

## “Building a New Order after Overcoming an Illusion”

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to the Center for Strategic and International Studies

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### **1. Introduction**

President Hamre, thank you for that kind introduction. I very much appreciate your invitation to speak here today.

As I begin my remarks, I would first like to express my sincere gratitude for the tremendous outpouring of condolences we received from the American people on the passing of former Prime Minister Abe.

For 20 years since I was first elected to office, I was engaged in political activities alongside Mr. Abe. When I served as Deputy Chief Cabinet Secretary for over two years from 2017, I had the chance to witness Mr. Abe's diplomacy directly and I would not trade that for all the world.

The country I visited most often during that time was the United States, coming here five times in a little over two years in that office.

In 2018, while participating in the G7 Summit in Canada, I stopped by Washington, DC to work on the Japan-U.S. Summit Meeting, and the following year, in the lead-up to the G20 Summit in Japan, in April I engaged in some golf diplomacy with your president at the time.

Although the National Cherry Blossom Festival was already over, I'll never forget that it was freezing cold out. With strong winds whipping up, it just wasn't in the cards to be able to head out and appreciate the beautiful scenery framing the Potomac. As the chill really started to set in, our Prime Minister deftly set to work negotiating with your President for them to call it a day out on the golf links and head back to warmth. This enlightened agreement was, to me, the most impressive Japan-U.S. "diplomatic accord" ever brokered in history.

Prime Minister Abe continually said, "The Japan-U.S. alliance is the cornerstone of Japanese diplomacy."

Sharing the fundamental values of freedom, democracy, human rights, and the rule of law, the United States and Japan are the world's largest and second-largest economic powers in the Free World. As such, our alliance goes well beyond a mere bilateral relationship. It is instead the very cornerstone of the peace and prosperity of the region and, indeed, the world.

Accordingly, this year as Japan hosts the G7 summit, I have been single-minded in my intention to visit the United States first and foremost, and now here I am, less than a

week since we rang in the new year.

While it is true that I wasted no time in making a lunch reservation at a certain well-known seafood restaurant near the White House next Monday, I assure you that satisfying my hankering for some DC crabcakes is only a secondary objective for this visit.

## **2. A new world, after overcoming an illusion**

### ***(A major illusion)***

That said, I do feel a touch of regret at having just missed Chesapeake blue crab season, which I came to love during my graduate studies not far from here, at the University of Maryland.

It was the very early 90s. The Soviet Union had fallen, and Boris Yeltsin had delivered his "The idol of Communism has collapsed" speech at the U.S. Congress. Nuclear disarmament by the U.S. and Russia was making progress. That was the era.

We had won the Cold War, and I remember even now being enveloped in the pride and a sort of elation at that turn of events, even though at the time I was just a foreign student specializing in international politics.

By the turn of the century, based on the idea that opposing ideologies between world powers were a thing of the past and all we had to do in the future was keep regional conflicts under control, we had made an assumption: every country would be prosperous, and increasing the degree of mutual economic interdependence among us

would unquestionably bring about a peaceful world.

It was on the basis of this assumption that in 2001 we approved China's accession to the WTO. Later, Russia also acceded.

It was poverty that sparked violence and conflicts; prosperity was the seedbed of peace. The importance of eradicating poverty and inequality in the countries called the "Global South" was simply a given.

However, after more than three decades since the end of the Cold War, mutual economic interdependence has, far from making the world at peace, instead increased global risk. We now feel very acutely that our assumption was unmistakably an illusion.

Now, with COVID-19 and aggression against Ukraine, the global shocks that occurred one after the other in the span of only a little more than two years have truly been a wake-up call.

### ***(Three lessons)***

There were three lessons we took away from this.

The first is that while we were convinced that ideological confrontation had ended with the Cold War, authoritarianism as a political system remained firmly in place.

By making economic growth possible, the free trade system ended up increasing the legitimacy of authoritarian regimes. That was the first lesson learned.

Authoritarian countries that grew their

economies and deepened confidence in themselves on the basis of our illusion gradually lost their fear of challenging the international order. One result of that is the aggression we have seen against Ukraine.

The second lesson was that the abundant funds and high technology brought about through economic growth were, under authoritarian rule, used to strengthen diplomatic influence and moreover build up and modernize military capabilities.

The illusion we embraced ended up amplifying the threats posed by hegemonic powers.

Abundant economic strength underpins development finance that lacks transparency and is now a major weapon in the global strategy of authoritarian countries. Factors that intensify the threat for neighboring countries include a rapid expansion of military expenditures and the qualitative and quantitative strengthening of military might, including enhanced nuclear capabilities.

The people of Ukraine are, at this very moment, bravely fighting against Russian aggression in the brutal winter cold in order to defend their homeland and protect the families they love. I wish to express once again our wholehearted feelings of solidarity with the Ukrainian people.

The war in Ukraine is soon coming up on being underway for a full year, and there is concern that it might become protracted even beyond that.

We are now keenly aware of the difficulty of bringing an end to military action by a state holding nuclear weapons once that action is underway. Moreover, if that state is also a

permanent member of the United Nations Security Council, it can circumvent all the dispute resolution functions of the UN. The need to deter conflicts before they begin is now more pressing than ever before.

The third lesson we learned is the importance of economic security.

The cutoff of gas supplies from Russia via the Nord Stream pipeline is hindering Europe's corporate activity and constraining people's daily lives tremendously. And still vivid are the memories of the enormous supply chain disruption for goods supplied by China when the unknown virus of COVID-19 swept around the world. I really had my hands full responding to the situation as the minister in charge of COVID-19 responses

Mutual economic interdependence could be used by some countries as a weapon for implementing their diplomatic or security objectives, in the form of coercion. There is risk involved in relying excessively upon a specific country economically, and we now feel that risk more intensely than ever.

***(No turning back the clock; three areas to build up)***

Now that we see the error of the illusion I mentioned earlier, we must build a new world, based on these three lessons.

The answer is something we already share: building a Free and Open Indo-Pacific. This is precisely the new world we are aiming to achieve.

The vast seas and skies from the Pacific

Ocean to the Indian Ocean must be free and open to everyone, and must be something from which every country, whether large or small, benefits.

For that reason, I believe we must rebuild a world order based on the fundamental values of freedom, democracy, human rights, and the rule of law, which we hold in common.

But there is a caveat: we cannot turn back the clock, nor should we.

Authoritarian countries have amassed tremendous power, both economically and militarily. This is an undeniable fact.

A complete decoupling is also already impossible.

We should make an issue of the systems lacking transparency and their coercive diplomatic and security policies; the consumers and engineers who live in those countries are not at issue here. It is diversity that is the source of innovation. The history of U.S. development provides the most eloquent testimony of this.

However, we can no longer overlook our industrial base being eroded as a result of forced technology transfer and trade-distorting measures. Neither can we allow technologies to be stolen egregiously and used for military purposes.

A major premise of this is thoroughly managing the risk of such things happening even as we utilize the major markets and skilled human resources those countries offer.

For that reason, I believe there are three

areas of "buildup" in which we must be engaged.

These are building up economic security, building up cooperation among like-minded countries across the entire spectrum of fields, and building up our deterrence capabilities.

### **3. Building up economic security**

#### ***(Promoting and protecting important emerging technologies)***

First of all, we must not be overly reliant on other countries, especially on only one specific country, for goods and technologies that are indispensable for our industries and our daily lives. Building up our economic security is a matter of great urgency.

As for semiconductors, biotechnology, and other important emerging technologies, Japan and the U.S. should join forces to together drive global innovation. To do this, we must make bold investments at a scale never seen before.

The CHIPS Act demonstrates the United States' resolute will on this matter. The Government of Japan, too, passed an additional budget for the semiconductor field just last month. We will be investing US\$15 billion in this field in the months and years to come.

In response to these steps taken by the government, Toyota, Sony, and other private-sector corporations representing Japan have pooled their strengths to found Rapidus, a company that will develop cutting-edge semiconductors. Rapidus will

utilize IBM's technology for fabricating the 2 nanometer generation of logic semiconductors and a joint project will be launched, aiming at mass producing those semiconductors.

Today before coming here, I had a meeting with Commerce Secretary Raimondo. I'm determined to vigorously support this project symbolic of Japan-U.S. semiconductor cooperation.

Let us also expand this kind of close Japan-U.S. cooperation to other key technological fields, including biotechnology, quantum science and technology, and artificial intelligence, among others.

Japan will invest US\$8 billion into the fields of synthetic biology and biomanufacturing. We hope to produce synergies by partnering with the United States, where biotech ventures are thriving.

At the same time, in order to address the misuse of critical and emerging technologies by malicious actors and inappropriate transfers of technologies, it is also absolutely imperative for us to reinforce our cooperation in the area of export control. We will implement strict export control grounded in international cooperation while engaging closely in exchanges of views with the United States and other relevant countries.

We will strengthen our efforts from the dual aspects of promotion and protection, and Japan and the U.S. should continue to take on leadership in the area of 21st century technologies.

### ***(Supply chain resilience)***

Alongside technologies, another pillar is making supply chains more resilient.

In the field of semiconductors, with an investment from Taiwanese corporation TSMC, a new factory for logic semiconductors is currently being constructed in Japan and will begin operations next year. We will also provide over US\$1 billion in total assistance for Western Digital and Micron factories in Japan.

Diversifying our supply of critical minerals is also a major issue, so Japan has launched a new support system for private developers to substantially reduce the high risk involved in new resource exploitation.

In addition, we should also pay greater attention to the mineral resources around us, also called urban mining.

The medals awarded at last year's Tokyo Olympic and Paralympic Games were crafted from metals obtained through the recycling of mobile phones and other kinds of urban mining.

Discarded computers and other kinds of so-called e-waste contain not only gold, silver, and copper but also critical minerals such as rare metals. Japan has advanced technologies for sorting and recycling such resources, and we intend to build a recycling network through cooperation with the United States and Europe.

The war in Ukraine has caused the entire globe to face the urgent challenges of energy security and food security.



After the Nord Stream pipeline supply was cut off, Europe expanded its purchase of liquified natural gas (LNG) all around the world, leading to Asian countries becoming unable to obtain the amount of LNG they needed. Against that backdrop, the amount of coal-fired power generation has increased in countries such as Bangladesh. This runs counter to our efforts to mitigate climate change.

Working towards the major goal of achieving zero emissions, we will support the energy transition of Asian countries, in accordance with their individual circumstances. Japan will materialize the Asia Zero Emission Community (AZEC) concept. Within that, with low CO<sub>2</sub> emissions and the potential for conversion into hydrogen in the future, LNG will be an extremely strategic energy resource.

An Energy Security Dialogue framework was newly inaugurated between Japan and the U.S. The release of a joint statement indicating that Japan and the U.S. will together support LNG upstream investment was a landmark outcome.

I believe it is possible to achieve a realistic energy transition in the Asian region simultaneously with energy security by developing the United States' abundant LNG resources and by Japan linking those LNG resources to various countries in Asia.

In the case of chemical fertilizers as well, which are indispensable in food production, observing the situation globally, we find a dependance on China and Russia for much of them. Here too we are able to make use of Japanese technology. Japanese fertilizer processing technology enables a 20 percent

reduction in the amount of fertilizer needed for food production. Through the efficient use of fertilizer, we will also contribute to global food security.

### ***(Responses to economic coercion)***

However, resilient supply chains will take time to realize. A country currently accounting for a large share of the supply might cut off those supplies tomorrow. In years past, Japan also experienced exceedingly difficult circumstances because of unfounded export restrictions on rare earths.

A country with a large market may restrict the imports of goods from specific countries or regions. Economic coercions, such as China suspending imports of Taiwanese pineapples and Australian wine, are a clear and present danger.

Last spring, a tweet showing former Prime Minister Abe all smiles with a Taiwanese pineapple in hand spread widely enough to garner close to 150,000 likes, and all around Japan, enthusiasm for buying Taiwanese pineapples quickly picked up steam. It is important for us to work together to help countries and regions harmed by coercion.

At the same time, we need to advance our consideration of how we can deter coercion. We might need to make preparations to identify the choke points of countries wanting to engage in coercion and then take countermeasures if necessary. We can surmise it will be even more effective to take collective responses through international coordination.

We expect effective responses to economic coercion will be a major agenda item at this year's G7 summit as well.

#### **4. Building up cooperation among like-minded countries; aligning industrial policy**

In this way, there is a truly wide range of things we should do to bolster our economic security.

That said, whether we are discussing responses to economic coercion, boosting supply chain resilience, or ensuring energy security, the point held in common by all is that it is impossible to reach our goal when a single country acts alone.

It is imperative that we strengthen our cooperation across the entire spectrum of fields with like-minded countries that share fundamental values with us. This is the second area of buildup.

In particular, it is important to get partnerships firmly in place regarding countries' industrial policies on economic security.

As for critical minerals, the Minerals Security Partnership (MSP) has been established under the leadership of the United States and cooperation among like-minded countries is already underway. In the area of cybersecurity as well, Japan, the U.S., and the EU are cooperating to develop exercises to enhance capacity building in the security of industrial control systems in the Indo-Pacific region.

With cooperation in these areas developing,

the first meeting of the Japan-U.S. Economic "2+2" was held last July here in Washington, and a concrete Plan of Actions was compiled across a broad array of fields relevant to economic security.

In the sense that Japan and the U.S. have been partnering closely in industrial policy from the standpoint of economic security, the birth of the Economic "2+2" was destined historically, in my mind. When I was studying at the University of Maryland over 30 years ago, Japan and the U.S. were involved in a brutal confrontation over trade in semiconductors and automobiles. But now that era has become a thing of the past and both Japan and the United States are heading into an era of coordination in terms of economic policy as well. One symbol of that is the inauguration of the Economic "2+2."

Leading up to the second "2+2" ministerial meeting, which will take place this year, I feel keenly that Japan-U.S. cooperation is moving forward visibly, in accordance with the Plan of Actions.

Tomorrow I am scheduled to meet with Ambassador Tai, United States Trade Representative, and most importantly, we have thus far advanced discussions between Japan and the U.S. tirelessly in the area of business and human rights.

Forced labor is unacceptable no matter where in the world it occurs. It is necessary to ensure businesses' predictability under such countries' regulations to prevent products produced by forced labor. By doing so, it will be possible to further promote corporations' active respect for human rights.

I intend to build up Japan-U.S. cooperation more in this respect, also taking into consideration the expansion of international coordination into like-minded countries.

Apart from the human rights issue, new issues are arising one after the other with regard to economic security. When these issues are addressed by each country, the important thing is never to allow ourselves to fall into protectionism. We must also be sure to avoid providing ever-greater subsidies in order to compete with like-minded countries for industrial facilities and also refrain from developing economic blocs in which domestic products are treated preferentially over those made by like-minded countries.

This is because it is exactly those situations—situations that weaken the solidarity among like-minded countries—that play into the hands of authoritarian countries.

It is precisely to increase the solidarity of like-minded countries that we must once again hold high the banner of free trade. To address whatever new challenges may arise, we must act together under an economic order based on free and fair rules.

The CPTPP is truly one such framework. Together with countries that share fundamental values, we will build a 21st century-type free and fair economic order that includes rules on labor, the environment, and state-owned enterprises. We look forward to the early return of the United States to the agreement.

At the same time, Japan will spare no effort towards an early conclusion of IPEF negotiations. The IPEF is an initiative to

strengthen partnership among like-minded countries, jointly addressing such new challenges as boosting supply chain resilience and building a clean economy. I strongly believe that the IPEF is of great significance for both the United States and partner countries in the region.

In this region, we will build a supply chain based on trust. Japan, working in cooperation with the United States, Australia, and others while being attentive to the views of the countries of the Indo-Pacific, will play an active role in expanding investment, fostering human resources, and developing infrastructure within the IPEF region.

I believe that, in this vast region from the Pacific Ocean to the Indian Ocean, the United States' strong commitment also in terms of economic matters will contribute substantially to the peace and stability of the region.

##### **5. Building up our deterrence capabilities**

As my last point, I wish to touch on building up our deterrence capabilities.

In Asia, North Korea has been launching ballistic missiles repeatedly, with unprecedented frequency, in violation of UN Security Council resolutions.

Cases of intrusions into Taiwanese airspace by Chinese military aircraft are also rapidly increasing in number. Last August, in response to U.S. House of Representatives Speaker Pelosi visiting Taiwan, China launched no fewer than nine ballistic



missiles into the area around Taiwan.

Within Japan's newly formulated national security strategy, the phrase "the largest, and unprecedented, strategic challenge" appears, indicating that we absolutely cannot tolerate unilateral attempts to change the status quo by force, whether in the East China Sea or the South China Sea. Each country must abstain from actions that heighten military tensions.

However, last year Russia launched aggression against Ukraine, bringing to naught all international efforts to avoid such an outcome. This is a clear challenge to the international order.

Wars begin from misunderstandings or overconfidence regarding others' intentions or actual capabilities. Now, as authoritarian countries are deepening their confidence in their own military might, it is essential for us to solidly build up our deterrence capabilities.

For that reason, last month Japan revised three documents related to its national security.

These documents significantly altered our national security policies in place until now and also clearly stated the approach of Japan possessing and strengthening counterstrike capabilities. We will fundamentally reinforce our standoff defense capabilities from now, including through U.S.-made Tomahawks.

Japan's defense budget will amount to 43 trillion yen—more than US\$300 billion—over the next five years. We will fundamentally reinforce our defense capabilities so that in fiscal 2027, our defense budget level reaches 2 percent of our

GDP.

As hybrid warfare and other new ways to wage war are emerging rapidly, it will also be critical for us to invest in cutting-edge technologies, including cyber technologies, drones, space, artificial intelligence, quantum science and technology, and semiconductors. We have already launched a program cultivating key and advanced technologies at a scale of some US\$4 billion.

Innovation in these fields is currently led by the private sector, and it is important to actively provide support for the development of dual-use technologies. In particular, the Ministry of Economy, Trade and Industry will make every possible effort to actively incorporate the advanced technologies of private-sector startup companies.

We also want to advance Japan-U.S. cooperation further. We hope to build up the development of dual-use technologies and supply chain cooperation, together with the Department of Defense.

The Three Principles on Transfer of Defense Equipment and Technology, its Implementation Guidelines, and other systems are to be considered for revisions in order to promote smooth transfer of defense equipment and technology of high security significance and international joint development in a broad array of fields. We also included that policy clearly in our National Security Strategy.

## **6. Conclusion**

Building up our economic security, our partnership with like-minded countries, and

our deterrence capabilities—we must persevere in these areas in order to carve out a new world.

Ten years ago, former Prime Minister Abe visited the United States as his first overseas destination upon the inauguration of his second administration. He delivered a speech here at the CSIS, saying as he began his remarks, “Japan is back.”

Japan will return to the world’s center stage once again. And, hand in hand with the United States, the champion of democracy, Japan will discharge its responsibilities for world peace and prosperity more than ever before. He made that declaration at this very place.

He also said to you, his CSIS audience, “Keep counting on Japan.”

And then there were the CPTPP, a Free and Open Indo-Pacific, and the Quad. Former Prime Minister Abe, while demonstrating tremendous leadership in this region, created several foundations to support regional peace and prosperity one after the other, just as he pledged to all of you here. I think you are already well aware of this.

I too will say it: we want you to keep counting on Japan into the future as well.

In order to build a Free and Open Indo-Pacific and a peaceful, prosperous world, Japan is determined to continue demonstrating strong leadership together with the United States. I believe that is the way forward that fulfills former Prime Minister Abe’s final wishes.

This year, Japan will host the G7 summit and the U.S. has become the chair economy

for APEC. The G20 Summit will be held in India.

Japan, the U.S., and India, one of our Quad partners. No year is more suitable for confronting the various issues facing the world. Japan is determined to discharge its weighty responsibilities through those partnerships with other nations.

As the curtain rises on this year of the G7 Japanese presidency, I will end my remarks by stating that.

Thank you very much.