

THE COMMERCE ALLIANCE AGAINST CHINA



The Pacific Alliance Institute (PAI) is founded as an innovative think tank in Japan based on the global standard of conservatism.

Our organization supports the United States' policies against China undertaken by the Trump Administration.

Japan, with the world's third largest economy and a leader of the Free World, should make a "commerce alliance against China" with the United States. The alliance is constituted from establishing CFIUS of Japan, cooperating with discrete sanctions, reforming WTO, retreating from RCEP, and introducing tariffs on China. We conservatives do not usually support government's intervention. However, temporary sacrifices should be tolerated to challenge hidden, immoral impulse of China — and then ultimately return to "zero" barriers.

PAI is advancing such policies with members of the Diet and other experts in Japan.

President Ronald Reagan and Japanese Prime Minister Yasuhiro Nakasone once fought for our common morality of freedom against the "Evil Empire" of the former USSR in Asia. Yet, the ghost of totalitarianism has been reviving. China and other countries are raising their offensive capabilities, not respecting ownership of ideas, persecuting Christians, and violating security of the person. In order to establish liberty again over this continent, we need strength.

Now is the time when the bonds between the United States and Japan are tested, again, and PAI supports the commerce alliance between the United States and Japan against China.

Yuya Watase
Chairman, Pacific Alliance Institute
y-watase@p-a-i.org
www.p-a-i.org



Pacific Alliance Institute Inc.



PACIFIC ALLIANCE INSTITUTE



Japan-U.S. Innovation Summit hosted by the Pacific Alliance Institute.

PAI and Asia

Japan is a nation dedicated to liberty, the rule of law and prosperity, having created the greatest economic power in East Asia. The Pacific Alliance Institute (PAI) has its headquarters in Tokyo, the nation's capital, where it is working to confront the authoritarian states that are emerging in Asia.

PAI and Liberty

PAI supports tax cuts, free trade and reductions in government expenditures, and implements think tank programs to that end. PAI seeks to build alliances with like-minded conservatives, such as members of Americans for Tax Reform. In 2017, we launched an annual Japan-U.S. Innovation Summit and look forward to continued partnerships with conservative organizations over the Pacific Ocean that are dedicated to liberty.

PAI and Supporters

Attendees at the Japan-U.S. Innovation Summit included lawmakers of the ruling party, scholars who support free markets, journalists and other thought leaders from Japan. We are also exchanging opinions regularly with lawmakers of the ruling and opposition parties who have been closely related to us. PAI is also supported by young Japanese grassroots leaders, entrepreneurs and policy experts who are seeking freedom and recognize the vital importance of the Japan-U.S. alliance.

Major Japanese Speakers who participated in the Japan-U.S. Innovation Summit in 2017:

Yasutoshi Nishimura, *Deputy Chief Cabinet Secretary.*

Mineyuki Fukuda, *Senior Vice Minister of State.*

Hiroshi Yamada, *Upper House member.*

Hidehiro Mitani, *Lower House member.*

Hiroshi Yoshida, *Professor, Chiba University of Commerce.*

Akira Kamoshida, *Professor, Yokohama City University.*

Takahiro Suzuki, *Professor, Josai International University.*

Tomio Yoshikawa, *Visiting Professor, Osaka University of Economics.*

To contribute to PAI:

- | | |
|-------------------------------|---|
| 1. BANK NAME: | MIZUHO BANK, LTD. |
| 2. SWIFT CODE / BIC CODE: | MHCBJPJT |
| 3. BRANCH NAME: | ICHIGAYA BRANCH |
| 4. BENEFICIARY'S ACCOUNT NO.: | 207-2349302 |
| 5. BENEFICIARY NAME: | Pacific Alliance Institute, Inc.
Yuya Watase |

3 Key Issues for Pacific Alliance Institute

Pacific Alliance Institute (PAI) supports responsible economics in government such as tax cuts, government expenditure reductions and free trade. It is also keenly concerned with China's covert yet aggressive impulse, and strong protections for private property ownership and religious freedom.

During the Cold War in the 1980s, President Ronald Reagan declared that "the real crisis we face today is ... a test of moral will and faith." Japanese Prime Minister Yasuhiro Nakasone sympathized with that vision, saying that he would work to position Japan as an "unsinkable aircraft carrier."

This vital relationship and shared vision played a role in the collapse of the Soviet Union — the Evil Empire — without a single bullet being fired.

If there had not been bonds between the economic powerhouses of the United States and Japan, the world would have been dominated by communism, and the essential foundations for the flourishing of human civilization — private property ownership and religious freedom — could have perished forever from the modern world.

Today, a similar but even more dangerous menace is creeping up on us again, largely hidden from the public eye. Led by emerging China, along with its client states in Asia, an aggressive and state-sponsored strategic effort is being implemented to infringe on the next generation's private ownership — especially intellectual property rights and military high technology — and to systematically persecute and eliminate religion.

Unlike totalitarian states during the Cold War that fought fiercely and openly against the Western Bloc, today's authoritarian states are trying to broaden their influence quietly, using what other observers have called stealth, in darkness, below the threshold of open hostilities.

That is why principled fellows, leaders, organizations, academics and the media of the United States and Japan should stand up with fortitude for freedom in Asia — there is a great need for an enduring commitment to promote the institutions of a free society and vigorously push back against the intolerable violations of international law and human rights. This war is over opposing worldviews and operating systems. In a grand strategy context, a new Commerce Alliance between the United States and Japan is a vital first step to roll back the harmful and immoral behaviors practiced by China.

Hidden Aggressive Impulse of China

"We're deeply concerned about ... the capacity to exert pressure or control over our telecommunications infrastructure ... the capacity to maliciously modify or steal information, and ... the capacity to conduct undetected espionage."

This is clearly stated by FBI Director Chris Wray when he was asked about risks associated with Huawei and ZTE being used in the United States before the U.S. Senate Select Committee on Intelligence hearing on February 13, 2018. Huawei was founded in 1987 by Ren Zhengfei, who worked for the information technology research unit of the People's Liberation Army and joined the Chinese Communist Party in 1978. The U.S. House of Representatives Permanent Select Committee on Intelligence revealed in its report that one of the first investors in Huawei had previously affiliated with the government. Later, Mr. Ren was somehow invited to the National Congress of the Communist Party of China in 1982, but Huawei refused to disclose the details to the House Committee.

Although Director Wray put emphasis on "the risks of allowing any company or entity that is beholden to foreign governments that don't share our values to gain positions of power inside our telecommunications networks," Huawei failed to deny its connection to the Chinese Communist Party with substantial evidence to the House Committee. The House Committee received a testimony from one of the companies saying "it could not provide internal documentation that was not first approved by the Chinese government."

In addition to the realm of technology, Chinese capital is also secretly penetrating into real estate. The discussion on CFIUS has often looked at cases where areas surrounding military bases or airports are being bought up by Chinese capital. In Japan, the government has finally acted to authorize its investigation on the usage of areas neighboring the Ministry of Defense, but there have not been any laws enacted to substantially research or restrict general land acquisition with foreign capital. It is already revealed that Chinese capital bought land around the Japan Self-Defense Forces bases in Hokkaido and Korean capital did the same in Nagasaki. Moreover, water resources and forests are increasingly being acquired by foreign capital that is mainly Chinese. It has reached at least 14,305 acres, according to research that the



President Reagan and Prime Minister Nakasone

Ministry of Agriculture, Forestry and Fisheries has compiled with incomplete information.

President Reagan discerned "the facts of history and the aggressive impulses of an evil empire," but the situation is even worse with authoritarian states in the 21st century. They are cunningly veiling their instincts to annihilate liberty.

Private Ownership for the Next Generation

Economic freedom offers the foundation that we can live independently. With this guarantee, everything is basically under one's responsibility and therefore we can raise our autonomy. We cultivate our integrity by ourselves. What makes exchanging goods and currencies effective here is clarifying ownership of what belongs to whom.

Nowadays, however, the concept of ownership is broadening. Not only goods but services based on proprietary intellectual property are actively being exchanged under the economy of the 21st century.

As a fact, intellectual property rights give international competitiveness to OECD countries, especially the United States and Japan. The balance of charges for the use of intellectual property of the United States ranks in the first place in the world with \$79,581,000 in 2017. That of Japan ranks in the second place, with \$21,108,000. As same as the financial sector, intellectual property is simply a breadwinner for the United States now.

This means that in addition to sales of products, ideas on how to produce are now the new source of earning. This new environment requires clarity on the ownership of ideas; otherwise, economic freedom of individuals and our autonomy are gradually being eroded.

The problem is that the Commission on the Theft of American Intellectual Property published an update on its original report in 2017 and estimated that "the annual cost to the U.S. economy continues to exceed \$225 billion in counterfeit goods, pirated software, and theft of trade secrets and could be as high as \$600 billion."

Especially from China including Hong Kong, 87% of all seized counterfeit goods came in 2015, which is even a little higher than the average of the last five years. Regarding Japan, 64.1% of all victim companies had troubles in China in 2014, according to the research by the Japan Patent Office.

The method adopted by China is being complicated. China has regulations on specific manufacturing industries such as automobile or shipbuilding that foreign companies could not run in China without founding a joint venture with a majority investment by Chinese capital. Exploiting the laws and huge domestic market, counterpart companies of China are forcing technological disclosure on foreign companies. It is often reported that new Chinese companies appear in one year that have the very same technology as the disclosed ones.

Moreover, Jen Weedon, the former manager

of threat intelligence at FireEye cybersecurity firm, testified before the U.S.-China Economic and Security Review Commission that a huge number of proficient hackers sponsored by the government of China are targeting high-tech industries that were strategically identified in the 12th Five Year Plan — especially biopharmaceuticals, robotics, and aviation. This seriously matters even from the perspective of national security.

After President Reagan, successive U.S. presidents hoped freedom could expand in China as it became a major country. But as Vice President Mike Pence proclaimed in October 2018, referring to China's talk of openness and reform, "Deng Xiaoping's famous policy now rings hollow."

The United States and Japan have been plundered by gigantic amounts due to China's nonpayment of licensing fees as well as currency manipulation, technology transfer requirements in China, and other uneven trade policies. These exploitations bolster the hidden aggressive impulse exposed above — and China is continuing to challenge the international order in the South China Sea.

President Trump recently said ironically: "We rebuilt China." China's intentional practice of intellectual property theft rocks the very foundations of individual freedom, entrepreneurship and the rule of established international law. China too often operates with an orientation that is contrary to the moral underpinnings of modern civilization.

The Cross Burned by the Communist Party of China

The Communist Party of China continues to persecute Christianity. The largest underground church, Zion Church, where 1,500 faithful attended every Sunday, has been in Beijing. In September, however, the church was forcibly closed by the authorities and "illegal publicity material" was confiscated.

Such aggressive attacks on faith communities continue throughout China, and local Christians are under pressure to oust their children from certain schools or face a loss of government and community benefits.

Finally, the Communist Party has dabbled in incinerating crosses and bibles in Henan.

Religious freedom, as with private property rights, is the most fundamental human right described in the Universal Declaration of Human Rights. As America enshrined in its Declaration of Independence, our greatest strengths are rooted in faith in God, from which inalienable rights flow. In the materialistic regimes, based on communism, the assumption is that human beings who have central power are the ultimate source of limited rights. We can be humble because faith in God is different from communists who believe that human beings can calculate everything.

President Reagan once warned, "I urge you to beware the temptation of pride — the temptation

of blithely declaring yourselves above it all and label both sides equally at fault ... and thereby remov[ing] ... yourself from the struggle between right and wrong and good and evil."

It is necessary to remember President Reagan's words. Japan and America must stand strong in the years ahead and not compromise on universal principles and standards.

Building the Commerce Alliance — CFIUS of Japan and other programs

Pacific Alliance Institute is repeatedly proposing establishment of CFIUS of Japan to the Japanese government. And with discrete sanctions, WTO reformation, retreat from RCEP and tariffs against China, we could complete the Commerce Alliance with the United States.

We traditional allies should face the contradiction between the two grand strategies over the principle of liberty, in concert.

Regarding Chinese capital infiltrating behind the scenes, in addition to the threat in land security that is pointed to above, M&A is abused to steal industrial secrets. As same as land acquisition, however, Japan currently only obligates foreign capital to submit a prior notification to the government when they invest in Japanese companies without few specific exceptions.

In order to conserve sovereignty and economic freedom, this system should be immediately replaced with CFIUS of Japan.

It should also not be tolerated that malicious telecommunication companies penetrate in our networks, especially now when we are preparing 5G infrastructure. According to the advice from the Trump Administration, Japan, Europe and Pacific partners need to execute discrete sanctions against those companies.

Immoral trade practices of China also could be rectified through multinational negotiations. The problem is that the current agreement of WTO does not have jurisdiction over such misdeeds. It is also required for us traditional allies not to forget what we value most and to propel the reformation forward.

In that sense, Japan should hesitate and rather retreat from a proposed free trade agreement called the Regional Comprehensive Economic Partnership (RCEP) that is promoted under China's vision known as "One Belt, One Road." It is true that if RCEP is realized, it will have the biggest economic sphere, with a GDP accounting for 30% of the world. However, the standards of freedom and openness are far from enough in RCEP. As the United States prohibited non-market economy countries to negotiate a Free Trade Agreement in the USMCA with Mexico and Canada, Japan will resolutely counter China's establishing one large economic zone that infringes freedom.

Please lend a hand to support freedom, prosperity, religious freedom and security by supporting Pacific Alliance Institute in our quest to strengthen the alliance between the United States and Japan.



Asia — Where Contradictory Worldviews are Silently Clashing

We must learn from and apply the accomplishments of President Reagan. The Soviet Union, which once boasted a centralized nuclear military and command economy, collapsed and was barely able to rule across the nation since it became Russia. With reform and opening policies by Deng Xiaoping, it should be seen that the totalitarian regime of China also tried to melt and gave way to liberalized economic forces.

Led by these two countries, however, the former Communist Bloc has re-emerged with aggressive authoritarian states with global ambitions, and it now challenges freedom throughout Asia, Africa and even countries in the Western Hemisphere. Since they are craftily avoiding open clashes with the Western Bloc, the seriousness of this situation is not yet widely understood. But the far-reaching, post-Cold War goal that President Reagan had seen is still alive and must grow. This urgent situation requires that we must ally globally against infringement of freedoms by these authoritarian states.

Winning the Struggle Against Creeping Authoritarianism in Asia

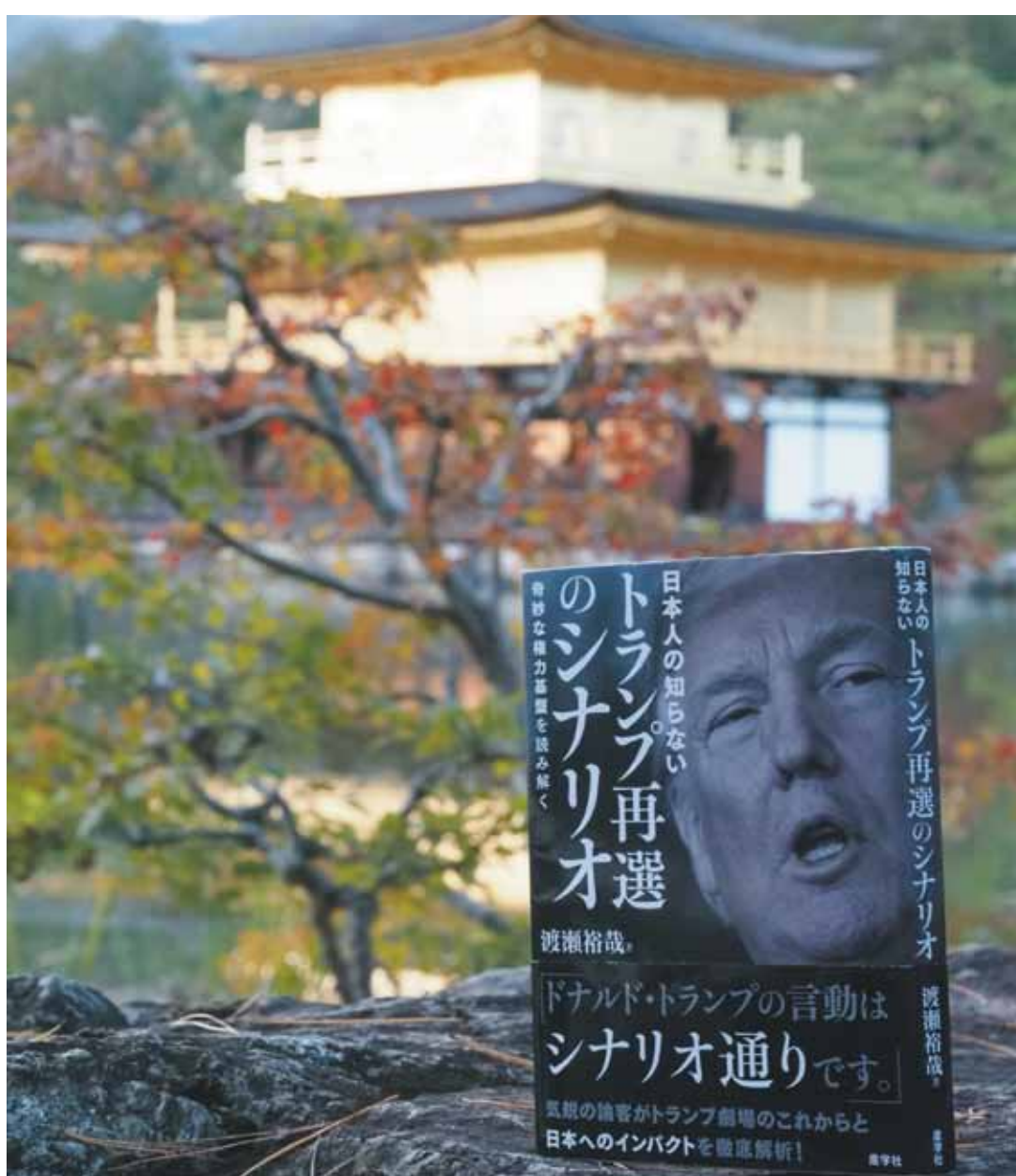
Freedom of religion is especially in peril, not only in China but elsewhere in Asia. According to World Watch List 2018 — in which Open Doors annually analyzes 50 countries where persecution against Christianity is particularly intense — North Korea has ranked in the worst place for 17 consecutive years and recently racked up 94 points out of 100. The second worst nation for religious persecution, with 93 points, is Afghanistan, also in Asia.

The situations even in India, Turkey and Nepal continue to worsen. The Open Doors organization points out that persecution in countries in South and Southeast Asia “rapidly rose to unprecedented levels.”

North Korea, which is most oppressive toward Christians, also violates basic human rights and the security of the person quite seriously. Otto Warmbier, a student at the University of Virginia in the United States, passed away in June 2017 as a result of inhumane confinement and torture. He had been detained during the trip to North Korea and was returned home in a coma a year and half later.

Abduction of 17 Japanese is also officially confirmed by the Japanese government, but 12 of them have still not returned to Japan yet. There are at least 100 more missing Japanese who are suspected of being snatched by North Korea. The Prime Minister’s office of Japan is firmly holding, “there is absolutely no possibility of normalizing relations with North Korea unless the abductions of Japanese citizens have been settled.”

Moreover, North Korean workers who protested their government with sit-ins were run over and killed by tanks at the Fanfe ironworks in 1998, and imprisoned defectors were sexually assaulted by prison senior officers and forced to undergo abortion surgery. The United Nations Human Rights Office in Seoul has already gathered testimonies from over 250 people on human rights violations by North Korea and will report to the United Nations Human Rights Council in March 2019.



“The Scenarios of President Trump Relected,” written by Yuya Watase, Chairman of Pacific Alliance Institute, has been a No. 1 best-seller in Amazon Japanese category of the U.S. for more than a month.

These horrifying infringements of economic, spiritual and physical freedom by a state government are inherent in an authoritarian regime that is obsessed with its own security: By its very nature, authoritarianism lacks the democratic legitimacy of support by the majority of the people. It is also why authoritarian leaders stand on self-serving, narrow-minded values and do not permit freedom of speech, assembly, press and religion.

The people in these countries are brutally restrained because if the leaders recognized the freedom and human rights of their nation’s people, the legitimacy of the system would be dissolved.

The world has already entered a new era of competition between the systems of democracy and authoritarianism. The primary moral and geopolitical question for free societies is how best to forge new and clearly motivated alliances at this historical junction.

Inherited Liberty in the United States and Asia

Asia has actually inherited the tradition of liberty, as same as the United States. The United States has its root of spirit in the Declaration of

Japan has been the freedom lighthouse of Asia, although it once fell into militarism. The Meiji Restoration disintegrated the Tokugawa Dynasty and Modern Japan was born, but it still had a tendency of dictatorship. The Diet of Japan, however, was founded by courageous people who sought liberty — who repelled tax without representation, as cherished in the Boston Tea Party. This is called the Jiyu-Minken Movement and Japanese should conserve its value.

Now again, our battlefield over liberty is laid in this Asian Continent, succeeding the Atlantic Ocean. The fires of liberty are still young in Asia and need to be preserved by fellows in the United States over the Pacific Ocean.

The U.S.-Japan Alliance Based on Morality

The source of hope in Asia where authoritarianism is spreading is the alliance of conscientious persons and their governments based on universal human rights, grounded in the rule of law and supported by civil society, including the media.

The United States has taught the nobility of liberty to Japan. During World War II, a grievous history occurred between the two countries. Many Japanese-Americans forfeited their property and were sent to internment camps. However, decades later, President Reagan and Congress enacted the Civil Liberties Act of 1988 and paid compensation of \$20,000 each to all surviving compulsory detainees and founded a \$ 1.25 billion education fund. This was the exact manifestation of moral will to uphold the security of the person and property rights.

Also, in 1942, after the war broke out, Colorado’s Republican Gov. Ralph Lawrence Carr resolutely opposed the internment and loss of liberty for innocent Japanese-Americans. His public position damaged him politically, but Carr’s righteous and principled stance still illuminates the way that we should walk — there are still many examples of authoritarian oppression, infringement of human rights and violations of personal property.

In Japan, there once was a government official named Chiune Sugihara. He served as a diplomatic vice-consul assigned to Lithuania, and during the war, and even disobeying orders from the home government, he continued to issue visas to Jews who were trying to escape from Nazis. It is said that Sugihara saved no fewer than 6,000 people, and today he is called the “Oriental Oskar Schindler.”

Cherishing the pride of Sugihara, we Japanese conservatives are determined to ally with Americans who seek to preserve the courageous morality and commitment to universal principles of freedom and human rights of President Reagan and Governor Carr and to establish freedom for all peoples throughout the continent of Asia.

Independence, which protested against the rule by the Kingdom of Great Britain without political participation.

“A Prince, whose character is thus marked by every act which may define a Tyrant, is unfit to be the ruler of a free people.”

Since the Age of Discovery, Asia had also been colonized by the European Powers. Malaysia and the Philippines were occupied by Portugal and Spain in 15th and 16th centuries.

The European Powers first exploited them to make a profit through trades only at cities and the coast.

However, after the Industrial Revolution, the suzerains started to put broader inland under control in order to abuse as supplying districts of raw materials and huge market of finished goods. Forced change of economic structure then resulted in the decrease of paddy fields and increase of unemployed people. The South India starvation in 1877 killed 5 million people in the end. Just as is engraved in the Declaration of Independence, the history of the European Powers “is a history of repeated injuries and usurpations, all having in direct object the establishment of an absolute Tyranny over these States.”