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The US-Japan Relationship under New Administrations: A Conversation with Senator Bill Hagerty

Bill Hagerty United States Senator, Tennessee

40–50 Minuten

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On Friday, President Donald Trump will host Japanese Prime Minister Shigeru Ishiba at the White House for the first summit of the second Trump administration. Increasing challenges in the Indo-Pacific necessitate greater economic and security cooperation between the United States and its most important ally, Japan.

Hudson will welcome Senator Bill Hagerty, who served as ambassador to Japan in the first Trump administration, for remarks on the Japan Chair's recent report, [Past Lessons and Future Action: Policies for a Successful Free and Open Indo-Pacific](#), and the direction of the US-Japan alliance. The senator will then join Hudson Japan Chair Kenneth R. Weinstein for a fireside chat on how President Trump and Prime Minister Ishiba can work to address shared priorities.

Event Transcript

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Kenneth Weinstein:

Well, good morning and welcome to Hudson Institute. I'm Ken Weinstein, Japan chair here at Hudson, and I am delighted and honored to welcome a good friend of Hudson Institute, Senator Bill Hagerty of Tennessee, who's taking time from an unbelievably busy schedule, just chatting with him this morning about what's going on, including the nomination hearing this morning of our mutual friend Jamieson Greer to be United States trade representative. And the Senator's going to be introducing him shortly, taking time from an incredibly busy schedule to shed some light with us on the first US-Japan Summit of the Trump 2.0 era, which is of course tomorrow. And there's no one better place to offer insights on the summit here in Washington than Senator Hagerty, who not only spent three years early in his career living in Japan, was a driving force in bringing significant Japanese investment to his home state of Tennessee when he served as Commissioner of Tennessee's Department of Economic and Community Development, of course before his extraordinary tenure as US ambassador to Japan from 2017 to 2019.

And of course, as we all know, numerous US ambassadors to Japan were appointed after careers in the US Senate, recently even Howard Baker, Walter Mondale and Mike Mansfield. But Senator Hagerty is the only US ambassador to Japan was elected to the Senate after his service in Tokyo. And so-

Bill Hagerty:

I don't know what that says about me, but. . .

Kenneth Weinstein:

But it says. . . well, it says a lot about your role in US-Japan relations certainly, and how critical you have been for Japan and for the US-Japan relationship on Capitol Hill, including championing the nomination of Rahm Emanuel to be ambassador when there were many skeptics in his own party as regards to his nomination. So let me

just, first of all, welcome you, welcome our crowd. Thank everyone for coming on a rainy morning. And let me just begin with. . . let me just start with questions for you in this fireside chat. Let me just note as US ambassador first, do you have any opening comments at all or any thoughts you want to-

Bill Hagerty:

I'd just say it's great to be back here with you. I have such fond memories of being here in my previous role as US ambassador. The Hudson Institute has been such a warm friend of mine, but also of the US-Japan alliance, and you've contributed so much personally to strengthen that alliance. Your relationship with Prime Minister Abe, I think was exceptional in so many ways and to continue to carry on the vision that he established in the free and open Indo-Pacific. You and Hudson have been absolutely outstanding and it's just an honor for me to be here with all of you today.

Kenneth Weinstein:

Thank you. It means a lot coming from you. It means a lot to me personally. Now as US ambassador of course to Japan, you took part in numerous US-Japan summits. I remember seeing you at the White House publicly when there was a big ceremony, I guess in the Rose Garden once after one of the summits under what we call Trump 1.0. What do you think the significance is of Prime Minister Ishiba's visit to Washington? What are the stakes for Ishiba for Japan, for President Trump in the US?

Bill Hagerty:

Well, I think it's critically important and the fact is this is one of the very first summits that President Trump is entertaining from an overseas leader. It's no surprise that it would be with Japan given the criticality of the alliance. I think Prime Minister Ishiba certainly sees this is an important and critical opportunity for him to reestablish what were

exceptional bonds between President Trump and Japan in the first Trump administration. President Trump often reminds me that the relationship he enjoyed within Prime Minister Abe was the strongest relationship that he enjoyed with any world leader. And I also remind him every time that I worked my heart out to make certain that was so. You did as well, Ken. We all worked very hard to make that relationship a possibility, but the relationship certainly benefited from the personal bonds that the two men forged, but it also benefited from the strategic necessity of being close.

And if I think about the relationship today, I see it no differently. Japan is the third-largest economy in the world, a critical trading partner of ours. More importantly, a vital national security partner. And if you think about what's been happening in that neighborhood again over the course of the past four years, we've seen significant destabilization in their relationships with North Korea. We've seen Russia and China partner in ways that I had feared but never imagined would happen. And we see the aggression of China and the Taiwan straight in the region stepped up again enormously. They're back in the East China Sea surrounding the Senkaku Islands there throughout the South China Sea. I think the level of aggression in the region is significant and the challenge is confronting our two nations couldn't be greater, so it's absolutely vital that our two nations are aligned and working side by side. This opportunity to reopen the relationship I think is perfect timing for all of that.

Kenneth Weinstein:

Let me ask you, since you talked about Prime Minister Abe, Prime Minister Abe's long shadow seems to be hanging over the summit to some degree, I'd say more on the Japanese side than on the American side. Should this be of concern to Prime Minister Ishiba, what role do personalities play in this kind of diplomacy or-

Bill Hagerty:

Well, again, I get back to this strategic necessity of the relationship. President Trump certainly appreciates that strategic necessity, and I think he's going to do everything he can to make certain that this relationship is every bit as strong as it possibly can be. There's no doubt though that there is a personal element to it. Akiyabe was my guest at the inauguration. She came and sat with Melania Trump. That's a personal relationship that matters, and I hope that we'll see that type of personal bond form. It doesn't happen immediately, but it happens over time. One thing I understand about Prime Minister Ishiba is that he was a fairly good golfer in high school. I hope that he takes golf lessons back up again because I found golf diplomacy to be a wonderful opportunity for us. It is funny, I was joking with President Trump a couple of months ago.

He and I were playing golf and I went back and counted over the past half a dozen years, Ken, I played more golf with Donald Trump than anybody else on the planet. And it's because every time we got together with our counterparts in Japan, we always made certain that there was a golf outing, an opportunity to have some relaxed time. But importantly, it's a significant amount of one-on-one time that the leaders can spend together. President Trump loves to drive the golf cart, have such fond memories of he and Prime Minister Abe riding side-by-side and Takao Sun, the translator trying to hold onto the back of the golf cart. But those days, those hours actually went a long way toward building a relationship that was absolutely vital.

Kenneth Weinstein:

Yeah, our former Hudson Institute intern, Sunao Takao riding on the back of the golf cart, those are incredibly memorable things. Let me ask you, since we're talking personalities, let's talk a little bit about President Trump in this way. Look, the Japanese, as we all know,

have been preparing for the summit since God, probably a year ago, just whether it was going to be Prime Minister Kishida or Prime Minister Ishiba. There was a sense that they had to figure out a way to deal with Trump. They needed to figure out someone who could try to go toe-to-toe with the president. President Trump's style is quite different. One pundit described it as the tempo now in Washington is "everything everywhere all at once" and the President is still short-staffed. I mean, the nominees. . . we now have got holds on the State Department nominees below the level of the secretary. How do you. . . I guess the National Security Council is staffed up, but how does President Trump prepare for these meetings given the incredible pace, the unbelievable number of challenges, so much going on?

Bill Hagerty:

It's a great question, Ken, but I'll caveat it by saying he had four years to prepare for this in terms of his previous administration. President Trump made more visits to Japan than any other nation in the world when he was president the first term. I was pleased to receive him there three times and he has a great deal of comfort dealing with international leaders. He understands the issues. All I would say is that the issues have perhaps gotten more challenging in the four years that he's been out, but he's been spending a great deal of time thinking about it. Every visit that I've made with President Trump, whether it be at Mar-a-Lago or at Bedminster or even coming to Tennessee, over the course of the past four years, we've spent time talking about how the situation is evolving in the region. He's very focused on it.

I think he's very well-prepared. The issue with appointments you'll see today, as you mentioned, I'm going to go up and introduce Jamieson Greer to be our next US trade representative, we are very focused on getting his cabinet in place. We're moving at a pace right now that we've marked back to the days of Barack Obama. That was before all

of the resistance movement began, and we're trying to keep pace with where President Obama was getting a dozen cabinet members in the first 15 days, and we're tracking to do that. It's certainly the Democrat's right to put holds on everybody. Look, they put a hold on me. I had to go through 30 hours of cloture to be ambassador to Japan. This was when the resistance movement began back in 2017. It's regrettable. We matched them in 2021 when Biden came into office. We had an opportunity.

John Thune went to the Democrats and said, "Why don't we set this aside? Why don't we get back to something that is more akin to the pace that the American public expects?" I think when you have 75 percent of the American public saying that the United States is on the wrong track, that's where we were in November. Whether they voted for President Trump or not, I think we ought to acknowledge the fact that the American people want to see change in a significant way. And by having these resistance movements, the Democrats ran all night last night, a thirty-hour run to rage against the machine, what difference does it make? It just slows us down and I don't think anybody's paying that much attention. It's not going to change the outcome, but it's going to slow us down. And I don't think the American public is nearly as tolerant of it today as they might've been back in 2017.

Kenneth Weinstein:

Good. Knowing a little bit about Democrats slowing down nominations for ambassadorships myself.

Bill Hagerty:

Oh, yeah. You know very well.

Kenneth Weinstein:

So yeah, it's definitely a subject. These nominees should be able to

get through and serve where the country needs them. Let me shift gears a little bit. One of the key deliverables, as it were, of Trump 1.0 was the incredible strategic alignment, as my colleague Jim Przystup originally phrased it, between the United States and Japan. That led for the first time in US history to the United States accepting by the third week of President Trump's term a somewhat obscure strategic concept, developed entirely by an ally, the concept of the free and open Indo-Pacific, and making it absolutely essential to US grand strategy. My Hudson Institute colleague and I, Will Chou, just produced a major new Hudson report, *Past Lessons and Future Actions: Policies for a Successful, Free, and Open Indo-Pacific*, that looks at the progress so far on FOIP, which of course was Shinzo Abe's signature contribution to international relations, reshaped the grand strategies not just of the United States, but also of key European countries, now South Korea as well.

Now, this report highlights a key initiative you have championed in making Northeast Asia a primary market for US LNG rather than Russian or Qatari LNG, including from the North Slope of Alaska. Just your view of the role of energy security in the next phase of FOIP, what role it should play in the summit, and in the free and open Indo-Pacific more broadly.

Bill Hagerty:

Oh, Ken, thank you for touching on this. You know it's a hot button issue of mine. And back to the point of President Trump's willingness to adopt Prime Minister Abe's concept of a free and open Indo-Pacific, I think you'll know exactly the date, Ken, but I think Prime Minister Abe articulated that in '07, '08 in India when he talked about his vision of a free and open Indo-Pacific. President Trump thought that made sense, and unlike many American tendencies to capture and rename something in our own way, he adopted Prime Minister Abe's vision. And I remember early on in the Biden administration, there was a

knee-jerk reaction. Let's not use that terminology. There was an effort not to use any terminology that had been utilized in the prior administration. But I called over the White House and reminded them the genesis of that term, and I'm glad to see it survive administration to administration and it's going to continue. And I think it's a fitting tribute to Prime Minister Abe and his deep vision.

To the point of where we have strategic opportunity, I see energy security as a tremendous opportunity for our two nations. These are conversations that began in my role as ambassador and with President Trump. President Trump and I have discussed it at length. What we have is the opportunity to significantly displace Russian LNG with US LNG. And the conversations that I had with my counterparts in Japan back at the time were serious and significant, and I think that we were on the same page in terms of the Japanese making multi-billion dollar investments in LNG terminaling facilities both here in the United States and in Japan. That investment could grow significantly. And if we think about Japanese trading companies' capability to market a commodity like natural gas throughout Southeast Asia, the capability definitely exists there. The financing potential and the know-how to build these terminaling facilities is present there. I think the South Koreans would like to partner with us as well. They've engaged in this conversation with me also.

But if you think about a counterweight to China's Belt and Road Initiative, how much more powerful would it be to provide clean US LNG throughout Southeast Asia? A continuous supply of energy. How much stronger is that than some piece of infrastructure that could be nationalized or whatever? Infrastructure that often after a few years fails because of poor workmanship? Infrastructure that's financed with debt trap? This is a far better solution, far more powerful, and geostrategically far more significant. I think Japan sharing in that vision with us, sharing in that investment opportunity, and frankly, moving

into this realm aggressively, is a huge opportunity. And whether it's Alaskan LNG, Louisiana, Texas, America can work very closely with Japan to create the type of energy security bonds that will be great for our nation's economies and great for our national security. And it will send a very strong message throughout Southeast Asia that we are here to stay.

Kenneth Weinstein:

Great. Great. Deepening cooperation between our two nations is obviously critical to both on the economic side. Given President Trump's oft-stated preference for tariffs as a means of economic leverage, what do you recommend to Japan to do to avoid the brunt of such an approach?

Bill Hagerty:

Believe me, I have had plenty of conversations with my friends in Japan about this over the years. There are two conversations going on right now with tariffs here in Washington. One is the utilization of tariffs to address some very serious national security concerns. Think Canada and Mexico. President Trump was very clear what the goal was of the 25 percent tariffs. He wants to see the flow of fentanyl and illegal immigration and human trafficking stop at our borders. He wants to see our partner nations in Canada and Mexico step up. It's good for them to stop fentanyl manufacture in their country. It's good for them to maintain the sovereignty of their own borders. And I think it didn't take long for that wake-up call to be heard. Those tariffs were articulated and put in place for a very specific region and the conditions were made clear to our counterparties. Now, both countries are working on a short timeline to try to address those concerns. I applaud it. I'm for it. We lose 3000 people a year in my state to fentanyl deaths. It's got to stop, so I appreciate President Trump taking a strong position there.

There's also a review underway of the overall economic impact of our trading regime that's taking place. The report is due in April. There, what we're looking at is a situation where I would say across the world we have an uneven set of relationships with our trading partners. We have non-reciprocal relationships with our trading partners. And if you go back in time, I can explain it. It goes back to World War II. If you think about what happened at the end of World War II, economies were decimated in Europe and in Japan. What did we do? We created very favorable terms of trade because we wanted Japan to turn toward America and work with us, not toward communist forces in China, on the Korean Peninsula, Russia. You think about the neighborhood at that time back then, that was the objective. We should have put a time limit on it. We should have put a GDP per capita limit on it, because these nations now are fully developed nations. They don't deserve nor need our subsidization, yet they've continued to benefit from it.

What we have therefore is a series of non-reciprocal relationships, and it manifests itself both in terms of tariff barriers being uneven, but also non-tariff barriers. By that I mean regulations, localization requirements, et cetera, that make it hard to enter these markets. And finally, subsidies are a problem as well. All three of those elements, were they taken to zero, I think we find ourselves in a position where President Trump would be more than eager to work with our counterparties. No one seems to want to do that, so we're going to have to sit down and figure out how to get to reciprocal terms on many aspects of trade.

And if you look at it from the American perspective, and I think you heard this on the campaign trail, J.D. Vance has articulated it, certainly President Trump has over the years, but what they've seen ever since China joined the WTO is a hollowing out of America's manufacturing capacity. We've had years and years of trade deficits with Japan.

President Trump wants to see more manufacturing come back to America. It's critical to our national security. That became painfully obvious during the pandemic when China threatened to cut off supplies of PPE, for example. When we thought about where our antibiotics would come from. So there is a very strategic and economic review underway, and I think they're going to be a tough set of discussions between close friends and partners like Japan on the terms of how do we get to a more reciprocal relationship. And I hope our counterparties don't view that as hostility, but view that as a sense that we want to be treated fairly going forward.

Kenneth Weinstein:

Let me ask you a little on the Japanese investment in the United States, of course. Of course, Tennessee was the first place that major Japanese investment occurred in the auto industry in Smyrna, Tennessee, when Nissan arrived 40 years ago. You spent an awful lot of time in Japan when you were in the cabinet in Tennessee and very successfully recruited large-scale manufacturing to Tennessee. Let me ask you about the kind of impact that Japan's foreign investment has for local communities and workforces when business and economics are increasingly at the frontline of geopolitics. And how do you think Japanese foreign investment in the US should evolve?

Bill Hagerty:

It's been quite significant, and I would say this, quite positively received. I had numerous conversations with President Trump back in 2017 when I went to be ambassador along the lines of this, Ken. If we could persuade the Japanese to build in America what they sell in America, won't we all be better off? My plea with President Trump, though, was this. The way the trade data works, the capital investment gets counted against us at the outset. I said, "Don't kill me for doing this, because initially the capital has to come into the states. The

investment has to occur before the jobs manifest themselves and the production begins. And my numbers are going to look bad at the outset. But if you'll bear with me, I think we're going to get to a positive place."

Japan has a major demographic challenge right now. You think about the number of workers supporting the number of retirees. There's a real issue, and the US has the capacity to become the best manufacturing partner Japan could have. And frankly, we're the largest market and a very receptive market for Japanese goods. So I think it's a two-pronged approach, Ken. I think we have to be cognizant of the way the math works on the foreign direct investment and view that in a positive light. But also, I think we're eager to see Japan buy more goods from America. I worked very hard on the two trade deals that we executed during the Trump administration. The Digital Trade Agreement, which is the highest standard digital trade deal that we've ever struck. I think that could stand as a template for many other nations to work with us. And also, a basic free trade agreement that we put in place that dealt at that point largely with agricultural commodities and a number of items that I think Japan realized they would benefit from perhaps buying from their partner America than other countries so we have more opportunity to go. I think auto and auto parts are a big area of concern, and that's something I'm certain will be a point of focus as we get through this April review, but I view it as opportunity. I think with an ally nation like Japan, it's something we sit down and we talk together and find a way forward, but I'm optimistic that we can manage this in a way that helps address what has been a persistent trade deficit, but do it in a manner that's good for both economies.

Kenneth Weinstein:

Let me ask you, since we're talking about manufacturing in the US, let me ask you about US steel for a second. Your thoughts on. . .

Bill Hagerty:

So I've watched with great interest President Trump's embrace of Masayoshi Son when he talked about bringing massive new investment into America. I've been with President Trump as we've announced major investments. Akio Toyoda is a good friend of mine. The amount of investment coming from Toyota and other companies like that has been very well received. Steel is a strategic industry for America and I think President Trump considers this a little bit differently. And for strategic industries where we have seen over time, and look, I remember this Ken, I first moved to Tokyo in 1988 when I worked for Boston Consulting Group and I had seen the US Steel industry migrate from the United States to Japan. Then it migrated to South Korea, then it migrated to China.

But what we've seen is a strategic industry like that move away from America and President Trump has very legitimate concerns that if we want to be in a national security posture, that we can actually sustain ourselves if need be. I think this is a very deep and heartfelt concern, so I don't know how he's going to navigate this. I'm not going to get in front of him. I know there's a lot of pressure from the Japan side to do something here. Japan wants to partner with us more in a number of areas. I'll leave that to President Trump to make the decision, but I'll just note that in strategic industries like steel, the considerations may be different than say automotive.

Kenneth Weinstein:

Right, good. Thank you. Let me ask you a little, you have really played a central role in the US Japan, South Korea trilateral relationship. You've worked towards institutionalizing trilateral cooperation with the trilateral executive dialogue, which I had the honor of attending both when you did it on the sidelines of the Apex Summit in San Francisco was then at Hoover, and then you did it in Seoul in the fall where you

brought the largest delegation of US senators that had ever been in South Korea.

Bill Hagerty:

There were seven of us. Yeah.

Kenneth Weinstein:

And it was a remarkable group and Hudson was co-sponsor of that event and honored to do so. You brought together top business leaders from the three countries and top government officials. A situation has really dramatically changed in Seoul, our friend President Yoon now facing impeachment. And in this report, in part drawing on the conversation from that extraordinary trilateral executive dialogue, we argue that the US, Japan, South Korea trilateral relationship should be the economic engine of FOIP, the economic engine of investment in the Indo-Pacific. How do you advise the US and Japan to handle the unbelievably complicated situation in Seoul now and its implications for not just the trilateral relationship but for security in the Indo-Pacific more broadly?

Bill Hagerty:

Ken, you're so kind to raise this and you and I have talked about this a great deal. I want to say the 21st Century Policy Institute and the Hudson Institute's support of our trilateral executive dialogue is so much appreciated by me, and I think you highlight the strategic rationale behind it. I think that our economic relationship can absolutely be the fundamental core of a strategic relationship that's critical right now. And as I talk to business leaders in Seoul, I talk to business leaders in Japan, I talk to business leaders here in America. They want to see our nations working more closely together. Our strategic interests are aligned. If you think about the opportunities to do join R&D, particularly on technology that might have dual use, think about sensitive technologies that we all want to see protected, that we

don't want our intellectual property stolen, and we don't want to see our supply chains made vulnerable by nations who may not have our best interest at heart. We have every interest in working together on a trilateral basis.

My frustration with the trilateral relationship, frankly, is more directly related at the frustration at the political problems between Japan and South Korea. I'll just be very blunt about it. Historical issues come up from time to time. Every time they do, you can count on a political leader scoring points and taking a bump in the polls in their home country, and it just happens. It's a political fact of life. But as I talk to business leaders, they want to get past this. They see the need to work together, and that was the foundation of saying, "Look, we should put in place this economic relationship and foster it."

I was very pleased to see President Yoon step up and take political steps that were very challenging for him in Seoul, and Ken, you know this, you were there with us. It was courageous to do what he did and he frankly paid a high political cost for doing it. And I expect the pendulum to swing back and I'm just going to get tougher right now, but I think we continue to find economic opportunities to work together Japan, South Korea, the United States, and broaden and deepen the economic relationships so that over time the economic relationship grows deeper and stronger and relatively speaking, the political differences become smaller and smaller and smaller. That's the answer.

Kenneth Weinstein:

It's interesting because the way you're talking about both Akia Toyoda, the way you're talking about Masayoshi Son, it's fascinating to see this sort of shift of the role that business leaders are playing in diplomacy, and I guess as you point out with the political leadership in South Korea so damaged and the potential of a far less favorable

government to the United States and Japan, maybe that's the direction that things need to go in order to keep the trilateral going.

Bill Hagerty:

I do think that that can be sort of the ballast and the stabilizing foundation of a relationship that will endure the ups and downs of the politics and if we continue to support it and nurture it, if you step back, we have the same strategic interest and we have the same strategic concerns. Look, if you think about the vulnerability of South Korean companies to their supply chains in China and some of the very aggressive posture, I think about Latte Corporation, Ken, and what's happened to them in China and other examples, I think there's a clear sense that we should be working more and more closely together, and as I see again, business leaders in South Korea working quietly, but more and more directly, that's my sense with Japanese business leaders, this is going to happen. I just want to nurture it.

We're going to do our third annual executive dialogue in Tokyo this fall. I would encourage any of you, we will certainly be in close touch with Hudson as we get the date finalized, but I think we'll have another opportunity to continue to move it forward and again, just see our way past the political waves.

Kenneth Weinstein:

Yeah, it's interesting. I guess the leadership of Hyundai has been in touch with, was it Nissan or was it Toyota?

Bill Hagerty:

Toyota.

Kenneth Weinstein:

Toyota. There've been meetings in both Seoul, I guess now Tokyo, to talk about cooperation, which is really critical. Let's, since we're talked about supply chains and the challenge of China, Taiwan is certainly

going to be discussed at the summit. How do you assess Japan's efforts to bolster its security presence on Yonaguni Island, which is less than 70 miles from Taiwan? How do you see the shift in thinking about forward positioning in Japan ever since the three strategic documents were released in December of 2022?

Bill Hagerty:

Yeah, I think Japan's got 1,500 people on that island. They have a very legitimate concern, an immediate concern for their citizens. But also longer term they see China's aggression moving toward Taiwan and think about where does it stop, and again, you get back to proximity. Japan feels the threat in a much more proximate way just because of their location. Japan has taken significant steps. If you think about the decision to go from 1 percent to 2 percent of GDP to be spent on national defense, I think that was all in response to the increased aggression of China and the Taiwan Strait. Again, that was in response to our failure in Afghanistan. I am still heartbroken over that, but what we need is a strong America. We need a strong US/ Japan alliance. We need greater cooperation with partners like South Korea of course, but also Australia and India. That presents great potential for us.

And Japan is going to play an ever more critical role. Again, I think that the conversation, I fully expect the conversation between Prime Minister Ishiba and President Trump to be very much focused on defense and national security. Prime Minister Ishiba is a former defense minister. This is his wheelhouse and I fully expect that there'll be a conversation about the commitment that Japan is making to step up defense expenditures. I have encouraged, personally, our friends in Japan to focus more on interoperability and lethality joint exercises than just making this a procurement exercise. We're really looking for ways to see greater interoperability. We've got a new joint command that we're trying to establish with Japan there now. I hope that will be a

focus of the conversation and how to make that as effective as possible.

But to the extent that we can leverage our presence together, if you think about it, the US has more US military stationed in Japan than anyplace else in the world, and that presence is significant. It's a huge investment on our part, and it's one that Japan has been supportive of and I think will continue to help leverage. That should be a fundamental component of the conversation between the two leaders that takes place this week. I also, coming back to it, I think energy security is going to be an important element of that as well, and I'm certain that President Trump, well, I would be surprised, but at this way, the trade doesn't become part of that conversation as well.

Kenneth Weinstein:

Yeah. On the defense spending side, a lot of speculation in Japan. Trump's going to ask Japan to spend 3 percent or more on defense. That 2 percent is not enough.

Bill Hagerty:

I wouldn't be surprised. I wouldn't be surprised by that at all. And the reason is this, the tension and the threat profile has changed, and it's changed in a way that's adverse to our interest. I had some very interesting conversations when I was in my prior role as US ambassador to Japan. At one point, I invited all of the NATO ambassadors who were present in Japan to come to a dinner. Many of them were reaching out to me because this was a point in time when Kim Jong Un was launching intercontinental ballistic missiles over Japan. My job as US ambassador, at any point in time, we have 250,000 US citizens in Japan, my first priority is their safety and the ability to identify them, to process them and flow them to safety if something were to happen, that's my responsibility. Who comes next? Our allies. So they all want to talk to me about what might happen in

case of some very adverse consequence.

When I brought them together, I brought them together because I'd been hearing what they were saying behind my back. And there were a great deal of complaints about the fact that President Trump was challenging NATO nations to step up and fulfill their obligations. And many of those nations couldn't even get to 1 percent when their commitment had been two for years. And I looked at them in a very calm way and I said, "I have four children. This is true. The United States is spending in a deficit position. We have trillions of dollars of debt, which means that every dollar that we take on to spend on national defense, every dollar that we spend that we don't have is putting more weight on the shoulders of my children and your grandchildren." How do I explain to them that while we spend 3.5 to 5.5 percent of our GDP on national defense, much of it to protect, and I pointed around the table, your nations, at the same time, you can't even meet your basic commitment of 2 percent.

You have deeper social safety nets. You allow people to retire at 55 in your countries. We don't do that. You're asking my children to subsidize yours. That's a very hard argument for me to take home. And it's a very hard argument for the US taxpayer to accept. The response, crickets.

Kenneth Weinstein:

Exactly.

Bill Hagerty:

I think you all understand where I'm coming from. We want our allies to be stronger. I think the media takes this and plays it as, "Oh, how could Donald Trump insult our allies?" We're not trying to insult our allies, we're trying to make them stronger. We want to all be stronger together. And I think that's the fundamental message. Therefore, I think President Trump is going to look at every relationship with our

allies and particularly strong allies like Japan, like South Korea, others, let's find ways to be stronger together. And it's not just the sheer amount of expenditures, though, that's one measure, but it's also finding ways to do joint exercises. It's finding ways to do joint R&D, finding ways to do joint production, co-production, all of these things that leverage our capabilities. And if I go back to some of my great frustration, our procurement here in America, our DOD procurement is antiquated.

That's a polite description. There's so much we could be doing together from a technology standpoint and a deployment standpoint. Let's do it. Let's find those opportunities. Let's embrace one another rather than go back to our corners and say, "Well, you spend 2 percent or you spend 2.5 percent." Let's look for ways to work together.

Kenneth Weinstein:

Let me ask you a question about joint procurement, joint development. The Japanese obviously working with the Italians and the Brits on the Global Combat Aircraft Program to create a sixth-generation fighter. What should the concerns be here in Washington about that? Should there be any or should we encourage it?

Bill Hagerty:

I think we should take a message, Ken, because I was involved in a number of those discussions early on, and what we have is a hidebound procurement system here that makes it damn difficult for partners like Japan to work with us. They might want something different than what we stamp out and we keep saying, "Talk to the hand and you're going to take the vanilla product or we only have a certain way to do business." We need to get a little more flexible. We need to be a little more commercial in our approach. I take it as a fair criticism of our own procurement system myself, and I'm not critical of Japan for taking the decisions that they have. And frankly, the

countries that you mentioned are allies as well. Let's look for ways to do in a much more fluid manner. Let's find ways to work more closely together.

I'm going to caveat all of this though by saying there is a real concern about how we handle confidential and proprietary information. And you and I know well the concerns here, but information security has to be paramount as well, so that for us to work with close partners, we also need to be confident that we're not going to get hacked, that that information is not going to wind up in the hands of our adversaries, and that we aren't going to suddenly find that latest and greatest technology on a flat top and the South China Sea. So that's a concern I'll just caveat all of that with.

Kenneth Weinstein:

Let me ask you, I know you've got a very tight time. We've said we try to wrap up by 9:15. Let me ask you one last question here. Many countries witness Japan's and Prime Minister Abe's success during the Trump 1.0 period and have sought to emulate the Japanese approach. God knows, I know everybody comes to you and people come to me. I can't tell you how many European leaders, European officials have come. What's the secret? What's the secret sauce for Trump 2.0 as it's being termed? How should Japan expand or change the geometry of its engagement with the Trump administration, with Washington more broadly and with the American people? Does Japan need to change what it's doing more of the same?

Bill Hagerty:

I think Japan comes at it with a huge advantage, Ken. If you think about, again, our military presence is the most significant of anywhere in the world with Japan. We have such a strong military to military cooperation that can be built upon. If you think about the opportunity for deepening our energy security relationship, we've talked about

LNG. I failed to mention something else that's certainly near and dear to my heart, but that's nuclear and small monitor reactors being from Tennessee, where Oak Ridge National Labs and the TVA are located, obviously have a very parochial view on this, but I think we have a very receptive opportunity with Japan on energy security, broadly written. And if we look at our joint interest, the partnership between the United States and Japan is we look towards Southeast Asia, which is you think about the demographic growth and the economic growth in the world.

Most of it's happening there. I just see Japan in a uniquely positive position to work with America very, very closely. And if we look at it from the standpoint of where the opportunities lie, Japan enjoys a great posture with the United States and a strong and deep, trusted relationship. And frankly, we have the benefit of friends like yourself, Ken, and the Hudson Institute. And there are a lot of institutions that support this relationship. As our European partners look our way, I think they've got some real challenges. If you look at. . . I had a reason to compare Europe's economic growth with America's economic growth. From the point that the EU was formed. At that point in time, their economy was roughly the same size as the American economy. Since that point in time, the EU has grown between 7 and 8 percent in total since the beginning. Our economy has grown more than 80 percent, more than 10x.

Why? Regulations, bureaucracy, hidebound government, an inward focus, and their economy has been constrained. We've got partnerships with countries like Japan with a large market here in America. We have economic opportunity that we can work together to exploit. And I think it's that opportunity that Japan sees. That's why they're making the investment here. And there's more to do with respect to our European partners who come to you, Ken, and often come to me. I encourage them to try to find room to innovate, try to find

room to get away from their regulatory morass that has slowed their economy down. And in so doing rather than attack American companies and try to disadvantage us or impose Basel III and the types of things that would frankly slow us down, if their idea of competition is to slow America down, that's not going to sell. That's not going to sell. They should find a way to accelerate their own opportunities and then we join them.

Kenneth Weinstein:

On that note, let me just thank you, Senator. It's been a pleasure and honor to be with you. I think all of us in this room, and more broadly, everyone in Japan, really feel grateful to you to have someone of your talent, your knowledge, your passion and dedication working in the US Senate on this relationship and on so many other issues that are so critical to both countries. Thank you so much for taking time from your busy schedule to do this with us.

Bill Hagerty:

Thanks for a great partnership with Hudson.