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JEF-SAIS Japan-US Forum 2019

The United States and Japan in a Globalizing World

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Washington, D.C., USA

Summary of the Forum

Opening

Kazumasa Kusaka, Chairman and Chief Executive Office, Japan Economic Foundation (JEF)

Kent E. Calder, Vice Dean for Faculty Affairs and International Research Cooperation, Johns Hopkins University (SAIS)

Kent E. Calder: Introduced opening remarks. Discussed subtle changes in the international system including how technology is changing the global system. Introduced Jim Shinn. Dr. Calder stated his belief that technology is beginning to change the meaning of geography, using examples of initiatives such as the Belt and Road Initiative and infrastructure changes in communication and what it means for geography. This was then related to socioeconomic changes and the rise of populism, including the implications of communications changes for nation states and the role of cities. It was related to how they all transform local politics. Dr. Calder then introduced Kusaka-san and their common Princeton connection. “Iconoclastic, likes an argument, and has things to say.”

Kazumasa Kusaka: Thanked Dr. Calder and speakers. Noted how the JEF had convened forums among the experts in the US, Europe, and Asia since the 1980s to discuss the common economic agenda. Last Japan-US Forum cohosted with SAIS was convened in September 2014. Recently the JEF has built a focus on

global risk and its solutions to discuss with a holistic approach beyond academic disciplines, such as economics, politics, security and so on. Presented a conceptual note for discussions in the Forum. (The full text of his remarks is attached.)

Session 1: Domestic and International Transformations

This session considered major looming uncertainties in global affairs, with special emphasis on political-military dimensions, but with some attention to their economic antecedents. Issues considered detail would include tensions in the Middle East, the Korean peninsula, and the energy sea lanes between Northeast Asia and the Persian Gulf, as well as the geopolitical implications of China's Belt and Road program.

Panel I: Emerging Geopolitical Risks

Moderator: Kent E. Calder, Vice Dean, Johns Hopkins University (SAIS)

<Speakers on U.S. Side>

David Shear, McLarty Associates. Recent US Assistant Secretary of Defense for East Asian and Pacific Affairs, as well as US Ambassador to Vietnam

Kent Calder: Introduced David Shear and discussed the value of discussing the broader global future and as a repeat of some of the issues relating to the global environment and global risk, as well as the implications of growth of countries like India. Dr. Calder remarked on their common experienced at U.S. Embassy Tokyo where David Shear was Minister Counselor for Political Affairs and his SAIS education, where he earned an M.A.

David Shear: Introduced the four aspects of the geopolitical competition between China and the United States. 1) Fighting hegemony with hegemony 2) Overlapping Chinese and American lines of defense in the Western Pacific. 3) The struggle over allies and partners between the Chinese and the United States. 4) The maneuvering for position by small and medium powers within this overall geopolitical conflict. One of America's traditional grand strategies has been to prevent the emergence of a hegemon on either side of the Eurasian continent.

Touched on whether the U.S. should withdraw into insularism, or fight hegemony with hegemony—the struggle for allies and partners after the Obama Asia-Pacific rebalancing. Touched on the importance of medium states in international affairs. America’s failure to maintain American hegemony has led to China taking advantage of this hegemony. There are two lines of defense for China. One is close to the Chinese coast, the other is further away. The Chinese have sought to diminish American alliances. “You can buy Laos but you can only rent Cambodia.” The U.S. can’t rely on the Philippines as a partner. Discussed the ARIA and BUILD acts and the reapportionment of Asian military financing. [There is a need] for the great powers not to get bent. Countries are networking with like-minded potential partners. Japan has been taking the lead where the U.S. has declined to do so. The US has a long way to go before it’s an effective partner in infrastructure finance. The BUILD Act is a good first step. What will the region look like under US-China increased competition?

China will continue to extend its influence over Southeast Asia. Southeast Asian currencies are now moving in tandem with the yuan. Known as “stealth signeurage.” There is a need to ensure ASEAN survives. Tensions between militaries will increase on the water and in the air. It is up to Japan and US partners to negotiate the rules with the Chinese. Steve Bannon has created a new version of the Committee on the Present Danger.

Hal Brands, Henry A. Kissinger Distinguished Professor of Global Affairs at the Johns Hopkins School of Advanced International Studies (SAIS). Former Special Assistant to the Secretary of Defense for Strategic Planning

Kent Calder: Introduced Hal Brands—his distinguished academic career and his latest book *The Lessons of Tragedy*, the ideas that a sense of historical understanding will allow nations to have a more sophisticated foreign policy.

Hal Brands: Introduced his nine points relating to the geopolitical risks, four key features of the post-cold war era and five dominant shifts that are driving the global politics and global risk today.

The post-Cold War world in his view was defined by four key phenomena.

- 1) Uncontested U.S. and Western primacy.
- 2) The 1990s democracy and free markets were spreading worldwide like never before and there was just no credible global competitor like the capitalist model.
- 3) The remarkable great power comity of the post-cold war era. The end of the cold war didn't see a fragmenting of America's alliances, it didn't see a resurgence of German divisionism, Germany and Japan, these countries had been closely tied to the United States. Discussed that great power rivalry hasn't gone away, it's just muted.
- 4) Multilateral cooperation relating to issues. The structure of international politics was uniquely conducive to U.S. and allied interests after the cold war.

Discussed change to multilateral cooperation in five ways.

- 1) The erosion of U.S. and western primacy.
- 2) The return of great power revisionism and rivalry. Discussed China's strategies for doing this through a range of military, economic, diplomatic, and informational tools in the western Pacific and beyond. Discussed Russia reasserting its lost influence.
- 3) Global ideological competition has returned. The spread of democracy has stalled for a number of years now. The number of electoral democracies in the world basically has stagnated, perhaps even contracted a bit since around 2005. And in every year since 2006 more countries have experienced declines in freedom than increases.
- 4) General intensification of global disorder.

Discussed the geopolitical conflict between the US and Russia in regards to Syria.

- 5) Growing uncertainty about the willpower of the chief defenders of the post-World War Two system.

Discussed that the crisis has deeper origins than many people often realize.

“There was always going to be a certain ennui with American globalism after the cold war, just because the threat that originally catalyzed that global agenda, the Soviet Union, has vanished. And that ennui temporarily retreated after 9/11 but it returned with a vengeance after the wars in Iraq and Afghanistan.”

The supporters of the existing international order today have a pretty credible defense of that order if they can get their act together. Stated that the question is whether they will find the cohesion and resolve to do so.

Kent Calder: Introduced questions for the implications of new technology for this new order? The implications of data localization and emerging technologies for making global risks even more severe than they have in the past.

Q) What kind of global government framework should we have? What should we discuss in this new global framework, will it be security focused, etc.

A) Hal Brands- Discussed the declining role of the G20, when it was created at a time when the major world economies were converging towards each other economically but politically overtime as well. Discussed that in a best case scenario in the coming decades would be to strengthen cooperation in what would have been called “the free world” during the cold war. Discussed countries supporting the status quo of what was broadly aligned in the Liberal International order. The worst case scenario is a decline of cooperation which would see greater fragmentation to face the challenges the system is now facing.

Q) Dr. Calder to Hal Brands- Does that mean the G7 is going to have more of a role in the future.

A) Hal Brands- Responded in the affirmative, you’re looking for reforms characterized by democracies looking for a liberal international order.

- Q) Stanley- Referencing the 2017 National Security Strategy, during the Vietnam War there was a slogan “What if they gave a war, and nobody came?” Asked about failing U.S. military recruitment objectives in light of frequent deployments. Asked about American willingness to join the armed forces without a draft?
- A) David Shear—Agreed with those points, and discussed civil-military relations. Called for diplomatic and economic competition with other great powers to take the same importance as military might. Hoped the U.S. government would recognize recruitment weaknesses while also placing a greater reliance on diplomacy.

<Speakers on Japan Side>

Yoriko Kawaguchi, Visiting Professor, Musashino University, Distinguished Fellow, the Tokyo Foundation for Policy Research; and former Minister for Foreign Affairs, Japan

Introduction by Kent Calder—former foreign minister and environment minister, distinguished career with METI, played an important role in climate change negotiations. M.Phil from Yale and has a deep sense of international affairs.

Yoriko Kawaguchi: Discussed increase of risks into the future and ways to deal with risk. Stated that the core issue in risk reduction would be the easing of U.S.-China tensions. “The inability of the international community to create a new governance structure will have implications for future instability.” Discussed U.S.-China trade statistics—China has to reduce their prices to compete, thus is affected more. Discussed Implications—will China concur to WTO rules? Brought up the point that the US has not called other countries’ cooperation. In the meantime, the DPRK came to the table because sanctions worked. It worked when China and Russia agreed. The U.S. is losing its ability to control events in other parts of the world. International as well as Chinese businesses will shift to other countries and regional industrial structure will change. Stated that she doesn’t see a quick solution to the U.S.-China tension and doesn’t expect use of

force. The trade war has to do more with micro-economic policy and economic reform; tariffs are only a part of solution. Also, two countries' political philosophies and implementation style may differ. The ultimate goal is that the international community doesn't have one country imposing their rules, "this is what we need to achieve."

How would they get out of this situation? Discussed the longtime frame, when the world becomes multi-polar, not bi-polar. Kawaguchi-san presented forecasts of the OECD report on long run scenarios for the economy. India's growth has overtaken China. U.S. economic growth will catch up and go beyond economic growth. Indonesia and other countries will be geared for this multipolar world. One big issue: Even though India and China will have a greater GDP than present developed countries, their per capita income will still be lower. Discussed the levels of wealth needed to maintain international governance systems. Redistribution policies and fostering of human capital will be important. Democratic countries need to cooperate to put our houses in order and to increase development assistance

Panel II: Domestic Transformations

Moderator: Naoyuki Haraoka, Executive Managing Director, JEF

This session considered first the technological changes implicit in the Fourth Industrial Revolution, such as IoT, AI, and Big Data, together with an assessment of their political-economic implications. Particular emphasis would be placed on the employment and income implications of these technical changes, especially the intensification of unemployment and income inequality that they imply, as well as the populist backlash. The political and economic policy consequences of that backlash were also considered, including implications for the impending 2020 Presidential elections in the United States.

<Speakers on the U.S. Side>

Yascha Mounk, SAIS/Johns Hopkins University; Formerly Lecturer on Government, Harvard University; and Commentator, the Wall Street Journal

Naoyuki Haraoka: Introduced Yascha Mounk along with his books *Strangers in My Own Country: A Jewish Family in Modern Germany* and *the People vs. Democracy: Why Our Freedom is in Danger and How to Save it*.

Yascha Mounk: Discussed the growth of populism in the United States and in its domestic institutions. Three of the biggest democracies in the world—Brazil, India just having elections right now, and the United States are ruled by authoritarian populists.

Discussed the long-term causes of populism. 1) The stagnation of living standards for ordinary citizens in developed democracies. 2) Rapid cultural and demographic transformations in those countries. 3) The perceived decline of status by certain segments of the population and their struggle to maintain their status. 4) The rise of digital technology—which makes it much harder for gatekeepers to keep control of the system. 5) Dissatisfaction by some with their government's ability to develop, where they are afraid of the transformations going on, feeling like they have less of a place in their country's future.

Introduced the second point—a crisis of the America led alliance, and a crisis of predictability within the international system. Discussed the rise populist forces, whether in Europe or in Asia, having ties with either Russia or China.

Discussed rising populist forces in Europe indifference to the United States and Russia and China on the other side. Many actively prefer Russia latter for two reasons. A) because they emulate and aspire to their strongman leader systems and B) in the case of Russia particularly, they actually admire the monoethnic nature of that society and are deeply opposed to the multiethnic nature of American democracy.

Two closing points: 1) It is interesting that Japan has not so far seen the rise of populism in the way that other countries have. One reason is that despite the economic stagnation the economic ascent is still within living memory, Japanese people are still better off than their grandparents were.

Discussed the choice Japan makes with immigration, whether it will choose between abandoning its status as a monoethnic society or facing economic stagnation.

Discussed rising populism. Populism endangers domestic politics. Viewed as an insurgency. Brazil, India, and the U.S. are ruled by authoritarian populists. People who set out to emulate Donald Trump in EU parliamentary elections. The causes of populism: rapid demographic changes, economic stagnation, and the rise of digital technology. The consequences: The age of ideological dominance of democracy is waning. The GDP of autocratic regimes rival the GDPs of democracy for the first time since the 19th century. There is a crisis of the American alliance and a crisis of predictability. Countries are cozying up to Russia or China. Populists admire the monoethnic nature of Russia. Nobody knows which countries will contain Russia or China. It is interesting that Japan has not so far seen the rise in populism. The Japanese ascent is still in living memory. Immigration: if Japan is monoethnic there will be challenges of demographic decline. They face the choice of economic stagnation vs. immigration. There has been the “populistification” of mainstream parties.

Daniel Bob, Senior Fellow, Reischauer Center, SAIS; and former Legislative Assistant to Senator William Roth, Chairman, US Senate Finance Committee

Daniel Bob: Discussed the 4th industrial revolution and the technological impact on politics. According to Bain & Company Report, tech will displace workers 2x faster than the industrial revolution. Those hit hardest will be the low skilled workers. Increasing business income will go to profits rather than wages. Discussed economic inequality in this country. Of 36 OECD countries only Mexico, Chile, and Turkey have greater income inequality than the U.S. The percent of adults looking for work is the lowest in 30 years. Absence of work generates despair. Half of unemployed in the U.S. take pain medication. Trump’s coal mining jobs promise won’t happen due to technological change. MAGA is a response to changes in the U.S. Cities have become the antithesis of other parts of the country. The 2020 election will be won or lost in the industrial Midwest—assuaging economic insecurity. Andrew Yang has encompassed the 4th

industrial revolution vote. “We need to wake up to the fact that it is not immigrants, but technological change causing job and economic uncertainty for workers.”

Discussed Joe Biden’s campaign promises focusing on rebuilding the American middle class—guaranteeing education and training for all Americans. Discussed Bernie Sanders questioning the tenets of capitalism. Elizabeth Warren is focusing on recreating the middle class. Pete Buttigieg supports a wealth tax. Worked with Drucker Institute to address income inequality. The economic insecurities of Americans has called for greater equality of opportunity. Trump blames immigrants and stokes racial divisions in the U.S. The negative economic impacts of the 4th industrial revolution can be mitigated. Social change won’t end and the backlash won’t abate. Immigration will continue due to climate change. According to the OECD, there will be 140 million people climate change refugees by 2040. The economic impacts can be mitigated by policy.

<Speaker on Japan Side>

Naoyuki Yoshino, Dean, Asian Development Bank Institute; and Professor Emeritus, Keio University

Naoyuki Yoshino: Thanked those in attendance—noted his Johns Hopkins connection through him being an alumnus of Johns Hopkins University.

Introduced two points he would discuss. Japan’s economy, specifically focusing on why Japan has been stagnant. And Chinese influence in many Asian countries from the financial side. Many outsiders from Japan said “Japan’s monetary policy is not enough. That’s why Japan has stagnated for so many years.” And this is after Mr. Kuroda came into power. Discussed the monetary base suddenly increasing and Mr. Kuroda’s actions with increasing the money supply. The Japanese money supply now is the same size as Japanese GDP. No other country has done this kind of huge increase in the money supply except during wartime. So that is what is happening in Japan. But Japan has not recovered. It is not because of monetary policy, it is because of demographics.

And then Mr. Kuroda wanted to introduce negative interest. ** Showed chart displaying the central markets purchasing large amounts of government bonds.** The purchasing of government bonds has softened the debt situation and that will allow the politicians to continue printing money and issuing government bonds.

Discussed Chinese financial influence in Asia and Japanese economic stagnation. Japanese monetary supply (=Base money) is about the same amount of GDP. Aging population in the economy. When the population is young, the multiplier effect is larger. Solution should make people as long as possible rather than retiring at the age of 60 or 65 by introducing productivity based wage rate rather than seniority wage rate. Extremely speaking if most of the people can work as long as possible, pension expenditures and social welfare expenses will drastically decline which reduces budget deficits of Japan significantly. If current retirement age remains, the tax burden of working generation will keep on rising as population is expected to be much older. Young generations cannot consume much since their disposal income falls. China is exceeding Japanese trade relations in many Asian countries. Increased regional and global integration creates a co-movement of Asian exchange rate with Chinese RMB. Yoshino-san then discussed how the BRI will create economic spillovers for the region and the role of Chinese exchange rate policy. China would better to open its capital flows and make its exchange rate gradually based on market conditions. Otherwise, many Chinese have to put their money only in Chinese market which may increase property values by making over heated investment in housing and real estate market.

Q) Kent Calder: Yascha Mounk was stressing that Japan is an anomaly, Japan is an unusual case that populism hasn't risen in the way that is more or less everywhere else in the industrialized world. So the question is what is impact of the economic forces in the transformation of Japan and so on. Is this going to stimulate an emergence of populism in Japan or because of the aging phenomenon, or is Japan going to be immune from populism in the future?

For Yascha Mounk—Is Japan an anomaly where populism hasn't risen?

A) Yascha Mounk— I would like to first see an answer from someone who knows Japan better than I do.

Daniel Bob: Well I think the immigration aspect of this is pretty important so it may be evident simply that immigration is a more important factor in driving some of these trends towards authoritarianism and Japan has extremely low levels of immigration and that's not going to change. So perhaps its one of the things is immigration, technological change is also a driver in this trend towards authoritarianism and populism.

Naoyuki Yoshino: Immigration will not solve the aging crisis. If immigration is opened, many of the immigrants will be coming from China. Japanese language is not easy to understand since Japan uses Chinese character. It would be better to utilize elderly people by using robots and other technological equipment. Elderly people if they do not work will rely on pensions and social welfares which will keep on creating budget deficits. Working population has to support elderly people by paying higher tax if they retire as early as we are now. Immigrant workers will oppose to pay high tax to support retired Japanese and political instability may be created. Finding the way for old people could work as long as possible would be the solution to tackle with aging population of Japan.

Yascha Mounk: I'd like to think out loud for a moment to make a response to a couple of those points. In the United States and in Britain to some extent we're used to the idea that it is older voters who tend to vote for these populist parties. That's not true everywhere, it's less true in Italy and Germany and some of those places, but it still tends to be the case in many countries. So I guess one question is, why is it that older voters in the United States--who have reason to be risk averse, just as older people in Japan do—are not flocking to forms of populist politics. And I think part of the reason is that its easier to flock to a form of populist politics when the vehicle for it is a traditional political party. And so for that reason and other structural reasons about the Japanese political system, perhaps we're less likely to see the rise of far-right political parties, but we may

see the politics of resentment on behalf of older people start to take over the Democratic Party.

Now I don't know what form that resentment would take. I do think that immigration is one of the things that drives resentment among older white voters in the United States for example. But you can certainly see alternatives to it, so in a country like Brazil, which doesn't have strong immigration, it is broader social and cultural changes that drive a lot of voters to vote for somebody like Bolsonaro.

And certainly I think there does seem to be from a distance a pretty significant generational divide on cultural issues like gay rights or broader social questions. And I wonder whether the younger generation is really trying to change Japan in those ways, older voters may feel resentful against that and you could have not so much immigration based but other cultural changes based reactionary politics against it.

Yoriko Kawaguchi: Discussed the implications and factors of the Imperial family to the political movements in Japan cited by Yascha Mounk.

Yascha Mounk: Discussed demand side vs supply side of populism. Economic stagnation deprives political parties of trust. It is now easier to start new organizations—it's easy to put up organizations in a much faster way. This has driven the rise of populism. We're in a situation where we don't understand what's happening. Trump's election means that more populists will try. There are certain supply side obstacles that have been removed from populist groupings. There is a vacuum in the Democratic Party. The ruling party in Japan has a very wide specter. Japan was the pioneer in laptop computers, but was the last to use it.

Daniel Bob: Discussed Steve Bannon's trip to Japan, where Bannon lauded Abe as the "first" populist. Discussed how economic stance was the basis of party affiliation before. "Now it's based on cultural factors."

Kent Calder: Discussed the undertone of populism in Japanese politics in response to communism and the appeals against entrenched interests.

Stanley Kober: Discussed the impacts of Identity relating to cultural experience is a part of populism, the issue of identity relating to the historical experience e.g. Germany's culture of sorrow.

Yascha Mounk: There is a divide in the U.S. where there is an atonement of slavery or a "that's history" mentality versus identifying the issues as still being alive. Japan never engaged in memory politics after the war.

Session 2: Toward Stronger, Rule-Based Globalization

This session, building on the findings of the previous panel, focused on prospects for constructing a rule-based system for ordering world economic affairs, which is at the same time sensitive to emerging political-economic realities in key nations, including the United States and Japan. Special attention would be given to how intellectual property could be protected, and to how the US-Japan-China relationship could be stabilized.

Moderator: Joshua White, Associate Professor, SAIS/Johns Hopkins University; and former Director for South Asian Affairs, US National Security Council

Introduced the discussion as prospects for a rules-based order for economic affairs. Labeled topics as Trump's disruption of the global order its connection to new U.S. national security strategy and the bureaucratic power centers within the U.S. government in shaping broader U.S. policy towards key countries and the growth of USTR. Asked for a discussion of the impact that Trump had had on the global trade order and why.

Discussed the implications of New Zealand's "Christchurch Call" on eliminating violent content from the internet as well as the EU's WTO cross-border commerce proposal. Asked for discussion on the pressures for global regulation and intellectual property—relating to the special 301 report and its relation to China and India. Introduced the role of large players in the market and the

implications of data localization, and how China and India will decide to respond to these issues.

Cited the more than 2,000 complaints put forward relating to pressure for global regulation, and their enforcement actions. Related to a comment made by Hal Brands questioning the role of new global regulatory regimes if they represent new kinds of alliances or partnerships of likeminded countries and players. Asked for clarification of Japan's unique role and influence in relation to wider trade and regulatory partnership.

<Speakers on US Side >

Jacob M. Schlesinger, Senior correspondent in the Wall Street Journal Washington Bureau, covering trade and globalization

Kenneth I. Levinson, Executive Director, Washington International Trade Association

<Speaker on Japan Side >

Soichiro Sakuma, Senior Advisor to CEO, Nippon Steel Corporation

Joshua White: Discussed Trump's disruption of the global order and the connection to bureaucracy. The voices that used to shape policy are sidelined and USTR is given a greater voice. Cited California's consumer policy act. Discussed methods towards a stronger rules-based globalization-cited New Zealand's clarion call for regulating online violent content—New Zealand as an internet agenda setter. Discussed the increased pressure for global regulation. Cited the Special 301 Report that identifies trade barriers to United States companies and Japan's unique role in the global system.

Kenneth Levinson: Cited the 1990 Trump interview with Playboy magazine where he stated that he wanted to tariff Japanese cars. Discussed new bilateralism and limiting uncompetitive practices. Noted that Bob Lighthizer is from Ohio, like President Taft, who opposed binding agreements by the U.S. Discussed the prospect of bringing the WTO back to its original function or

negotiating agreements. Drug pricing has been wrapped into the issue of intellectual property. The WTO needs to address issues with a plurality. The fight over IP and forced technology transfer is at the heart of the deal between the U.S. and China. 30 companies hated the tariffs, but now that we have gone down this road, we cannot lose.

Sochiro Sakuma: Discussed the regulatory vacuum that has been created. 22% of the top global companies are state owned enterprises. State owned enterprises are enjoying the double standard of competition law. Noted the absence of a single day of democracy in China's 4,000 year history. Discussed how the U.S.-Japan-China relationship is developed in favor of the rules based system.

Jacob M. Schlesinger: Cited Keith Bradsher NYT articles. Discussed trade barriers as a threat to the World Trade Organization. Discussed Mexican and Canadian steel tariffs. Discussed Korea's export quotas on steel. Discussed Canada and Mexico preventing transshipments from Mexico and China. Some provisions aimed at reducing the bilateral auto trade deficit are on the table. Discussed Canadian and Mexican export quotas for their cars. The Trump administration is not geared to a rules based globalization. "Careful about recognized multilateralism for multilateralism's sake. Gary Cohn, head of the National Economic Council challenged the president. Discussed challenges to the WTO—the WTO legal system has an appellate legal system that acts as the full-time body. You won't be able to have any rulings at the higher level. The motto of Geneva is "after darkness, light." You haven't had updated rules of global trade since 1995. The TPP was to have high standards for digital trade rules. The CPTPP concerning data flows does not exist under MCA.

Sochiro Sakuma: Discussed the long history of loss of technology to China and the open and close strategy to make it impossible to use technology. "Protecting know-how doesn't appear on the WTO application." Discussed how because SOE's are controlled by the state, suing the SOEs means suing the Chinese government.

Kenneth Levinson: Quoted Alan Wolfe "Do things have to get worse before it gets better?" Bob Lighthizer has his own private channel with Alan Wolfe.

Institutional money shifted from fostering the multilateral trading system to focus on health and environmental issues after the Cold War. US MCA- the new NAFTA-interestingly the labor unions have not come out against the new NAFTA. If there were wage agreements under the TPP. The TPP was all about China. The main purpose was to get a coalition of the willing and create standards that China had to aspire to in order to join.

Jacob Schlesinger: Cited Simon Evenett from University of St. Gallen's global trade alert. The settlement portion of the WTO's relevance to the global economy shrunk. Discussed the WTO's slower role in daily commerce. The WTO ending with a whimper and not a bang. Discussed that trade is not on the democrat's agenda.

Joshua White: Q) Why are Chinese companies doing well?

Soichiro Sakuma: A) They're ranking is due to production volume, not profitability. Discussed the low profitability of state owned enterprises.

Kenneth Levinson—Discussed how one would account for inefficiencies of state-owned enterprises, not competitive enterprises.

Jacob Schlesinger: From day one Trump said China was a currency manipulator. Desperately propping the RMB up, tremendous capital outflows which could destroy their financial system. Southern democrats were the key supporters of free trade.

Daniel Bob: Q) Are we reaching an inflection point on the party's views on trade.

Jacob Schlesinger: A) Polling has been blown up by Trump and that distorts polling. Democrats will have to figure out new base or old base. Cited Douglas Irwin's "Clashing over Commerce." Democratic alignment with labor is a Washington, D.C. incentive. Labor unions in D.C. give money to candidates. Trump knows Japan is dependent on the U.S.

Kenneth Levinson: Discussed the Trump administration's faults in understanding the strategic importance of Korea.

Joshua White: Discussed failure of American public understanding of the international order.

Kenneth Levinson: In the Post-war era it was understood that trade was important. Abe is the leader of free trade.

Kent Calder: Lack of strong U.S. support of US multilateral systems is starting to erode. Cited Henry Kissinger's "absolute insecurity for one country means absolute insecurity for everyone else." Discussed the relationship of Europe and China.

Kenneth Levinson: James Lewis testified at the Senate judiciary committee about Huawei. The Germans have been looking for a 3rd way around to get to the Chinese. Brexiters want to leave the EU so they can negotiate their own trade agreements.

Joshua White: Q) What happens if the business cycle changes?

Jacob Schlesinger: A) No recession now, but a bad trade war could trigger one. Cited a Trump tweet from early May that if the fed wasn't changing rates we could take on the trade war better. Trade did not seem like a big issue in the last elections.

Kenneth Levinson: Wouldn't bet against it right now.

Daniel Bob: Q) Does Trump want the trade war?

Jacob Schlesinger: A) Discussed the Trump Administration's faults in charting a path forward and outlining its aims and goals. Discussed outside voices influencing the

Appendix: The full texts of Opening remarks

Kazumasa Kusaka, Chairman and CEO, Japan Economic Foundation (JEF)

Thank you very much for the introduction. This is Kazumasa Kusaka, Chairman of the Japan Economic Foundation. I would like to extend my sincere welcome to Dr. Kent Calder who has helped realize co-hosting this Forum, to Mrs. Yoriko Kawaguchi, and to all of the speakers and the participants in this room, for taking part in this Forum.

We at the Japan Economic Foundation, JEF, have been convening dialogue amongst the experts in Europe, Asia, and the US since the 1980s, to discuss common challenges and their solutions and the successes and lessons learned, focusing on economic issues and their surrounding political and social environment. This Forum, co-hosted by the team at SAIS led by Dr. Calder, convened the last time in September 2014. Back in 2014, we discussed what Japan and US can each do, and what Japan-US cooperation can achieve on broad range of challenges such as global economic growth, energy, security, trade, and free trade agreements.

Since then in the past five years, JEF has deepened our interest in global risks through such efforts as study groups amongst industry, government and academia. The key concept then, was to get out of the silos segmented by academic disciplines, look at the whole picture, and take a holistic approach. Can sound judgements be made in the business world with private business persons not having literacy on geo-political risks, or in the security world with security experts not understanding economics? The purpose was to try to understand the entire situation. We have also tried this approach at hosting a symposium with the Chatham House, who resonated with it.

Question number 1 is, “What kind of a world do we live in?” what do the so-called facts and alternative facts imply? To grasp the structure of the risk and give it an interpretation, is an intellectual martial art.

In August 1990, John Mearsheimer pointed out that as we revert back to Hobbes’s war of all against all, we will begin to miss the order of the Cold War

era. After having observed the various religious, ethnic and geo-political conflicts that have occurred in the 30 years since then, we seem to be revisiting a new rivalry against emerging powers. At the front of the Cold War, back in the days, was national security. This time, many areas such as economics, technology and cyber space, and relevant players are involved. The business world cannot just consider this as somebody else's business, and must realize that not only are they collateral damage but that they are also becoming the central figure. As we think about high-tech, cyber and finance, these weapons for battle are things that government or military do not monopolize, and belong to the private sector, moreover, to the numerous players in the private sector.

This emerging rivalry will create a world of "cooperation and competition" by involving businesses that take actions in market economies. In order for the world to continue its sustainable economic growth, the world needs to prepare for a space where capital, which tends to be careful and fearful, is able to conduct optimal investment. In other words, order and rule needs to be prepared and put in place. Conflicts cannot be avoided, but in order to manage and contain conflicts, rules on how to conflict is necessary. On the perspective of restricting private economic activities, the primary regulation was limited to COCOM during the Cold War since the Soviet Union was economically a small country back then. The dichotomy that conflict professionals such as military intelligence and the private amateurs live in two separate worlds and do not interfere with one another, may have become something of the past.

Question number 2 is "What 'better globalization' do we want to achieve, and what new international economic order and global governance do we aim to create?"

On the back of this question is the serious division of society and instability of domestic politics brought on by the rise of populism and anti-globalization stemming from the accelerated expansion in income disparities, which is also affected by the impact on employment from progressive Fourth Industrial Revolution and digital revolution. As a result of populism and anti-globalization being closely tied together, domestic political decision-making and stable

international relations have become difficult to come together. This has resulted in weakening of global governance in the US and in Europe. On the one hand market economy countries lost their attractiveness as a success model, which had been highly hailed previously. Accordingly, in those countries leaders who were democratically elected have weakened their political power. But, on the other hand China, state capital country, gained the power to challenge the number one position in the world while pursuing its “Chinese Dream”.

All of you who have gathered here today are working to understand the languages of both economics and security, have watched domestic and global issues with a bird’s-eye view, and have communicated to society with holistic approaches. In the past limited number of establishments influenced decision-making process through both domestic and global communications, but now the rise of SNS and populism trend have broadened actors in this process. Against this background, the question now is how can we, graduate schools, such as SAIS, and think tanks make difference in producing the better world.

With awareness in these issues and challenges, I look forward to the discussions with you all. I end my opening remarks by wishing that all of the participants can contribute to such a process, and hope that the discussions will be very meaningful.

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