

## **CSIS Speech (Final Revised)**

Good morning, everyone. I am Seiji Maehara, Co-Chair of the Nippon Ishin no Kai, the Japan Innovation Party. To all of you listening today, and especially to President Hamre and everyone at CSIS for providing this invaluable opportunity, I offer my sincere gratitude.

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Today, I would like to talk about the political movement we, the Japan Innovation Party, are undertaking, and the challenges that both Japan and the United States share.

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One afternoon, a man protesting in front of a crowd on the street was asked to voluntarily accompany police officers to the station. His dog had bitten an officer's leg. Following this small incident, people began to gather in front of the police station. A few hours later, news of police corruption broke, and by 8:00 PM that night, the crowd had turned into a mob, throwing stones at the station and setting cars on fire. The riot gradually spread beyond the district. Things finally calmed down only on the sixth day after the unrest began.

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This riot in October 1990 occurred in Nishinari, a working-class district in Osaka plagued by poverty, rampant crime like theft, drug dealing, and violence, and deteriorating public safety. Even afterward, Nishinari remained poor, burdened by an image of being dangerous to walk around in, left behind by the changing times. The turning point came in 2012. Then-Mayor of Osaka, Toru Hashimoto, the founder of the Japan Innovation Party, declared he would engage in positive discrimination and invested a significant amount of taxpayer money into the area. Now, over a decade later, the district's safety has markedly improved. Illegally dumped waste has been removed, walls and roads have been cleaned, illegal shops and drug dealers are gone, former homeless individuals now live in shelters, and even hotels have been built.

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**We see a damaging cycle: economic disparity leads to lower public safety, which in turn breeds more crime and poverty. We also see the challenge of declining cities, left behind as industries shift and other areas develop.**

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**We are intimately familiar with such problems. This is because our political party was established precisely to solve the issues confronting cities and to improve the lives of ordinary people.**

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The Japan Innovation Party is a reform-minded conservative party that started as a regional party in Osaka. We have 38 members in the House of Representatives, 20 in the House of Councillors, and over 700 local assembly members. The top positions in both Osaka Prefecture and Osaka City are held by our party members, and we hold majorities in both assemblies. Current leader of the Japan Innovation Party is Osaka Governor Hirofumi Yoshimura, and I serve as the leader of our parliamentary group.

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The Japan Innovation Party has no supporting organizations. We accept no corporate or organizational donations whatsoever. Therefore, we pride ourselves on being the only political party capable of carrying out reform without ties, unbound by the interests of individual companies or specific groups like medical associations or labor unions. However, while reformists leading the executive branch and holding a majority in the legislature can solve urban problems, structurally transforming national-level politics is an extremely difficult task. Even when advocating for change, unraveling the legal systems, bureaucratic structures, and vested interests accumulated over long years of post-war peace, and simplifying and rationalizing complex and bewildering systems, is incredibly challenging. This is a common challenge faced by developed nations.

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For example, our party is currently leading the debate in the Diet on reforms to lower social insurance premiums. The core of social insurance premiums is medical expenses. In Japan, with its aging population, medical costs increase annually, now reaching approximately 47 trillion yen per year. However, reduction of medical costs has been slow, not only because of double medical treatment and overmedication due to the delay in digitalization, but also because of the situation in which drugs available at drugstores, such as cold medicine, stomach medicine, and compresses, are still available at 10% or 30% of the cost if prescribed by a doctor.

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While the digitalization of healthcare is gradually progressing, the adoption rate of electronic health records is still only about 50%. Moreover, there is no nationally unified platform; each medical institution contracts with its own vendor. Essentially, they are forced to introduce systems at dictated prices and pay high maintenance costs. This is why it's sometimes called a catch bar system. There is no compatibility with other medical institutions. Many silos have been created. By tackling vested interests, we can reduce medical costs.

Furthermore, digitalization is lagging in national and local government administration as well. Various tax notices, such as automobile tax, and health insurance premium payment slips are delivered to residents by mail. Enormous costs for postage, outsourcing, and personnel are being wasted. These expenses, which could be eliminated by digitizing and sending notices online, continue to be wasted.

No developed country experiencing aging has the capacity to continue paying for such waste. Unless we rationalize the burden of insurance premiums on the people, we cannot create a society where working people are rewarded. Although this issue should not inherently be an ideological point argued by a specific political party, we believe the responsibility of existing political forces, who have averted their eyes for fear of backlash, is heavy. If fundamental reforms are not undertaken, the public will ultimately bear the cost of healthcare system collapse, and at that point, true populism will engulf Japan and other developed societies.

We are a party that prioritizes the economy for the sake of the people above all else and advocates for reform. Therefore, we do not present half-hearted reform proposals. Ride-sharing, which is commonplace in the United States, has only just begun in Japan. Our party is the only one submitting legislation for the full liberalization of ride-sharing. The Japan Innovation Party is committed to tackling various reforms such as streamlining administration, deregulation, and reviewing the relationship between the national and local governments. We aim to cut wasteful spending of tax money while pursuing and realizing a growth strategy that leverages the power of the private sector.

The populism currently sweeping through developed nations claims there is a magic wand – that solving one single thing will make all problems disappear. In Japan too, simplistic arguments like simply cutting taxes, slashing defense spending, or printing more money are gaining influence on the social media and the internet. Our party does not subscribe to such magic wand hypotheses. The proper path for politics is to raise wages, improve lives little by little, invest in human resources, and eliminate future anxieties through social security reform.

Speaking of investment in people, tuition-free education has long been a policy theme advocated by the Japan Innovation Party. The Japan Innovation Party is supported in Osaka because successive governors and mayors, like Toru Hashimoto and Ichiro Matsui, carried out thorough administrative and fiscal reforms, rebuilt finances, and allocated the generated resources to necessary measures like tuition-free education, gaining the understanding of the prefectural and city residents. Incidentally, Osaka Prefecture was the first in the country to implement tuition-free high school and university education. We are not simply aiming for small government or small administration. We review budgets, cut waste, and implement necessary policies. We will continue to practice these common-sense principles.

Why do we pursue tuition-free education? There are several reasons. First, Japan's education budget is small, placing a heavy burden on parents and children. Among the 38 OECD countries, Japan's public education expenditure as a percentage of nominal GDP is the second lowest. The proportion of private expenditure in total education costs is extremely high at 63.4%, compared to the OECD average of 28.6%. In Japan, education must be pursued largely at one's own expense. Over the past 30 years, wages in Japan alone among developed countries have not risen, yet education costs continue to climb.

Furthermore, tuition-free education, combined with appropriate competition policies, can help rectify educational disparities. The path chosen by 18-year-olds significantly differs based on parental income regarding university enrollment. About 62% of children from households with an annual income of 10 million yen or more go to university, whereas for those with incomes below 4 million yen, the rate is about 28% – more than double the difference. Moreover, research shows a lifetime income gap of about 75 million yen between university graduates and non-graduates. In other words, the current reality of Japanese society is that parental income disparity creates income disparity among children through unequal educational opportunities. A cycle and fixation of disparity are being generated.

We are not arguing that every child should go to university. Our primary goal with tuition-free education is to create an environment where children who want to learn can do so equally, regardless of their parents' income. By drawing out the potential of each individual, we aim to

contribute to Japan's development by improving labor productivity and fostering innovation. Nation-building starts with people-building is the fundamental principle of the Japan Innovation Party.

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As I mentioned appropriate competition policies, university reform is also urgent. Difficult to enter, easy to graduate is notoriously said of Japanese universities. The university graduation rate, the percentage of entrants who successfully graduate, is 90% in Japan, the highest in the OECD, compared to the OECD average of 68% and 53% in the United States. Universities must be transformed into genuine places of learning. While it may be common in the US, venture companies rarely emerge from Japanese universities. The Japan Innovation Party wants to urge universities to change, positioning major universities as hubs for startups, generating new added value and employment, and promoting social dynamism.

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The common challenges facing Japan and the US are not limited to domestic issues like the economy, social security, and education. I feel that the very framework of the post-war order, which has underpinned our peace and prosperity, is now being challenged. This is because the unity and cooperation of our alliance are being tested as we confront issues such as the full-fledged rise of China, which developed rapidly while free-riding on the free trade system, and the changing of the status quo by force, as seen in the war in Ukraine.

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This year marks 80 years since the end of World War II. Japan has respected values such as freedom, the rule of law, democracy, and fundamental human rights, and has sought peace. On the other hand, Japan is surrounded by countries like China, North Korea, and Russia, which possess nuclear weapons and do not hesitate to change the status quo by force. Enhancing our own defense capabilities and maintaining and strengthening the alliance relationship based on the Japan-U.S. Security Treaty are vitally important not only for protecting the Japanese people and sovereignty but also for maintaining peace and stability in Northeast Asia. During the administration of Prime Minister Naoto Kan of the Democratic Party of Japan, an incident occurred where a Chinese fishing boat rammed a Japan Coast Guard patrol vessel near the Senkaku Islands. When I first met with Secretary of State Clinton in New York as Foreign Minister, I requested confirmation of the application of Article 5 of the Japan-U.S. Security Treaty – essentially, the U.S. defense obligation to Japan – regarding the Senkaku Islands. Secretary Clinton was the first at the ministerial level to affirm this. Since then, successive U.S. presidents have all clearly stated the applicability of Article 5 to the Senkaku Islands. I want to express my heartfelt gratitude to Secretary Clinton and the U.S. government.

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It is clear that the United States has supported world peace and stability after World War II. We understand that significant regional disparities have arisen due to changes in the industrial structure characteristic of developed countries, and also due to the recent acceleration of industrial metabolism driven by the green economy. The task of politics is to promote economic growth while ensuring distribution, and to tackle challenges that the private sector cannot. We are aware that revitalizing cities that have experienced decline and addressing the serious concerns and pains affecting people's lives are not problems that can be solved in a year or two.

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However, President Trump's introduction of reciprocal tariffs undeniably contains elements that cause confusion. We, the Japanese people, are also perplexed and concerned about the impact on the global economy and the uncertainty it brings to business. Recognizing that protectionism and economic blocs were major causes of World War II, the post-war global free trade system was established under U.S. leadership. Through free trade, goods and services move freely, prices fall, and consumers in every country have enjoyed the benefits.

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Imposing high tariffs makes goods harder to sell and leads to economic recession. Particularly, if the world's two largest economies, the US and China, engage in a tariff war, it will have a significant negative impact on the global economy. How can the U.S. trade deficit be reduced while upholding the principles of free trade? How can U.S. manufacturing be revived and employment increased? I believe there is great significance in countries increasing foreign direct investment into the United States.

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Regarding the Japan-U.S. trade deficit, I believe it is entirely possible to discuss this based on the trust between our two countries. Specifically, I think there is room for discussion on Japanese automakers increasing local production in the U.S. and Japan further increasing imports of American agricultural products. Japan's post-war stability and prosperity were only possible under the international order supported by the United States, and we are prepared to uphold it.

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Viewed from this perspective, I believe the current debate in our country surrounding defense burden sharing is insufficient. A U.S. demand for increased cost-sharing for U.S. forces stationed in Japan is perceived by the Japanese public solely as unpleasant foreign pressure. Rather, I feel the time has come to reconsider the asymmetrical reciprocity of the Japan-U.S. Security Treaty,

where the U.S. bears the obligation to defend Japan, and Japan bears the obligation to provide facilities and areas for U.S. forces. President Trump argues it is unfair that only the U.S. has a defense obligation towards Japan. The Japanese government might counter, No, no, under the Security Treaty, Japan has an obligation to provide facilities and areas to the U.S.

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However, let's consider this perspective: Besides Japan, the U.S. has defense treaties or agreements with South Korea, the Philippines, and NATO. Among these, only Japan does not have a defense obligation towards the United States. South Korea, the Philippines, and all NATO member countries have defense obligations towards the U.S. If the U.S. were attacked by another country, Japan, alone among its allies, could not contribute militarily. Japan cannot come to the rescue. But if Japan were attacked, would the American people, the U.S. Congress, truly decide to fulfill the defense obligation to Japan, even at the cost of American soldiers' lives? I believe the time has come to shift from asymmetrical reciprocity to symmetrical reciprocity.

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At the same time, we should review the facilities and areas used by U.S. forces in Japan. First, all facilities and areas should be transitioned to management by the Self-Defense Forces with use by U.S. forces. Then, over time, while carefully assessing the strategic environment and under close coordination between Japan and the U.S., we should proceed with the consolidation and reduction of facilities and areas, and the realignment of U.S. forces. **We should begin discussions towards revising the Japan-U.S. Security Treaty.**

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Transitioning the Japan-U.S. alliance from asymmetrical reciprocity to symmetrical reciprocity requires not only revising the Security Treaty but also amending the Japanese Constitution. When the Peace and Security Legislation was enacted, a change in constitutional interpretation made the exercise of collective self-defense partially possible, but for Japan to assume a defense obligation towards the United States, a constitutional amendment is necessary. The Constitution of Japan is not an immutable text. Moreover, the current Constitution was promulgated on May 3, 1947, but the Self-Defense Forces were established much later, on July 1, 1954 – seven years afterward. The Constitution did not anticipate the existence of the SDF, an actual force organization. We must explicitly mention the SDF in the Constitution. We must clearly state the right of self-defense, an inherent right of the state, whether individual or collective. The Japan Innovation Party will actively work towards further evolving the Japan-U.S. alliance relationship and amending the Japanese Constitution.

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Finally, I would like to conclude by quoting the famous words of the 35th President of the United States:

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“Change is the law of life. And those who look only to the past or present are certain to miss the future”.

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Precisely because the Japan-U.S. alliance is important, I argue that it should be changed in response to societal changes. With that, I conclude my speech. Thank you very much for listening.

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