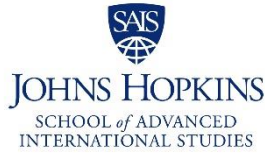


(1) 英語

This English summary was drafted by Edwin O. Reischauer Center for East Asian Studies, Johns Hopkins University (SAIS).



Summary US- Japan Forum

Redefining Japan-US economic relationship

in the era of fragmentation and disorder at

the time of US Presidential Election and beyond

October 21, 2024

Opening Remarks

Kent E. Calder, *Director, Reischauer Center for East Asian Studies, SAIS*

Dr. Calder framed the conference's relevance amid a pivotal moment in global affairs and U.S.-Japan relations, shaped by multiple complex forces. He also identified the 2008 financial crisis as a critical inflection point that reshaped the global system, and discussed how this crisis triggered a populist wave across industrialized nations, influencing political shifts, such as Donald Trump's election and populist leaders like Boris Johnson and Marine Le Pen. These shifts have transformed international relations, economic growth trajectories, and energy strategies. He cited Russia's rising discontent, which ultimately led to the Ukraine War in 2022, as another outcome of these global changes. He also highlighted technological advancements, particularly in energy, which have accelerated the transition to renewables, further reshaping global dynamics. Dr. Calder noted Japan's exceptionalism in avoiding populism despite global trends. In a turbulent world, Japan's resilience underscores the importance of U.S.-Japan cooperation and the potential to build a stable global order that benefits all.

Masakazu Toyoda, *Chairman and CEO, Japan Economic Foundation (JEF)*

He highlighted recent global challenges, such as the rise of authoritarian leaders and the assertion of economic, political, and military power to expand territories, which have intensified in the wake of the COVID-19 pandemic and Russia's invasion of Ukraine. He noted that these crises, alongside China's economic uncertainties, are major concerns.

The forum's agenda focuses on energy, the environment, and the international order, topics that are increasingly interlinked. He pointed out that a decade ago, the intricate connections between these areas were not as evident, but now understanding the relationship between energy policies, environmental considerations, and geopolitical stability is essential.

This dialogue is timely, as both Japan and the U.S. face political transitions, including the upcoming U.S. presidential election and leadership shifts in Japan. The directions these nations choose will be closely monitored by the global community. In closing, Mr. Toyoda expressed his hope that the forum's discussions would go beyond just analyzing these complex issues and lead to actionable solutions that could inform future policies.

Session 1: Securing Energy by Responding to Climate Change

Kent E. Calder (moderator)

Dr. Calder opened by reflecting on the presentations, emphasizing that three of the four centered on U.S.-Japan cooperation, particularly around energy efficiency and the potential for joint efforts with third countries.

Yukari Yamashita, *Managing Director, Institute of Energy Economics, Japan (IEEJ)*

Prof. Yamashita highlighted four priorities: enhancing energy efficiency, improving renewable energy storage and grid integration, scaling up carbon capture and storage (CCS), and maintaining stable fossil fuel supplies. She then underscored Japan's strengths in energy efficiency and partnerships with the U.S. and other nations, referencing the COP 28 goal to double global efficiency by 2030, also advocated for developed nations to support these regions with knowledge-sharing and efficiency standards akin to Japan's Top Runner and the U.S. Energy Star programs. Prof. Yamashita also suggested that U.S.-Japan collaboration could optimize the technologies such as AI and data centers for energy savings. Additionally, she addressed economic security concerns over critical minerals, advocating for innovation to reduce reliance on specific supply chains. Prof. Yamashita called for collaborative efforts from Japan, the U.S., and other nations to maximize resources in transitioning to a sustainable, net-zero future.

Hiroataka Ishii, *General Manager, JOGMEC, Washington, D.C. Office*

Mr. Ishii outlined Japan's climate initiatives and emphasized that Japan's efforts contribute to global emissions reduction, given Japan's share of global emissions and the large contributions from other major economies like China and the U.S. He introduced Japan's Green Transformation (GX) initiative, which aims to shift Japan's industrial and social structures toward clean energy, enhancing both economic growth and competitiveness. He also highlighted recent legislation, such as the Hydrogen Society Promotion Act, to support low-carbon hydrogen in sectors like iron and steel, chemicals, and power generation. Mr. Ishii noted nuclear power's decline post-Fukushima but shared plans to restore it to 20-22% of the energy mix by 2030, pending safety measures and regulatory compliance.

Mr. Ishii concluded by describing Japan's "S+3E" energy strategy (safety, energy security, economic efficiency and environment), and stressed that recent global events, including the Ukraine crisis, underscore the importance of energy security, posing a potential energy crisis reminiscent of 1973.

Christopher Elsner, *Director, S&P Global Commodity Insights*

Mr. Elsner discussed geopolitical shifts impacting energy security and decarbonization.

He identified the 2008 financial crisis as an inflection point, with recent events like the Ukraine invasion and Texas deep freeze underscoring energy security's importance.

The U.S. shale boom, particularly since 2013-2014, has benefitted Japan by ensuring a stable energy supply, reinforcing opportunities for U.S.-Japan cooperation. Decarbonization was a central focus, with him noting the challenges posed by supply chain disruptions for renewables and energy storage. For Japan, electrification is crucial to meet decarbonization targets, though the rising demand from AI and data centers may strain energy resources. Nuclear energy, along with grid-scale storage, is vital for Japan's 24-hour energy reliability. Natural gas will remain significant in Japan's energy mix to balance renewables' variability. Mr. Elsner highlighted potential for U.S.-Japan cooperation in oil and refined products markets, though demand for these fuels is decreasing with the rise of EVs and hydrogen vehicles, while Japan's thermal power reliability, essential for economic stability. Finally, He stressed that will continue to be prioritized into the 2030s and 2040s as decarbonization efforts advance.

Jennifer Sklarew, *Assistant Professor, Environmental Science and Policy, George Mason University*

Dr. Sklarew focused on resilience from various stakeholder perspectives, discussing implications for U.S.-Japan cooperation. She outlined different resilience types: engineering, ecological, social, and economic resilience, noting that the separation of these priorities can lead to perceived conflicts. She then reviewed Japan's priorities within its Green Transformation (GX) initiative, including energy storage, grid access, and supply chains, which balance energy security, environmental goals, and economic resilience. Japan's renewable energy shift includes offshore wind, hydrogen, and

ammonia, though challenges like land use concerns and grid fees for renewable producers remain. In the U.S., priorities are similar, though policy implementation may vary based on future administration changes. For example, a Trump administration might emphasize oil and gas on federal land. Economic resilience for renewables in the U.S. is evolving, driven by declining battery prices and expanding utility-scale storage. However, delays in grid interconnection persist, and state-led renewable initiatives may be affected by federal policy changes. She noted that California, Massachusetts, and New York are leading in renewable standards, though a Trump administration might impose limitations on state actions. Finally for U.S.-Japan cooperation, Dr. Sklarew outlined potential paths under new administrations, Hydrogen, nuclear technology, critical minerals, and CCS are likely areas for collaboration regardless, and Trump administration may focus on blue hydrogen and large-scale hydropower.

Panel Discussion 1

Dr. Calder proposed starting the discussion with battery storage and then exploring other topics related to U.S.-Japan cooperation.

Mr. Christopher Elsner emphasized that grid-scale energy storage, rather than EVs, is the immediate priority for maintaining reliable power when renewables are intermittent. He noted that While U.S. policies like the Inflation Reduction Act offer insights for Japan, EVs' demand for batteries is slowing the scaling of grid-level storage solutions.

Prof. Yamashita acknowledged China's critical role in battery storage, noting that software control for computing and optimization is equally vital. Japan's Sixth Basic Energy Strategy is exploring hydrogen as an alternative, given its potential for longer-duration storage in a different form.

Mr. Ishii emphasized hydrogen's importance in achieving carbon neutrality, alongside wind and solar power. He noted the need to strategically integrate hydrogen within Japan's overall energy framework.

Prof. Yamashita highlighted Japan's active promotion of hydrogen but questioned its end-use and market readiness. She emphasized the need for subsidies to offset hydrogen's high initial costs compared to current energy materials, to build a viable hydrogen supply chain.

Dr. Sklarew noted that, despite the 2024 amendment to Japan's Marine Energy Resources Act permitting offshore wind development in Exclusive Economic Zones (EEZ), market readiness remains a challenge.

Dr. Calder pointed out Japan's significant potential for offshore development, given that its Exclusive Economic Zone (EEZ) is the sixth-largest globally.

Mr. Ishii affirmed that Japan's new policy targets both supply and demand for hydrogen, with subsidies on each side to help grow the market.

Dr. Calder praised this as an example of Japanese industrial policy taking a holistic approach, contrasting with the more supply-focused U.S. policies.

Mr. Elsner noted that Japan and Europe are exceptions in prioritizing both supply and demand, as global policies tend to focus on supply alone. He stressed that prohibitive costs for CCS and hydrogen require strong financial incentives and policies, such as those in the U.S. Inflation Reduction Act's 45V provisions. He explained that without robust policy support, CCS and hydrogen projects may struggle to reach the construction phase.

Mr. Ishii noted Southeast Asia's population growth and natural gas usage, suggesting that the U.S. could support these countries' carbon neutrality by exporting LNG, while Japan could contribute technology.

Prof. Yamashita emphasized collaboration with retailers to promote efficient products, highlighting that consumer education, along with regulations, helps phase out inefficient items. Prof. Yamashita noted that Japan and the U.S. both have effective models for energy efficiency but have so far collaborated only minimally in this area.

Mr. Toyoda asked whether Japan might benefit from European-style indirect regulations on energy savings, where utilities are mandated to engage households in reducing energy use. He also asked if the U.S. could help Japan adopt balanced nuclear regulations, noting Japan's struggle to optimize its nuclear regulatory approach post-Fukushima.

Dr. Sklarew addressed the nuclear regulation question, discussing Japan's cautious regulatory approach due to a cultural zero-risk tolerance, which contrasts with the U.S.'s risk management framework. She suggested Japan could benefit from more risk-based regulation and community engagement, noting the importance of trade-offs and incident response, as learned from the Three Mile Island experience.

Mr. Elsner added that the U.S. faces local opposition to both traditional and advanced nuclear projects, which has slowed progress. He suggested collaborating on ways to improve risk communication to gain local and national support for nuclear and other infrastructure projects.

Prof. Yamashita commented on Japan's challenges with an aging nuclear engineering workforce, underscoring the importance of international collaboration for training. She highlighted the need to expose young engineers to global energy discussions and noted Microsoft's innovative nuclear project as potentially inspiring for young engineers.

Session 2: International Order - Power versus Rules

Naoyuki Haraoka (moderator), *Executive Managing Director, Japan Economic Foundation (JEF)*

Mr. Haraoka opened Session 2, with a focus on trade policy topics such as tariffs, digital trade, and their impact on the global economic order. He noted the increasing complexity of global trade policy due to geopolitical risks and the balancing act required between economic growth, energy security, and environmental concerns.

Ambassador Kenneth I. Juster

Ambassador Juster discussed the shifting landscape of global trade and the potential impact of the U.S. presidential election on trade policy. He noted that global trade has moved from multilateral agreements to plurilateral or sector-specific deals, such as the CPTPP and the U.S.-Japan digital trade agreements. He explained the challenges the WTO faces, including the U.S. blocking appointments to the appellate body, which has weakened the dispute resolution process. U.S. frustrations with the WTO also stem from the consensus requirement and perceived tariff imbalances that disadvantage American trade interests. Ambassador Juster pointed to National Security Advisor Jake Sullivan's 2023 critique of the neoliberal economic order, which marked a shift toward selective tariffs, export controls, and domestic industrial policies. This approach is evident in the Biden administration's measures to limit foreign acquisitions in critical industries, as seen with its opposition to Nippon Steel's attempt to acquire U.S. Steel. Looking forward, Ambassador Juster suggested that both Vice President Harris and former President Trump would likely continue a cautious trade stance if elected. Harris would focus on tariffs, allied partnerships, and climate policies, while Trump might pursue high tariffs to gain leverage for opening foreign markets, especially with China.

Dr. Kenta Hiram, *Associate Professor, International Law Faculty of Global Studies, University of Nagasaki*

Dr. Hiram discussed the rise of unilateralism in trade and its implications for global economic relations. He defined unilateralism in two senses, focusing on the problematic aspect where powerful states use unilateral measures to impose values, such as climate action or labor standards, on others. He then highlighted examples of unilateralism from the U.S. and the EU, including the U.S. Trade Act's Section 301 and the EU's Corporate Sustainability Due Diligence Directive (CSDDD), illustrating how major markets use such measures to control access and influence external behavior. He attributed the rise of unilateralism to the ineffectiveness of existing international rules, stalled treaty negotiations, and the WTO's weakened dispute settlement system. Dr. Hiram outlined three issues with unilateralism: the imposition of one community's values on others, the economic and administrative burdens it places on foreign businesses, and the restriction of regulatory

autonomy for other states. As solutions, he suggested using trade agreement dispute systems where possible, emphasizing the importance of economic diplomacy to reduce conflicts, and encouraging private sector involvement to ensure their concerns are considered in policy design.

Ambassador David B. Shear, *Senior Advisor, Reischauer Center for East Asian Studies, Johns Hopkins University (SAIS)*

Ambassador David Shear addressed the importance of aligning U.S. economic and geopolitical strategies in the Indo-Pacific region. In 2011, He encouraged Vietnam to join the Trans-Pacific Partnership (TPP), highlighting its economic and geopolitical benefits, including increased trade independence from China.

Ambassador Shear noted, however, that Washington has not consistently appreciated this link between trade and geopolitics. He pointed out that President Obama delayed submitting the TPP to Congress, and President Trump subsequently withdrew the U.S. from the agreement in 2017, while Japan's efforts to salvage the agreement through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) mitigated some impacts. Ambassador Shear cited China's implicit messaging to Indo-Pacific countries that aligning with China brings economic gain, while partnering with the U.S. yields less tangible benefits—a portrayal he likened to the difference between “Netflix” (China) and “Blockbuster Video” (the U.S.). He closed by urging the U.S. to renew its commitment to linking economic policy with geopolitical goals to establish a stable regional order, though he acknowledged that for now, allies like Japan are filling the gap left by U.S. disengagement. Ambassador Shear concluded with a warning that, as in the 1990s when U.S.-Japan alliance faced challenges, the future of the alliance is ultimately "ours to lose" if not actively pursued.

Kiyoshi Tanigawa, *Executive Director, Keidanren USA*

Mr. Tanigawa noted that global trade has expanded from \$6.1 trillion in 2000 to \$24 trillion in 2023, significantly reducing extreme poverty, with businesses playing a crucial role. Mr. Tanigawa outlined three priorities for Japan: strengthening national power, advancing international rules, and building cooperation with the Global South. He explained that Japan's National Security Strategy emphasizes “strategic autonomy” (reducing

dependence on certain nations) and “strategic indispensability” (ensuring Japan remains a critical partner). Achieving these goals requires Japan to uphold an open, rules-based economic order and enhance supply chain resilience, especially through “friend-shoring” with like minded countries. He stressed the importance of integrating free and fair trade and investment climate, economic security, and sustainability. He called for expanding trade networks through economic partnership agreements (EPAs) and free trade agreements (FTAs), while also pushing for WTO reforms, including restoring its dispute settlement function and updating security rules. On sustainability, He urged promotion of environmental trade, efforts to reach agreements on carbon pricing and emissions accounting to advance global environmental goals. He closed by underscoring the need for creative solutions to address these multifaceted global challenges.

Panel Discussion 2:

Mr. Haraoka expressed gratitude for the concrete proposals shared during the discussion, emphasizing the importance of alliances like the QUAD and financial initiatives to support infrastructure. He noted the challenges facing the U.S. in actively contributing to a rules-based international economy, suggesting that alliances involving the U.S., such as the QUAD, could help address issues like inequality and mitigate geopolitical tensions. From a business standpoint, He then highlighted the need for clear, predictable rules to create a stable environment for companies. He asked for insights on balancing economic security with free trade, noting that some advocate a "small yard, high fence" approach to protect essential sectors while promoting trade. However, defining the scope of this approach remains challenging. He asked the panelists how best to achieve this balance for businesses.

Ambassador Juster echoed Ambassador Shear’s concerns about the U.S. withdrawal from the TPP, which he viewed as a strategic error. He emphasized the shared U.S.-Japan interest in a multipolar Asia where China does not dominate. Noting China’s expansive trade relationships through initiatives like the Belt and Road and its involvement in RCEP, Ambassador Juster warned that China could eventually join the CPTPP. He advocated for

the U.S. and Japan to address these issues collaboratively, particularly through the QUAD.

Dr. Hiramami described the U.S. alliance as a partnership rooted in shared values and essential for defending the international order against authoritarian threats. However, he reiterated concerns from his presentation regarding the U.S.'s frequent reliance on unilateral actions, which can destabilize business environments. Dr. Hiramami suggested that Japan should adopt a pragmatic response, maintaining a fair and impartial stance on each U.S. policy and working to influence U.S. decision-making to avoid problematic unilateral measures.

Ambassador Shear addressed how Japan and the U.S. could collaborate to strengthen their influence in the Indo-Pacific, aligning with Ambassador Juster's views. He acknowledged the missed opportunity of the TPP, which he saw as a vital component for both economic and political influence in Southeast Asia but suggested offsetting the absence of market-opening measures by enhancing development finance in Southeast Asia.

Mr. Tanigawa emphasized the broad scope and depth of U.S.-Japan cooperation, noting the difficulty of achieving consensus in multilateral forums like the WTO and the UNFCCC. He encouraged U.S. leadership in "Global Partners for the Future" to rebuild a free and open rule-based international order, emphasizing the need for inclusivity and caution against protectionism. He argued that industrial policy should align with public policy goals and be responsive to the public goods role companies increasingly play.

Dr. Hiramami discussed the revival of industrial policy, attributing it to two main factors: the impact of China's state capitalism on global competitiveness and the need for economic security, especially in securing supply chains. He noted ongoing debates in liberal countries regarding the necessity of industrial policy, which inherently involves government intervention in the market. Dr. Hiramami argued that if industrial policy is deemed essential, then coordinating these policies among like-minded countries is crucial. He concluded that

coordinating policies could clarify resource allocation among allies, further enhancing economic security.

Mr. Haraoka expressed gratitude for the detailed proposals presented, emphasizing the importance of the QUAD and financial initiatives for infrastructure. He observed that while it may be challenging for the U.S. to fully support a rules-based international economy, alliance efforts like the QUAD could help address issues such as inequality and broader geopolitical challenges. From a business perspective, he asked the panelists to comment on how to achieve a balance between economic security and free trade, noting that a “small yard, high fence” approach—protecting essential areas while promoting openness—might be practical.

Ambassador Juster addressed global uncertainties impacting the business and geopolitical landscape. He noted that companies are expanding compliance and risk management teams as they navigate an evolving international order, China’s growing influence and the emergence of multipolar dynamics, with countries in the Global South and BRICS seeking a more prominent role in global institutions.

Mr. Tanigawa expressed cautious support for concepts like “de-risking” and the “small yard, high fence” approach as strategies to manage technological and economic security. However, he noted the challenge of implementation, given the rapid pace of technological change that can quickly render specific rules outdated.

Mr. Naoyuki Haraoka expressed appreciation for the discussion and clarified Japan’s stance on the CPTPP. He emphasized that Japan would welcome China’s participation in the agreement, provided China meets the necessary requirements, underscoring that the goal is not to contain China. Recognizing China as a vital trading partner for both Japan and the U.S., Mr. Haraoka suggested that promoting free trade in the Asia-Pacific region aligns with Japan’s objectives and should be implicitly expected from the United States. He asked the panelists whether they agreed with this characterization of U.S. trade goals.

Ambassador noted that former President Trump intends to cancel the Indo-Pacific Economic Framework (IPEF), one of the few initiatives supporting regional supply chain cooperation and communication. Ambassador Juster then praised Japan's leadership in preserving the CPTPP and emphasized the importance of maintaining its high standards. He cautioned that China should only be allowed to join if it meets these standards, especially regarding state-owned enterprises, to prevent any lowering of the agreement's quality.

Dr. Kent Calder reflected on the discussion within the broader theme of world order, emphasizing the need for risk reduction mechanisms and cooperation in providing global public goods. He highlighted Ambassador Juster's example of blended finance for infrastructure, noting that such initiatives are essential for maintaining the influence of dominant powers like the U.S. and Japan. He suggested that a plurilateral approach to digital trade, rather than a fully multilateral one, could be viable, given existing bilateral agreements like the U.S.-Japan digital trade deal under President Trump. Dr. Calder also proposed exploring Japan's industrial policy as a learning model for the U.S., especially in areas where they share strategic goals.

Ambassador Juster emphasized that the QUAD's efforts extend beyond economics, providing public goods for the region in areas such as climate-related support, cybersecurity, health security, vaccines, humanitarian aid, and maritime domain assistance. He then highlighted that the U.S. has pursued a cooperative agenda with China on transnational issues, including combating drugs and fentanyl, addressing climate change, and enhancing cybersecurity.

Mr. Tanigawa highlighted the importance of a tailored approach to energy transition, noting that Asian countries have diverse energy portfolios and industrial structures, making a single pathway to economic neutrality unfeasible. He suggested that Japan could play a leadership role by developing a model that integrates the Global South and other countries into the international order, emphasizing that such an approach could be beneficial in the future.

Dr. Hiram addressed the complexity of providing public goods within the framework of global WTO multilateralism, noting that current threats to multilateralism make this task particularly challenging. He emphasized the crucial role of Global South countries in contributing to public goods in multilateral forums, though their divided stances complicate the process. Some Global South countries align with Western countries on certain issues, while others support the Chinese system, creating additional layers of complexity in providing public goods.

He posed a question about why former President Trump and his supporters opposed the TPP. Noting that trade creates both winners and losers, Mr. Toyoda emphasized the importance of supporting those who may be adversely affected. He pointed out that in Japan, measures such as reskilling, retraining, and other forms of support could help address these challenges and asked for perspectives on how the U.S. could potentially improve its own trade adjustment measures to better manage the impacts of free trade, particularly the fact that there are always winner and losers in free trade.

He shared a personal hope: that the interests of younger, pro-globalization generations, both in the U.S. and China, be taken into account. He suggested that a liberal international trade regime should be restored promptly to reflect these future generations' preferences.