

# HUDSON INSTITUTE

**Former Japanese Prime Minister Shinzō Abe  
on U.S.-Japanese Relations  
The Capital Hilton  
Washington, DC  
October 15, 2010**

## **Transcript**

**Allan Tessler:** Ladies and gentlemen, if I can have your attention. Good afternoon, I am Allan Tessler, and I am Chairman of the Hudson Institute. I would like to welcome everyone for today's luncheon featuring former Japanese Prime Minister Shinzo Abe. My colleagues and I are honored to have as our long-term friend, Abe-san, as our guest here in Washington.

Hudson Institute has a storied tradition of work on Japan, going back five decades to the days of our founder, Herman Kahn. In the early 1960s, Herman Kahn was the first of the Western observers to predict the rise of Japan as a major economic superpower. Kahn's research culminated in a book, *The Emerging Japanese Economic Superstate*, done in 1970, a book that was a bestseller in both the United States and Japan. The book made Kahn and Hudson Institute household names in Japan.

Today, Hudson's work on Asia continues with an extensive portfolio of research on international security and economics, covering issues ranging from maritime security to nuclear proliferation and trade, led by numerous senior scholars, with extensive government experience.

Prime Minister Abe will be introduced shortly by one of those scholars, Hudson Institute's Senior Vice President, Lewis Libby. Many thanks for your attendance.

[Applause]

**Lewis Libby:** Thank you all very much. Ambassador Foley, Secretary Wolfowitz, Chairman Ohashi, Director Hayden, Chairman Tessler, Chairman Stern, Hudson President Kenneth Weinstein, and Hudson President Herbert London. It is a pleasure to be here all with you all today.

Many of you who were with us last night had the pleasure of hearing Prime Minister Abe speak then, in connection with our Herman Kahn dinner. It was a great event, and his remarks were terrific, and I know that all my colleagues at Hudson join me in saying to the Prime Minister, *subarashii deshta; honto-ni*. There will be a brief pause while that's translated into Japanese! [Laughter]

The Prime Minister of course is very well known in America, and you have on your seats some of his biographical data. I am therefore wondering a little bit why, since he was introduced last night, since you have his data, since he is well-known already, there is this thrice-unnecessary introduction for me to perform today? I suspect they gave it to me because they thought that, since it was thrice-unnecessary, that I could handle it. [Laughter]

In addition, it is always important — you know the economy here is a little shaky; the jobs are low, so this way we keep employment going. There is always a Hudson policy reason to do things. [Laughter]

Prime Minister Abe has great experience with a great country struggling through temporary problems. As Prime Minister, his vision began with pride in his country, with steps towards balancing the budget, with a firm stance towards North Korea, with warmer but realistic relations with China, with a visit to India that proposed a broader Asian alliance, and with support for NATO's efforts in Afghanistan.

Mr. Prime Minister, as I look around the room today, I see many heads nodding at your agenda. You know, this is election time in America, and you may find that you are written-in to some of the ballots based on that program. Just to help those that want to, it is Abe, A-B-E, as in Abe Lincoln. [Laughter]

The Prime Minister was first elected in 1993 in Yamaguchi prefecture, and I suspect by now it is pretty easy to win re-election there, so perhaps you would like a challenge and come and run in America for office? [Laughter]

There is one other policy area where I think Americans would be very much supporting of what you have done, and that is sympathy for the Japanese families of the abductees.

[Applause]

There is another element of the Prime Minister's program, and that was a close relationship with America. He furthered this as Prime Minister; he furthered it as Chief Cabinet Secretary for Prime Minister Koizumi. But he built on this, on a foundation that was laid a generation before him. When I first entered the government in the 1980s, America reoriented its policy to be closer and more focused on the relationship with Japan. The President was Reagan, the Prime Minister was Nakasone, our Foreign Minister (Secretary of State) was George Schultz, and the Japanese Foreign Minister was Abe Shintarō, the father of our guest today. [Applause]

They rejuvenated the relationship, but they in turn built on a foundation laid a generation before. The Treaty of Mutual Cooperation and Security, signed in January of 1960, has been the foundation of American and Japanese security ever since. But that Treaty was controversial at the time, and it took a strong and visionary leader to see that Treaty through. It cost him, in the end, his Premiership. The President was Eisenhower, the Prime Minister was Kishi Nobusuke, the grandfather of our guest today. [Applause]

It is perhaps a little bit less known that in 1957, when Prime Minister Kishi was negotiating the Treaty, he came to Washington to work on the treaty and also to play golf. And as it happens, this weekend, Prime Minister Abe will play golf, at the very same country club! [Laughter]

The Prime Minister's trip here to America has engendered a great deal of attention, and many questions have been raised. But the one which is truly burning for most people in America, at least in the press that I have seen, is, who is the better golfer, the grandfather or the grandson? [Laughter]

Well, Hudson is a research institution, so I have spent some hours watching video of Prime Minister Kishi's swing, and during his trip here, he sank a 30-foot putt. Now it is to be remembered that we are a very thorough institution. The golf clubs in 1957 were not as good as the golf clubs today, and of course in 1957, golf balls were not digital. But we have, courtesy of Director Hayden, we have some video satellite footage of Prime Minister Abe's swing [laughter], and I am pleased to say that we have done this analysis and I can now announce who is the better golfer, the grandfather or the grandson. And the answer is — the former Prime Minister. [Laughter]

I would like to close by reminding everybody about one other aspect of the Prime Minister's tenure. It is the tradition on New Year's Day for Japanese Prime Ministers to go to a Shinto shrine, and while Prime Minister, Prime Minister Abe went to Ise Jingū, the grand shrine at Ise. This is a shrine built 1,500 years ago. It is a wooden structure, and it never decays. Now how does a wood structure never decay over 1,500 years? It doesn't because it is rebuilt every generation, from scratch. And the process of rebuilding begins 6 years before it is rebuilt, and it begins with the Okihiki festival, which took place during Prime Minister Abe's tenure. The U.S.-Japan relationship has never decayed, because it has been rebuilt by each generation.

But my particular favorite aspect of the Ise shrine is not the shrine itself, but the sacred area next to the shrine, on which the shrine will be rebuilt. It is basically an empty area, except for a single post, maybe two meters tall, and the new shrine is built around that post. It is called the *shin-no-mihashira*. And it means, "Column of the heart." It is an echo of ancient Japan, and it reminds us that strength begins in the human heart. That the U.S.-Japan relationship is built on a love of freedom that resides in the human heart. That at the essence of our long relationship, which will continue due to visits such as the one we are having today, at its essence are common values, much more than geopolitics. That

is what connects us. No one can tell us more about those common values than Prime Minister Abe

[Applause]

**Prime Minister Shinzō Abe:**

I would like to express my thanks to the Hudson Institute, one of America's leading think tanks, for providing me the opportunity to speak to you today. It is a great honor for me to address an audience that includes the chairman of the Hudson Institute, Allan Tessler, and its CEO, Dr. Kenneth Weinstein. I have met Dr. Weinstein, Lewis Libby and others from the Hudson Institute on several occasions, and have maintained friendly ties with them ever since. It is my great pleasure to have the chance once again to meet my Washingtonian friends, who are so important to me.

I have a deep admiration for Dr. Herman Kahn, the founder of the Hudson Institute. The phrase that he coined, "thinking the unthinkable," has provided me much food for thought throughout my career as a member of the Diet. My own interpretation of the phrase "thinking the unthinkable" is as follows: "to provide hope for the future, based on a clear understanding of the past and an accurate perception of the present."

In Japan, however, the sense of the people is that it's difficult to find any hope for the future. A contributing factor to this feeling is the fact that China's GDP surpassed Japan's for the first time this August, meaning that Japan has lost its 40-year-long position as the second-largest economy in the world. This development had been predicted several years ago, and most Japanese accept this as "a time that was sure to come." To put a positive spin on it, this is a measured response. But my concern is that it has led to an atmosphere of resignation.

I myself am alarmed at Japan's declining standing in the world and the feeling of stagnation that has spread throughout the country. At the same time, I am convinced that Japan has the means to revive itself, and I have compelling evidence to back that up. This is the main point that I hope to impress upon you, and it is part of the reason for my visit to Washington.

Japan faces a number of difficult challenges today. I'd like to focus on two of these challenges, and provide my thoughts on what we can do to overcome them. The first issue I will address is the fiscal deficit, and the second is the rise of China.

To begin, let's consider Japan's enormous fiscal deficit. The United States faces challenges with its own deficit, but Japan's has already passed \$10 trillion, which is twice the size of Japan's GDP, and one of the worst in the world.

There are a couple of aspects that characterize Japan's fiscal deficit. One is the fact that 95% of the debt is held by the Japanese people themselves, which is a marked contrast to Greece, where 70% of the debt is held by foreigners. Another is the value of Japan's net

overseas assets, which is now the largest in the world, and once again completely different from Greece's situation. Thus, Japan is in no immediate danger of bankruptcy.

However, it is true that Japan is saddled with a ballooning fiscal deficit. One factor behind this is demographic. Our birth rate is declining while our population is aging. Japan's birthrate is low, hovering around 1.3 child per woman. As a result, Japan's overall population has already begun to shrink. Forecasts indicate that our current population of 128 million will fall to 100 million by 2050. A declining population means a smaller workforce and fewer consumers, which will be a drag on economic growth and tax revenues. Moreover, as the population continues to age, higher spending on social security will be unavoidable.

What should we do to restore our fiscal situation to health? Reducing government expenditures will of course be necessary, but the best medicine would be revitalization of the economy, for without a growing economy, it is impossible to shrink the deficit. Furthermore, this daunting task must be accomplished despite a shrinking workforce and fewer consumers.

There is no silver bullet to bring about economic growth despite our demographic challenges. But I am convinced that Japan can overcome these issues by working steadily and patiently to address them. Innovation will be a key to making this possible.

During my term as prime minister, I positioned "innovation" as one of the pillars of Japan's national growth strategy. I also formulated "Innovation 25," which was the first long-term economic-growth strategy ever to be instituted by the Japanese government.

Japan possesses the high educational level and technological expertise required to foster innovation. Our technology in the fields of energy reduction, the environment, nuclear energy, robots and biotechnology is second to none. And while corporations in South Korea, Taiwan and China have advanced technologically, Japan maintains an advantage in many fields.

The World Economic Forum recently released its latest "Global Competitiveness Report," in which Japan was ranked sixth, up from eighth place last year. The report had high praise for Japan's technological innovation, which it cited as the basis of our improved ranking. The "Innovation 25" policy that I formulated has finally begun to deliver on its promise.

Besides "innovation," there is another word that I have consistently brought up. That word is "open," which is fundamental to the establishment of any free-trade regime. I have long attached importance to free trade, and I believe that we must work to make progress on free-trade agreements, which are known in Japan as "economic-partnership agreements," or "EPAs."

While Japan's population shrinks, the overall population of Asia continues to climb. China has 1.3 billion people, India has 1.2 billion, and the combined population of the 10 ASEAN countries is 600 million. Adding these figures leaves us with more than three

billion people living within this region alone, accounting for 45% of the total population of the world. Japanese companies clearly must engage more actively with this vast working population and enormous consumer market.

Last month, Japan and India reached an agreement in principle for an EPA between our two countries. The decision to launch negotiations in the first place was made at a December 2006 summit meeting between me and Prime Minister Singh. In view of the fact that the total value of trade between Japan and its EPA partners only accounts for 16.5% of Japan's overall trade, Japan should change its passive stance toward EPAs, and put more energy into increasing the number of EPAs between Japan and other countries.

The second significant challenge facing Japan is the rise of China. In recent years, statements made by Chinese leaders in international forums such as the G20 Summit have drawn increasing attention. Japan is no longer the "spokesman for Asia," a role that it long played at the G7 and G8 Summits, and a position it used to make its presence felt.

Of course, "the rise of China" is not merely an economic phenomenon. Over the past 20 years, China's military spending has risen sharply, to the point where it is now 20 times as much as what it was in 1990. China has steadily built up its naval strength, and is making progress in new fields with military applications, such as space and cyberspace. What rankles more than anything, though, is the expansion of the Chinese navy. It appears that China hopes to gain control not only over Taiwan, but also over the South China Sea, the East China Sea and, indeed, the entire Western Pacific. Andrew Krepinevich, who is no stranger to you, wrote an article that ran in the September 11<sup>th</sup> edition of the Wall Street Journal. It was entitled "China's 'Finlandization' Strategy in the Pacific." He put into words what I have been thinking for a long time.

Since the 1980s, China's military strategy has rested on the concept of a "strategic frontier." In a nutshell, this very dangerous idea posits that borders and exclusive economic zones are determined by national power, and that as long as China's economy continues to grow, its sphere of influence will continue to expand. Some might associate this with the German concept of "lebensraum."

There has been speculation that the impetus for China's naval buildup was the 1996 crisis in the Strait of Taiwan. Whenever I think back on this incident, I recall the Cuban missile crisis of 1962 and the path that the Soviet Union took in its wake. The Soviet Union in 1962 and China in 1996 both suffered the indignity of capitulation in the face of the overwhelming naval power of the United States, and both countries threw themselves into building up their navies. We all know how well that worked out for the Soviet Union.

I have no way of knowing how the leadership of the Chinese Communist Party would view this analogy. Perhaps the party's leaders, despite their fear of meeting the same fate as the Soviet Union, are unable to resist the call of the People's Liberation Army for a military buildup. In any case, we can state with conviction that China has nothing to gain from an excessive expansion of its military. It has no need to build aircraft carriers, for

example. Furthermore, any Chinese attempt to clamp down on Taiwan or the ASEAN countries would not only be an enormous fiscal burden, it would also backfire, because China would lose the trust of other Asian nations, which would do significant damage to its influence.

Just such an outcome has already occurred. The ASEAN nations have reacted with strong anger to China's high-handed conduct in the South China Sea. Further, ASEAN countries have begun to strengthen their relationships with the United States to act as a counterweight to the threat posed by China. ASEAN has thus sent a strong message to China that it will not allow China to do as it pleases in the South China Sea.

Meanwhile, I am concerned that Japan has sent the wrong message to China. Last month, a Chinese fishing vessel intruded into Japan's territorial waters near the Senkaku Islands, and intentionally rammed into a Japanese Coast Guard patrol ship two times. Such a barbaric act cannot be overlooked. The captain of the vessel was detained by Japanese authorities, but Japan relented in the face of strong pressure from China and released the captain, which was a very foolish move. In light of Mr. Krepinevich's point, that China's ultimate goal is to "Finlandize" Japan and South Korea, I must say that the interpretation of the situation by the Prime Minister's office was frighteningly naive.

Of course, Japan must work to strengthen its cooperative relationship with China, while also competing where competition is called for. But that must be accomplished in a way that is conducive to peace and stability in Asia, and, by extension, the world. That is the guiding principle that China should follow, and if it strays from that path, it should be admonished. This principle forms the foundation of the "strategic and mutually-beneficial relationship" to which I and my Chinese counterpart agreed.

Single-party rule by the Chinese Communist Party has been sustained by the assurance of "equal results," but the party's legitimacy today depends on "patriotism and economic growth." The party has stoked the patriotism of its citizens, and it will do whatever it takes to drive economic growth. What frightens China's party leaders more than anything else is an end to that economic growth. They fear that economic dissatisfaction on the part of the people could combine with their narrow-minded patriotism and end up channeling their anger toward the leadership of the party.

Japan and the United States have much to gain from continued economic growth in China. At the same time, the path that China should pursue to maintain that growth does not lie in foreign-policy adventurism, but rather in respect for values such as freedom, democracy, fundamental human rights and the rule of law — values long embodied by the U.S. and Japan. Together, we must help China to understand how important these values are.

The U.S. and Japan must work together to help lead China in the right direction.

Earlier, I said that a firm message must be sent to China — a message that must be backed up by substantive actions. Whenever I have the chance, I point out the fact that

the exercise of collective self-defense is a natural right for any country. Certain elements within Japan continue to proclaim — completely without merit — that exercising collective self-defense would needlessly provoke China and other Asian nations. But it's exactly that type of thinking that poses a threat to Japan's national interests.

It is imperative that Japan conduct a review of its Three Principles on Arms Exports. It appears that the DPJ administration has finally come to realize this, but the administration needs to work more quickly to turn policy into practice. Japan has neither the intention nor the need to become a major weapons exporter, but we should not be afraid to pursue innovation in the arena of military technology.

The outstanding corporations that support Japan's defense industry have been hit hard by the recession, and several of them have been driven into bankruptcy. As a result, Japan is on the verge of losing some of its advanced manufacturing technologies, such as precision molding. In recent years, the nature of warfare has been rapidly evolving in the direction of Network Centric Operations, (or NCO). As NCO has developed, the boundary separating commercial technology from military technology has become increasingly blurred. Our nation seems to be afraid to use the word "military." As a result, it is possible that our IT industry, which is critical to future economic growth, could lose its competitiveness. We must not allow that to happen.

I'm afraid that the time I've been allotted is about to come to an end, but I would like to say that in the audience today are some of the warriors who fought the good fight and helped to achieve victory over the Soviet Union in the Cold War. And I'm sure that you are fully aware that the Cold War persists today in Northeast Asia. I hope that you will lend us your expertise as we attempt to address this state of affairs in our region.

President Reagan, one of the heroes of the Cold War, provided hope to the American people when he proclaimed in his 1981 Inaugural Address, "we are too great a nation to limit ourselves to small dreams." I would like to deliver this optimistic message to my fellow citizens, who are mired in pessimism.

To my American friends, I would like to say that I do not stand alone. There are many Diet members and policy intellectuals in Japan who agree with my point of view. And I'd like to leave you with the message that Japan is certain to rise again.

Thank you for your attention.



## Question and Answer Session

(Prime Minister Shinzo Abe responds in Japanese throughout the session)

**Kenneth Weinstein:** Mr. Prime Minister, thank you so much for those characteristically frank, bold, and visionary remarks. We in Washington are truly honored to hear them and I think for a number of us in the audience they bring back memories of the former Prime Minister of Great Britain, who also spoke truth in his years when he was not at Downing Street. That being said, you have graciously agreed to take a number of questions. We have two Hudson Institute folks with microphones, if you have questions, please stand up, identify yourself and be brief and the questions will need to be translated as well. Thank you.

**Takahiro Nonaka:** My name is Takahira Nonaka, a lawyer for Sidley Austin. To make our country arise again, I think there's a number of stability or protocol matters. But, put these particular matters aside. I think my concern is that now the young generation is not willing to go to foreign countries and help in the international arena. If Prime Minister Abe were going to give a lecture in front of Japanese junior high school students, what kind of advice would you provide to those young generations?

**Japanese Prime Minister Abe (through interpreter):** If I were to speak to a group of young people, I would tell them that I would like them to have dreams...they must have dreams and they should be proud of the fact that they were born in Japan. And I would like them to work, not only in Japan, but also in the international arena to help people who may be in trouble.

**John Wohlsetter:** John Wohlsetter, Trustee, Hudson Institute. If the United States fails to stop Iran from becoming a member of the nuclear weapons club, what impact, if any, do you see that it will have on the credibility of the American nuclear umbrella guarantee for the security of Japan and the free nations of Asia?

**Prime Minister Abe (through interpreter):** Currently, the NPT – Nuclear Nonproliferation Treaty regime is in a very difficult situation. Iran and also North Korea in Northeast Asia are attempting to acquire nuclear weapons, which is really an emergency situation. And so I think what's necessary is for the world community to use sanctions against both of these countries. Within this context, unfortunately North Korea has already undertaken a nuclear test. I think that what is necessary is for the United States to use its nuclear deterrents not only to cover Japan, but also to cover the rest of Northeast Asia. So, I would like to see the United States have a strong position against this, a strong nuclear deterrent.

**Herbert London:** Thank you, Herb London, Hudson Institute. With the possibility that the United States may engage in an incremental withdrawal from Asia and the possibility that you referred to, namely the threat of China's adventurism, to what degree is it possible or even considered, that Article 9 of your Constitution would have to be modified in order to deal with the possible threat?

**Prime Minister Abe (through interpreter):** It's been my thought that we need to revise Article 9 of the Constitution. Now, the self defense forces have a budget of five trillion yen and compared to other countries, this is quite a strong – quite a large budget and quite a strong self-defense force. Especially as far as the ground self-defense forces and the air-self defense forces. And with Article 9 in the Constitution, a number of constraints are placed on our country. So, I feel that it is necessary for us to revise Article 9 of the Constitution, but in order to do that we have to overcome a number of hurdles; one of which is the right to engage in collective self-defense and the other of which is to change our policy on the use of weapons outside of Japan.

**John Tkacik:** I'm John Tkacik, I am a private citizen, but perhaps Prime Minister Abe could comment on the direction that Taiwan is going in and it seems to be moving in a direction of closer strategic ties with China. If this so, would the Prime Minister recommend any changes in Japan's policies toward Taiwan or America's policies toward Taiwan or both? Thank you.

**Prime Minister Abe (through interpreter):** One thing that is important to point out about Taiwan and as I said in my speech, Taiwan has respect for the values of freedom, democracy, and fundamental human rights. And Taiwan is also in an extremely important strategic area. China has a very strong resolve that it will bring Taiwan into its fold. Recently, a top government official from China came to Japan and I had a chance to talk to him and he said that China will, without doubt, reunify the country, which means bringing Taiwan into the Chinese fold. The Taiwanese have very strong feelings of amity toward Japan. On the other hand, Japan has been somewhat cold to Taiwan. When I was the Chief Cabinet Secretary, I said that we should change our relationship with Taiwan and that we should send higher level government officials to Taiwan. I would like to see a venue established so that Japan and Taiwan can enter into discussions about the situation within our region. Setting up such a venue of course, might not be able to be government to government discussions. It might not be official, but I would like to see us work toward having a dialogue with Taiwan in such an arena. So, we should try for that and it should be Japan and Taiwan and perhaps the United States would join us, as well. I will be visiting Taiwan next month, November 2<sup>nd</sup>; this will be my first visit in fourteen years.

**Kenneth Weinstein:** We have time for one more question.

**Kazu Koyama:** My name is Kazu Koyama, I currently intern on the U.S. Committee for Human Rights in North Korea. I had one question regarding the abduction issue. The

abduction of Japanese nationals by North Korea - I understand that you had an incredibly strong stance for these nationals to return to Japan. But to this day, only five have returned. What should the Japanese government do for now in their approach for ensuring that these Japanese nationals that are remaining in North Korea would return to Japan?

**Prime Minister Abe (through interpreter):** Unfortunately, since the return of the five Japanese nationals who had been abducted, North Korea has not admitted to the existence of any more abducted Japanese people within the country. And beginning with Nagumi Nakota, who was abducted at age thirteen, there are a number of people in North Korea. So, this is true, not only of the abduction issue, but also of the nuclear development program of North Korea. If North Korea does not accept our demands, then it will never be accepted into the international community and it will never prosper as a nation. So, the situation in Korea would become even more difficult and they need to make a decision on what they want to do. And the Koizumi administration and the Bush administration came to the decision that there were only two ways to change North Korea and that is strong pressure from the two countries and also discussions between the two countries. So what's important is that the United States, Japan, and other countries have always been deceived by North Korea and what's important is that we are no longer deceived by the country.

[Applause]

**Kenneth Weinstein:** Prime Minister, it's always an honor and a pleasure to be with you and to hear your bold and frank remarks. I also want to recognize the presence of the LDP shadow Foreign Minister, Itsunori Onodera, with us this afternoon.

[Applause]

**Kenneth Weinstein:** And I want to issue with something my colleague and friend, Scooter Libby said earlier, I am not so sure you could be elected to public office in the United States, we in Washington are not used to such frank talk.

[Applause]

**Kenneth Weinstein:** I want to thank everyone for coming today. Thank you so much.

[Applause]