



Strengthening the US-Japan Alliance: A Conversation with Senator Bill Hagerty

TRANSCRIPT

Discussion.....

- **H.R. McMaster**, Japan Chair
- **Senator Bill Hagerty**, US Senator, Tennessee

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A video of the event is available: <https://youtu.be/7qgLcLzMdxg>

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Lt. Gen. H.R. McMaster:

Welcome, everyone. It's great to have you hear at the Hudson Institute, and I'm really privileged. My name is H.R. McMaster. I'm the Japan Chair here at the Hudson Institute, and it's a great privilege to welcome Senator Bill Hagerty to this forum. Senator Hagerty is a great leader across many domains. He's been a business leader. He's mobilized capital to create wealth to reduce unemployment, especially in his home state of Tennessee, but I got to meet him when he began to serve at the national level, helping us compete more effectively internationally, and then especially as ambassador to Japan, where he did a phenomenal job. Now he's in the Senate since 2020, I believe, Bill. Is that right?

Senator Bill Hagerty:

Yes. I was elected in 2020.

Lt. Gen. H.R. McMaster:

And he's on some of the most important committees. The Banking Committee. Nothing going on there, right? As we look at what's happening with the Bitcoin exchanges and so forth. But also at central bank digital currency. A lot of big issues I'm sure you're dealing with there. Housing and urban affairs, obviously a critical area where we see so many difficulties across our country with housing and homeless populations. And then the Senate Foreign Relations Committee, which is obviously the committee that's driving I think our competitiveness internationally at thresholds below military confrontation, which is... And these competitions are so important with China. We'll talk about that today. Appropriations and Rules and Administration.

Senator, there's nobody better to talk to at this critical moment, I think. All of us realize that we are engaged in critical competitions and we need allies more than ever, and of course one of our most important allies is Japan, and I know that we both enjoyed the opportunity to work with our Japanese counterparts. Prime Minister Abe in particular. And I thought we might begin with maybe your reflections on working with Prime Minister Abe and what you accomplished together with him and his team as ambassador.

Senator Bill Hagerty:

Well, certainly, H.R., and again, it's just a real honor to be back with you again. We're both in different roles than when we started our friendship, but I'm glad we've been able to continue this and my congratulations to the Hudson Institute for selecting such a terrific leader to be the Japan Chair. You're doing a fabulous job and I've been looking forward to this event for some time. With regard to Prime Minister Abe, I've got to say this. There's not been a more consequential prime minister of Japan in modern history. And I was deeply privileged to serve as ambassador. I became ambassador in 2017 and for the duration of my ambassadorship Prime Minister Abe was present there and was my closest partner in executing policy after policy that brought us closer together in the alliance, and also made us stronger in the region.

It was Prime Minister Abe who coined the term free and open Indo-Pacific. He set up the framework for the Quad. As the Biden Administration came into office, I had to remind them that the previous administration that I served in literally adopted Prime Minister Abe's framework here. It wasn't something that we'd created in our administration. You know how new administrations come in and toss out anything that might have been part of the old, but we were

able to keep that, and it's endured then on a bipartisan basis from one administration to the next, giving great strength I think to Prime Minister Abe's vision, and very much deservedly so.

I think back to my first day as ambassador. Prime Minister Abe cleared his schedule and invited me to come and meet him in his office. We had a great conversation then. He welcomed me. He implored me to spend as much time as I could outside of Tokyo really getting to spend time with the people of Japan, which I took to heart, and he also underscored the fact that he wanted to work as close as possible together. We did that. And if I think about the accomplishments during my time as ambassador, during his time as prime minister, we navigated a very challenging situation with North Korea.

And shortly after I arrived... You'll remember this, H.R. You were the national security advisor. Prime Minister Abe was in his role. I was ambassador to Japan. And North Korea launches intercontinental ballistic missiles over Japan. I didn't hesitate. I went on national television to make clear that the United States was going to stand by its security treaty with Japan. I think that was very calming to the people of Japan. There was a great deal of tension in Japan back then. Frankly, so much so that schoolchildren were doing hard hat drills and evacuation drills in central Tokyo. I even went so far, we didn't have an ambassador in South Korea for some time. I was dealing with the Blue House there in Seoul, dealing with US forces Korea, as well. And I even went so far as to visit the Korean peninsula and actually take my family across the border to North Korea with a US military escort because I wanted to demonstrate my complete confidence in the US military's ability to protect me and my family the same way that they would protect the peninsula, the region, and Japan.

America, a strong America, is absolutely critical to that region, and it could not have been made more clear to me in my prior role as ambassador at a time of great consternation and conflict. You roll forward now and you see what's unfolded with the collapse of Afghanistan, the invasion of Ukraine. Our Japanese allies are very, very concerned. And I took a congressional delegation, I led a congressional delegation in April of this year to Japan. We spent a week there. I was joined by Senator Cardin, a Democrat from Maryland, and Senator Cornyn, Republican from Texas. We spent a full week there and had a very good conversation with former Prime Minister Abe, with current Prime Minister Kishida, a number of the leaders there. During that conversation they made it very clear to us their concern about the destabilizing impact of Russia, and therefore the increasing aggression of China in the area. They want to address that concern and we're going to see I think an even deeper partnership, an even deeper alliance as Japan steps up, doubles its defense budget. Their new national security strategy will articulate ways that we can work together.

And I think it's incumbent upon America and leadership here, H.R., to find ways to work with Japan to not only make this a procurement exercise, but to seriously look at ways that we can combine technologies, we can use best observed practices, and something that I've seen on the ground there in Japan, the Yama Sakura exercises, the largest joint exercises between our troops and Japanese self-defense forces. We need to continue that sort of joint exercise and that work to build the capability, to build our interoperability, so that what we're doing as this defense budget increases is that we're getting more leverage. We're compounding it. We're going to see an exponential effect if we bring our planning together.

So, I think there's all the more reason for us to work closely to strengthen the alliance. Our current ambassador, Rahm Emanuel, he and I stay in close touch. He's very focused on this. I initiated a fix to our foreign military sales program when I served as ambassador to try to accelerate the pace that we get US technology on the ground, in the field, and operable there in

Japan. We need to continue that work. We need to continue to look for new opportunities to strengthen our capability, our confidence, and our lethality, and I think that your insights will continue to be relevant to that as we find ways to work together.

Lt. Gen. H.R. McMaster:

Well, Senator, I think a lot of our viewers are going to be reassured, because in an environment these days where there isn't a lot of apparent bipartisanship, there really is I think a great deal of bipartisan recognition of the threats that we're facing. You mentioned the increasing threat from North Korea. That hasn't gone away. We're anticipating maybe a seventh nuclear test. More missile tests last year than ever before from North Korea.

Senator Bill Hagerty:

Yes.

Lt. Gen. H.R. McMaster:

But I think we ought to be heartened by the continuity, I think, between the Trump and the Biden Administrations in the recognition of the threat from North Korea, the threat from China which we'll talk more about, and how we're seeing the war play out in Russia. And the urgency to develop some of these defense capabilities. And of course, we've just seen Japan publish a number of important strategic documents. Their national security strategy, their defense program guidelines, and defense strategy. What are your priorities? What do you think is most important for strengthening the alliance? Not only maybe from a military perspective, but also from an economic perspective, and in critical arenas of competition that involve development of technologies that allow us to maintain our competitive advantage?

Senator Bill Hagerty:

That is a great question, H.R., and I'll step back to my experience as ambassador. I worked very closely with the government of Japan at the same time that we were blocking Huawei, ZTE, and that like here from our 5G networks. I worked very closely with Japan to get the same thing accomplished there. We were successful in doing it. I had to work very closely with the government of Japan to make that happen. Even going so far as meeting with the leaders of the telecom companies there to let them know that this was a priority for America. But we got that done.

We created under the leadership of Keith Krach the Clean Network Initiative. Japan's part of that. I think we've got over 50 countries engaged in that now. We need to continue to find ways to advance the technologies of trusted allies so that we can keep our networks clear. If you look at the Belt and Road Initiative that China has launched, they've been extraordinarily aggressive, and when I served again as ambassador to Japan, I reached out to the development organizations there in Japan. We actually brokered a partnership between what is now the US Development Finance Corporation and JBIC of Japan. We also added Australia and their development finance corporation into that. I signed on behalf of America to put that triple partnership together. We later named that the Blue Dot Network. I think you may have had something to do with that, H.R., yourself and Matt Pottinger, coming up with that network.

But the point being we need to leverage market-based alternatives for infrastructure projects, for economic development projects in that region. We have many developed countries. Frankly, if you think about where the growth and the opportunity is on a global basis in the decades to come, it's in the Indo-Pacific region. We need to be focused there. We need to be engaged there. Certainly, from the military standpoint that you know very well, we need to be present because we need to keep our commercial sea lanes open. China is going to challenge us on every front. If you think about what they've done with these artificial islands that they've built and you think about their intent, I look back H.R., you remember when President Xi stood in the Rose Garden right next to President Obama back in 2015 and said he had no intention of militarizing those islands.

Lt. Gen. H.R. McMaster:

Right, right.

Senator Bill Hagerty:

And now you see-

Lt. Gen. H.R. McMaster:

And also said he was going to stop cyber espionage against us in that same meeting.

Senator Bill Hagerty:

Yeah. That was another false promise. But if you look at these islands today, they are military outposts. Turrets. They're armed. They've got runways on them. And they're using this as a means to begin to advance their bogus claims to areas that they have no rightful claim to. We need to continue our navigation operations there to make certain that we have a free and open Indo-Pacific. And FONOPs will continue. I'm going to be supportive of that. And we need to make certain that we continue to put the right assets in that region. We have been working intensely on the National Defense Authorization Act here in the Senate and in the House. That keeps us at parity because of inflation. We've been trying to continue to grow our competence and our capabilities. I'm going to stay focused on making certain that our, particularly in that region, that we are properly equipped. That's what China understands. That's what North Korea understands. This is what Russia understands. It's competence and it's strength. It's not press releases and words. It's strength and competence.

Lt. Gen. H.R. McMaster:

Absolutely. Good old-fashioned deterrence by denial works, right? Which is convincing your potential enemy that that enemy could not accomplish its objectives through the use of force. And you only get that through strength and forces that have the right range of capabilities, but also that can operate at sufficient scale and for ample duration to win. And I think we are behind. George Marshall, Senator, said when you have the time, you don't have the money, and when you have the money, you don't have the time. So, I appreciate your farsightedness and the sense of urgency that you brought to this competition for the US defense budget, and now we're seeing Japan increase its defense spending over several years, doubling it from 1% of GDP to 2%, and developing a new range of capabilities. Counterstrike capabilities is one of them as we see in Ukraine, right?

In Ukraine, if you can't protect your population, you are at risk to an aggressor like the Russians have inflicted so much harm on Ukrainians, and that involves missile defense shooting down the arrows, but it also involves killing the archer with counterstrike. And I wonder what your thoughts are in terms of US defense priorities and Japan defense priorities, how they fit together within the alliance, and maybe also talk about the importance of extended deterrence, right? That the Japanese understand that we will be behind them from a nuclear deterrence perspective.

Senator Bill Hagerty:

I think something very significant has happened. Again, in the wake of Afghanistan, in the wake of Ukraine, the incredible aggression that they're seeing coming from China in the Taiwan Strait, the Japanese public are very sensitive to what's happening in the Taiwan Strait. The proximity of that to their own land mass is very, very close, and I think there's a very clear sense that if Taiwan falls, Japan's going to be next on the docket for China. So, there's been an awakening in Japan, and you well know that the LDP is the leading party there, but they rule Japan in a coalition government. Komeito. Komeito is a pacifist group. They have always been very resistant to stepping up and becoming aggressive and offensive in any direction from the military posture standpoint.

That mindset is changing with the mindset of the Japanese population. I've seen the polls. The Japanese population is now much more supportive of creating the capabilities necessary to defend themselves in a more aggressive posture to do that and working more closely with us in that regard, as well. I think the door is open. Prime Minister Abe worked very long and tried to change their constitution to strengthen it. I think Prime Minister Kishida is in a better place than Prime Minister Abe was because of the shift in public opinion. And that shift has been brought about by the proximity of the threat becoming increasingly great for the people of Japan. You just look at what's happening in the Senkaku Islands. It died down a tremendous amount during the Trump Administration. That had calmed while I was ambassador. But the Chinese ships are right back in the Senkakus. They're putting pressure every day. They're sending their own warplanes very close to Okinawan airspace. Japanese SDF planes have had to stand them down.

We've had increasing aggression. All of this is shifting I think the philosophy and the mental preparedness of the Japanese to take on a much greater role from a national defense standpoint. The documents that you mentioned that have just been issued I think create a foundation for us to find ways to work together. And I would be very much supportive of coming up with a US-Japan joint planning commission. The ways for us to bring our expertise together in a structured format to really, again, leverage our lethality, our interoperability, our capabilities, and demonstrate to the rest of the world that we're serious, that we mean business, and that our extended deterrents will be there, and that we take our security obligations to Japan very seriously, and we're going to look for ways to build that and strengthen that.

You mentioned something earlier that I failed to come back and touch on. That's our economic ties. And what we also need to continue to do is strengthen the economic ties that we have with Japan. I worked very hard on that as ambassador. I'm pleased to say that Tennessee has become one of the greatest recipients of Japanese foreign direct investment. We have a tremendous partnership between my home state and Japan. That's no coincidence that I've been focused on that. And I continue to work on that.

I've also reached out to South Korea. We continue to deepen our commercial ties there. And as I speak with business leaders both in South Korea and Japan, we know there are political differences between the two countries, but if we can continue to find ways to cooperate on an economic basis-

Lt. Gen. H.R. McMaster:

Absolutely.

Senator Bill Hagerty:

... I think what we do is we make those political differences relatively smaller every year. And as we do that, I think we increase the opportunities for cooperation. Our militaries all cooperate well together. I think from an economic standpoint, we are continuing to increase our cooperation. And I hope that the political differences that exist between South Korea and Japan just continue to be minimized as we move forward. Because at the end, we need to be working together.

Another piece I just touched on, H.R., that is encouraging. You talk about bipartisan support of the relationship. Secretary Blinken appeared before me in the Senate Foreign Relations Committee and I raised with him the concept of actually having an energy working group for the Quad. You think about South Korea, you think about Japan, they're both desperately dependent on other nations for their energy security. We ought to put together an energy security group, and it's not just for the Quad. I would encourage adding South Korea to this, but Secretary Blinken agreed with me that we should put an energy policy working group together for the Quad. I think it makes all kinds of sense and it's something else sort of related to the economic ties that we need to be working on because it has very deep strategic implications.

Lt. Gen. H.R. McMaster:

You know, Senator, you are the perfect person to talk about this, because you're on the committees that overlap with this competition. From banking, to the foreign relations committee, and really we're in a competition that involves an economic competition with a technological dimension, and an energy component to it, and that all is related to national security broadly. But it seems like we're missing some opportunities, Senator, to be part of the solution. Especially I'm thinking in terms of LNG exports, for example, as a way to alleviate the pressure on the global markets associated with Russia's weaponization of energy. And what do you think the prospects are in terms of permitting reform, for example, so we can expedite some of the infrastructure that's necessary? It seems as if the administration's dragging its feet on some of these initiatives. Are you optimistic about our ability to be part of the solution internationally?

Of course, everybody wants to bridge away from hydrocarbons, but as you know, energy demand's going to go up 50% between now and 2050, and the most we'll be able to get out of renewables is probably 28% of that growth, right? So, you need LNG as a bridge away from oil as part of an effort to reduce carbon emissions, as well as a key component of energy security. But could you share with our viewers how optimistic you are about achieving what you want to achieve? And do you think that the administration is going to be supportive of your ideas here?

Senator Bill Hagerty:

In the short term, I'm not optimistic. And I hate to say that, but what happened on day one of the Biden Administration is they decided to wage war on the domestic oil and gas industry. They shut down the Keystone XL Pipeline. They forbade permittings on any federal lands. They shut down offshore and onshore drilling on federal lands. The permitting process for pipelines, as you said, they're dragging their feet enormously. They even came back and retroactively reduced 2018 waivers that were granted by the previous administration on small refineries and imposed billions of dollars of fines in arrears. This is an ex post facto change that is putting these small refineries out of business at a time when refining capacity is at a choke point here in America.

I go back to my time again as ambassador. When I worked with the Japanese government, I made a very strong and convincing argument that energy security is very closely related to national security, that rather than buying their energy from Russia, they should be buying LNG from America. The Japanese agreed with me. They put billions of dollars of capacity in place to receive LNG exports from America. They put those assets in place both here in America and in Japan. They even wanted to go so far as to become a transshipment point to move more of our US LNG into other parts of Asia. Again, our counter to the Belt and Road by providing a market-based alternative to many of the dependencies that China or Russia would like to create.

All of that was working in the right direction. And if you think about it, using US LNG, which is far cleaner than natural gas coming from Russia or other sources, was having a positive impact. Reducing emissions. If you step back from the Paris Climate Treaty and if you look at all of those that signed it, the only country that actually met and exceeded its goals, even though we withdrew from it, was the United States.

Lt. Gen. H.R. McMaster:

And that was from the market because of the availability of cheap natural gas associated with fracking, right?

Senator Bill Hagerty:

Exactly. Exactly. The Japanese didn't meet their commitments. The Europeans didn't meet their commitments. Yet everybody's screaming that we pulled out of the Paris Climate Accord. We allowed innovation and entrepreneurial activity to drive us, and that technology, those market-based solutions made us the biggest contributor to reducing emissions in the world. Yet there are theologians now that reside in this White House and in this administration that are doing everything they can to block anything having to do with oil and gas industry, and they do this at the expense of our national security and at our allies' expense. When I visited with Prime Minister Abe back in April of this year, I had several of my Japanese cohorts say, "Are you going to keep your word on LNG exports? We're really worried that you're going to divert to Europe because they're going to be in a bad way. Where does that leave us?"

I don't think they take it personally that I lied or misled them, but they know that there's been a dramatic shift that doesn't make good economic sense. It certainly doesn't make national security sense. And we have been pushing back at every turn. But getting this administration to increase domestic capacity has been extremely difficult to do. They've even gone so far as to go to thugs and killers like Maduro in Venezuela to try to persuade them to increase their output.

Lt. Gen. H.R. McMaster:

Or the supreme leader in Iran. I mean, it's crazy.

Senator Bill Hagerty:

It is crazy. It is crazy.

Lt. Gen. H.R. McMaster:

I love that you used the word theologian because it is, it's a faith-based argument that you can just leap right to renewables. We saw Germany do that and it was a leap off a cliff.

Senator Bill Hagerty:

It was.

Lt. Gen. H.R. McMaster:

And into Vladimir Putin's arms. So, I think this is an area of tremendous opportunity. I'm so glad that you're pushing this. And we're running out of time, but I don't want to miss the opportunity to ask you about some other tools of economic statecraft, right? I think what we're seeing is in the US-Japan relationship, and internationally, others are recognizing the threat. The threat from authoritarian regimes, especially China, but of course Russia, and China's really using and weaponizing its authoritarian mercantilist model against us. And so, we're seeing the use of more tools, like outbound investment screening. Maybe we should stop underwriting our own demise. Export controls. Investments in our own technological competitiveness. We see this with micro electronics and semiconductors in particular.

But could you share with our viewers your vision for the various tools of economic statecraft and really what we can do, together with Japan and other allies, to compete more effectively and protect our free and open societies from these authoritarian regimes that are using a form of economic aggression, as well as the military aggression that you cataloged in the South China Sea, for example?

Senator Bill Hagerty:

The economic aggression I know far too well, H.R., because I was a businessperson most of my life, and I've observed China. I started my career with the Boston Consulting Group. I worked on five continents with BCG, but I lived for three years in Tokyo when I worked there. That was when China was just beginning to emerge. And I've watched the evolution of China over time. They don't play by the same set of rules. From an economic standpoint, they subsidize their industries. They steal our intellectual property and make it very difficult to try to compete on their own terms in that market because of the various rules that they interject. It is extremely difficult. It's not a level playing field. And we've allowed them to cheat for far too long.

But if you step back and say, "How do we start moving forward acknowledging this?" I think we've got to be extraordinarily careful about exposing any sensitive technologies to China. As you say, screening outbound investment. We shouldn't be funding our own demise there either. We've been doing this all along. We need to be extremely careful to protect what's happening here in our market. You saw the big semiconductor legislation that passed here recently. I supported that. The \$52 billion subsidy, I didn't like that, but that was part and parcel of trying to

address the fact that it's not a level playing field. China is spending far more. Europe is spending far more. We need to get semiconductor manufacturing back here in America for national security reasons.

One important thing that I did that reflects my business background, and this is why you want people like me serving in the Senate, is when I came here I called up the CEOs of the major chip manufacturing firms around the world, and I asked them, "What keeps you from manufacturing your chips here?" Each of them had their reasons, but every one of them said this. To permit a semiconductor fabrication facility in America takes between five and seven years. These are multi-billion dollar facilities. They use a tremendous amount of water, a tremendous amount of electricity, and a tremendous number of chemicals. All of those have federal permits associated with them. I dug in. Figured out what the long pole in the tent was. We basically decided to force the federal government to process these permits in parallel rather than in series. It collapses the timeline down to about 18 months. That makes us competitive now.

The bureaucrats don't like it because they're going to have to parallel process some things that might not ultimately make it through the process. We don't care. We need to be competitive again. And I told my colleagues the only way your subsidies make sense is if we make time of the essence. This is for semiconductors. We can do it for quantum computing, for AI, for the technologies of tomorrow. My legislation broadly allows this new permitting construct for all of that. So, working right now, I'm reaching out, doing basically a roadshow with CEOs of semiconductor manufacturing firms saying, "Come here to America. Take advantage of this." And they're responding very favorably. That's one way to do this. Again, using the tools that I have on the Banking Committee, we have a lot of cyber tools that we're using that we can protect ourselves with, but also we have investment screening tools, as well, like CFIUS, and outbound investment tools that we need to make stronger to make certain that we're making our markets safe, robust, and not vulnerable to what's happening in other nations that don't have our best interest at heart.

Lt. Gen. H.R. McMaster:

Well, Senator, of course, in all these areas, whether it's scrutinizing investments in the United States, or outbound investment screening, export controls and so forth, it's important to have multinational cooperation. And I've been really heartened to see the Japanese leadership, Kishida-san and his government, working with us on all of these areas, and I think this is important for the European Union. If the world's largest economies don't work together, China will take a divide and conquer approach. Do you feel pretty good about the level of multinational cooperation these days? And what do you think the top priorities should be to further that multinational cooperation?

Senator Bill Hagerty:

I think it's getting better every day. But again, there's a lot that we have to wake up and recognize it's happening. Because China's Belt and Road takes place on a number of levels. The most publicity comes around hard infrastructure investments that they make using their debt-trap diplomacy. But if you look at how they deployed their technologies, how they give away Huawei systems to countries so they can control their entire communications infrastructure. You look at the company Binance. After the fall of FTX, Binance is now the largest crypto firm, the largest exchange by market share in the world. And they're going-

Lt. Gen. H.R. McMaster:

And a lot of it US funded, right? US investor funded.

Senator Bill Hagerty:

Yeah. But I think a very close proximity to the CCP. And if you look at what's happening around the world, they're basically going in on a predatory basis into small and development markets, knocking out competition, and becoming the backbone there in a way that gives them unprecedented control and creates an incredible amount of risk for any country that would allow that type of system to be introduced. So, I see continued proliferation of problems and challenges. We need to be very aggressive as we think about our entities list here. We need to be very aggressive as we encourage our European allies, as we encourage Japan to join us in doing this. And I think as you mentioned, together we can have a real impact.

I'll give one example. Again, going back to my time in Japan, but this is about our relationship with Japan. It was important that we impose secondary sanctions on Iran. You were deeply involved in this, H.R., and we needed to get our allies to stop purchasing Iranian crude to do that. We put a maximum pressure program in place on Iran. We had them almost to the point of securing a negotiation. It was very difficult to get Japan to agree to this. Prime Minister Abe reminded me on multiple occasions that Japan had fought a world war over access to energy. But after four months of negotiating politely but respectfully and firmly, Prime Minister Abe agreed to-

Lt. Gen. H.R. McMaster:

I remember we sent that team from the NSC staff and from the State Department to support you-

Senator Bill Hagerty:

Yeah. Absolutely.

Lt. Gen. H.R. McMaster:

... to give briefings to Japanese government officials. You did an amazing job on that, Senator. I mean-

Senator Bill Hagerty:

But not easy to do. I'll say this, though. Here's the type of people that we're dealing with. Prime Minister Abe reminded me that it had been a 70-year relationship with Iran.

Lt. Gen. H.R. McMaster:

His father, right? Didn't his father have a strong relationship with-

Senator Bill Hagerty:

I think that's exactly right. And so, he decided to fly to Tehran to tell them himself. So, he flies to Tehran. Do you remember this? He meets with Rahimi.

Lt. Gen. H.R. McMaster:

No, they blew up a tanker. They blew up a tanker the day he was there.

Senator Bill Hagerty:

Exactly. Absolutely right. The disrespect that the ayatollahs demonstrated to their partner, Japan, a 70-year partnership, their response to Prime Minister Abe was to blow up two Japanese cargo ships. They put limpet mines on the sides of these ships and blew them up. That's who we're dealing with. I can't for the life of me understand why this administration wants to go back and try to negotiate with Iran when they have literally hits on people that served in the administration with you. It is shocking beyond belief. It's damaging our relationship with the Saudis. We see Xi Jinping in Saudi Arabia last week. He's stepping into the void every time we create one.

And Japan is watching this too. They want us to be strong. They need us to be strong. And together, I think we can be stronger. We've got to take advantage of the fact that they put out their new national security documents, that they've increased their budget. And again, I'm very supportive of putting in a joint structure so that we can plan and implement together.

Lt. Gen. H.R. McMaster:

Senator, you've been very generous with your time. I just want to ask you one final question here and then really see what you have for our viewers. But you know, we're talking about all these problems. From Iran, to North Korea, to China, to Russia. But you know, Senator, I'm pretty optimistic, right? I think that these authoritarian regimes look strong from the outside, but actually they're quite brittle, right? We see that after Mahsa Amini's murder in Iran, the continued protests against the theocratic dictatorship there. We see Russia's failure in Ukraine and the Potemkin army that they created failing as well as a continued failed strategy, although the Ukrainians continue to suffer tremendously. You see all the problems in China now, right? In the real estate sector and in the crackdown on the tech sector. The failure of zero COVID. And in North Korea obviously things don't ever look good north of the 38th Parallel for the North Korean People.

I feel confident. What would you like to tell our viewers about how do you see the future of our democracy, of our democracies, the US-Japan relationship, but with other free and open societies, and what's your prognosis?

Senator Bill Hagerty:

Well, I think we've got to remember that the United States is the most exceptional nation in the world. We have been the leaders and we can be the leaders that deliver strength and prosperity here. We need to demonstrate that leadership again. We need to stop shooting ourselves in the foot. If you look at our domestic policies with a collapsed southern border, with crime through the roof, the things that are happening here domestically are very disturbing. If you look at what happened with Afghanistan, you looked at the failures in negotiating with Putin, the situation in

Ukraine was almost predictable when you see how Biden entered the New START Treaty and extended it with no concessions.

Lt. Gen. H.R. McMaster:

We green lighted Nord Stream 2. Canceled the Canadian pipeline and green lighted the Russian one.

Senator Bill Hagerty:

Exactly. You're hitting every point. They even allowed the Colonial Pipeline to be hacked with no consequence. So, is it any surprise, particularly after they saw our behavior in Afghanistan, that Russia moved as they did? But the encouraging news is this. Our allies in NATO recognize the challenge and they finally have stepped up. I was very frustrated as I know you were the fact that they were reluctant to ever meet their commitments to NATO in terms of the 2% of their GDP spent on defense. We now see the NATO allies doing that. We see Japan stepping up and doing this.

So, there's been a reawakening, and I think it's a strengthening of our allies, and there's an opportunity space here. We should seize it. We all have to navigate a recessionary environment right now, but our central banks I think are working fairly well together. I think if we can navigate this, stay strong but not get too distracted with Ukraine and Russia, stay strong but not get too distracted with Iran, but again, support the Iranian people there, and really focus on the threat that is China. I think that's the opportunity and that's the challenge.

Lt. Gen. H.R. McMaster:

Well, Senator, I think I can speak for all of our viewers to say we're pretty darn lucky to have you in the Senate, and that's a great positive message during this holiday season. What I'm going to take away from this conversation is the importance of peace through strength through works, right? Weakness is provocative. It's important for us to understand we're in consequential competitions that require us to really integrate our efforts toward economic statecraft and energy security with national security and defense. And we need our allies and partners more than ever, especially our amazing Japanese allies, and you were such a huge part of strengthening and deepening that relationship, and so I just want to thank you on behalf of the Hudson Institute for being with us, but thanks especially for your leadership, and your vision, and your service to not only your constituents but to all Americans.

Senator Bill Hagerty:

Well, thank you, H.R., and I'll just close by saying this. It's same as I told Prime Minister Abe as I left Japan when I was ambassador. I said, "I'm not leaving the relationship. I'm just going to change my business card." I'm still here. I'm going to be here longer than Joe Biden is president. I can assure you that. And senators can stay in their role a long time. And I'm going to continue to keep this relationship at the forefront, continue to try to find ways to build it administration to administration, whether it's a Democrat or Republican. I'm going to find ways to work together with them and we may have short-term frustrations, but know that I'm going to be a steady ballast here.

Lt. Gen. H.R. McMaster:

Senator, thank you so much for being with us here at Hudson. Great to see you.

Senator Bill Hagerty:

Thank you, H.R. Always good to be with you. Merry Christmas.