

John Podesta
“U.S. Rebalance to Asia: Japan as the Key Partner”
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Konnichiwa. Good afternoon. It's a great privilege to have the opportunity to be with you. Before I begin, I'd like to thank the Sasakawa Peace Foundation for inviting me to speak to you, and for your work to strengthen the relationship and understanding between our two countries. I admire the Foundation's mission to seek creative ways for nations and citizens to foster greater prosperity around the world and I am honored to be a small part of that greater conversation. I'd also like to thank my good friend Glen Fukushima for helping make this forum possible. I know how much work goes into these events, and I appreciate the opportunity to join you all here.

It is always a great pleasure to return to Tokyo. I am accompanied on this visit by my wife Mary, who spent many years representing the U.S. mutual fund industry internationally and always reported on returning from her trips to Japan how lovely your country is in the spring when cherry blossoms are in bloom.

Before this trip, I had made the mistake of only visiting Tokyo in December, so I was only able to experience the beauty of this city in the springtime vicariously through the cherry blossoms on the Potomac. The story, I think, is

familiar: On March 27, 1912 – a hundred years ago last month – your city gave my city a tremendous gift of 3,000 cherry blossom trees. This year, Washington is celebrating the centennial of that gift with a five week festival. The city is advertising the festival by saying that it will “electrify the city, the nation, and the world.” More than a million people were expected to come to Washington to participate in the festival this year. Every single one of those people will have the opportunity to take part in art exhibits, concerts, and lectures that make the case for why the relationship between the United States and Japan remains so important. And those trees, as your ambassador to Washington Ichiro Fujisaki recently wrote in *The Washington Post*, remain a living testament to the friendship between our peoples.

When I last visited Tokyo, it was in the wake of President Obama’s inaugural trip to Japan more than two years ago. That it was his first stop on his first visit to Asia as president was no coincidence. He came to Asia to announce a new era of U.S. engagement with the world and in the Asia Pacific, that era would be rooted in no small measure by the alliance between the United States and Japan that we celebrate with cherry blossoms today.

Less than two months after the president returned to the United States, our countries marked the 50th anniversary of that alliance. Together, we remembered that the friendship between our two countries was built, in the words of President Dwight Eisenhower, on a foundation of “equality and mutual understanding”—and we honored the fifty years of security and prosperity that our “indestructible partnership” made possible.

In Tokyo President Obama reaffirmed that partnership by echoing President Eisenhower’s words. But he also called for deepening the relationship between the United States and Japan in a way that acknowledged that, just as our two nations have changed over the past 50 years, so too should our friendship evolve. So on his first visit to Japan, the president laid the groundwork for renewing and revitalizing that friendship, to strengthen our alliance, and ensure our ability to work together to meet the challenges of a 21st century world.

The 21st century is the Asia Pacific Century. President Obama and his administration have acknowledged this reality through the changes they’ve made to U.S. foreign policy over the past three years. They’ve indicated that America’s future in the world will increasingly be defined by our role as a Pacific nation, in partnership with allies and friends such as Japan. So today I will talk about the Pacific Century, and the future of the U.S.-Japan alliance in that context. And I

will focus my remarks around three major areas—regional security, economic security, and energy security—where I see the greatest opportunities for cooperation between our two countries going forward.

In recent months President Obama has made clear that the U.S. sees its future in Asia. That is why President Obama hosted Asian nations in Hawaii to sign trade deals at the APEC summit last November; why he traveled to Bali to attend the East Asia summit, the first U.S. president ever to do so; and why he delivered a major speech in Australia, announcing that, “in the Asia Pacific in the 21st century, the United States of America is all in”—and will play a “larger and longer-term” role in the region going forward. In short under this administration’s leadership, the U.S. is refocusing its foreign policy toward the Pacific—a rebalancing that, in my view, is warranted and welcome.

Now let me be clear: as America’s oldest ally in the region, Japan will be central to that effort. Indeed, President Obama called our treaty alliance and the partnership between our two countries the “cornerstone of regional security” in his remarks in Australia. Secretary Clinton echoed the president, arguing that our shared values, ongoing security efforts, and strong economic ties bring the promise of America’s

Pacific Century to life.

This is increasingly understood, on both sides of the Pacific. To be sure, there are outstanding issues that need resolution. But in the U.S., we no longer hear talk in the halls of Congress that the U.S.-Japan alliance can be taken for granted. In Japan no longer is there serious discussion of rebalancing your foreign policy away from the United States. Both our countries recognize that we can count on each other for leadership and support in East Asia and globally. And in my view our alliance will play an even stronger role in the region as a result.

For proof of the strength and enduring commitment of our alliance, look no further than our response to the tragic disaster Japan suffered on 3/11. Americans were grateful to stand in support with the Japanese people, to respond to the tsunami and the humanitarian disaster, and to lend a hand to the remarkable recovery that followed. Thousands of American families chipped in with donations to supplement the millions of dollars in assistance provided by the U.S. Agency for International Development. American corporations donated another \$300 million for relief and recovery efforts as well. And because of the United States' longstanding security relationship with Japan, our response was immediate and unique: U.S. Marines were first on the scene, and within just three days, 50,000

U.S. military personnel had arrived to help, amounting to the single largest bilateral military operation the U.S. has ever held with Japan.

Too few Americans probably realize that the name for that operation, Tomodachi, is Japanese for “friend,” but Americans were deeply impressed by how rapidly and effectively our two nations worked together in the face of such tremendous challenge. And we continue to be impressed by the extraordinary resilience Japan has shown, and how bravely the people of Japan have responded, committing to build an even stronger Japan in the future.

The United States is determined to remain a part of that effort. For though the events on 3/11 were incredibly tragic, there is little doubt that the ties between our two countries emerged from the crisis stronger than ever—and with a renewed determination in both the U.S. and Japan to work together to meet shared goals.

Now, the U.S. and Japan both face tremendous domestic, and in many ways parallel, challenges, from protecting the sustainability of social security, to reforming our tax codes, to consolidating our national finances, stabilizing and then reducing our national debt, to working to advance our competitiveness in an increasingly globalized world. In each of our countries the path forward will largely be decided this year, either by the success of Prime Minister Noda's proposals, or by the outcome of the presidential election in the United States in November, which will present sharp and contrasting views of the two parties on these issues. But regardless of what happens at home, opportunities to strengthen the cooperation between our two countries will remain. And it is critical that the United States and Japan continue to take advantage of them going forward.

In the security sphere, the United States and Japan face immediate challenges that can only be addressed through cooperation and mutual support. Of course, the U.S.-Japan alliance has allowed for peace and security in the Asia Pacific for the past fifty years, in no small part due to the influence Japan's history of strong economic growth and democracy confers. The United States appreciates Japan's role in international affairs tremendously. But there are several areas of immediate concern where the U.S.-Japan alliance can go a long way toward ensuring a stable balance of power going forward.

The most pressing is North Korea, and today's failed test of a 130 foot missile which, if perfected, could deliver a warhead more than 6,000 miles. Today's launch demonstrates complete disregard for regional security, and for international law. North Korea's actions threaten the safety of its neighbors; will result in the further isolation of the backwards regime in Pyongyang that disregards its diplomatic obligations, including its responsibility to account for Japanese abductees; and completely and utterly fails the needs of its people to provide the basics of life including food and medicine.

What was supposed to be a grand tribute to the regime of Kim Il Sung failed in the first minutes of flight, with a catastrophic system failure of the rocket's boost phase. The U.N. Security Council is likely to meet in the next few days to censure the DPRK for this action and to probably tighten sanctions. And once again Pyongyang has closed the door on an opportunity to take a step to join civilized nations in stopping the spread of weapons of mass destruction.

The U.S. is enormously grateful for the leadership Japan has demonstrated, in partnership with the United States and South Korea, to show that North Korea's nuclear ambitions put the country completely out of step with the rest of Asia and the Pacific. And the United States will continue to stand shoulder-to-shoulder with Japan to argue that North Korea's posturing limits the prospects of future

negotiations, and leaves North Korea even more isolated within the global community.

I also want to recognize Japan's leadership in the rest of Asia, and Japan's commitment to a stable Afghanistan in particular. Thanks to a financial commitment made in 2009, Japan is providing a significant share of the salaries for Afghanistan's new security forces, as well as infrastructure funds and vocational training programs for former Taliban fighters. These initiatives have made Japan the second largest donor to Afghanistan after the United States, and have bolstered Afghanistan's reconstruction efforts substantially. Ensuring a sustainable transition of power, however, will require the continued engagement of both our countries, both to provide for an effective security transition and, just as important, to forge a legitimate Afghan state.

Yet even as we work together to address these ongoing challenges, we also must adapt our security strategy to account for emerging nations that are playing an increasingly larger role in global affairs. This is true not only when it comes to security, but also in the economic sphere, where these rising nations are driving much of the world's economic growth.

The United States strongly believes that the rise of one country need not come at the expense of another, and that power does not need to be a zero-sum

game. This is particularly relevant to China. The United States welcomes China's efforts to play a larger role on the world stage, in proportion to the country's size and growing economic influence. And the U.S. will continue to engage China, to build a pragmatic, cooperative relationship between our two countries that helps each of our nations meet the challenges of a 21st century world.

Over the past three years China has proved critical to jumpstarting the global economic recovery, and the United States has worked closely with China to do so. That effort has made clear that China's economy is a driving force for global prosperity, and that the rise of a strong, prosperous China can be a source of strength to both our countries. Japan has built stronger economic ties with China as well, through mutual investment and trade, laying the groundwork for a more cooperative bilateral relationship. But China will have a greater, positive economic influence if it grows by following international norms and standards. And the U.S. and Japan must continue to work with China to make that kind of growth possible.

We have seen in recent years that, as the economic activity between our three countries increases, it can create trade frictions when the Chinese government and Chinese companies do not abide by global trade rules. This has been especially problematic in the industries affected by China's indigenous innovation policies and by policies regarding export of rare earth minerals. Many U.S. companies

believe that the Chinese government uses those policies to give Chinese companies an edge—a concern I know that some Japanese companies share. That strategy may benefit some Chinese companies in the short term, but over the long term it reduces innovation incentives in all three of our countries, while fostering distrust—not only in trade, but in other issue areas as well, such as cybersecurity. To keep our relationship growing in a positive direction, the Chinese government will have to do a better job abiding by global trade rules and providing a level playing field. And the United States and Japan should work together to address these trade issues and to promote business models based on trust and mutual respect.

To that end one of the biggest challenges we will face over the next few years is the challenge of strategic trust. In many ways the U.S. and Japan are still getting to know China, and that means misunderstandings are still possible. The Obama administration’s renewed focus on the Asia Pacific has generated suspicion among some that the U.S. is seeking to contain China’s rise. But it is important to remember that the United States is itself a Pacific country that has long supported China’s growth and development. Ultimately, the recent “rebalancing” of U.S. foreign policy aims to help our countries and the region work and grow together.

Elsewhere on the economic front, the greatest, and perhaps most controversial opportunity for closer collaboration between our two countries is the Trans-Pacific Partnership negotiations.

Japan announced plans to explore the possibility of joining the TPP negotiations at the APEC summit in November. When President Obama met Prime Minister Noda at the summit, he welcomed and encouraged Japan's interest in the Partnership—suggesting that the agreement offered an historic opportunity to deepen the economic relationship between our two countries, and to strengthen Japan's ties with some of its closest partners in the region.

Japan has since pursued consultations on joining the negotiations. There is no question that Japan's full participation in the Trans-Pacific Partnership is in the strong economic interest of the United States. U.S. trade with TPP economies covers just over five percent of total US trade, but with Japan, this almost doubles. In fact, as the third largest global economy, Japan's participation would make the agreement a far more dynamic and impactful one.

But for Japan, significant points of contention remain, especially around agriculture. As with any trade agreement, these industries have legitimate concerns about what the agreement will mean for them.

Yet even to these industries, the potential access to new markets for Japan could be worth the tradeoffs required to join it. Japanese companies like Toyota or Sony could benefit as other countries reduce barriers to imports. Certain food producers similarly could benefit, even as the agreement helps reduce food prices overall. Japanese consumers now face some of the highest food prices in the world. And in broader terms the trade agreement could help open Japan's economy to needed investment after years of slow economic growth, helping sectors beyond those affected directly by the accord.

That's why Prime Minister Noda continues to promote the Trans-Pacific Partnership despite considerable political risks within his own party. The Obama administration has also continued to push for conclusion of the agreement. They believe the Partnership will foster the kind of regional competition that will create stronger, more stable domestic economies in each of the partner nations. And the administration will continue to work with its Japanese counterparts on a path forward for the negotiations that is in the best interest of all parties involved.

Japan's interest in the Trans-Pacific Partnership reflects the continued evolution of economic relationships in the Asia Pacific. For decades, trade followed the matrix of security relationships left behind from the Cold War; but today, East Asia is increasingly open to investment, engagement, and partnership,

not only with the United States or China but with other countries around the region. This greater economic independence has made East Asia stronger and more competitive, while strengthening both our countries' ties to the region: together, the Association of Southeast Asian Nations is Japan's second largest trading partner, the United States' fourth largest export market, and the fifth largest trading partner to the U.S. overall.

To that end, both the U.S. and Japan have sought greater cooperation with ASEAN, and as of last year, both our countries are now a partner to the East Asia Summit. President Obama, for his part, has made clear that U.S. participation in the Summit is important to his administration, and that in order to deepen U.S. engagement in the Asia-Pacific, the U.S. will seek to play a more active role in regional institutions going forward. We are optimistic for what these collaborations can accomplish.

One area where regional institutions are already having a significant impact is in clean energy. At the APEC summit in November, for example, APEC leaders announced several significant initiatives aimed at "promoting green growth." The most significant is a commitment to remove major trade barriers to environmental goods and services by the end of 2015, by reducing tariff rates to 5 percent or less.

The move is a testament to the determination of APEC leaders, who brought China on board to the tariff reductions despite major reservations.

The United States and Japan should continue working through APEC and through other regional, economic partnerships to advance clean energy and climate goals. Together, the Asia Pacific economies already account for 60 percent of the world's energy demand and growing, and are net energy-importers overall. And the Asia Pacific is home to more than half the world's population, and 60 percent of the global economy, giving the region the weight and influence to become the dominant forum for tackling shared climate and energy solutions.

One specific proposal for using regional agreements to make progress on clean energy focuses on building out smart grid technology. As you saw when some of your plants went offline after the earthquake, Japan's grid faces major challenges already, and will face even greater challenges as you move toward the smarter system needed to bring massive quantities of renewable energy onto the grid. The United States also faces significant obstacles to developing and deploying grid technologies, as do other nations around the world.

Building smarter electric grids requires flexibility and innovation. And because many nations are just beginning this process, smart grid technologies and

best practices could be developed better and faster through collaborative efforts between many countries at once. The U.S. and Japan, with our shared technology leadership, are well suited to lead an international effort on smart grid development—and through APEC, they already have a forum in which to do it.

The United States and Japan should take the lead in strengthening the existing APEC Smart Grid Initiative by turning it into an open innovation framework, where it could serve as a permanent, interactive platform for collaboration on smart grid technologies among the member economies. Through the platform, countries would build off each other's innovations, speeding up the development of smart grid technologies. And all member economies could use the technology developed from these collaborations to build out their own smart grids at home—a particular boon to a country like Japan in light of last spring's disaster.

Even as the U.S. and Japan work through regional forums to make progress on clean energy, we must continue our leadership at the United Nations Framework Convention on Climate Change to move the international climate negotiations forward. Both our countries played a central role in the big re-set we had in the negotiations in Durban last December. There the international community agreed to start working on a new treaty, to be completed in 2015, which will tear down the wall between the obligations of developed and

developing countries that had become entrenched within the Kyoto Protocol. The new platform that we will build out of Durban aims to bring China and the United States, the world's largest emitters, into the agreement on equal terms.

But even as work on this new treaty begins, in the short term we still have a sizeable “ambition gap” that must be addressed, between the emission reductions that the global community has pledged thus far and where we need to be by 2020 to have any hope of stabilizing global climate change. That is why my policy center, the Center for American Progress, argued that the single most important component to come out of any agreement at Durban was the creation of a new Green Climate Fund, to help fill that ambition gap. The Fund will be the lynch pin of the commitment the global community made in Copenhagen in 2009: that they would mobilize \$100 billion annually by 2020 for global mitigation and adaptation.

If we can jump start this fund in the short term and pay for additional reductions in emissions in developing countries where, after all, they are the cheapest, then we can close the ambition gap this decade and be on the road to climate safety.

Here, Japan has been the model for action. The Green Climate Fund remains feasible only because developed countries largely delivered on the promise they made in 2009 to contribute \$30 billion in “fast start” finance for the most needy countries between 2010 and 2012. Most developed countries only agreed to create a system for international climate finance because Japan had committed to provide half that \$30 billion from the start—and, by the way, Japan is almost at that goal. So in short, if the 2010s become the decade of climate finance, which is what we at the Center would like to see, its success will be in no small amount due to the start that your country gave the world.

Finally, I want to say a few words about the near-term energy challenges here in Japan and how the United States can help you to meet them, while advancing both of our countries’ energy goals.

As you know, both of our countries face serious energy challenges. Here in Japan they are physical and immediate. Only 1 of Japan’s 54 commercial nuclear reactors is now online—and it is not clear if and when the other reactors will be restarted. These reactors produced almost one third of Japan’s energy before the earthquake. Making up for that lost capacity is daunting, and Japan has done a

tremendous job responding to that crisis thus far. But Japan had planned to get 50 percent of its total energy from nuclear power by 2030, largely in order to meet its aggressive carbon pollution reduction goals, and the one thing that is certain is that Japan will not reopen and build the additional reactors it requires to produce that much nuclear power. At best, Japan will produce 15 to 20 percent of its energy from nuclear power within the next 20 years.

So today Japan faces a dual challenge: making up for the lost capacity of its nuclear reactors, while also staying on a low-carbon development path and meeting its future energy goals.

How Japan chooses to meet that challenge will have implications far beyond the environment. Japan is already the world's third largest importer of oil, after the United States and China. Previously, Japan used oil as a back-up source of generation power, but today, in light of last spring's disaster, Japan's reliance on oil is increasing, by about 9 percent year-on-year.

With no margin for error after the events of 3/11, this reliance is dangerous: the rising price of oil threatens Japan's still-recovering economy, and the rising tensions over Iran's nuclear program further complicate a difficult situation. Japan is working to reduce its Iranian oil imports, but has not ended them entirely due to

its significant short-term energy needs. The United States understands Japan's position and has worked with Japan to make sure that sanctions on Iran are crippling, while accommodating Japan's need to wean itself from Iranian oil. But we also understand that in both our countries, our continued reliance on oil distorts our national security goals.

Fortunately, the United States is in a strong position to help Japan reduce its growing reliance on foreign oil—and the biggest thing we can do, in the near-term and mid-term, is to allow Japan to import some of our vast natural gas supply.

Japan, for its part, is already importing more natural gas to help make up for its lost nuclear capacity: Last year Japan imported 12 percent more natural gas than it did in 2010. But most of this gas came from Asian markets, at prices that are four times higher than natural gas prices in the United States. Together with increased oil imports, these costly gas purchases have helped eliminate Japan's trade surplus and caused energy prices to soar.

America's natural gas can help fill that gap, and America has an interest in helping fulfill Japan's energy needs. The fracking boom has caused supply in the U.S. to grow dramatically, and natural gas prices in the U.S. are actually too low for many companies to be able to profitably extract and sell natural gas

domestically. So there is room to give these companies the ability to export some natural gas to other markets that are currently dependent on more expensive supplies. Most importantly, it is in our shared interest to reduce our reliance on energy that comes from unstable and potentially hostile regimes—and as two of the world’s largest oil importers, working to reduce our dependence on oil sends a powerful signal to the global community that we are seriously and soberly working to address those threats.

Granting licenses to export energy from the United States can be complicated economically, environmentally, and politically. But Japan is a unique case as a result of the Fukushima disaster and the loss of nuclear power. So Japan has asked the U.S. to take the unprecedented crisis it suffered last spring into account, and to grant Japan the necessary permits to import U.S. natural gas.

My country should be prepared to green list natural gas exports to Japan. I believe that President Obama and Prime Minister Noda should make energy security, and the potential for the U.S. to relieve Japan’s significant supply constraint, an important topic for their bilateral meeting in Washington later this month—even as we continue to work with Japan to advance clean energy and renewable projects.

I have closed with the energy challenges before us because I believe these are some of the most pressing challenges we face, and because I believe that they offer some of the best opportunities for cooperation between us—whether it’s helping to diversify your energy portfolio; or fostering greater cooperation within the Asia Pacific region.

But energy cooperation is just one part of our relationship. And, as I have discussed here today, the United States values Japan’s partnership immensely, whether we are working together to build a sustainable economy, increase bilateral trade, provide for our security, or to support regional institutions to which both our nations are partnered.

Strengthening our partnership in all these areas is the vital interest of both our countries. As the United States begins its Pacific Century, we cannot succeed without Japan’s cooperation and support. Japan will have a strong ally in the United States to help you meet your energy, economic and security goals. And for the region, the U.S.-Japan alliance is just as critical: our partnership has allowed for growth and prosperity in the Asia Pacific over the past fifty years, and the

region will continue to look to both our countries for leadership going forward.

That the United States has turned toward the Asia Pacific reflects this reality, and I see a bright future for the U.S.-Japan alliance as result. So I am very glad to be here today, and I am happy to take your questions.

Thank you.