

## On the Edge of a New Frontier: Japan's Path toward the 22<sup>nd</sup> Century

Thank you, Dr. Hamre, for your kind introduction.

Ladies and gentlemen, thank you all for coming here on a Friday morning, at the end of another busy week. With the weekend just around the corner, I can imagine how tough it was for CSIS to attract such distinguished guests, and I am delighted to see all of you here today.

It is certainly a great pleasure for me to be back at CSIS for the first time since I left Washington DC in 2007. This is where I began my professional career. Back then, I was simply overwhelmed. But as I spent more time here, I started to appreciate the exciting political dynamic. CSIS was my home away from home. And, I was so glad to find it for my own survival.

In the twelve years that I have been away, some things have changed and some things have stayed the same. My old home, CSIS has moved and is now housed in a brand-new building with a dynamic stone and glass façade. But, happily, even in this unfamiliar setting, I see many familiar faces from my time here which remind me of the family-like bond that I cherished so much. I am grateful to CSIS for organizing today's event, and for giving me this opportunity to reconnect with all of you.

At CSIS, I was under the mentorship of Dr. Mike Green, who always inspired me to explore emerging aspects of Japan-US relations. Back then, many of our friends in this town saw uncertainty in Japan's political and economic future. In particular, lack of sustainable political leadership in Japan sowed doubts about the alliance. It was then that I started searching for clues, asking myself how we could strengthen our alliance, and preparing for my own political career.

Had I not spent time at CSIS, my perspective would have been different and somewhat pessimistic. In clear contrast to those days, I am now fundamentally an optimist about the future of Japan. And this is exactly the reason why I am here today. Now serving my fourth term as a Diet member, I have been fortunate to gain experiences both in the government and the party. Politics is about the future and I came here today to share with you how I feel about the future of Japan.

*Japan is at the edge of a new frontier and I am determined to make Japan, with our decreasing population and 100-year life expectancy, thrive in the future.*

That is the key message that I would like to leave with you today.

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Let me start by telling you a little bit about my background. I grew up in Yokosuka, Japan. The legacy of Yokosuka goes back to the period when Japan was still an isolated country under the Tokugawa Shogunate. It was when Commodore Perry landed in Yokosuka in 1853 that the opening of Japan began.

Today, Yokosuka hosts a naval base, the home of the US 7<sup>th</sup> Fleet. It is the only homeport for US aircraft carriers outside of the United States. And, given Japan's severe security environment, the Japan-US alliance is indispensable to Japan's security and regional stability. The presence of US forces in Japan is of vital importance for maintaining deterrence, and Yokosuka is known for its good-neighbor relationship between the US military and the local community. As someone representing Yokosuka, I take great pride in such a cordial relationship, and pay tribute to the dedication of the men and women in the US forces who selflessly serve the alliance.

From childhood, I was aware of the unique tie between my hometown and the United States. As a high school student, all I did was practice baseball every single day, hoping to make it to the national championship. Being inspired by "The Tornado," Hideo Nomo of the Los Angeles Dodgers, it was very natural for me to look to the United States for something big – Major League Baseball. But not just that... I was looking for something inspiring outside of Japan.

Baseball also played a key role in the relationship that I had with my father, Junichiro Koizumi. In his capacity as Japanese Prime Minister from 2001 till 2006, he transformed the alliance in the global context. His five-year-long personal tie with President Bush set the course for Japan's foreign policy at the beginning of this century, particularly after 9/11.

As a father, he was somewhat calm, and always encouraged me to see Japan from the outside. His message was "seeing it from inside will not suffice." This may sound simplistic, but it was powerful enough to push me to pursue my academic interests in the United States. Matching my father's success and lasting legacy will be very tough for anyone in Japanese politics, including myself, but I am proud of who I am and from where I come.

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On Wednesday, May 1<sup>st</sup>, the new era of "Reiwa" under His Majesty the Emperor

began in Japan. The abdication of an Emperor took place for the first time in 200 years. As we have just started a new chapter in a new era, it is a good time for us to think about where things should go from here, say in the next 20 to 30 years. This is particularly relevant in view of recent developments around the globe.

Now, turning our eyes to the world, we see that the rules-based liberal order is at stake. Confidence in such order has eroded. One cannot take it for granted that this order will continue to be valued and enjoy as robust support as it did. Challenges are also coming from unhappy electorates, as shown by *Hillbilly Elegy*, the Brexit referendum and the “yellow vest” movement in France. In many places, political leaders are facing intense division and polarization within their countries.

Interestingly, Japan seems to be an exception to this trend. Despite the changing political landscape in the world, Japan remains stable and we haven’t experienced a hyper-polarized environment so far. For now, we have a certain level of predictability. Although this is true, it is also true that Japanese society is facing challenges. A number of factors such as depopulation, aging, sluggish economic growth and a consensus-driven culture have undermined Japan’s strengths. I am fully aware of the reality that Japan is walking a tightrope in facing the dilemma of stability and stagnation.

In recent years, world leaders have been grappling with the challenge of adapting the international order to the changing world, while upholding key principles such as the rule of law. As we find ourselves in this “adjustment period,” it is hard to know if and when we will finish making such an adjustment. But no matter how long it takes and what kind of order we establish in the future, there are *things which won’t change* and *things which must change*, if Japan is to survive in the changing world. This is the construct that best explains my approach to the future of Japan.

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First, I would like to explore the things *that won’t — or should not — change*. One of those things is this: Japan will prosper only by engaging with the world, as has been the case since the end of the war. Japan has been the beneficiary of a free, open and rules-based economic system. With few natural resources, the only way for Japan to survive is to continuously engage with the world. In other words, free trade and a rules-based order will remain important for Japan and will

become even more important under depopulation. This brings me to the other half of my construct: *things which must change*.

Whether we like it or not, Japan must change itself. Japan should engage more with the world and play a more significant role on the international stage. This consists of three tasks: first, deepening cooperation with the United States; second, working with other democracies; and third, identifying areas where Japan is well-positioned to play a greater role and fulfilling such a role. I will touch upon the first two briefly and elaborate on the third in detail.

First, as the cornerstone of Japan's foreign policy, the Japan-US alliance will remain a key element for Japan to define its role in the world. Shifting geopolitical dynamics now, more so than ever, put Japan and the United States in the same boat, both politically and economically. As two experienced liberal democracies, the strategic logic behind our alliance will carry greater weight and deserve more credibility in the future.

There is no doubt that Japan has been a steadfast ally of the United States. The value of our alliance partly comes from Japan's location in the Asia-Pacific, which will remain a center of growth in this century. As an Indo-Pacific nation, the United States has every reason for maintaining a rock-solid alliance with Japan.

Second, if the United States continues to strategically engage in the Indo-Pacific region, the relative strength of the United States and the regional dynamics could change in the next 20 to 30 years. While China is expected to grow at a fast pace at least in the short-term, other emerging countries like India and Indonesia will have a greater presence in the Indo-Pacific. As such, there will be room for further collaboration between Japan and those democratic countries. Such thinking is already reflected in Japan's concept of "FOIP" or a "Free and Open Indo-Pacific."

Third, Japan should play a greater role to contribute to the world. From the security standpoint, I believe we are on the right track. A number of policy initiatives are already making it possible for Japan to do more. But, here, I am not just talking about the security context. I would like to draw your attention to the biggest challenges for my generation: Japan's demographics and rapidly aging population.

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The implications of a depopulating, or if you will a shrinking, and aging Japan,

the third largest economy in the world, are big. As many countries are either facing similar challenges or soon will, the entire world, including the United States, is looking to Japan for lessons. And here, the key question for Japan is whether it is ready to reinvent itself. Compared to those countries with growing populations like the United States, this is not only an urgent question for Japan, but one that must be answered by Japan. In other words, this is where Japan should become a trailblazer for other democracies.

Let me start with Japan's population. Where are we now in terms of demography? One estimate shows that by 2100, Japan's population will decline by half from current levels, to 60 million, in the worst case whereas the world's population will increase to 11.2 billion. Japan could be the fastest-shrinking economic power in the world.

A shrinking population is indeed our biggest challenge domestically. As a result, most political leaders both in Japan and the world see the future of Japan through the lens of demography. Given the complexity of the challenge, such an approach could invite a negative mindset, and naturally so. Many economists tend to agree that depopulation brings about gloomy economic prospects.

In the case of Japan, it is true that depopulation has brought about a new reality. Interestingly though, despite – and most likely because of – depopulation, the Japanese market has been expanding significantly in recent years. What I mean by this is, with the entry into force of the TPP11 and the Japan-EU EPA, Japan now has a huge market within which to compete. We are even trying to expand it by inviting others to the TPP and negotiating a new trade deal with the United States and an RCEP agreement with ASEAN, China, India and others. In this way, we have been the flag-bearer of free trade for the last two decades and we will continue to be.

From the 1970s and mid-1980s, Japan was under enormous pressure to open up its market, and was criticized for its “protectionist” economy. But now, due to our depopulation, it is necessary for Japan to look outside to maintain its prosperity and national well-being. Once we achieved our current level of well-being, it became impossible to sustain it only by staying in Japan.

For better or worse, Japan's demographic change has had an overarching impact on society. Agriculture is no exception. In my party role as the Director of the Agriculture and Forestry Division, I observed what happened to this industry in the last decade. But, even in this traditional industry, transformation and

innovation are under way. Japanese farmers are now seeking new frontiers in overseas markets. Under the slogan of “turning our eyes to the market of 10 billion people,” Japanese agriculture is on course to reach its target of 1 trillion yen in exports by 2019.

Even in this age of AI and IoT, we, human beings, must eat. We were designed that way. As the size of middle class is expanding both in emerging and developed countries, there are more and more people who are seeking longevity through a healthy diet. This is what is generating a greater demand for Japanese agricultural products. I am confident that Japan’s exports of agricultural products will continue to grow.

Depopulation has changed our labor market, too. Currently, Japan is nearing full employment. For the economy to grow, Japan needs more labor. This has been the impetus for Japan to promote women’s active participation and to open its door wider to skilled foreigners. It has also pushed Japan to introduce fast-emerging technologies like AI and robotics.

There will be a new division of labor between jobs that can be done by humans and those that can be done by robots. There is a renewed focus on autonomous mobility and precision medicine in Japan. With our creativity and sense of urgency, Japan is well-positioned to offer leadership in addressing the depopulation issue.

Over the years, depopulation has deepened cynicism and pessimism toward Japan. But historically speaking, Japan has experienced depopulation four times in its history, including now. So depopulation itself is not completely new to us. Japan was simply lucky to expand its population until ten years ago. With the advent of digitalization, we now have a new set of tools for addressing this challenge. Therefore, the narrative this time will be much different from the experiences that Japan had before digitalization.

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Let me now talk about Japan’s aging society. Where are we now in terms of aging? Japan will surely be the first nation to be a society of centenarians. Let me give you some numbers that speak for themselves.

Last year, Japan set a new record for the number of people over 100 years old. There are almost 70,000 people aged 100 or over in Japan. The number is expected to double or even triple in the future.

Right after the war, the average life expectancy in Japan was 51 years for men and 54 years for women. Now, the figure is 81 for men and 88 for women. In short, Japanese life expectancy has increased by more than 30 years in the last 70 years. What this means is that Japanese boys and girls born in 2019 are expected to live, on average, until the beginning of the 22nd century. As such, living until age 100 is becoming a real possibility for Japanese, not a fantasy. As a matter of fact, according to Prof. Lynda Gratton, one of the world's top business thinkers, a child born in Japan in 2007 has a 50 percent chance of living to be 107 years old.

Against this backdrop, it is not uncommon for Japanese politicians, especially those in the younger generation like me and my colleagues, to talk about policy options for the 22nd century.

So, what would a centenarian society look like? The common life-cycle in Japan with an 80-year life expectancy has been: 20 years of pre-employment, 40 years of employment, and 20 years of post-employment or retirement. Imagine what would happen if we added an extra 20 years to this cycle. If we were talking about the United States, it could mean that you would have an extra 20 years of retirement. But in the case of Japan, that would be very unlikely. Rather, we will choose to continue working. According to one poll in Japan asking how long people would like to keep working, 42 percent replied that they would like to do so as long as they could. There is already a large number of healthy elderly in Japan who are willing and eager to work.

As such, aging is pushing Japan to change our way of life and our way of doing business. For instance, age 65 is now too young for retirement in Japan. Some people are even suggesting that we should set the retirement age at 75. The bottom line is that, if we are to maintain our post-war tradition of life-time employment and other social systems, Japan will neither prosper nor survive. In my current capacity as Director of the Health, Labor and Welfare Division in my party, I have been working to transform the Japanese economic and social structure, including social security, education and work-style reform, looking ahead to a future with a life expectancy of 100.

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As I said earlier, Japan will soon be the fastest-shrinking economic power. Japan will be the first country of centenarians. Considering this reality, I often wonder whether we have a real chance to succeed, as a shrinking nation with an average life expectancy of 100. And my answer to this is a resounding “Yes, we do have

a chance to succeed, and depopulation and aging could be a new frontier for Japan.” The key phrase here is a “new frontier.”

In his acceptance speech at the Democratic National Convention in 1960, John F. Kennedy, whom I greatly respect, explained his vision by using the term “New Frontier.” After he took office, this term became the label for his administration’s various initiatives including space exploration. Among others, his space program and the “moon shot” speech gave so much inspiration to the American people.

Just like President Kennedy, I am also determined to do everything I can to inspire the Japanese people to undertake all reforms necessary for our survival. Being at the forefront of the “Fourth Industrial Revolution,” a new wave of industrial change is now bringing cutting-edge technologies and advancing social change to Japan. As Japan stands on the edge of a new frontier, we have the benefit of using such emerging technologies. The “Fourth Industrial Revolution” will offer unique tools as Japan tries to address depopulation and aging. On top of that, Japan has a vitality which will help us build a vibrant aging society. As such, I am optimistic about Japan’s chance to reinvent itself. Japan will remain the strongest ally for the United States for many years to come.

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Ladies and gentlemen, while I am here, there is something else that I would like to stress. That is about the two-way exchanges between Japan and the United States. It is often said that the strength of the United States comes from the fundamental optimism of the nation. That is something I learned through my time in this country. Other than the United States, there are few countries that can translate the power of hope into real action. This is the country that taught Japan what the power of hope and optimism can do for us.

The power of optimism will guide me as I navigate through my political life in Japan. I am absolutely convinced that Japan will remain a reliable partner for the United States and for the world. Looking ahead to the future, I will never, ever walk away from the challenges that Japan faces. As I stressed earlier, the guiding principle for Japan’s future should be its engagement with the world and its reinvention. And the impetus for such engagement and reinvention comes from people, not robots. This brings me to the final point that I would like to make today.

As you know, the number of Japanese students studying in the United States is



decreasing. In this context, let me share with you a short line by a well-known English writer, Rudyard Kipling. He once wrote “what should they know of England who only England know?” The same question is worth asking in the case of Japan and the United States.

Especially those who are listening to my speech in Japan, I would like to encourage you to come and study in the United States. When baseball legend Ichiro announced his retirement in March, he touched on the virtue of becoming a foreigner. “Becoming a foreigner has taught me to be considerate and compassionate. These feelings only come through experience.” That is exactly what I feel about my time in the United States.

I would like to encourage more Japanese to study and work here. Likewise, I would like to encourage more talented Americans to visit Japan. For the past two days, I have conveyed this message to the people I met here. Two-way exchanges between Japan and the United States, particularly between youths, will serve as a foundation as we reinvent ourselves and engage more with the world. There is so much that Japan can learn from the United States and vice versa.

As I said earlier, what I learned from the United States made me who I am today. If we continue to learn from each other, and we shall continue such tradition, our alliance will continue to be rock-solid for many generations to come.

Finally, I hope that today will be the day when we start looking at Japan and the future of our alliance in a more optimistic way. It would be great if all of you share in my optimism and passion for Japan’s reinvention and engagement with the world. Thank you very much.