prime minister has appointed a very capable person in Minister Motegi. The president has appointed an extremely capable person in Ambassador Lighthizer. They're both bright. They both know what their leader's goals are. And my hope and my ambition is that they
will be getting together and be able to put something together in fairly short order. They are focused on it now. And I think the two gentlemen are very capable. So I'm optimistic that they should be able to get to an answer as quick as any two negotiators could. And I think both of them will keep in mind the importance of the overall relationship between Japan and the United States. We are not adversaries. We are the strongest allies. We just need to fix this component of our relationship and make it as strong as the other elements of our strategic and our diplomatic relations. So to the demographics...

CRONIN: Yes.

HAGERTY: ...I think that is a very insightful point that you raise. The demographics of Japan are extremely challenging. The aging of society is one part of it and the depopulation is the other. And I'll speak to depopulation first. I think Japan has done an amazing job, with respect to its workforce, of dealing with the fact that the birth rate is not at replacement level and they've got a shrinking workforce. What they've done is they've brought in more women into the workforce. Today, Japan has more women participating in the workforce than the United States does. They've also had more workers stay in the workforce longer. A 75-year-old worker is not unusual. You know, most people think of retirement age in the 60 to 65-year range. I think we'll see more and more people in Japan working longer and longer. So that gets you to a certain point, but mathematically, you sort of run out of speed in terms of broadening your workforce. And that's going to impose other requirements on Japan. One is to be more open to immigration, and Japan’s taking action to do that, bringing in skilled workers in certain areas. But the other thing that we're going to see is, I think, a very great push on the technology front - productivity enhancements. Again, Japan's at the cutting edge of what's going to face most developing economies. But Japan has every reason to push harder for things like artificial intelligence, robotics, things that will enhance productivity much more significantly.

Now, I'm going to add one more challenge that Japan is facing and that's the aging of the society. I think that today, there may be 70,000 people in Japan at 100 years of age or older. That's a dramatic - that's a dramatic shift. I read a statistic that said, for a child born in 2007, there is a 50% chance that child will live to 100 years old now. So as you think about the typical social structure and the pyramid that exist, it's changing dramatically. How do we support people? Instead of retiring at 60, instead of retiring at 70 and anticipating a lifespan of, you know, 60 or 70 - I think if you go to Japan's history, right after World War II, the average longevity was in the low 50s for a male, maybe in the mid-50s for a female. Now, we're talking in the 80s. That's a 30-year increase in life expectancy in just the past several decades, and that continues to move in the longer direction. So I think we're going to see innovation in health care. We're going to find new technologies again that will be tested first in Japan but that will have applicability around the world. So it's going to be a very interesting challenge to watch. I think Japan is entirely capable of doing that. But I think it's great opportunity for the United States to work with Japan. Our innovative capacity is much stronger when we broaden it and put our markets together. So we've encouraged more and more interaction in terms of R&D, joint R&D, joint development, investment from Silicon Valley to Japan and vice versa. And I think innovation is going to be a critical part of the answer as Japan's demographic challenges, you know, continue to mature. And the United States has a great and positive role that it can play.

CRONIN: Before we open up for questions, I wanted to just return to your initial statement about your third party of - the people-to-people contacts and give you a chance to highlight, perhaps, something that you as ambassador can see on a regular basis, which is maybe even among
younger generations - U.S. and Japan - are we still investing heavily enough in the people-to-
people contacts in education and business and nonprofit organizations and other ways?

HAGERTY: You know, there's a point that concerns me, Patrick. In 1997, I think we saw the 
high watermark with about 75,000 students coming from Japan to study in the United States. 
Now, that number is down to maybe a little below 18,000. So it's a pretty dramatic drop off in 
terms of students that are spending a year here or several years here studying. I think it does a 
tremendous amount for our relationship when we have that type of sharing and experiential 
commonality, and that's on the decline. The reasons for that are multiple. One of them is very 
simple - it's math. The cost of education here in the United States has skyrocketed versus 
Japan. I think today, one year of study here in the United States is about equivalent to what four 
years of study is in Japan. And families have economic choices to make, and that makes it a lot 
more challenging. But there are other reasons, too. I'll go back to the demographic trend. There 
are more jobs than there are people available to fill them in Japan. And I think there is a lot of 
comfort in knowing that the job market is there and waiting for you. And perhaps the notion of 
having international experience hasn't been emphasized enough. I think that's part of our job - is 
to underscore the value that as diplomats - do more programs, like sports diplomacy that I 
mentioned, we find other ways that we can connect with people.

But it's vitally important that we have more interchange. I am encouraged that we have more 
students now in the United States learning and studying Japanese. And there's been a slight 
increase of students moving the Japan direction. And I think we can work on that more, too. But 
I would like to see more effort and more thought put into some of the structural issues that make 
these type of exchanges in earlier years difficult. Again, one of them is the economic aspect of 
cost of education. The other is the hiring timelines in Japan. When students go into the 
workforce, the hiring deadline, the recruitment deadlines just - are just different timing versus 
the U.S. educational system. There may be some ways to address that too. I think the 
Keidanren is working on that in Japan. So, again, I think there are structural answers that can 
help to an extent. We'll keep working on it.

CRONIN: Terrific. Let's open up for questions and answers from our distinguished audience 
here, and there is a microphone as well that can come around. Tom, I'm looking at you only 
because your name was mentioned, and I just thought - my colleague, Tom Duesterberg, on the 
trade front in particular.

THOMAS J. DUESTERBERG: Mr. Ambassador, you mentioned the importance of innovation 
and technological advance in Japan. One of the enablers of technology in the future is going to 
be 5G - moving to a 5G system. We have big differences with China on that front because of the 
cybersecurity issues, but also, they're a competitor. Do you have any thoughts - and these 
questions have gone over into our trade negotiations as well with things like the free transfer of 
data, data localization requirements. Are there things that you think that the United States and 
Japan can constructively work on together to assure that our two economies are at the 
leadership in 5G and the associated technologies like artificial intelligence and the Internet of 
things?

HAGERTY: You raised a terrific question, Tom. First, I'd like to say, again, how wonderful it is to 
be back with you again. 5G is a cutting-edge question for Japan and the United States and, 
again, an area where we have tremendous alignment. Japan has put in place its government 
procurement guidelines that are very similar, very aligned with the way the United States looks
at it in terms of not having state-owned enterprises that are subject to undue influence be part of
the supply chain. Japan just went through its spectrum allocation for 5G. And the four carriers
there have all committed to the same sort of sanitization standards - if that's the right word - the
same hygiene of keeping parts of the supply chain - or keeping players out of the supply chain
that could somehow cause a risk of loss of data security. So I think there is a great alignment
between the United States and Japan in terms of how we view the threats. I think the question
is, how do we approach the opportunity? And in my view, there is a tremendous chance for
Japan and the United States to work together, to align our standards, and to do everything we
can to make the Japan market and the U.S. market as similar as possible, because if we do that
- if we make the open available market larger, we'll attract more capital more rapidly. That
capital will be returned faster. That's what drives innovation.

So we can make the markets seem practically seamless. I think we will attract the type of capital
investment that's necessary to innovate and to out-innovate any competitor who has a different
approach to the world. I also think that, working with Japan, we'll find opportunities to
collaborate on R&D that will help us, again, drive innovation in the area of 5G, artificial
intelligence. The prime minister made a keynote address at Davos talking about data and how
that's going to play a critical role moving forward. And I think that we'll find similarities in our
approach and similarities in our viewpoint in terms of data management. As some are saying,
data is the new oil in terms of its criticality to the economy. But we have great alignment, I think,
today and great potential in front of us if we can find more ways to collaborate with Japan.

CRONIN: Thank you. Yes. The gentleman just behind - yes.

AUDIENCE MEMBER: Thank you so much, Mr. Ambassador. Quick question about when you
mentioned your top priorities and you mentioned engagement - what is the Department of State
doing to help the U.S.'s military image in Japan for the Japanese population? I did a quick
search online, and there's typically kind of negative connotations associated with military
members in Japan.

HAGERTY: Well, I think if you took a look at what happened in 2011, in the wake of the
Fukushima disaster, you would see nothing but positive comments coming from Japan because
the U.S. military came to the fore and cooperated with Japan in a way that was unprecedented.
I'm so proud of the men and women in our military there. We have over 50,000. It's the largest
component of military anywhere outside the United States. And as I mentioned in the two-plus-
two meeting, our secretaries of defense and our secretaries of state together reassured our
commitment to defend and protect Japan and keep Japan under our umbrella, both in terms of
conventional and nuclear protections. That's critically important. I might take you back in time to
when I arrived in Japan. It's been a little less than two years ago. But the North Koreans had
flown a rocket over Hokkaido, and they did it again. Then they blew up a hydrogen bomb. You
may remember that. Let me tell you what was happening in Japan. Schoolchildren had hardhats
on doing evacuation drills in central Tokyo. J-alerts were going off on people's cellphones. It
was a very tense time. Thank goodness we were there.

So I am fully aware of incidents where the U.S. military doesn't behave at the level that we
would hope our military would. That's generally - I get a call on a Sunday morning about
something that happened on Saturday night. Let's face it; we've got a lot of young and very
energetic people in our military. And sometimes they get out on a little bit of R&R, and that
creates some problems. I address those as they come. And I certainly expect and encourage
our military to perform as the best guests that Japan could have. We very much appreciate the way the host communities take care of our military families and members, and I think they do a great job. Are we perfect? No. But we’re working every day to be very good guests, very good citizens while we’re in Japan. And we have a huge job ahead of us in terms of the protection, the defense, the responsibilities of keeping that entire region safe and secure.

**Cronin:** I know overall in public opinions, the polling for the U.S.-Japan alliance remains very high. So in general, the support for the alliance, including the security and defense part of it, is very high. Obviously, when you get into local issues, you’re dealing with local constituents and it has to be dealt from the ground up, not just from the - Tokyo or from Washington. But the support for the alliance in Japan, and I think in the United States for the U.S.-Japan alliance, is one of the highest for any alliance.

**Hagerty:** I think it is. And I’m very proud of my team as well. My principle officers that are stationed in Okinawa, that are stationed around the country, do an excellent job of working with their military counterparts. And they’re attached at the hip most all occasions. I recall recently, I called up my consul general in Naha, which is the consulate in Okinawa, to compliment him on something he had done on a cooperative basis with our military there. And I said, please let General Smith know. He said, I'll hand the phone to him. This was a Friday night, and they were having a barbecue together. So we work very closely together. And I think it’s a great relationship, State Department working with Defense. And I only want to encourage that to continue.

**Cronin:** Very good. Maybe on the side of the room - yes, sir.

**Audience Member:** Thank you for doing this. Going back to the two-plus-two documents, regarding this cyberattack and Article 5 - the Article 5 of the U.S.-Japan security treaty defines the U.S. commitment to defend Japan. But I’m wondering if you expect Japan to exercise the right of collective defense where U.S. is attacked by cyberattack.

**Hagerty:** I think the specifics of that, as you read the document and the specifics of the statement, it talks about under certain circumstances we come to Japan's defense on cyberattack. But I can assure you that Japan has been helpful to us in areas that I won’t go into detail on right now. But we are very aligned in dealing with cyber threats. And, frankly, cyber threats are global. Our interest and Japan's interests are very aligned. And no matter who the initial recipient might be, I think we have a joint interest in trying to address arm-in-arm and side-by-side any threat of that nature. So I was very pleased to see the specific call out under Article 5, but I can already tell you that there is cooperation. And I fully expect there to be even deeper cooperation as these threats continue to mount. Thank you.

**Cronin:** Good. Yes, ma'am.

**Audience Member:** Thank you, Ambassador. It’s great to hear you. Just a follow-up from the question that the gentleman had here and your remarks on that - what is the current U.S. policy towards people's resistance to U.S. presence, especially in Okinawa? I used to be working in Okinawa as a foreign service officer, and I used to encounter a lot of resistance in people-to-people engagement.

**Hagerty:** Yeah. Well, I've been to Okinawa on a number of occasions to engage with students there, to engage with government officials and with businesses there, too. And I think
that what we've seen, and I'm sure you saw that as well, is that our presence sometimes can become a political wedge. There's recently been a referendum in Okinawa. It's created, again, a lot of political energy around our presence. But I think that the local issues are something that have to do perhaps with sound, or behavior, or that type of thing about being a good neighbor that will get people excited. But if you step back and take a look at the strategic perspective - I'll go back to what Patrick said- there is great support for the alliance and what our objective is. I think our job - your job was when you were a foreign service officer, and our job continues to be to mitigate the issues associated with our presence, but continue our capability and our work together to make us the strongest force that is Japan combined with the United States with the strongest force presence in the region. And Okinawa is critical to that. Thank you.

CRONIN: Yes, sir.

AUDIENCE MEMBER: Thank you, Mr. Ambassador. May I ask you to focus a little bit on the intersection of economics and events, and ask you about the allocation of responsibility for the military defense in the Pacific and particularly in Japan? The president has, let's say, nagged the Europeans since his candidacy about contributing to their defense in Europe - each country. And they are all lacking in their own objectives. How do you see the allocation of the financial responsibility in the Pacific and specifically of Japan?

HAGERTY: Well, the - go back to sort of the same issue with trade, too. The environment's changed dramatically since the end of World War II. And we now have developed nations in Europe. And we have a very developed nation in Japan. I actually moved to Japan in 1988 the first time. That was right after Japan had overtaken the Soviet Union to become the second-largest economy. So this isn't something new. Japan's been a developed nation for decades. And I think Japan does a great job of cooperating with us, of being interoperable with us, and, again, making the United States presence, you know, even stronger by virtue of our partnership. But there's more to do. And I think the president would expect, and I will not be surprised to see, more commitment in this area. Our team is working hard every day to make it easier, for example, for foreign military sales to occur. You would have seen that mentioned in the two-plus-two readout. We've streamlined the process. We have, I think, done a very good job of increasing the availability of technology - defense technology to Japan and the interoperability of that technology. We have more to go, more work to do there. But I think the trajectory's in the right direction. I think 2021 we'll have another discussion about host nation support. That's a part of this equation. But defense spending overall is another aspect of it. And I'll say that there is certainly room to grow there. And I think that's the expectation of the president is that we'll see more progress in that. Thank you.

CRONIN: Last month we had a excellent program with former Admiral Scott Swift, and he used the phrase looking at the total return on investment in these alliances. And when you do that in the context of the U.S.-Japan relationship, it's a very impressive total return on investment even if we need more and they want to do more. So it's a good question though. It's an important part of the alliance management. I think we have time for maybe one or two questions here. Yes, ma'am. You've been waiting. There's a microphone coming.

AUDIENCE MEMBER: I have a question on North Korea. And as discussed during the U.S. Japan two-plus-two ministerial meeting last week, North Korea's nuclear issues are one of the most important areas of cooperation. And the summit meeting between Russia and North Korea
just took place in Russia. So how would you assess the summit meeting between Russia and North Korea?

HAGERTY: On the summit meeting between Russia - excuse me - and North Korea, I don't have a full readout of what has been accomplished. I think that's underway. I'm not sure if it's concluded at this point. I certainly see the direction that Kim Jong Un is moving to reach out to, you know, Russia, to China, to others. I think the fact that you see Kim Jong Un meeting with Vladimir Putin underscores the fact that the sanctions are working, that the sanctions are putting extreme economic pressure on the North Korean regime. And I think what we see is an outreach to try to find a way to deal with it. There is a much simpler way to deal with it and that is to denuclearize. I think that the president's made that very clear. I think it's critically important that we all remain in lockstep in enforcing the U.N. Security Council resolutions that sanction North Korea. I think that's the path to get to where we need to be. And Japan, I can assure you, is fully aligned with the United States in that viewpoint.

CRONIN: In fact, the last two-plus-two statement was heavily focused on the Korean issue because it was such a crisis at the time. But also, as you point out, this two-plus-two statement reaffirmed the need for being - hanging tough on pressure and sanctions. So, yes, they're working. And that's why you have this first-ever Putin-Kim summit. It seemed a very atmospheric relationship. Not a lot of specifics are released yet at this point. I think we have time for one more question, and it's very hard to choose all. Yes, ma'am. Back here.

AUDIENCE MEMBER: You have emphasized the two main things about, like, importers of alliance security economy between the U.S. and Japan. And my question is - as China is rapidly expanding its BRI strategy, not only to East European countries, but also to the Indo-Pacific region, I wonder if the U.S. and Japan share the same strategy to counter it? And if they do, how it will impact the whole picture of the East Asia? Thank you.

HAGERTY: That's a good question. I would say not only do the U.S. and Japan share the same perspective on the Indo-Pacific strategy, but other countries do as well. Australia has joined us. I think many of the countries that are participating in our infrastructure development activities very much appreciate our joint approach. The big difference between the way the U.S. and Japan see this and the way China sees it is that we believe the private sector should lead the development. Today we have - the United States has alone about 1.4 trillion of private sector investment in that region. We don't believe that state-led investment is the right approach. And, frankly, if you look at the examples of some of the projects that China has put forward, they've resulted in tremendous debt that have caused a collapsing effect. They've invested in strategic assets for China, but not economically viable assets for the recipient countries.

And I think what the United States, Japan, Australia and others who are joining us will offer is a private-sector-led alternative that's transparent, that's market driven and that will be economically sustainable. The leadership of these countries has a few examples to look at now of some of these belt-and-road projects. And I think that they will be very interested in items other than just price or easy economic terms. They're going to be interested in the strategic impact on their nation. So I'm optimistic that as we bring more partners into the fold that think like us, and continue to push forward market-based principles, that we'll see more and more of our presence there. And, again, this is an area that has tremendous economic upside for all of our nations. I mentioned earlier, over half the world's population is there and they're growing. So
there is great opportunity, and there's a great need for our presence there. And I think you're going to see more and more of it. Thank you.

CRONIN: Mr. Ambassador, you have a very busy schedule. We're going to give you a few minutes to do a press gaggle as you make your way to the car here in just a minute. But we are greatly honored by your taking the time to join us to talk about the breadth of issues for the job you're doing in Tokyo, as Ken Weinstein said. Please join me in thanking Ambassador Hagerty.

HAGERTY: Thank you, Patrick. Thank you. Nice seeing you. Thank you.

CRONIN: Good job.