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**THE PATH FORWARD IN U.S.-JAPAN
RELATIONS:
TRADE, DIPLOMACY, AND SECURITY**

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PROCEEDINGS

STROBE TALBOTT: Good afternoon everybody. Thank you. I'm Strobe Talbott and it's my pleasure to welcome you here to the Brookings Institution this afternoon for a very timely discussion in follow-up to Prime Minister Abe's visit. Our panel features some distinguished leaders of both the ruling and opposition parties in Japan, as well as a number of my colleagues here at Brookings, particularly those who are expert in the issues that we are going to be talking about. One of the most important, of course, is the Trans-Pacific Partnership which looms on the horizon not just here in the United States but in the world, I think, and certainly in the Pacific Rim, both as being an issue of high stakes, and given the politics here in Washington, I would say also, high suspense. Also I'm sure that the panel will deal with issues of domestic politics, speaking of which, both in Japan and in the United States as well as the bilateral agenda, the regional situation, and the global economy. We are very appreciative to have with us today, in addition to a very large and distinguished delegation from Tokyo, State Minister Nishimura, Mr. Ueda, Mr. Gemba, and Mr. Fukuyama, who will be part of the panel. And as for Brookings, I can say that we're being represented by our A team, Mireya Solís, who holds the Phil Knight Chair in Japan Studies here at Brookings, Jeff Bader, who holds the John Whitehead Senior Fellowship in our foreign policy program and is of course associated both at Brookings and through his long career in the U.S. government with the study of Pacific security issues and in particular, China, Japan, Korea. And then we also have, as the introducer and moderator of the panel, Richard Bush, who has held the Armacost Chair, Armacost being a name that is not only famous here at Brookings and at the State Department, but also of course in Japan.

Those of you who want to tweet the proceedings, the hashtag is #USJapan, and with that, I will turn the program over to Richard. Thank you very much.

RICHARD BUSH: Thank you very much Strobe. Thank you all for coming. [missing] The summit last week inspired renewed confidence in TPP and our economic relationship in general. And we have four distinguished Japanese visitors to speak to that. The first to do so is Yasutoshi Nishimura. He represents a prefecture in the general area of Kobe and Osaka, the economic heartland of Japan. He is a state minister of the Cabinet Office; a member of the House of Representatives; and from the Liberal Democratic Party, his portfolio includes economic revitalization, economics and fiscal policy, social security and tax system reform, the Trans-Pacific Partnership, and disaster management, which is a big portfolio. So, without further ado, Nishimura-san, please.

YASUTOSHI NISHIMURA: Good afternoon everybody. Thank you for Mr. Talbott and Mr. Bush. My name is Yasutoshi Nishimura, state minister of the Cabinet Office in charge of the -- as introduced, in charge of the economic policy, including fiscal policy, and TPP negotiation and so on. So, last week, Prime Minister Abe delivered an historical address to Congress. It's my great pleasure to be here, great honor to be here and have a chance to address you on the current progress of our economic policy immediately following that visit. Since taking office in December 2012, the Abe administration has consistently given top priority to economic revitalization, pursuing the three arrows, as you know very well, the economic policy of Abenomics.

The benefits of Abenomics have already manifested as rapid changes in Japanese society and economy. It is exactly as the Prime Minister stated, Japan is right in the middle of a quantum leap. One of the symbols is women's advancement. Now the working age female labor participation rate in Japan has overtaken that in the United States. This is an epoch making change. I assume you are probably aware of the improvements in the economic indicators in Japan, so I will not explain them in detail. But the unemployment rate fell to 3.4 percent and the job to applicant ratio rose to 1.15, the highest level in last 22 years, as the average wage increase last year was the highest it has been in 15 years. This year, we can expect a higher increase and the wage increase trend is about to spread to small and medium size firms as well. We are now making steady progress toward escaping from deflation, which has held the Japanese economy back for a long time.

Today I'd like to speak about three key policy issues in Japan: main achievements and future developments of growth strategy, the TPP, and fiscal consolidation. First of all, Japan's growth strategy is a package of wide ranging structural reforms for further economic and social change. The first example is corporate governance. Until several years ago, few Japanese companies appointed outside directors. However, the number of recent companies that have appointed such directors increased to 74 percent in 2014. The number of companies that are emphasizing proactive management and setting improvement of ROE as a management target is increasing. The second example is government pension investment fund. The GPIF adopted a new policy asset mix last October, according to which it will invest 50 percent of its assets spread equally in domestic and foreign stocks instead of 24 percent currently invested in those asset classes. Increasing investment in high growth companies through GPIF could encourage Japanese companies to enhance their corporate governance.

The third tangible result is aforementioned women's participation in the work force. The number of female workers has already increased by approximately one million. Through additional measures such as revision of tax and social security systems and improvements of working conditions, we will further promote the participation of women and career progress.

The next example is inbound tourism to Japan. Due to the relaxation of visa requirements and the expansion of tax free items, the number of inbound tourists to Japan marked a record high last year of 13.4 million, an increase of more than five million from 2012. The trend is continuing this year as well, with the number of inbound tourists increasing by 44 percent from January to March. In order to promote foreign direct investment in Japan, we also established the Tokyo One-Stop Business Establishment Center in April and it decreased the procedure time for a business start-up from about 20 days to only four days.

My final example is capital and domestic investment, through a one trillion yen scale tax reduction, for capital investment improvement in 2013 and the recent depreciation of the yen, the level of capital investment is likely to come back to the 2008 pre-financial crisis level.

A few years ago, it was said among business people that Japan had suffered from a sextuple whammy or six simultaneous impediments, namely, strong yen, high corporate tax, strict labor and environmental regulations, a delay in concluding FTA negotiations, and high energy costs. Most of these have been overcome. But we now have a new double whammy. First is the problem of high energy costs. This is also being resolved thanks to the fall in the crude oil prices. We will also restart nuclear power plant whose safety has been confirmed, which together with the energy market reform currently underway, will lead to cheaper electricity. Our second challenge, which has recently been recognized, is the shortage of human resources. We will address this by promoting the further participation of women in the work force and accepting more foreign workers.

Next, I will briefly explain the reforms to the so-called bedrock regulations which the government has made its highest priority. Firstly, the reform of the health care sector. A legal amendment has already been in force since November last year that makes Japan the fastest acting country for the commercialization of regenerative medicine. This new system is envied around the world. In addition, we will create patient-requested cure system, which combines insured and uninsured medical services and allows the immediate reception of advanced medical care, including the application of unapproved drugs.

The agricultural sector is the second pillar of the bedrock regulation reforms. The government is taking decisive action to reform Japan's agricultural cooperatives for the first time in six decades. We will relax the impediments to entry on private enterprises and aim at realizing the growth potential for the agriculture industry to the greatest extent possible and make it more competitive.

The third pillar is the labor market reform. The challenge here is to realize the flexible labor market. To address the declining work force, we will secure the numbers needed by promoting the further participation of women and foreign professionals or trainees as well as improving the quality of labor by enhancing labor productivity through supporting the career development of the individual worker and addressing the culture of long working hours.

As for foreign workers, in addition to measures already implemented, such as the introduction of new residency status with an unlimited period of stay, we will take further actions. For example, revising the current technical intern training system in order to accept more foreign trainees. This will include examining both the expansion of job categories covered by the system and the extension of the training period from three years to five years. In order to enhance labor productivity, a new system whereby workers are evaluated based on the skill and performance rather than the number of hours worked will be created. We will also introduce measures including rectifying long working hours and increasing the percentage of paid vacation taken, which is at an internationally low level, and will create work environments in which workers can vary the pace of their work and take vacations regularly.

We are currently preparing the second revision of the growth strategy to increase newly needed measures in order to accelerate our structural reforms. There are two major themes of the ongoing revision. The first is about preparing for the dramatic changes underway

that could determine the shape of our future society. And the second is about promoting pilot projects in the lead up to the 2020 Olympic and Paralympic games.

A new technological revolution that could dramatically change the economic and social structure of our society has already exploded as a result of the rapid development of ICT, the expansion of the use of big data, and the development of new technologies, such as artificial intelligence. In order to generate the constant innovations needed to keep up with such changes, we will accelerate the reform of our universities and of our research institutions. In addition, we'll consider a legal framework to collect and utilize medical related information, taking advantage of the social security and tax number system, which will be introduced next January. Under the universal public health insurance system, this data will be analyzed and utilized for the development of new innovative medicines or medical devices. The measure could also contribute to the optimization of medical care and thus to fiscal consolidation through the reduction of health care expenditures.

As for the new technologies expected to prevail, such as unmanned aerial vehicles or drones and self-driving cars, we will examine the measures needed in terms of regulation or deregulation or maybe both in order to promote commercial use of these new technologies. We will try to produce a tangible result from these initiatives through pilot project in the lead up toward 2020. If you come to Japan for the 2020 Tokyo Olympic Paralympic games, you will be astonished by the evolution of Japanese *omotenashi*, in which robots will welcome you and artificial intelligence and the multi-language simultaneous translation will be widely used. We look forward to showing you the new technology and the new lifestyles that Japan is creating.

Now I'd like to talk about TPP. What we positioned as one of the main pillars of growth strategy is TPP. Last week, President Obama and Prime Minister Abe reaffirmed their commitment to work together to successfully conclude this high-level 21st century agreement. We strongly believe that the passage of the TPA bill in the U.S. Congress is essential to conclude the TPA negotiations. Negotiating countries have reached a consensus on a number of issues through negotiations to date. Therefore, there is no room for us to renegotiate on what we once agreed. I have explained this to the congressmen and the government officials during my visit to Washington this time, during this visit.

We hope for the early passage of the TPA bill, which would accelerate the TPP negotiations. The TPP will create fair trade and investment rules, including the rules on investment, intellectual property protection, transparency of state owned enterprises, and so forth. We hope that the TPP will stimulate other free trade negotiations, like the Japan-EU EPA and the TTIP, and form the basis for free and ambitious rules which will be widely recognized around the world. The TPP is not a closed framework and we recognize that it is important to spread it to the entire Asia-Pacific region.

And let's talk about the fiscal consolidation. So, the Abe administration has been strongly committed to fiscal consolidation. We expect to achieve our fiscal goal, to halve the primary deficit in fiscal year 2015 from the 2010 level. We will also carry out the increase of consumption tax rate from eight to ten percent in April 2017 without delay. Moreover, we are also firmly committed to achieve a primary surplus by 2020. We will formulate new fiscal consolidation plans by the summer of this year. The Council on Economic and Fiscal Policy,

which I have been involved in--heavily involved in, is now holding intensive discussions on the three areas of economic revitalization and the break away from deflation, expenditure reform, and revenue reform. As for social security expenses, which are expected to increase at a higher rate amidst the aging population, we will take measures to increase the usage of generic incentive reforms for health promotion and disease prevention, and reduce the differentials in medical expenses among the prefectures. Furthermore, we will utilize the social security and tax number system to streamline personal social security expenditures. With a view towards improving efficiency of infrastructure management, like airports and sewage, we will promote concession projects. Kansai Airport, Itami Airport, and Sendai Airport will be under the management of private sectors from this year to next year. We expect the entry of foreign enterprises into this field. We will show you the plan that can realize both economic revitalization and the fiscal consolidation this summer.

With the advent of the Abe administration, Japanese society which used to be inward looking, has changed its course towards globalization. In the next few years leading up to 2020, we will carry out our intensive nation building projects in energetically and enthusiastically. Thank you very much for your attention. (applause)

DR. BUSH: Thank you very much Minister Nishimura. It's now my great privilege to welcome to the podium Isamu Ueda of the Komei Party in Japan. He is currently serving his seventh term in the House of Representatives in the Diet. He's a former Senior Vice Minister of Finance and a former Vice Minister of Justice. Mr. Ueda. (applause)

ISAMU UEDA: It is my great honor to be given this opportunity to speak at this very distinguished institution. I understand that time is very limited, but briefly, I would like to first give an introduction of our party, and myself, very briefly. Our party, the Komei Party, is a coalition with the Liberal Democratic Party, to form the Abe cabinet. And we have been in coalition for 15 years, excluding the three year period that we were both in the opposition. And we have -- we are the fourth largest party in the Lower House, and also the third largest party in the Upper House.

I would briefly -- I think Mr. Nishimura has made an excellent speech in describing what the government's economic policies are, so I will not duplicate what has been said. I basically agree with the presentation of Vice Minister. And Japan's economy is definitely on the course of growth; especially improvement in employment is remarkable and is very obvious. Of the so-called three arrow policies -- monetary and fiscal policies have generated substantial results. However, as Mr. Nishimura has mentioned, they are short-term policies and still remains for us to attain long to middle-term growth it is necessary to implement the third arrow of the so-called growth strategy.

I think that there are three criteria needed for an economic policy to be viable. One is, it has to be in accordance with basic economic theories. Second, it has to address the most important issues in the current -- in what has to be dealt in the situation, because most of the important issues differ from time to time, according to the situation the economy's in. And most--namely, the most important issues today are the stubborn deflation and also, employment, especially with the younger generation. And third, confidence and expectations of the players of

the economy are essential. That has to be -- we need a very clear message of economic policies and second, it has to be consistent, and third I think we need predictability of what is going to happen with economic policies. And so far, I think the so-called Abenomics is working, because the policies now meet these three criteria.

And I think most of the issues have been covered by Vice Minister's presentation, so I would just like to make a few, very few comments to answer -- when I talk with American businessmen and investors in Japan, there are frequently asked questions and I would like to comment on several of those topics. First, is the legitimacy of government intervention in private sector's decision-making on wages. Wage raises, as mentioned on the presentation, is increasing by a remarkable amount, but still has to exceed the inflation and the increase in internal capital investment are the two key factors in creating the positive cycle of the economy. Most corporations have been reluctant to increase labor costs, especially the base payment. Most corporations tend to keep their purchase prices from contractors to a low level. Neither have corporations made sufficient capital investment to increase production or improve productivity. Despite the fact that the large proportion of big businesses has increased earnings and has now accumulated a considerable amount of retained earnings, this is the obstacle for good cycle, positive cycle of the economy. And the major problem is that because Japanese economy has experienced very stubborn deflation for over two decades, other players, including business managers, consumers, and even labor unions, are still haunted by this deflation sentiment. And it is necessary to overcome this ingrained deflation syndrome. However, this is not easy since most of the people have little experience--now the major players in the economy have very little experience of the inflationary economy. The government has formed this government-business-labor consultation group where leaders of these parties meet together and exchange candid discussions to raise wages and many corporations have responded to the government request to raise their wages. This approach is obviously irregular since it is an obvious intervention of government into private business judgements. However, I consider it was necessary to overturn the deadlock of the stubborn deflation mind. Government also has provided corporate tax incentives, as just mentioned, to corporations that have raised wages. And these implementations of the government have provided, have attained, certain goals, and now the increase in wages are in a very positive movement. And this was one of the points that I have made.

And secondly, the second question that I always receive is that, how would Japan import vitality from the overseas? Population decrease in aging in Japan indicates that there is limited room for increase in demand of the domestic market. Working population has begun to shrink and savings are decreasing. In order to achieve growth, Japan needs to expand external demand and or increase productivity. And the major policy that has been taken, that the government has taken, has been already explained. But I would refer to several points, and one is that, as Mr. Nishimura has referred, both the private and the public sector is very enthusiastic in promoting tourism. And we have a remarkable inbound increase of visitors from overseas and as have mentioned, having a remarkable record, especially last year. And what is also remarkable is that the large part of the increase has come from China. And in 2014, Chinese visitors from China has increased 83 percent, it's almost double. And in the first quarter of 2015, Chinese tourists have increased by 93 percent, which is almost doubled. And it is despite this little difficulty in our political relations. So it would seem that a lot of the Chinese citizens are

interested in visiting Japan and I think our relations at the citizens' level have improved -- are improving, despite a lot of issues that we might have to address in the coming months.

And also as with the foreign direct investment, this is also vital in increasing the productivity of the domestic market. Although the flow of FDI has tripled in 2014, it's still at a low-level in comparison to other industrialized countries. The government goal is to increase the FDI balance to 35 trillion yen by 2020. This is double from the level of 2012. And the measures that the government is taking has already been explained but the government is very enthusiastic, it is very eager to invite more foreign investment to increase employment and productivity for domestic industries.

And the fourth point I would like to mention is the -- how you view the foreign exchange rate. The exchange rate has been like 90 to 80 yen per US dollar during the period of 2011 and 2012. This was not normal in terms of purchasing power parity. Many businesses have experienced difficulty with overvalued currency and yen has depreciated with easing monetary policy -- 210, 220 yen per dollar range since 2013. This has improved competitiveness of a lot of the Japanese businesses. Since change in currency has various effects on the industries, it depends on what sector you are in, it is difficult to determine the optimal rate. But it is also important that its level -- the level of the currency exchange rate--remains relatively stable so that most of the business and investors can make adequate middle to long term business strategy decisions. Rates and principal should be determined by the market based on the fundamentals of the economies. Foreign exchange market however fluctuates is a lot of volatility with various speculations. In order to maintain reasonable stability it is important that monetary policies of major economies are both transparent and predictable. I think this is one of the areas that the U.S. and Japan should work together to stabilize the world currency market.

And while there are other issues that I would have to refer, but most have been covered by Mr. Nishimura and also because the time is limited, I would like to close my remarks. And I think there are a lot of areas Japan is moving forward to revitalize our economy. There are a lot of areas that U.S. and Japan could cooperate in promoting more productivity and growth in the Japanese market. Thank you. (applause)

DR. BUSH: Thank you very Mr. Ueda. Our next speaker is Koichiro Gemba. He was the Foreign Minister of Japan during the period of 2011 to 2012 that Prime Minister Noda was in office. Mr. Gemba is an eighth term member of the House of Representatives from Fukushima prefecture. He is a leader in the Democratic Party of Japan and it's a privilege to welcome him to the podium. Mr. Gemba.

KOICHIRO GEMBA: (as interpreted) Konichiwa, good afternoon ladies and gentleman. I am Koichiro Gemba. Mr. Nishimura, Mr. Ueda, people who are in the parties in power, have just spoken. They had wonderful presentations with prepared texts, but being in opposition, you will hear from me and Mr. Fukuyama, we'll be commenting on the two speeches that you just heard. Take it that way please. Especially Sunuhara-san, who is running this, told us to speak for five minutes. So I will try to be concise.

One, even though it wasn't mentioned just now, the Abe visit--Prime Minister Abe's visit to the United States; overall, let me touch on this briefly. We are in opposition, but looking at this visit, it looks like the U.S. side really appreciated his visit, and so we'd just like to sincerely rejoice in that. We do have one concern though; there will be discussions on security legislation now in Japan. The understanding of the Japanese public, the preparedness of the Japanese people, how far have these things gone? I don't think we yet have a national consensus. That's one concern. Another concern from the opposite tack, we wonder whether the U.S. might not have misunderstood a bit, with respect to the exercise of the right to collective self-defense. Prime Minister Abe has gone about approving this in a limited manner. We are concerned that the U.S. might have misunderstood this to mean an approval of a full-fledged collective self-defense. If that were the case, there would be a gap between the U.S. and Japan.

So, I've been asked to talk about TPP and Abenomics. That's the theme of the day. So on TPP, to tell you the truth, during the DPJ, it had its de facto kick off. I was just introduced as being a former foreign minister but before that, as a matter of fact, I was a minister in charge of state strategy for a year and three months. Minister Amari has the same kind of position right now. At the time, I was responsible for spearheading the government's position and had to answer questions in the Diet. But from an overall perspective, the TPP for Japan and for the U.S. and Japan and for the Asia-Pacific region as a whole is such an important negotiation. Why do we feel this way? Whatever you say, the Asia-Pacific region has a population of four billion people and its domestic demand can be considered in a way the domestic demand of the United States and Japan. Also, it's a region where there will be a billion more middle class people ten years from now. It has a growing middle class. For those reasons, we have to conclude these TPP negotiations and that's what motivated us to get them started.

To add to this a bit, there may be people here from different perspectives today, but the Asia-Pacific trade rules should really be led by the United States and Japan. Value -- it has value that transcends economics. That was one of the reasons that led us to kick off these negotiations in 2010. It's about creating a high standards system that will lead to entry by China and others. It's for the benefit of the Asia-Pacific region as a whole; it's also for the benefit of China. This was in our mind. There are sticking points--agriculture, cars; it's easy to get hung up on them. But if you consider the future of the Japanese economy, the U.S. economy, especially the Japanese economy, how open will our markets be, what will our regulations look like, what will intellectual property look like? These are such key issues for us, which is why fundamentally we are overall in favor of the TPP. But now that we're in opposition, when it comes to the details of the negotiations, we're in the dark. It's a negotiation. So, it's not our intention to ask the government to disclose everything but we simply don't know the details, so we cannot clearly share with you our stance. But even if the Japanese government overcomes all kinds of criticism, we think that there will be a time where we have to take a decision based on the overall picture. And as Minister Nishimura said, we hope that the U.S. will pass TPA. I add my voice to that request.

In conclusion, I have some comments on Abenomics. Since I'm in opposition, I hope that you will forgive my manner of speaking. Stock prices are up, it's true. They're double what they were at the beginning of 2010. But that's not just Japan, the U.S. and Germany and Chinese markets are up as well. So there's the aspect that we were riding a global trend, but

we're also printing a lot of money, so since there's so much money it had to go somewhere, so that's pushed up stock prices. At the same time, from our perspective we also point out at the Diet, that we are exposed to risks. And Governor Kuroda has said this, and he may be concerned too but -- so the Bank of Japan assets will become 360 trillion. The ETA will be 10 trillion. At a monetary base, at the end of 2010, they will triple to what they were to 436 trillion yen, and that includes 334 trillion yen of Bank of Japan deposits. So you have to settle this somehow. Four years, five years, we can't sustain this for that long. How will we normalize this? In any event at the present we can't see this happening -- so this caused us quite a bit of concern -- this might end up causing pain. We had announced increasing the consumption tax to ten percent. And in April of 2007 as the Vice Minister just said, it was decided to increase it to ten percent then. But after that Prime Minister Abe has not contemplated a consumptive tax greater than ten percent. That's his stance. However I look at this, if you look at 2020, Vice Minister Nishimura said that the primary balance would move into the black. It's inconceivable, I think, for that to happen without the other. So how will we find a path forward? I hope for a constructive dialogue between the parties in power and those of us in opposition. It's been five minutes, so I will wrap up.

Japan--it's certainly very important for us to keep the number three global spot for GDP. I think we were 16th for GNI per capita and GDP. We have to increase this. In terms of quantity, China's ahead of us, but in terms of quality we have to aim for the top in the world.

I'd like to get into specific policy questions, but I'll just wait for a possible opportunity to do that after--during the question time. Thank you. It was very brief but that's all I have to say. (applause)

DR. BUSH: Thank you very much Mr. Gemba. Our final speaker from Japan is Tetsuro Fukuyama. He is a member, not of the House of Representatives, but of the House of Councilors. His constituency is Kyoto prefecture. He is also Vice Secretary General of the Democratic Party of Japan. He served in 2009, as the Senior Vice Minister for Foreign Affairs and in 2010 as the Deputy Chief Cabinet Secretary. Mr. Fukuyama. (applause)

TETSURO FUKUYAMA: (as interpreted) Thank you very much. Tetsuro Fukuyama. Mr. Talbott, Mr. Bader, thank you so much to everyone at Brookings for the opportunity to speak here today. And my thanks to Mr. Sunohara as well for all of his efforts.

I was listening to the previous speakers and saying, what is there to add? I don't have a prepared text either, but listening to the two representatives from the parties in power and to former Foreign Minister Gemba's comments, I did come up with a few comments.

Let me tell you a bit about me. When I was Deputy Chief Cabinet Secretary, the fishing vessel collision in the Senkaku Islands incident occurred. We had tough negotiations with China and that incident shaped how we see China. In the Great East Japan Earthquake, the U.S. carried out Operation Tomodachi and really cooperated with us after our nuclear accident and the earthquake.

The Senkaku Incident, Secretary Clinton said it was covered by Article V, and after the earthquake, many ambassadors went home, but the U.S. ambassador and many others from America lent a helping hand and really made us feel the importance of our friendship and alliance with the United States. I really felt the importance of the relationship.

I was also with my Prime Minister at the Yokohama APEC meeting where we had a kick off meeting for the TPP negotiations. So my comments will be from someone with that sort of background. To start, as Minister Gemba said, Prime Minister Abe's visit to Washington has been highly appreciated. So though we are in opposition, we are very pleased about that.

As Minister Gemba said, it is not as if Japan has revised its constitution. It's not as if we have had a deliberation in the Diet. It is not as if the understanding of the Japanese people has deepened. The question is how will the government explain Prime Minister Abe's visit to Washington to the Diet and to the public. We want to carry out our responsibility as representatives of an opposition party to have such a discussion.

Now, the guidelines were very much taken up, and this is a China issue. It's a big issue for the United States and Japan as to how to approach China. I think that briefly there are two possible scenarios. With a view to the 2030s, for example, in a sense China might be incorporated into the international community, be engaged. The U.S. rebalance policy will be more effective and the U.S.-Japan alliance and the U.S.-South Korea alliance and the U.S.-Australia alliance in the Far East will function as a solid foundation for stability. So, China will to a certain extent will open up, and the question will be how do we manage things so that there is not too much economic fluctuation, including in China. The U.S.-Japan summit that just happened, and we in opposition, too, all want to seek such a path, but the other path that I have in mind is that China will try to continue down the path of trying to change the status quo through force, in the South China Sea, the East China Sea, and in other areas. In a sense, they will try to exert pressure by force. The U.S. and China, and Japan and China will only become more confrontational, which will in turn cause economic uncertainty. How do we avoid this second scenario? I think that a key in that is the U.S.-Japan alliance, and that the TPP is also very important as a strategic tool. Even though we are in opposition, a certain level of cooperation must be provided by us, although of course, we have to firmly carry out our responsibility to check the government as well.

As Minister Gemba just said, since we came into opposition, there has been zero disclosure of information to us about the TPP negotiations. We understand this because it is a diplomatic negotiation, but we understand that the TPP negotiations were launched with the U.S. Congress having been given a certain level of information which we would also like.

On the economy, the parties in government and the parties in opposition have quite a different understanding, I think, and this is not the situation in security. I used to work in a securities company, and I think that the U.S. tapering was done with excellent communication being secured with the markets. Sometimes they say that they will taper in a strong way and they look at the reaction in the markets, look at the time factor, too, and pay close attention to how it is absorbed by the markets, and they are going through a process to raise interest rates by the fall, I think. But in a way, they are normalizing the U.S. economy. It is something that could

not be helped after the Lehman shock but they are getting out of the quantitative easing. And I think that they are skillfully managing their policies. We have seen a bit of a minus/negative tic, but I think overall it is going in a good direction. That is the U.S.

Japan is another story. Listening to Mr. Ueda and Mr. Nishimura, we do understand to a certain extent the government's policy. Unfortunately, though, exports have not risen as much as expected after the yen was weakened. Looking at Governor Kuroda of the Bank of Japan's target of one percent inflation, it looks like this will not be on schedule. Also, real wages are something that the government is trying to make happen, but for more than a year, real wages have declined, and consumption is not rising. How should this be evaluated as a prescription for Japan's economy? I think that's a very serious question.

Vice Minister Nishimura talked about our fiscal policies. I have slightly different figures to give you. Our debt as a percentage of GDP is roughly 230 percent, more than twice the 110 percent of the U.S. The Bank of Japan's government bonds will represent 56 percent of GDP, it's rising, and it is three times the Federal Reserve's 15 percent figure.

So, Japan is trying to get its economy to recover and also trying to hold down expenditures and look for an exit to the quantitative easing policy. We are trying to go down a very narrow path. To be honest, we in the opposition do not have an answer to this, which means we are very concerned about the uncertainty of Japan's economy. We very much hope that we will be able to create a good counter proposal, but including from the time when we were in power, we see there are very tough challenges. Japanese politicians would like for the economic situation not to be tough, but things aren't going exactly as the government would like, which causes us concern as well.

On security policy, we want to make sure that we don't excessively have differences, and we will take the U.S.-Japan alliance seriously. On economic policy, we have slightly different views, and I'm sure that those of you in the audience -- that everyone in the audience will understand that is just part and parcel of party politics.

Relations between our countries will only contribute to the stability of the region and the world. That concludes my comments. Thank you. (applause)

DR. BUSH: Thank you very much. Now we have a couple of brief comments from two Brookings colleagues, neither of whom need much introduction. Dr. Mireya Solís holds the Phil Knight Chair in Japan Studies. She is a specialist in the political economy of Japan. She will speak next.

Then batting clean-up is our colleague, Jeffrey Bader, who served with distinction for almost 40 years in the U.S. Government, most recently as Senior Director for Asia in the National Security Council.

Mireya?

MIREYA SOLIS: Good afternoon, everyone. It is a pleasure to be able to offer some comments after these excellent presentations from our distinguished guests from Japan. I promise I will be brief. You must have tons of questions for the speakers, so I will not stand in the way.

I'm going to focus mostly on the TPP, the Trans-Pacific Partnership. Let me start by saying that in my mind, this is it. This is the make or break moment for the TPP negotiations. We have actually now reached that critical juncture where I think the outcome will be decided.

In this country, I'm sure you are all aware, we are having a soul searching discussion about renewing our commitment to an ambitious trade policy. The United States and Japan are negotiating quite intensely, trying to get past differences on market access that in the past have proven intractable. We're going to learn very soon whether 12 countries that are participating in these negotiations can actually deliver this high ambition outcome, can they find the compromises necessary to close the discussions. We are really talking about critical weeks, critical months, to find out what is going to be the end result.

In the past, we have heard talk about being in the end game. To me, this only rings true now. I think we have strong indications that the United States and Japan are very close in hammering out that deal on market access.

We know, of course, that Congress is finally on the move in trying to renew much overdue trade promotion authority, which will be, is already, and certainly will be a heated battle, and that is the understatement of the year, of course.

We know that we need these results very soon because it is very clear that if we do not get an agreement by the end of this year, then all bets are off, because the American presidential campaign will certainly be a major influence in the final outcome.

So, in this context, the visit of Prime Minister Abe last week was very timely. And if we take stock of what was achieved overall, I think it was a very consequential leaders' meeting. The United States and Japan were able to celebrate their process of historical reconciliation, a quite remarkable story of the post-war period. The United States and Japan were also able to deepen in significant ways their defense cooperation, and the United States and Japan were able to flush out a number of global challenges that they aim to undertake together. So, in all these areas, I have no complaints. I do have one, as you can guess, and here is where the "but" comes.

In the area of trade negotiations regarding the TPP, what we heard is that both leaders welcomed progress on the negotiations and renewed their commitment to see these negotiations through. So, in my view, this meeting yielded an uneven outcome, that in some ways it does reinforce previous patterns in U.S.-Japan relations that both countries are trying to move away from. What are these patterns? That the U.S. and Japan seemed to be able to marshal security cooperation but still disagree on trade, and that rice and automobiles, the usual suspects, still stand in the way of achieving deeper cooperation.

Ideally, both leaders would have been able to announce last week that they had moved past the differences on trade, but we know we don't live in an ideal world. What matters, and that's the theme of this session today, is what comes next, the way forward.

I want to emphasize this is an achievable goal. It is within striking distance. If and when this goal materializes, then these concerns that I just highlighted will be put behind us. That is why it is very important to get TPP concluded.

So, how do we get there? It's actually no mystery. We know exactly what steps must be taken for the TPP to come to fruition, but knowing the path ahead does not make it less challenging.

First of all, as we heard from Nishimura-san and Gemba-san and other of our speakers, we need, of course, for the American Congress to pass trade promotion authority. This is essential not only for Japan but for every other participating country to know that there is the political consensus in the United States regarding the merits of this agreement, and therefore, that the United States can deliver on a negotiated package.

It is not all on the United States. The United States and Japan must also reach that agreement on market access under the principle of meaningful market access. It must be a win/win for both countries and then they must bring this bilateral deal to push forward for the broader TPP talks, where there will be important compromises that still need to be hammered out.

If we want to get there, I think it is very important to highlight why we care, what is at stake. I have invested a lot of time on TPP, and even though the outcome is still uncertain, I don't feel at all that it has been a waste of time. Because I think one of the most striking things about this trade negotiation is that over time, its significance has grown, not shrunk. And by this, I'm not talking just about an expanded membership, where it went from four small countries to actually 12 nations. Of course, this means we are talking about a sizable chunk of the world economy, 40 percent of the world GDP. That is important but that is obvious. That is not what I have in mind when I try to highlight why the TPP is so important. I would argue that this trade agreement is front and center on some of the most important issues, defining issues, for the United States and Japan.

What are these? These issues actually have increased over time. What are these issues? First of all, the American policy of rebalance towards Asia. As I have frequently made the point, the TPP is the second leg of that rebalance policy. Without that, the rebalance is going to falter.

Second, as we heard from the very distinguished politicians from both parties here this afternoon, the TPP has now become the litmus test on Japan's ability to undertake transformational economic reforms. Japan's ability to reinvent itself economically is very much tied to the fate of the TPP. TPP will not accomplish everything, obviously. There are many things that Japan needs to do that will not be affected at all by this trade agreement. But in terms

of showing the resolve, putting to rest doubts that Japan can undertake structural reforms, the TPP is the most powerful tool that I think the Government of Japan has now within reach.

Lastly, I would say that the TPP has now become a very important tool for the United States and Japan to devise an effective and compelling strategy of engagement towards China. You know, both countries talk about making this alliance global, and I cannot think of a more important test for this than to tackle together this very important issue of international economic governance and basically, how we respond to China's initiative, the Asian Infrastructure Investment Bank. The AIIB has cast a new light on the TPP. We no longer look at the TPP the same way. The game has changed. I think it has only increased the value of the Trans-Pacific Partnership, if Japan and the United States play their cards right.

How should these countries respond to China's emerging leadership? I think one key priority is to overcome the perceived defensiveness towards China. You know in this town, there is one very common phrase to highlight the importance of the TPP, and that is if the United States does not define the rules of trade, China will. This is absolutely true. The ground has shifted. We no longer operate in a multilateral-centric trading system. The WTO is not the center of gravity when we talk about where are the rules being defined; it is the mega trade agreements. And if the United States and Japan are not at the table making their pitch for what should be the vision for economic integration, then by default other countries will get to define that. But that is only half true, it's an incomplete picture. What I think needs to be done at this moment is not only to highlight that important message, but to highlight what I think in my mind has always been the more comprehensive, richer value of the TPP. And we heard that from our speakers today, Nishimura-san and Gemba-san, when they talked about the TPP not being a closed framework, the TPP benefitting China. What I mean by this is that what makes the TPP attractive is that it can be an inclusive proposal. Because in principle, it's open to Asia and all the other APEC economies, and that message needs to be heard loud and clear at this juncture.

So, I think that inclusiveness and best practices are two key assets where the United States and Japan have actually a very strong track record. And these are the messages that should be used to draft a strategy vis-à-vis China; one that, of course, the United States and Japan are going to be competing, so that their proposal is held there but the door is open in case China wants to participate. And I think that is the place to do that, the key at this point to get the ball rolling, to actually come through with the TPP.

Thank you. (applause)

DR. BUSH: Thank you, Mireya. Jeff?

JEFFREY BADER: Thank you, Richard, and good afternoon, everyone. I've been asked to talk a little bit about the political and security outcomes of Prime Minister Abe's visit. I don't have prepared remarks. I'll just touch on four or five outcomes, four or five themes, that I think emerged from the visit.

First, I think the most important concrete issue was actually covered by the 2+2 meeting of the Ministers of Defense and Foreign Affairs beforehand. It was the revision of the

U.S.-Japan defense guidelines. The result is guidelines that provide for flexibility in the use of forces. They lay the basis for the legislation that the Prime Minister will seek in the Diet. They allow Japan to play a role in the defense of U.S. assets, however those are defined, as appropriate, and thereby balance the alliance, which hitherto was seen as basically an alliance solely for the defense of Japan. They allow Japan to play a global role, depending upon the situation. The language in the guidelines says that the alliance's reactions will be situational, not geographic. There is clarification of the roles of U.S. and Japanese forces in the case of aggression against Japan. I would say that in summary these changes are--I would characterize them as incremental, not an abrupt alteration of the character of the alliance in the 1997 guidelines. And I know that what Minister Gemba and Cabinet Secretary Fukuyama said on that subject, I think that the changes were well within the parameters that they warned about.

The second point is I think the visit conveyed the appearance of an alliance, the appearance and reality of an alliance that is firm and without debilitating differences. That is not automatic when you have a visit and you have the active engaged press in Japan and the United States looking desperately for any differences they can find. For example, we had the comments by President Obama with regard to proceeding on the Futenma replacement facility; Prime Minister Abe's comments about the move, the determination to move ahead on assistance to Guam and the move to Henoko. We had President Obama's comments about Article V and its application to the Senkakus. We had Prime Minister Abe's full throated endorsement of an expansion of the alliance without embarrassment, and Japanese acceptance of greater responsibilities under the new guidelines.

The third issue just to touch on briefly is history. Everyone was expecting something to be said on history. The Prime Minister, both through his words and some of the places he visited on the trip, addressed the history issue. The specific things he said, he voiced remorse over the actions in the 1930s and 1940s, he noted the suffering of Asian people. In the joint press conference with President Obama, he accepted the Kono Statement about comfort women explicitly, and he said he endorsed the statements of previous Japanese governments, namely the Murayama and Kono Statements.

Personally, I think that what he did was sufficient, sufficient for an U.S. audience. I would not have expected more, and I think everyone was trying to set the bar before he got here, and I think he cleared the bar. My own view, and this is a personal view, not the view of the U.S. Government and maybe not anyone else, I think from an U.S. perspective, it is time for a moratorium on expectations of new statements or clarifications of statements, new formulations from the Japanese government. The point is not to dig the hole deeper, and the Prime Minister did not dig the hole deeper. To encourage the intellectual lead in Japan and popular understanding of Japan's pre-1945 actions, and the determination not to repeat those acts, which I think is well entrenched in Japan. I don't think that is something subject to doubt. Of course, the Koreans and the Chinese have their own views, and Japan will have to continue to be cognizant of those as it thinks about this issue.

The fourth point I want to make is slightly—well, is to look at the partisan politics on both sides, in Japan and the U.S. I think it is noteworthy, to me at least, that we had a visit by a conservative prime minister of Japan, Prime Minister Abe, and received by a Democratic

American president, President Obama. It went very well, actually quite seamless, and they achieved considerable consensus. Given the history of U.S.-Japan relations dating back particularly to the 1980s and some frictions between elements of the Democratic Party and Japanese leadership on issues of trade and a perception of weakness on the alliance, I think there are some Japanese and American commentators who have concluded that the natural foundation of the U.S.-Japan relationship is the Republican Party on the U.S. side and the LDP Party on the Japanese side. What we had just now, I think, frankly contradicts that.

We have seen a Democratic administration, and I was part of this administration earlier, which worked very well frankly with some of the people you have heard speaking here today, with DPJ governments under Kan and Noda. I passed over one administration in silence, but certainly with the Kan and Noda administrations. And to me that was a demonstration of an increasing bipartisanship in Japan about the alliance that some of us were not sure about. So, I think that these developments are very good, they are very positive. They demonstrate a bipartisan support for the alliance both on the American side and the earlier period that I talked about represents a bipartisan attitude towards the alliance on the Japanese side.

The last point I would make from the visit was the public messaging concerning China. The public statements by both President Obama and Prime Minister Abe about China during the visit were careful and balanced. That is not to say that I expect China to be reassured by the visit. They have a negative interpretation of the growth of the U.S.-Japan relationship that is not going to be altered even by sound messaging. We have seen statements by the PRC spokesman since then in which he reiterates the Chinese view that the U.S.-Japan alliance is a legacy of the Cold War, and that there should be new methods of assuring Asian security, a view with which we, needless to say, fundamentally disagree.

I think the Chinese are watching from their perspective to see if Japan's capabilities and activities in the military area are fundamentally altered with U.S. sponsorship. That is what they are looking for. I think it is important for the U.S. and Japan to send a message during this visit, as Chinese capabilities are growing and as Chinese behavior is causing anxiety, that the alliance is firm, solid, and that we are adjusting to the changing security environment in the region, while at the same time to send a message that we are not aggressive, that our intentions are defensive.

President Xi, of course, is going to have his own opportunity to send a message back. He's going to Moscow in the next two weeks. That is one of the reasons why I think it was very important for President Obama and Prime Minister Abe to be very judicious in what they did and said during this visit because we are going to hear the other side shortly. So, I would say that by and large Chinese perceptions are not going to be altered for the better as a result of this last week, but there was not maladroitness by either the Prime Minister or the President that would have exacerbated the issue.

Thank you all very much. (applause)

DR. BUSH: Thank you, Jeff. We would now like to ask all the speakers to come up on the stage and we will have 23 minutes for questions.

While the speakers are getting up on stage and getting miked up, I would like to express my gratitude to--first of all, my staff, for all the hard work they did on this event but in particular, I would like to thank our friends at the Japan Center for Economic Research, who really made this happen, and leading that effort was our old friend, Tsuyoshi Sunohara. Thank you all very much.

I have just a couple of ground rules for the questions. First of all, wait for the mike. That is particularly important because the simultaneous interpreters need to hear your question, and they only do so if they have the mike. Second, identify yourself, and then state your question as a question, and briefly.

The first question will go to Chris Nelson.

Wait for the mike, here it comes.

QUESTION: Thanks very much, Richard, and thanks so much to the panel--Jeff, hiding behind the podium over there.

I wanted to ask hopefully a brief question on two of the three parts, trade and diplomacy. On the trade part, TPP part, given that the Diet has talked about--what was it, the five sacreds?—and we know we are down to yet again another discussion of rice tariffs. Why should we have reason for optimism given the Diet—what is that? Is that something that Abe-san has to cede? Why should we have confidence that the deal on rice is going to be politically acceptable to the U.S. Congress given what the Diet said? That is on the economic side.

On the diplomacy side, one of the panelists—Fukuyama, I think it was—said how what Abe-san said here, translated and received in Asia is very critical, and I agree 1,000 percent. And my two questions are, in English Abe-san said “our country” did certain terrible things in World War II. We heard him saying, for the first time as prime minister, acceptance of responsibility. Is that what you heard? Is that how it is translated in Japanese? And as Jeff mentioned, the word in English, standing next to the President and to the Congress, I will “uphold,” I will not revise Kono, and I will “uphold” Murayama. In English, “uphold” means keep, not change, support. I am told that when translated into Japanese, it is maybe not that strong. So, we worry about that. Did we hear it correctly? How did you hear that? Those are my questions. Thank you. Chris Nelson, Nelson Report. I think I forgot to say that.

DR. BUSH: Minister Nishimura, do you want to respond to the TPP question?

MR. NISHIMURA: (as interpreted) I will be answering in Japanese. The U.S.-Japan TPP negotiations are in the final stage, I think. I think we have agricultural items, including rice, and autos that remain. The negotiations are still very tough and underway. We haven't reached an agreement yet, and are making the final push for an agreement. So, it is not as if we are overly optimistic, but it is true that we are at the final stage where not many issues remain, so we would like to be patient and continue to negotiate.

On the TPA, we understand that both committees approved this. We hope that-- TPA passing Congress is indispensable for the TPP, so we very much hope that will happen. It will accelerate both the bilateral U.S.-Japan negotiations and the 12 party negotiations.

DR. BUSH: Mr. Gemba, you were former Minister of Foreign Affairs. Do you want to speak to the remarks about history?

MR. GEMBA: (as interpreted) I think Mr. Nishimura is really the one to answer that. But to be precise, I think Prime Minister Abe wasn't really saying that he will exactly follow the Kono Statement. What do you think? Rather its import or its gist, he will follow.

MR. NISHIMURA: (as interpreted) The Prime Minister's address before the joint session of Congress, I don't have the text before me nor the Japanese translation of it, so I can't really comment. But if you add up everything that he has said up to now, including in the Diet, the Kono Statement, the Murayama Statement, overall, he will follow the gist of those statements. I'm not exactly sure what he said this time, I don't have it in front of me.

DR. BUSH: Mireya, do you want to speak to the TPP question?

DR. SOLIS: I do. Thank you. Chris, I think that's an excellent question. I am actually thinking that there are chances to hope that this can be resolved, knowing it is going to be a tough fight, but for several reasons. One is that we have to acknowledge that the discussions are about the size of the quota that the United States will have in the Japanese market. This is not "free" trade, but it is actually going to be somewhat "within limits," so they can negotiate what size that quota is going to be, I think.

Second, I think that the political conditions in Japan are the best we have had so far for this kind of breakthrough, in the sense that you have political stability at the top; in the sense that the agricultural lobby, as powerful as it is, is not what it used to be; and there have been some reforms to the cooperatives, perhaps they did not go as far as we had hoped, but certainly it does mark the first time in 60 years that the system has been tinkered with. And I think we can hope that in the future, this is just the first step, and there will be further measures along the way. So, those reasons give me hope to think this can actually be worked out.

DR. BUSH: Question right there?

QUESTION: Thanks. My name is Ryan Rainey. I'm from Inside U.S. Trade. Mr. Nishimura and Dr. Solis, you both were talking about the bilateral meeting that President Obama and Prime Minister Abe had. Going into that meeting for several months, there was a lot of discussion about passing TPA before then and possibly striking a deal at that meeting. Why wasn't a deal struck at that meeting, how significant are the remaining gaps, and was it because there hasn't been congressional passage, complete congressional passage of TPA yet?

Also, I was hoping that Mr. Nishimura and the other members of the Diet would be able to explain the political situation in Japan right now. And if in the next month or so, Prime

Minister Abe will have enough political capital to bring a final TPP deal before the Diet? Thank you.

DR. BUSH: Mireya, do you want to speak to the sort of Washington part of the negotiations?

DR. SOLIS: Sure. But before I go into that, I just—more that I get to the question as to why there wasn't a breakthrough during the summit meeting. I do think it has to do with the lack of the TPA, and at the end of the day, Japan like any other country needs that reassurance. We know that Congress has already introduced the bill, the markup went through, the votes were there, but on the floor, the battle at the floor—and this gets more into Richard's question about the U.S. politics of it—is going to be extremely heated. There are going to be a number of amendments, especially on currency manipulation, most likely they will be defeated, but you can never be sure as to what is going to be the final outcome. And I think that gives reason for the other countries to pause and to see if the United States is there politically.

DR. BUSH: Minister Nishimura, any comments?

MR. NISHIMURA: (as interpreted) Japan has already made some resolutions, its Diet has. You just referred to agriculture produce, so there are some restrictions that have been placed on the negotiations by the Diet. If the result of the negotiations are considered to be within the framework of the restrictions, then they will be approved, and we certainly hope that will be the case. It's similar to the U.S. TPA, the Diet has placed some restrictions on our negotiations. We are bearing that in mind as we negotiate, and we would like to conclude our negotiations in a patient manner within that framework.

DR. BUSH: Mike? In the middle here.

QUESTION: Thank you, Richard. Mike Billington. I'm with Executive Intelligence Review. The opposition spokesmen made clear that they think there is not a certainty that the collective self-defense will pass in the Diet, and my understanding is that there is significant opposition in the LDP and the Komeito as well. I wonder from you, what you think both parties or all three parties—what do you think the chances are this will or will not be passed in the Diet? And secondly, perhaps from Mr. Bader, if that does not pass, doesn't that throw out most of the defense guideline?

DR. BUSH: Who in the Japanese delegation would like to speak to prospects for passage of collective self-defense in the Diet? Minister Gemba?

MR. GEMBA: (as interpreted) As I mentioned earlier, Prime Minister Abe's visit was a success and we'd like to share in the rejoicing. But we do have concern, and that is that the Japanese public—globally on the military sphere for their self-defense forces to go out and make global contributions, the public is not necessarily positive about that, many in the public. I don't think we can say that many—I think a lot of citizens are probably not in favor of that.

In terms of global contributions that are not military, I think the Japanese public is very much behind this, and there is quite a consensus that Japan should be active in doing that. So from that standpoint, we are concerned that there might be a gap between Japan and the United States that emerges. But Prime Minister Abe has to take the lead and explain this carefully. As to whether it passes or not, it will depend on how good of a job he does.

DR. BUSH: Mr. Ueda, your party was specifically mentioned. Do you want to make a couple of remarks?

MR. UEDA: (as interpreted) The draft legislation is being prepared and will be submitted to the Diet within two weeks. The draft bill, will it pass in the Diet? People will get mad at me if I say this before the discussion has even begun, but of course, our intention is to get it passed. The bill to be submitted is necessary for the implementation of the recently upgraded guidelines.

But when one talks about collective self-defense in general, one has to consider that this legislation will not approve collective self-defense globally, overall. There is no gap of understanding between defense specialists in the U.S. and Japan, but whether domestically in Japan or in the U.S., for those that are not specialists, it is true that there is something of a gap in understanding.

In the upcoming discussion, there will be a discussion as to how much the self-defense forces should be active. A part of this will have to be the government's call, and it is true the public is not fully behind everything. The discussion is about to begin, and so the government has a job of explaining. But as to the draft bill, we have had discussions, and it is necessary for the implementation of the guidelines that we will work for its passage. As to discussion and communication with the public, we will continue to make efforts. So, it is not exactly the same thing.

DR. BUSH: Fukuyama-san, did you have a comment?

MR. FUKUYAMA: (as interpreted) Thanks. The Japanese public, when it comes to participating in peace keeping operations, the perception has changed very much since the 1990s. Also for logistical support for situations in areas surrounding Japan, there is more understanding, deeper understanding, of the necessity of that for the security of the region. But as you know, after World War II, Japan has said that it would not exercise force outside its borders. Also, that its defense would be exclusively defensive. So, are these changes? Are these being changed? Are we going to change these into something else? We haven't seen the draft bill. The public hasn't deepened its understanding. That is the situation.

As Mr. Ueda just said, how is all this going to be explained? How will the deliberation in the Diet go? It's hard to say.

DR. BUSH: Jeff, part of Mike's question was directed to you.

DR. BADER: Just briefly, when we negotiate with the Ministers of Defense and Minister of Foreign Affairs under Prime Minister Abe, we think we are negotiating with authoritative representatives of the government. Naturally, if the implementing legislation fails to reaffirm the basic principles of the guidelines or undercuts them, then it is a problem. I would be surprised if that turns out to be the outcome, but certainly as in any negotiation, one doesn't want to negotiate with responsible cabinet officials and then see the parliament do something else. This is an issue a lot of governments have in negotiations with the United States, and we understand this is in the nature of democratic governance, but an outcome that fundamentally undercuts the guidelines would be problematic certainly.

DR. BUSH: I would only add that because Japan has a parliamentary system and because its officials and leaders are so good at *nemawashi*, consensus building, I think we can be fairly confident that what the ministers agreed to is what we are going to see in the end.

QUESTION: Brian Dabbs with International Trade Today. Thanks very much for speaking. My question is about modifications to trade promotion authority. Of course, we have only really been wading into the legislative process now for a few weeks, and there is a lot certainly that will change. But in terms of the introduction of this legislation this year, it is one iteration in a long line of trade promotion authority bills, and it does have unique characteristics. One of those is a new requirement that the president of the United States, President Obama presumably if it happens before his term expires, would have to make public the text of the agreement 60 days prior to signature, and that is a change from previous iterations. And I was wondering if the Japanese delegation would comment on whether or not that is a concern, potentially a threat to the conclusion of the talks, considering the proposals have been out of the public eye so far.

My second question is about an amendment. So now there are two bills that have moved through the committee level in both the House and Senate here in the U.S., and the Senate bill contains an amendment that would prohibit TPA use for implementing a free trade agreement with Malaysia because of its level of human trafficking activity. And I was wondering if the Japanese government is also concerned with that, and if they have been pressuring the administration and lawmakers to ensure that is not in a final TPA bill. Thank you.

DR. BUSH: Minister Nishimura?

MR. NISHIMURA: (as interpreted) So, if there is a 12 party agreement, then certainly I think the substance will be announced, and we will have to explain the content to the Diet and to the public. Also, as to how information is disclosed, we are getting questions on this from the Diet. We have to make various consideration, we are in the final stages, so we would like to consider releasing more information.

The content of the TPA bill is a domestic U.S. matter, so I will not comment directly on that.

DR. BUSH: I think we have come to the end of our time. I really appreciate all the members of the panel for giving of their precious time so we could have this very substantive discussion.

I want to thank members of the audience for their questions. I have one final request of the audience, however, two requests. One is that you remain in your seats until the delegation has had a chance to leave, so they can get to their train on time, and the second request is that you give them a hearty round of applause. (applause)