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## Transcript Q&A

# Japan: Bridging East Asia with the Rest of the World

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**Robin Niblett:**

Thank you very much, Hitoshi, you squeezed two presentations into one 20 minutes with your quick history tour and strategic tour of the very current and worrying situation over the two disputes over South Korea and the particularly active one right now with China over the Senkaku Islands.

But to cut to the chase, you said that you thought they would be manageable, and you gave your reasons why, the strategic deterrence, etc. I think your discussion about Japan's role in East Asia, how it interacts then with other parts of the world, becomes especially interesting as, I suppose, the next subject, as you covered. It struck me as you were talking that the various solutions you provided here about the need for a strong, still, hard security alliance with the US, new joint cooperative security structures and maybe engage China, etc., the need for deeper economic integration in the East Asian region, of which Japan obviously would be at the heart, energy cooperation and then, maybe reaching out more to Europe and getting Europe more actively involved in the region. These are all logical, but there is one part of it that you referenced, which I think is most intriguing, you said it earlier on, that China's rise has been so much faster than everyone expected. You gave your 100-year scenario of a sort of benign China, and then suddenly maybe 40 years later things are changing. How do you see China developing? Because if China is mobile, if China has not yet become a rooted player in a way that you can gauge your strategic partnership with, because it is changing so fundamentally – you could argue that it is at the beginning of its economic development; we have got hundreds of millions more people to go into the middle class, political change – if I could just start with this point, how do you see China evolving? You could give a whole presentation on this, but your key takeaways for us from your perspective.

**Hitoshi Tanaka:**

Thanks Robin. I think the key is to do with their domestic... China is going to have huge domestic governance issues, such as income disparity, environment, and all types of things. And if the communist government fails to satisfy the people in China, then it will bring terrible instability in China. This leadership today is talking all the time about 'stability, stability, stability'. They are not talking about international stability; they are talking about domestic stability. Therefore, it is extremely important for us to see a kind of liberal movement on the part of China. I do think that the new generation, the fifth leadership generation, they are basically liberal. They feel that there is a need

for reform, not just economically, but politically as well. That is the reason why this Mr Bo [Xilai] was arrested, not arrested yet, but...

**Robin Niblett:**

Disappeared.

**Hitoshi Tanaka:**

Disappeared, in a sense, because he sort of followed a very traditional communist type approach, meaning that they sang the revolutionary song and get people on the street and make sure that he is very popular and try to tackle the issue of bribes – although he himself was implicated in that. But that is an important element. Nationalism may undermine the Chinese liberals' effort. Therefore, in that sense, I think we need to be very careful *vis-à-vis* Chinese nationalism, and I think we need to provide a constructive pressure on them. I have a strong belief that a nation can change. Japan changed a lot by getting a very strong pressure from the United States, and from the UK as well. I mean, it was a good pressure, because we were able to internationalize ourselves. A very key factor is that: are we able to internationalize the Chinese domestic audience? That is going to be the key element for that. So, everything is to do with domestic things in China.

**Robin Niblett:**

Do you think that the leadership – which you said is basically liberal economically – can it be liberal economically but nationalist instinctively, including internationally? In other words, they might believe that liberal solutions are the right answer internally, but some of the reports that have come out from some of the leaders and their comments in recent months are pretty tough. Now it may be a transitional phase, but do you think that they could be both liberal internally but quite difficult to deal with internationally?

**Hitoshi Tanaka:**

I am not entirely sure. I think there is... they may feel that there is a need for balance between a tougher external approach and the liberal domestic approach. But yet, everything is to do with 'economic growth, economic growth, economic growth'. Unless they achieve growth rate of 7-8 per cent, they cannot attend to the desire of the people. And in order for China to

attend 7-8 per cent economic growth, they would have to have benign international relations. If the Korean peninsula, you know, became the source, the trace for military conflict, then China would have to lose the atmosphere in which they can grow. The same thing applies to Taiwan, applies to the Indian [sub]continent, and it applies to Japan as well. Therefore, I think this is an important element. I would very much like to see the next leader continue to believe in the Deng Xiaoping theory that benign international relations would be necessary for them to grow.

### **Robin Niblett:**

In any case, there is a range of topics we can cover here, I think, not just about China and getting your viewpoint, but also about Japan's choices. I have got all sorts of questions I could ask, but we have got a great group of people who have come here this evening, we have got a good half an hour for conversation. Why don't I try and draw in a few points and questions, and then I will intersperse a couple more of mine as we go along.

### **Question 1:**

I just want to, first of all, thank you, Mr Tanaka, for coming over and I very much appreciate your so lucid exposé of what is happening in East Asia. But one thing I would like you to give more light on is North Korea: the future of North Korea and the future of the relationship between Japan and North Korea. You were pretty much optimistic about Japan's relationship with South Korea and China because of the deterrence effect, but what about North Korea, and particularly under the new leadership? I remember we visited Pyongyang together on the eve of Koizumi's visit; at that time we had a high hope, but it didn't materialize. Do you think that this could come differently this time under Kim Jong-un?

### **Hitoshi Tanaka:**

I used to be a diplomat who thinks that anything can be done. I mean, nations can... we may say that it is impossible for us to change North Korea and I am sure everyone, almost everyone, believes in that. Because, why did they develop nuclear weapons? Why did they abduct people? Well, think of their survival. So, if they wish to survive, why should they get rid of their own nuclear weapons, which may be their ultimate tool against the United States?

But, I propose a theory that, indeed, depending upon the attitude on the part of the nations concerned, we may be able to change North Korea. That is the reason why I negotiated with North Korea for the period of one year. I spent 25 weekends – 25 weekends – in a year. My wife was very, very angry [laughter] about me secretly escaping my house. I went to Narita Airport and flew to Dalian in the morning of Saturday and coming back very quietly in the evening of Sunday. And on Friday, I visited Prime Minister Koizumi, and on Monday, I had to visit Prime Minister Koizumi as well. And someone counted the frequency for me to have visited the Prime Minister's house: 88 times – 88 times – in a year. So my theory is, when we have a strong determination to change North Korea, it can happen, I mean we can do that. If the Prime Minister of Japan, if the President of the United States has a commitment that, indeed, this is too dangerous, let us deal with that, then probably things can change.

But in order for us to be able to do it, we would have to do a couple of things. We cannot be too optimistic about the future of North Korea. There is a sign today that, indeed, the new leadership, Kim Jong-un, appears to be taking softer policies: dialogue with the United States, dialogue with Japan and possibly dialogue with South Korea as well. Why are they doing it? Probably because Kim Jong-un, the new leader, wishes to consolidate his power, and in order to consolidate his power he may feel that, or his aide may feel that, softer policy would be better than harsh policy like the military provocation to South Korea, and shooting missiles and that sort of thing. But they can change very easily. They might think that if they fail to produce the result by the soft approach, they may go back to the harsh approach as well. So, we will have to be prepared for that, we would need a contingency planning between Japan, [South] Korea and the United States, not for the sake of aggression, but for the sake of preparedness. And if we are prepared for possible aggression on the part of North Korea, it would become good deterrence against aggression, point number one.

Point number two: we would have to persuade China. We would have to persuade China because North Korea shoots missiles, North Korea launches nuclear testing and the UN Security Council produces sanctions. If China continues to help North Korea, there is no point in us taking sanctions and all those sorts of things. And for China, we need to tell to them that in order for us – even for China – to preserve their interests, it would be extremely important for China to take a harsh policy at one time to North Korea, to let North Korea know that China will not continue to support North Korea irrespective of North Korean behaviour. I mean, China clearly doesn't want

North Korea to collapse, but yet if North Korea continues to do this type of military provocation and that whole thing, then North Korea will collapse, at the end of the day. So, I think we need to convince the Chinese that, indeed, this time China must take an appropriate policy in case North Korea changes their attitude and goes for military provocation and all sorts. So, that was point number two.

Number three: we must think about the right way to negotiate with such a nation like North Korea. I mean, the Americans had an agreement on 29 February; they talked about freezing the missile launch and nuclear testing in exchange for food aid. Three weeks after that, North Korea declared that they would shoot their missile, the satellite. I mean, I all the time talked to my colleagues in America. If you are serious, you would have to choose the right negotiating partner. And if you are serious, you would have to go directly to the power centre in North Korea. Unfortunately, I was from the foreign ministry of Japan, but the foreign ministry of North Korea doesn't have any authority whatsoever in relation to missiles and also the nuclear testing and abductions. So, when I was negotiating with North Korea, we went straight to the centre, [those] who have got a very strong tie with Kim Jong-il. That is the reason why Kim Jong-il acknowledged abduction, apologized for it, and sent back those survivors. So, we would have to choose the right channel for negotiations if we are serious about this – the President of the United States directs someone to negotiate with someone who is having direct instructions from the top. So, with all this, there may be a possibility for us to have a break through.

### **Robin Niblett:**

Okay. Wise advice, and from experience.

### **Question 2:**

I take your point that Japan can serve as an excellent bridge from Europe through to the rest of East Asia, or within East Asia, but I wonder, in part, if I can push you because it sounds as if you are talking about a Japan that was rather than a Japan that will be. I am thinking of two areas that you didn't mention. One is the lack of dynamic leadership in Japan. It is very interesting to think of the two recent American conventions that were just held; regardless of which party you like, they galvanized voters and people seemed excited. That doesn't seem to be happening in Japan at all; I can't think of a speaker, a politician except for the young gentleman who is the major of

Osaka. And so, what leadership is going to take Japan into the future to be this dynamic bridge? At the same time, it is also the demography of Japan. As much as Japan was a leader in East Asia, demographically it is ceasing to be, unless they change their immigration policy, particularly towards China, then the Japan that is the bridge and the visionary, is going to have no leadership and no dynamic youth group to kind of lead it into the future. I am wondering how you feel about these two issues.

### **Hitoshi Tanaka:**

Very valid points. The first one about political leadership in Japan: it is amazing to see seven prime ministers in the period of seven years. There are four prime ministers who lasted more than five years since the end of the war: Yoshida Shigeru, Sato Eisaku, Nakasone Yasuhiro and Koizumi Junichiro. And the common things to those four leaders: they have got a strong sense of strategy. Strategy is to do with the method to create a result and a certain objective, and those four people have got very strong strategy. I served both Nakasone and Koizumi. I think they are very, very sure about: first, the information intelligence they were equipped with the right information intelligence; two, they had a strong conviction to achieve something; three, they can write a big picture; and four, they can use, or make use of power. Those are the four necessary elements for strategy.

When you talk about political leadership, I would like to talk about the need to create strategy. Not necessarily individuals, but if we are able to create the right mechanism to create the right strategy, we may be able to do things. And, again, one thing is quite clear in my mind: I was visited by one of the ministers from Finland the other day and he told me that in Finland there is a coalition of six parties – a coalition of six parties! And every country, even here in this country, nations are suffering from what they call populism. In order to cope with populism, we need the right political system. It can be an all-technocrat cabinet like in Italy, or a six-party coalition like in Finland or the coalition in the UK or in Germany. Because in order for the government to produce a policy which may not be liked by people, I think one needs to create the right sort of majority. And I do think that this time in Japan, irrespective of the result of the possible general election, one thing which is very necessary to create a majority in both houses. And for that, it is bound to be a coalition, and I would hope that that wide coalition will make their own decisions. Let us not have [another] election in four years and pursue specific policies.

That may create the right political leadership in Japan. If they were able to create a mechanism that will produce the right strategy we shall be okay. [Laughs] I failed to convince you, but...

The second question of demography: I think the question is East Asia, because [South] Korea and Japan will suffer from the drop of the population. [South] Korea, as you say, there may be a need for us to change the immigration policy to receive more workers, but yet the whole question is East Asia: how could we integrate the East Asian economy? How could we make possible all the free movements of people in the region? How could we make it possible that we pursue trade and investment under the same rules? That is going to be key. There is only one change for Japan to be able to be prosperous: that is East Asia and how much we can take advantage of the position of Japan being situated in East Asia. That is going to be the key, and I would very much like to push the concept of, as I stated, a multi-layered sort of institution building, multi-layered functionalism-type thing, and rule making, the confidence building, energy cooperation and that sort of thing. *Then* I think, at the end of the day, we will have a much more liberal immigration policy, in particular from East Asia.

**Robin Niblett:**

So, the integration has to happen first and wait for those other changes to take place afterwards, is what you are saying.

**Hitoshi Tanaka:**

I do believe so, yes.

**Question 3:**

Thank you. Tanaka-san, I would love to hear a little bit of an expansion on the nature of this 'bridge'. I have spent the last five years in part trying to create, in a very modest way, this bridge between middle-market companies in Japan with the international world. It is a little mini-universe of something much larger you are talking about.

But I would be interested to hear how you feel in practical terms what this bridge might look like, what materials. Because to me a bridge is something that links two fixed bits of land and it provides a very firm structure to do so. We are dealing with what you are describing on one side as an area – the



US, Europe – which itself is not very fixed, it has a mixture of objectives, all trying to get out of their own [issues], whether it is the eurozone crises or other economic and political issues. And on the other side of the bridge, it seems to me, again – you talked about the relationship of Japan with some of these other countries – from my modest experiences, this didn't start at the Second World War, these go back hundreds and thousands of years, and I have experience myself as a *gaijin* with immense tensions in some of the countries you are describing. And so, therefore, the nature of the bridge and how to do this, between one area, which is full of its own issues, problems and different objectives, and the other area, which also has very different objectives and tensions and where itself it needs lots of bridges, my question is – I would love to see this, I am an optimist like you, I would love to see this happen – could you just help me by describing that bridge a little bit more carefully? Thank you.

**Hitoshi Tanaka:**

Britain was, used to be, a great bridge between Europe and Asia.

**Robin Niblett:**

Which is why we are so suspicious of the metaphor now. [Laughter] And the bridge across the Atlantic has not worked very well.

**Hitoshi Tanaka:**

The thing about Great Britain is you have created the right educational system in the places where you ruled. You are the colonial master. [Laughter] If you go to Singapore and other places, even Hong Kong, you left the right fabric, infrastructures, education and all sorts of things. So, the UK, Great Britain, was the right bridge. I am not entirely sure if you are the right bridge today, but you used to be the right bridge.

What I am talking about with a 'bridge', it is not a physical bridge. When you talk about the future... but before talking about the future, we see the reason why China, India and other nations are so prosperous today. It has to do with globalization. They make use of the globalized rules, trade rules and all sorts of things. They are indeed beneficiaries of the WTO rules and all sorts of things. So, indeed, sometimes I wonder why Myanmar changed today. I was so anxious to... I mean, I visited Myanmar several times when I was deputy foreign minister and met with [Aung San] Suu Kyi and Khin Nyunt, the prime

minister then, and I was very much wanting to be a bridge between the military Myanmar and the rest of the world. They are doing it out of their own will today. Why? Because of the fact that globalization and economic welfare is so tempting to get. So, the point I am making is globalization changed the world, one thing.

Japan is in a position to help to create better infrastructures, better systems, a better welfare system, better everything in a sense because Japan has an experience in the advanced world. We would like to have the wisdom from Britain, for instance, for that matter. For the future of East Asia, the key element is the right system to be installed domestically. Britain was a great bridge by introducing the right educational system in various nations in Asia. Japan would like to be like that, not in terms of a colonial master, but in terms of a helper to create better rules and better systems in various nations. So, by doing so, we can be a bridge between the advanced world like Europe or the United States and East Asia, by creating common rules, by creating common norms and all sorts of things. So that is what I mean by a bridge.

### **Robin Niblett:**

I think that is a very interesting qualification, it is almost Japan as a catalyst for change, a transmission connector, let's say, to a globalized world. And I think that is different to how we sometimes think of the word 'bridge' here in the UK, and I think that was a very helpful explanation.

Just quickly on this, to stay with the point though, you know, one of the main phenomena of globalization today is not trade, it is not infrastructure, it is probably openness to foreign direct investment. In China even, the openness, okay, it is under certain conditions, and IP [intellectual property] protection and so on, but nonetheless, even the UK... countries have really connected themselves through foreign investment, not just through trade. How can Japan lead that kind of bridging role, or the catalytic role, when it remains remarkably, compared to any other nation, closed to foreign investment? And this may be this echo of the old Japan alongside the globalized Japan. Do you see change in that, or not?

### **Hitoshi Tanaka:**

Well, probably in terms of policies, Japan is not an easy place for foreigners to make investment, given the higher tax and higher labour costs and all sorts of things. Even Japanese companies are departing from Japan. So it may not

be discrimination or barriers against foreign investment, it is more to do with the state of affairs in Japan.

To some extent, I am learning a lot from my association with SMBC, the Mitsui Sumitomo Bank [Sumitomo Mitsui Banking Corporation], and they are bound to change, they are bound to change and they will have to. I mean, the Japanese market is not expanding. It is shrinking in a sense, and Japanese major banks are making use of huge, huge savings in Japan, but now you cannot do that any longer. In order to make profits, you would have to move to other markets like Asia or something and provide good banking services to them. For that, you would have to recruit people. You would have to make sure that English is going to be spoken as well. So, by doing so, I think Japanese companies are changing constantly. Government may not be that sort of sophisticated to change themselves, but yet I think private companies, I have some hope, that private companies would indeed become more internationalized, and more sort of, really – not necessarily foreign investment to Japan, but a foreign interconnected community may arise in Japan.

#### **Question 4:**

Currently, the [United] States has got about, I think it has got about ten Nimitz aircraft carriers and China has got one, which was from the Soviet Union, an ex-Soviet carrier. Do you think Japan might need – I am sorry, it is quite a negative question –but do you think Japan might need to develop a blue-water navy in order to achieve its goals in the next 10-20 years?

#### **Question 5:**

A recurring theme of your talk has been the necessity of deeper economic integration in East Asia with a medium-term objective of being a sort of regional trilateral trade agreement. Now, I found it interesting that you said that intellectual property protection should be a key pillar, but in the interim, with China quickly moving to become a high-tech goods export power, how much friction does IP play *today* on the bilateral trade relationship between China and Japan? And, in keeping with the title, placing it in a global context, how does Japan play into the global conversation, particularly with the US, on the debate about intellectual property protection in a globalized world?

**Dr Robin Niblett:**

I have heard EU companies also, you know, 'Will Japan would be with us on this?', also concerned about it.

**Question 6:**

30 years ago, the word 'Japanese model' and the phrase 'Japan and the West' was on everyone's lips. It seemed to exemplify a truism. My question is what lessons, since the economy stalled in Japan and you had 15 years of virtual negative, no growth, what lessons are there for Europe and for the United States to be had out of that? Are there positive lessons?

**Hitoshi Tanaka:**

Well, I will try to be concise.

The question of the Japanese security role: that is going to be debated in the future in a much more intensive way. I do not think that Japan will acquire a blue-water navy because Japan would have to remain a nation that is less oriented for combat actions and for power projection. Japan is basically more oriented to the defence of Japan. And we talk about the expansion of the Japanese Self-Defence [Forces] role in security; that is more to do with UN operations, or operation with like-minded [countries], which may not directly involve combat operations, but more to do with support or the kind of role regarding non-traditional security issues. But even before that, we would have to change the interpretation of the constitution. I do think that sooner or later Japan will expand its security role, but there is a limit to it. So, no blue-water navy.

The question of intellectual property: yes, indeed, I think it is extremely troublesome for Japan to all the time consider that the technology transfer should not be taking place *vis-à-vis* China, because of all this back-engineering. We wanted to export the railroad, the express train to China, but in a very short period of time, they are exporting their express train to Brazil somewhere. It is amazing to see a very quick – but yet, I think what is important for us is to make sure that we can be one step ahead of China all the time. Intellectual property protection is very needed into the future, but yet at this juncture, I think we need to make sure that our technology is one step ahead of Chinese.

The question of Japan's economic fall: I think it is very much to do with the nature of the Japanese. Japan is an island nation, like Britain. I was in the

government for 37 years, and our sort of mentality is very, very narrow-minded, in a sense. We Japanese, we are sort of governed by success stories in the past. Japan was able to catch up with the West; Japan was able to become the second-largest economy in the world. We cannot, you know, all this... the memory of our success bound Japan to become much more dynamic thinking, but now things are different, I suppose. Now things are – I talked about the SMBC – but I think things are more acute, acutely felt. Unless we go move for a different type of internationalization, Japan will not have prosperity at all. So, I don't have anything to offer to the UK or the United States, but one thing is clear in my mind: let's forget about small market in Japan, we shall move abroad and we shall get abroad inside Japan. That is the new type of international relations, and when we have succeeded in it, we shall come back.

**Robin Niblett:**

With *those* optimistic words – and there is not a lot of optimism going around at the moment – with those optimistic words, Hitoshi Tanaka, thank you very much indeed. I have a feeling we could have sat here for at least another half an hour, conversing with you, taking advantage of your experience – ASEAN, we didn't talk much about the US, we could have done a lot more on that, and, of course, the big question of Japan-UK and Japan-EU relations, which as you noted are likely to become very important in the coming years from a Japanese perspective. But, we had you here today, we got some great insights and answers to your questions in this time here. We hope to welcome you back again, and in the meantime we look forward to trying to put into practice some of those more optimistic scenarios of cooperation between the UK, EU and Japan, and look forward to it.