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Navigating a Shifting Economic Landscape

Speech at Daiwa Japan Economy Seminar in Frankfurt

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Introduction

It is my pleasure to address the distinguished guests at the Daiwa Frankfurt Seminar. I am also grateful to the Consulate-General of Japan in Frankfurt for providing us with the wonderful venue. Today I want to talk about how Japan is impacted by Trump 2.0 including monetary policy. Then, I will explore in what way Japan can navigate a shifting economic landscape to play a larger role on the global stage.

1. Global Economy

Chart 1 shows the IMF April World Economic Outlook (WEO) projections for global growth, which is forecast to drop to 2.8% in 2025 and 3% in 2026. This is substantially lower than an average growth rate of 3.7% achieved over the past two decades (2000~2019). Compared with the IMF's January projection, in which the effects of Trump 2.0 were not yet reflected, the growth rate for 2025 is revised downwards by -0.5% points, and for 2026 by -0.3% points respectively. The impact of higher tariffs on global trade and deterioration in business sentiment caused by an elevated level of uncertainties are accounted for by the IMF.

Economies across the board are downgraded for 2025. The US economy is hardest hit by its own tariff policy with a -0.9% point revision to the downside. In other major economies, while the UK and Japan are expected to decelerate by -0.5%, Germany is holding out better because of stimulus that comes from the lifting of "Debt Brake (Schuldenbremse)". Meanwhile, China's economy is forecast to slow down to 4.0% in 2025 through 2026, unable to achieve the government's target of 5%.

Admittedly, China's economy, which is at the verge of deflation, is exacerbated by Trump's tax policies. But some Japanese business leaders who have returned from a recent trip to China say they were amazed to see how China was well-prepared in the strategic sectors that determine growth in the next coming three decades. The potential of the Chinese economy should not be underestimated.

The IMF says its April outlook is a "Reference Forecast" based on the information available as of April 4th shortly after "Liberation Day" and will be updated in accordance with incoming information. The

Note: The charts referenced in the main text as Chart 1, Chart 2, etc., correspond to the slides appended at the end of this report. Specifically, Chart X refers to page X of the slide deck. As the slides do not include chart numbers in their titles, please refer to the charts by matching their page numbers.

IMF warns intensifying downside risks dominate the outlook. The July forecast is due soon. How the numbers are going to be revised must be paid attention to.

2. Implications of Trump 2.0 Policies

American Perspectives underlying Trump 2.0 policies

Chart 2 shows reciprocal tariff rates that the US intends to impose on major trading partners unless deals are struck with individual governments. For Japan, the US initially indicated a 24% tariff rate, but it now says it would impose 25%. Separately, the US imposes sectoral tariffs on steel, aluminum, and automobiles. Why is the US pursuing a sweeping tariff policy when, as we have seen, the economic cost for the US is likely to turn out the largest?

Chart 3 summarizes American perspectives underlying Trump 2.0 policies and how they contrast with the conventional views held by the rest of the world. They argue that their military supremacy provided the post-war world with the foundation for the unprecedented peace and prosperity at the cost of young lives in the US military forces and US taxpayers. While we are grateful to the sacrifices made, we regard the US as the biggest beneficiary of the global economic order that they themselves have advocated for and created upon the principles of multilateralism and free trade.

They also say excess demand for the key currency kept the USD over-valued and deprived American manufacturing industries of competitiveness, which resulted in cumulative trade deficits against trading partners. But we have envied the USD as the key currency having exorbitant privilege.

Trump 2.0 policies intend to reverse the trend, once and for all, in their favor. I think we are at an inflection point, where the US is trying to replace the global economic order, which was their own creation, with a new one that better serves their national interest.

President Trump's tenacious trade policy stems from the persistently rising US trade deficit against its trading partners. **Chart 4** compares trade flows in 2024 with that of 2016, when Mr. Trump first arrived in the Oval Office. While exports from China to the US in 2024 increased by 35% from 2016, exports from China to Canada and Mexico as well as to ASEAN countries more than doubled during the corresponding period, a substantial portion of which must have made its way through to the US. The reciprocal tariff probably has the intention of cutting off this channel.

Chart 5 displays the US cumulative trade balance from 2014 through 2024. The US runs the fifth largest trade deficit against Japan. But a closer look reveals that while the US has a deficit in manufactured goods, it runs a relatively large surplus in services. This reflects the fact that high-quality digital services provided by the American tech-giants like Amazon and Netflix have filtered through to the daily activities of Japanese firms and households. As shown on **Chart 6**, Japan runs an increasing digital deficit vis-à-vis the US, reaching JPY6.9 trillion in 2024. This trade pattern is a natural outcome of relative advantages that Japan and the US have over each other.

Financial Aspects of Trade Imbalances

One thing that should not be overlooked is the financial aspect of trade imbalances. As indicated by **Chart 7**, the USD paid by US importers to trading partners are recycled to the US via the global financial system. Therefore, trade imbalances generate a global USD circulation that in turn underpins the status of the USD as the key currency, which I understand that the US intends to retain. Investment in US Treasury securities by global investors is one of the main recycling channels. In this cycle, US Treasury securities functioned as risk-free benchmark instruments.

The US needs sustained capital inflow to finance its fiscal deficit. The horizontal axis on **Chart 8** shows debt outstanding and the vertical axis fiscal deficit as measured in terms of ratios to nominal GDP of selected countries. Germany retains ample flexibility even after the “debt-brake” is removed. In contrast, Japan is an outlier, particularly in terms of debt-to-GDP ratio. The US is also not well-positioned with its large fiscal deficit. Tariff revenue may help but not enough to fill the gap. Therefore, the US needs to continue to rely substantially on global investors’ underwriting of US Treasury securities.

Chart 9 shows US Treasury security holdings by entity type. Foreign investors are by far the largest holder with $8.5 trillion outstanding. This is followed by the MMF and the Fed, which holds $5.0 trillion and $3.8 trillion respectively. Withdrawal of global investors from US Treasury securities markets implies reduced demand for US Treasury securities, which would put upward pressure on long-term interest rates unless the US fiscal deficit is cut significantly.

Chart 10 shows US Treasury holdings by country. You can see that China has steadily reduced its holdings since the mid-2010s as the conflict with the US escalated. The UK has climbed to become the second overtaking China. Germany doesn’t appear in the chart because most of its reserves are held in gold. Japan, meanwhile, remains by far the largest holder with an outstanding of $1.1 trillion.

Among Japanese holders, the government has the largest stake. As shown on **Chart 11**, out of Japan’s entire foreign exchange reserves, $960 billion is in foreign securities, the bulk of which is estimated to be US Treasury securities. I personally think this is potentially a powerful “card” to play against Trump’s tariff policy.

Shortly after the shockwave triggered by the April 2 “Liberation Day”, there was a brief period when the value of dollar assets across the board plunged, as if a “Minsky Moment” had arrived. As you see on **Chart 13**, prices of US stocks, Treasury Securities, and dollar exchange rates against major currencies plunged simultaneously breaking the usual correlations among these assets. During this period, as you see from **Chart 12**, Japan experienced a record high level of capital inflow totaling JPY8.2 trillion, of which JPY3.7 trillion was in equities and JPY4.5 trillion in bonds. It seemed cracks appeared in the almighty USD.

Although I do not think the USD supremacy will be overtaken any time soon, given the dominant role it play, what we witnessed in April was that cracks have appeared in the almighty dollar and a sign that some global investors have shifted a part of their portfolio away from the USD into other currencies, including the yen.

Reasons why Japan might attract further capital inflow

Besides a possible shift in the global financial environment, there are reasons why Japan might attract more foreign capital inflow. As shown on **Chart 14**, they are:

a) The big movement from savings to investments in Japan is ongoing as symbolized by the introduction of a new NISA in 2024. The return of positive interest rates is proving a tail wind.
b) The move toward stronger corporate governance is gaining momentum as the JPX (Japan Exchange Group) continues to place pressure on corporate management to be more conscious of capital cost and stock price.
c) The shift to a new stricter set of continuation criteria for listed companies. The JPX focuses on the growth market where they intend to introduce a new requirement for listed companies to reach a market cap of 10 billion as early as within five years after IPO. Since there may well be companies that won’t be able to meet the criteria, this is expected to leave ample investment opportunities for MBOs or MAs in the coming years.

As a matter of fact, we observe growing investment by non-bank financial institutions in Japan. This includes hedge funds whose exposure to Japan is rising quickly in the last couple of years. Meanwhile, investment in PE and PD funds by institutional investors is also in a rising trend. I think this move is consistent with the Government's "Policy Plan for Promoting Japan as a Leading Asset Management Center", although effective monitoring and data collection by the financial authorities must be in place for the sake of maintaining financial system stability.

3. Monetary Policy in Japan

Policy rate hikes

Let me now touch upon Japan's monetary policy. The Bank of Japan(BOJ) in March 2024 embarked on policy normalization by lifting all the unconventional policy measures that had been employed. After two policy rate hikes, however, the BOJ faces heightened uncertainties caused by the Trump 2.0 policies. C**hart 15** shows the Bank's latest economic and inflation outlook. As the numbers in brackets indicate, both growth and inflation projections for FY 2025 and FY 2026 are revised downwards from the January outlook. The Bank now admits that the timing when the price stability target of 2% is reached will be delayed by approximately one year and will be sometime in the latter half of FY 2026 or during the course of FY 2027.

At the same time, the Bank retains the intention to continue with policy rate hikes once they restore confidence in the economic and inflation trajectory to move in line with the projections. Governor Ueda in his press conference admitted that, given the high degree of uncertainties, a "wait and see" stance is necessary for now but also indicated that the possibility of an upward revision of the outlook cannot be ruled out. This implies they will be on their way to the next rate hike, depending on the economic development.

On the inflation front, the BOJ is of the view that the risk of inflation is skewed to the downside. But I think there is in fact a risk also on the upside for the following three reasons.

a) Relatively high wage growth will likely continue into the next year against the backdrop of the acute labor shortage. Labor shortage has little to do with Trump 2.0.
b) The corporate pricing behavior has shifted in that they now find it easier to pass on higher costs caused by higher wages, supply chain disruptions and weaker currency, to final sales prices.
c) Inflation expectations in Japan, as both survey-based and market-based measurements shown in the graphs on **Chart 16**, are in a rising trend.

The third point needs to be paid attention to, because we know from empirical studies that inflation expectations in Japan are formulated in a backward looking (adaptive) manner more influenced by actually observed ongoing inflation rates. **Chart 17** shows core CPI inflation rates in black solid line and contributing factors in bars in different colors. As we see, we are facing CPI inflation rates exceeding 3% for six months in a row. It is a food inflation exacerbated by the skyrocketing price of rice that we are witnessing. This runs the risk of inflation expectations over-shooting. I think the monetary policy in Japan needs to be vigilant not to be left behind the curve. I am sure the BOJ recognizes this risk.

Real interest rates remain deeply negative both for short-and long-term interest rates. Therefore, another couple of rate hikes won't materially change the accommodative monetary condition in Japan.

Quantitative Tightening

Meanwhile, in July last year the BOJ embarked on Quantitative Tightening(QT), which is the second pillar of monetary policy normalization. The balance sheet reduction begins from a huge size. As **Chart 18** shows, The BOJ's overall balance sheet size stands at JPY750 trillion, which is as large as 120% of nominal GDP. Assets are comprised mainly of JGB with an outstanding of JPY580 trillion. Meanwhile, on the liability side, current account balances (reserves) account for 70% of the total outstanding.

Technically, the BOJ runs down the JGB as they mature. The speed of reduction will be controlled by monthly new purchases. **Chart 19** illustrates the BOJ's QT game plan. The size of monthly purchases will be reduced in steps to reach JPY2.1 trillion in Q1 of 2027.

Chart 20 shows a simulated trajectory of BOJ's JGB portfolio outstanding. The chart on the right indicates that the pace of quarterly reduction in the outstanding gradually accelerates through FY 2025 to reach JPY11.8 trillion in the first quarter of 2026 as the size of JGB redemption becomes larger relative to new purchases. Thereafter, however, the pace levels off because JGB redemption is expected to peak out over time. In any case, as the left-side chart shows, the JGB portfolio is forecast to remain quite large at JPY485 trillion as of end of March 2027, which is a 16% (or JPY92 trillion) contraction from the period right before the start of QT.

QT aims primarily at restoring the JGB market functioning. In this sense, it is disconnected from monetary policy. I expect the BOJ will continue with the balance sheet contraction in a steady and predictable manner until it judges that the JGB market functioning is restored. The terminal size or the new equilibrium size of the balance sheet is unknown at this point. The BOJ will proceed with QT while paying extra attention to market reactions.

Fiscal Sustainability

As the BOJ recedes as the most dominant buyer of JGBs, somebody else must fill the gap unless the fiscal deficit is reduced dramatically. Traditional domestic investors such as banks will have limited capacity because they are under tougher regulations including the IRRBB (Interest Rate Risk in the Banking Book). Inevitably, therefore, overseas investors will be relied upon as JGB underwriters. **Chart 21** shows overseas investors currently account for 12% of the total market outstanding (including T-Bills). This share is expected to rise over time.

Overseas investors tend to require higher premia and thus higher interest rates in view of Japan's high debt outstanding. Therefore, an unsustainable fiscal structure, if left unaddressed, will not only undermine the credibility of Japan's fiscal management, but also prove a major blow to the real economy as the external funding cost both for banks and business corporations rises.

As you see on **Chart 22**, the rating of JGBs by foreign rating agencies has declined over time to single A, which is the lowest but one among the G7 countries. Since the JGB rating is the "sovereign ceiling", a further downgrade would imply a corresponding decline in the ratings of Japanese banks. This could result in higher costs for dollar funding by Japanese customers. Therefore, establishing a sustainable fiscal structure with a view to ensuring the credibility of fiscal management is an imminent mission for Japan. The Japan Ministry of Finance knows this. It is encouraging that the Ishiba Administration shares this view.

4. What Japan should do on the Global Stage

What should Japan do in this shifting economic landscape? I think Japan should play a more proactive leadership role. There are three broad areas where I think Japan can and should do more (see **Chart 23**).

First, Japan should contribute to fostering what is still left of the multilateral free trade system to prevent the global economy from further fragmentation. Japan should take on a leadership role in enhancing closer collaborations with those countries in the Asia Pacific and Europe that share common values and objectives. Expanding CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) is a typical example where Japan can continue to play a leading role.

Second, Japan should continue with steadily promoting policies to achieve its unaccomplished goals. Restoration of fiscal sustainability is an obvious mission as we have discussed today. Carbon neutrality by 2050 must be pursued regardless of the US stance. Equally important is focusing on strategic areas that determine the competitiveness and thus economic growth over the next three decades. They include robotic AI, aero-space, EV and batteries, the next-generation of nuclear reactors including fusion power, and quantum computers, to name a few.

Third, Japan should develop strategic interdependence with the US. This should not be confined to trade but be developed to encompass broader areas to include, for example, common interests in keeping the value of the USD stable as the key currency.

Concluding Remarks

I think we are at an inflection point when the US is diverting away from the global economic order of its own creation to a new one. Although the final destination is unclear at this point, contemplating good strategies and long-term vision is essential. I want to conclude my presentation by reiterating that a closer cooperation between Germany and Japan, which share common values, interests and challenges provides a better chance of successfully navigating uncharted waters. Thank you very much for your attention.

PASSION FOR THE BEST

Daiwa Institute of Research

Navigating a Shifting Economic Landscape

July 9th, 2025

Hiroshi Nakaso

Chairman of the Institute

Daiwa Institute of Research Ltd.

Daiwa Institute of Research

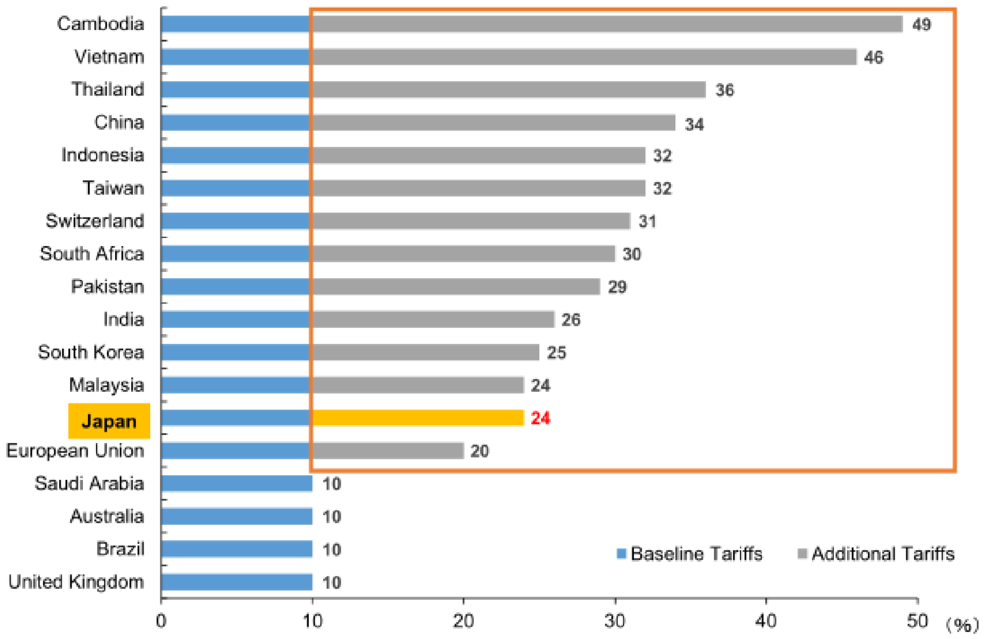
IMF World Economic Outlook (April 2025)

(%、%pt)

	Performance	Projections as of Apr. 2025		Revision Jan 2025 -> Apr 2025	
	2024	2025	2026	2025	2026
World Output	3.3	2.8	3.0	-0.5	-0.3
Advanced Economies	1.8	1.4	1.5	-0.5	-0.3
United States	2.8	1.8	1.7	-0.9	-0.4
Euro Area	0.9	0.8	1.2	-0.2	-0.2
Germany	-0.2	0.0	0.9	-0.3	-0.2
United Kingdom	1.1	1.1	1.4	-0.5	-0.1
Japan	0.1	0.6	0.6	-0.5	-0.2
Emerging Market and Developing Economies	4.3	3.7	3.9	-0.5	-0.4
Sub-Saharan Africa	4.0	3.8	4.2	-0.4	0.0
Emerging and Developing Europe	3.4	2.1	2.1	-0.1	-0.3
Russia	4.1	1.5	0.9	0.1	-0.3
Emerging and Developing Asia	5.3	4.5	4.6	-0.6	-0.5
China	5.0	4.0	4.0	-0.6	-0.5
India	6.5	6.2	6.3	-0.3	-0.2
Middle East and Central Asia	2.4	3.0	3.5	-0.6	-0.4
Latin America and the Caribbean	2.4	2.0	2.4	-0.5	-0.3
Brazil	3.4	2.0	2.0	-0.2	-0.2
ASEAN-5	4.6	4.0	3.9	-0.6	-0.6

Source: IMF World Economic Outlook (April 2025); compiled by DIR.

Reciprocal Tariff Rates for Major Countries & Regions



Source: The White House; compiled by DIR.

 2

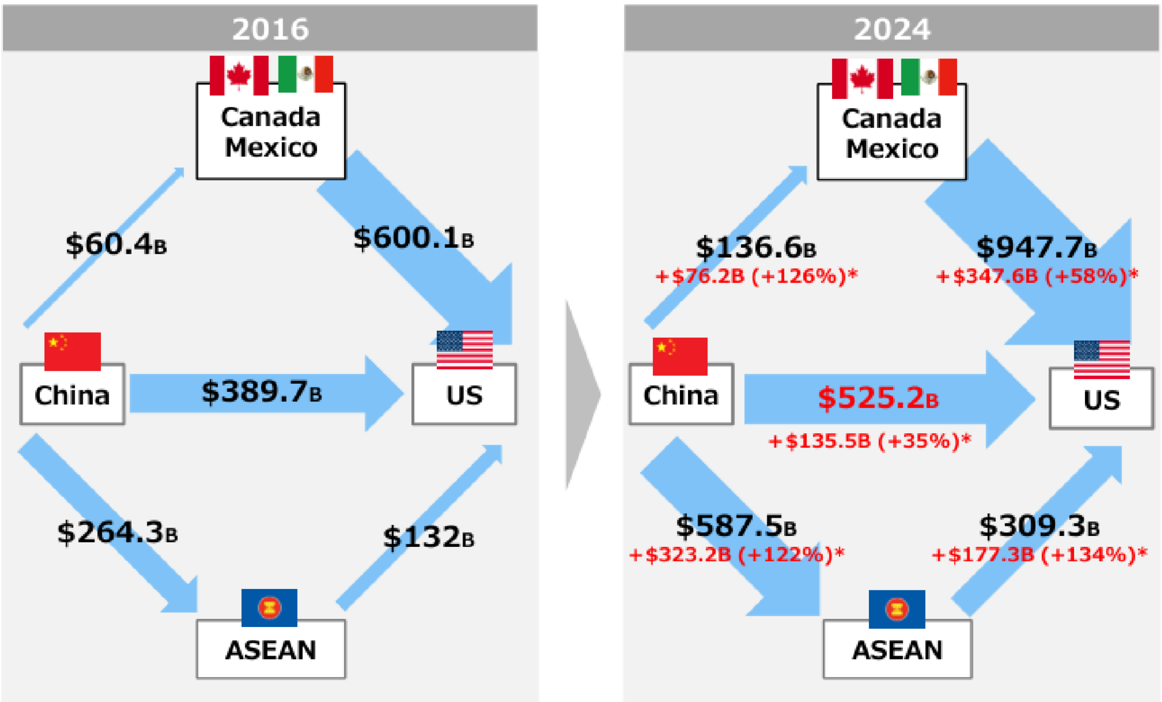
The Ideology of the Trump Administration

The Ideology of the Trump Administration	Conventional Thinking
• Since the end of World War II, the United States has been providing the world with two public goods for 80 years: the "security umbrella" and the "US dollar as the key currency (Dollar dominance)" • However, these public goods have imposed a unilateral cost burden on the US ✓ The "security umbrella" has been paid for by the lives of American youth and the tax of its citizens ✓ "US dollar dominance" has caused a strong dollar, leading to the hollowing out of domestic core industries and the entrenchment of a trade deficit • The US should get rid of the unfair costs it has been bearing in the past, and prioritize the revival of domestic manufacturing as well as the restoration of the working class and local communities	• The US is the greatest beneficiary of the free trade system • US dollar, as the global key currency, enjoys "Exorbitant Privilege" • The US should defend the multilateral free trade system

Source: Various materials; compiled by DIR.

 3

Changes in the Flow of China's Goods Exports (2016 / 2024)



Note: * indicates the increase in export value and growth rate of goods from 2016 to 2024.
Source: IMF; compiled by DIR.

 4

US Balance on Goods and Services (Cumulative Value from 2014 to 2024)

(Billions of Dollars)

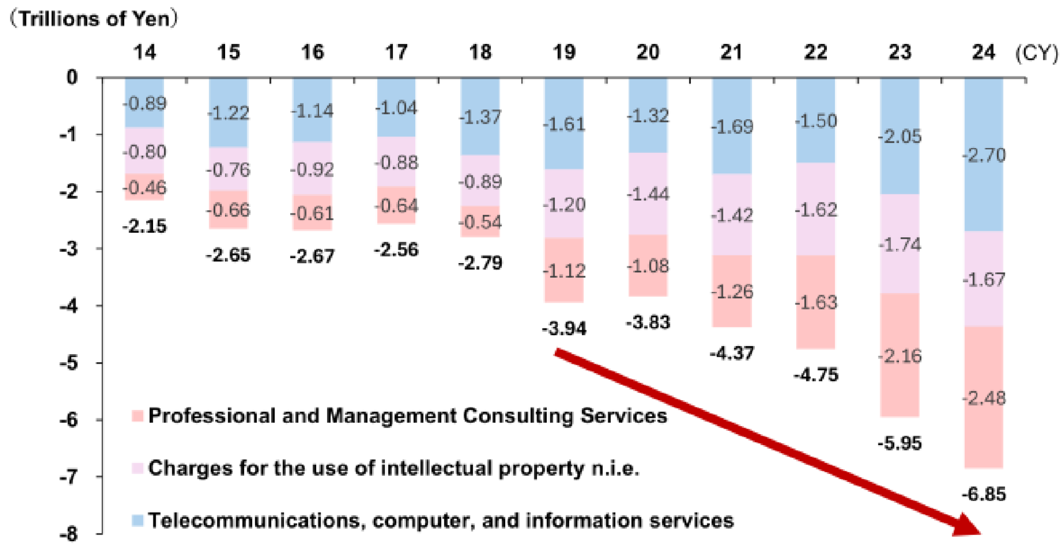
	Balance on goods (a)	Balance on services (b)	Balance on goods and services (a+b)
China	-3807	328	-3,479
Mexico	-1168	40	-1,128
Germany	-786	-23	-808
Vietnam	-726	15	-711
Japan	-742	92	-650
India	-325	-72	-396
Italy	-380	-16	-396

	Balance on goods (a)	Balance on services (b)	Balance on goods and services (a+b)
Taiwan	-331	28	-304
Thailand	-302	10	-291
Malaysia	-303	13	-290
South Korea	-356	121	-235
France	-182	-1	-184
Indonesia	-165	17	-148
Canada	-459	311	-147

Source: U.S. Bureau of Economic Analysis, Haver Analytics; complied by DIR.

 5

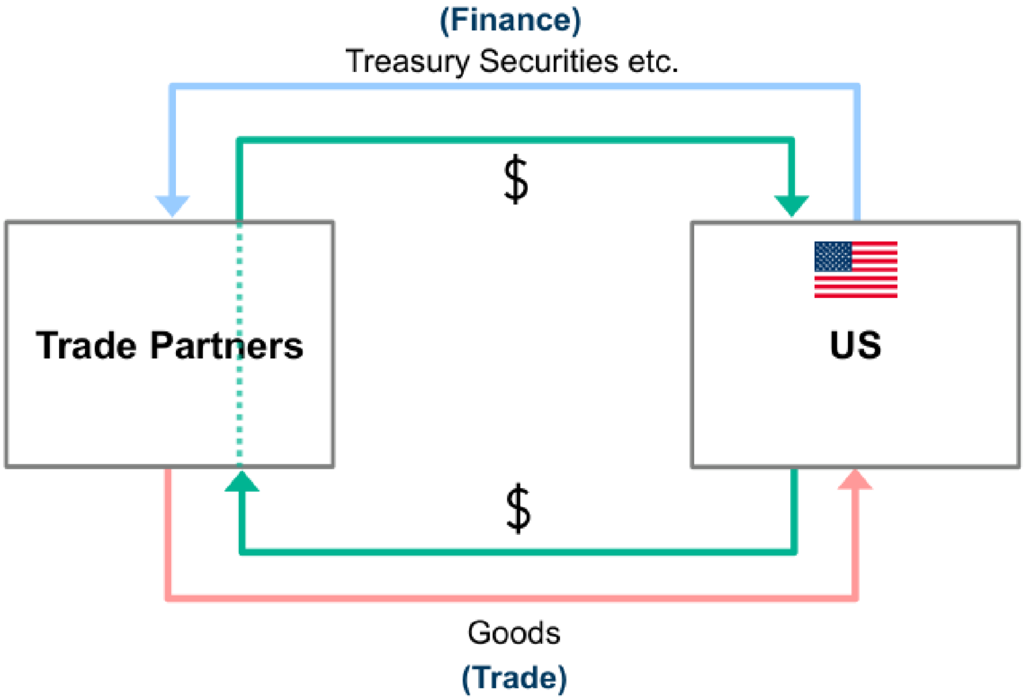
Japan's Digital Trade Deficit



Source: Bank of Japan; compiled by DIR.

 6

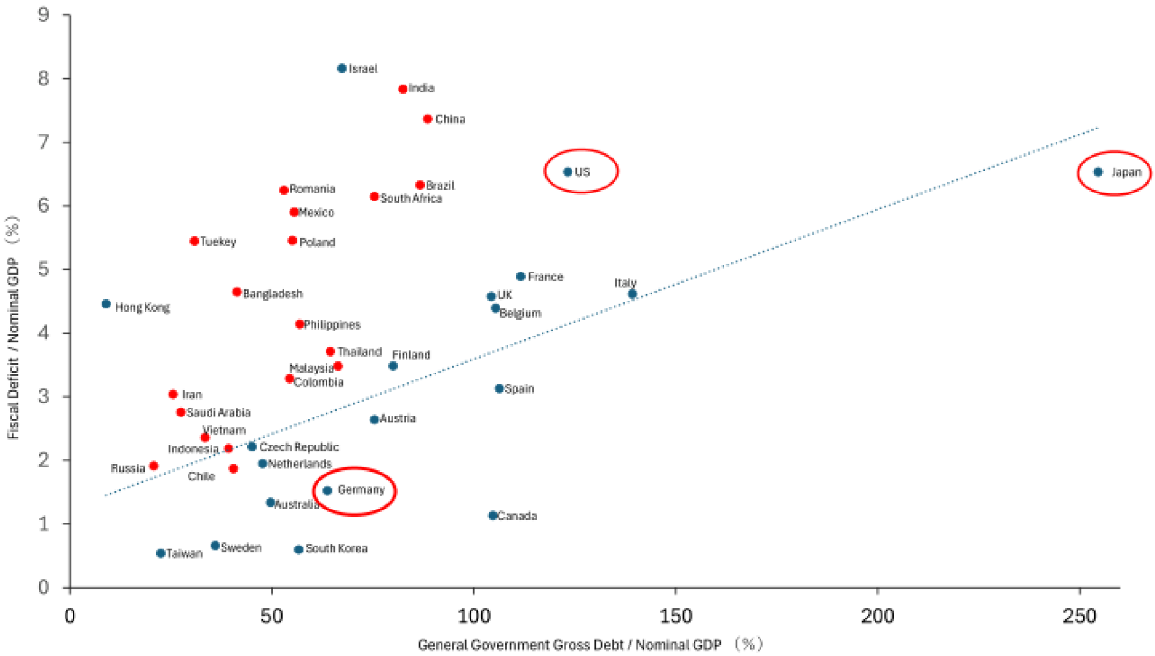
US Trade Deficits and International Capital Inflows



Source: DIR.

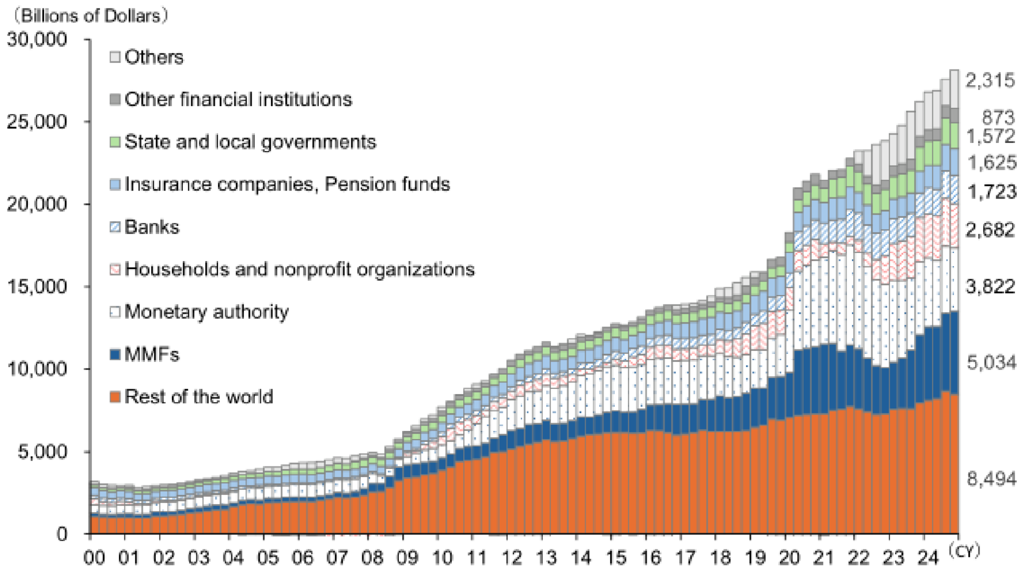
 7

Fiscal Deficit and General Government Gross Debt to GDP



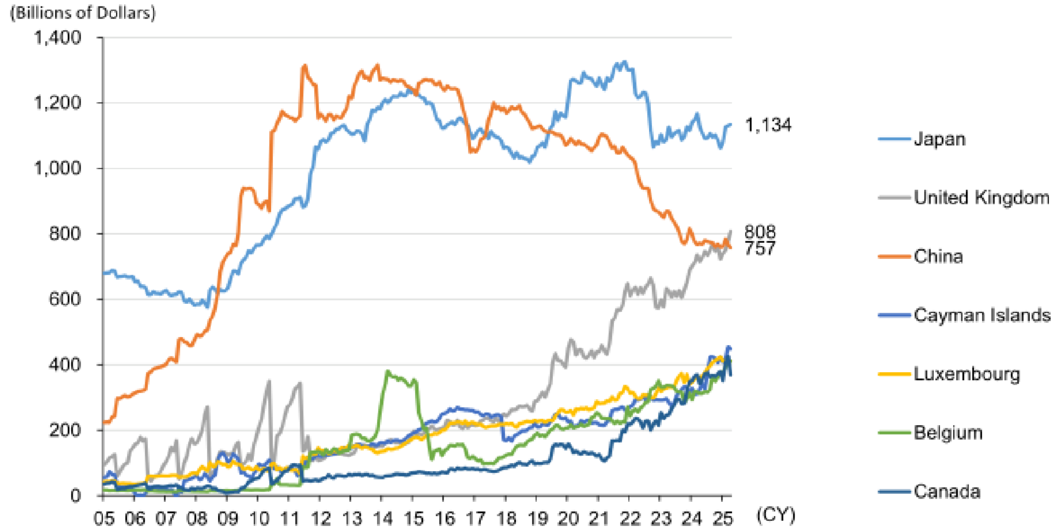
Note: As of the end of 2024. Countries with nominal GDP of less than $300 billions are not included. Emerging economies are shown in red points and advanced are in blue. Countries with a fiscal surplus, such as Argentina, Denmark, Ireland, Norway, Singapore, Switzerland, and the UAE are not indicated.
Source: IMF World Economic Outlook Database; compiled by DIR.

US Treasury Securities Holdings by Entity Type



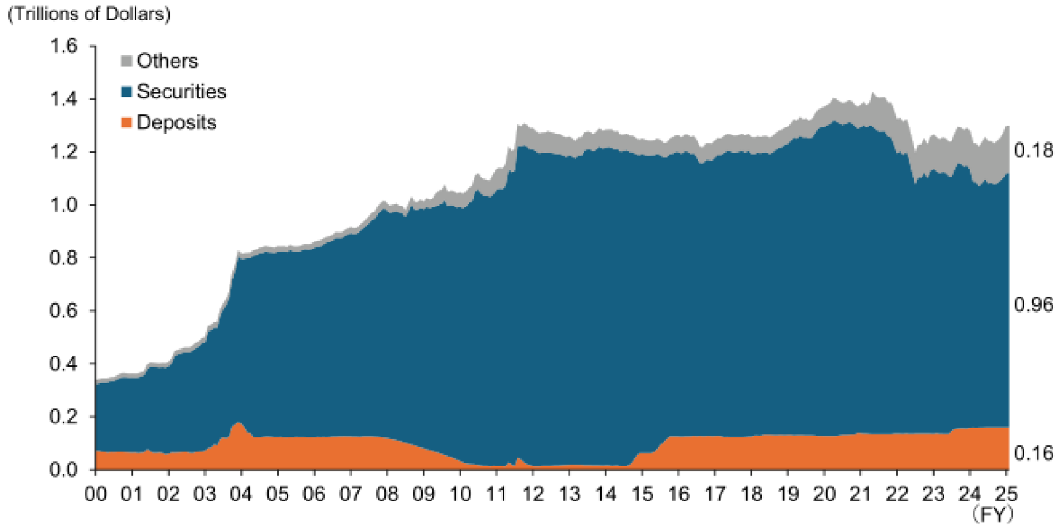
Note: The most recent value is at the end of 2024. The balance consists of marketable government bonds. The balance excludes those held by the federal government. Market value.
Source: Federal Reserve Board, Haver Analytics; compiled by DIR.

US Treasury Securities Holdings by Country



Note: The most recent value is at the end of April 2025.
Source: U.S. Treasury, Haver Analytics; compiled by DIR.

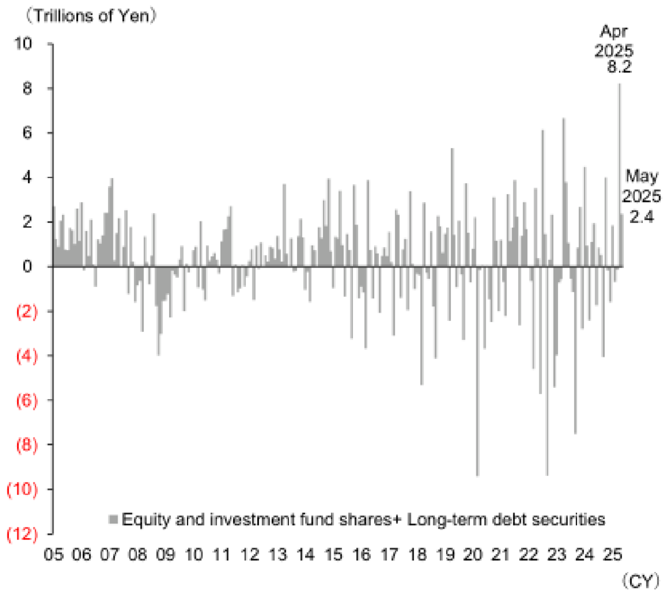
Composition of Japan's Foreign Exchange Reserves



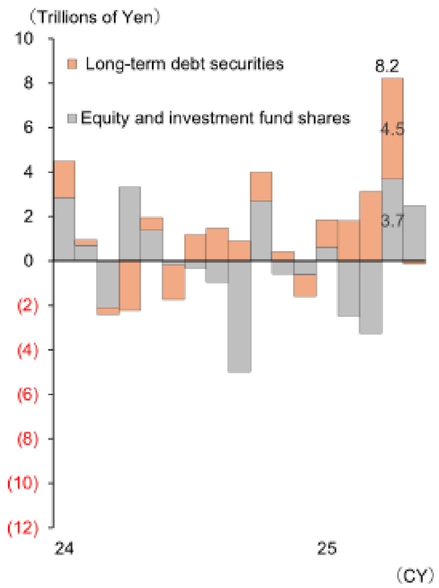
Note1: The most recent value is at the end of May 2025.
Note2: Among foreign currency-denominated securities, government bonds account for 77.2% (as of the end of fiscal year 2023).
Source: Foreign Exchange special Account Holdings of Ministry of Finance, Haver Analytics; compiled by DIR.

Portfolio Investment into Japan (Monthly)

Long-term time series

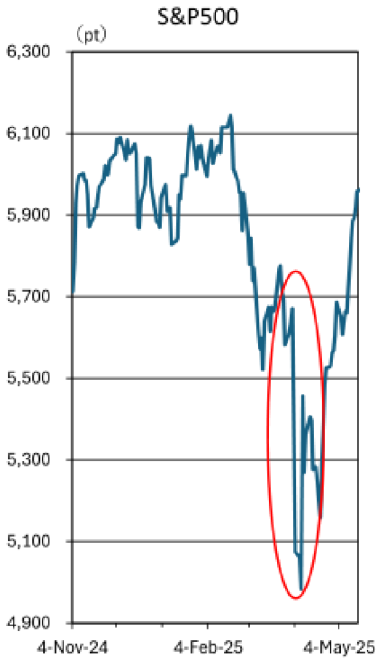


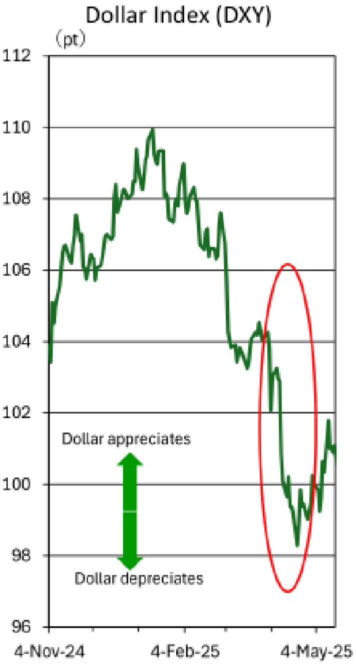
After 2024

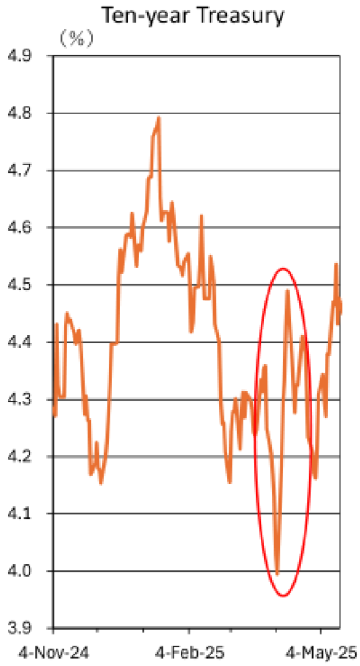


Note: Based on Reports from Designated Major Investors. The most recent value is at the end of May 2025.
Source: Ministry of Finance; compiled by DIR.

"Sell America" Trade







Note: The Dollar Index (DXY) is one of the effective exchange rates that shows the overall movement of the US dollar against other currencies, with the composition ratios being 57.6% for the euro, 13.6% for the Japanese yen, 11.9% for the British pound, 9.1% for the Canadian dollar, 4.2% for the Swedish krona, and 3.6% for the Swiss franc.
Source: Bloomberg; compiled by DIR.

Reasons Why Japan Might Attract Further Capital Inflow

- The Big Movement from Savings to Investments: NISA (Nippon Individual Savings Account)
- The Move toward Stronger Corporate Governance: Enhancement on Corporate Management
- The Shift to Stricter Criteria for Listed Companies: Further Investment Opportunities for MBOs and MAs

Outlook for the Japanese Economy and Prices

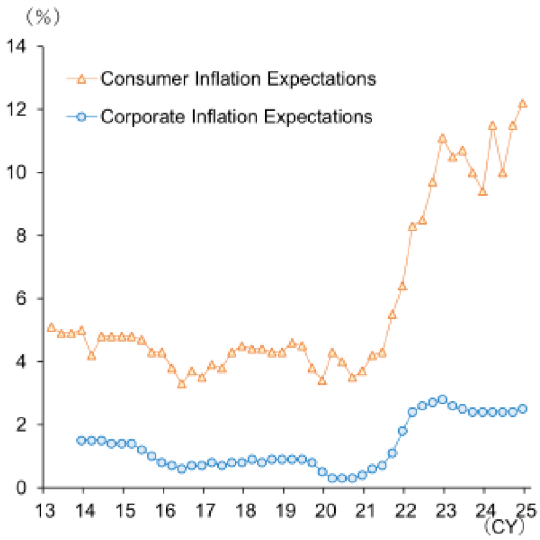
The Medians of the Bank of Japan Policy Board Members' Outlook

YOY%, pt in ()	FY2024	FY2025	FY2026
Real GDP	0.7 (+0.2)	0.5 (-0.6)	0.7 (-0.3)
CPI (All Items Less Fresh Food)	2.7 (-)	2.2 (-0.2)	1.7 (-0.3)
CPI (All Items Less Fresh Food and Energy)	2.3 (+0.1)	2.3 (+0.2)	1.8 (-0.3)

Note: The figures in parentheses indicate the revision amounts from the January 2025 forecast.
Source: Bank of Japan: Outlook for Economic Activity and Prices (April 2025); compiled by DIR.

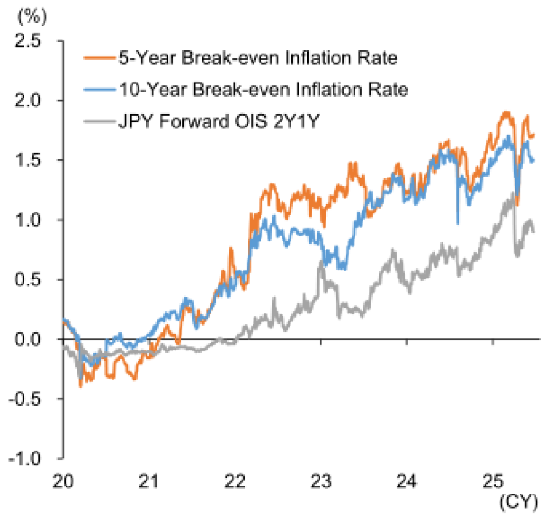
Japan’s Inflation Expectations

Survey-based



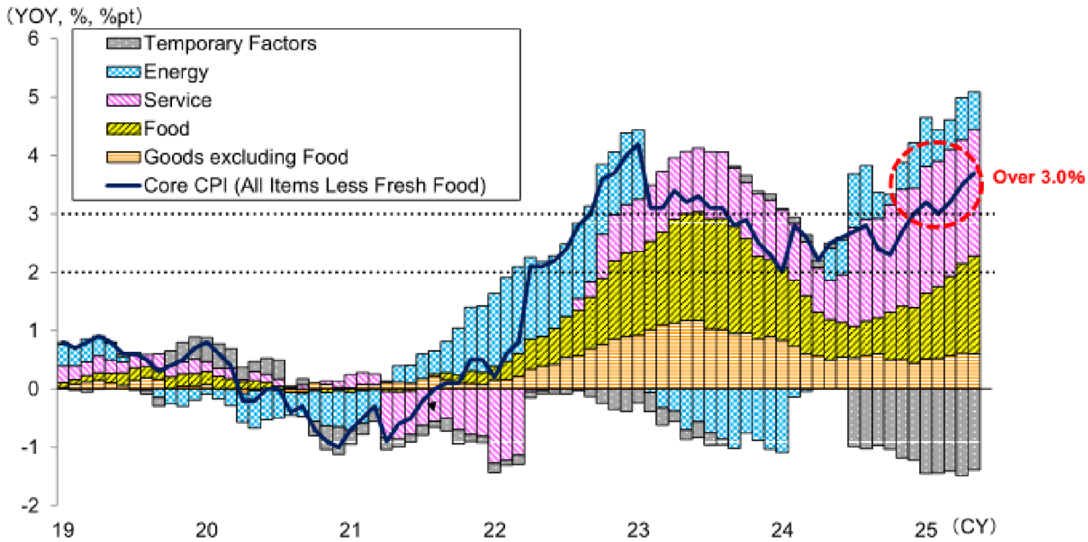
Note: Average for consumer inflation expectations. Both are one-year expectations.
Source: "the Opinion Survey on the General Public's Views and Behavior" and "Tankan Survey" Bank of Japan; compiled by DIR.

Market-based



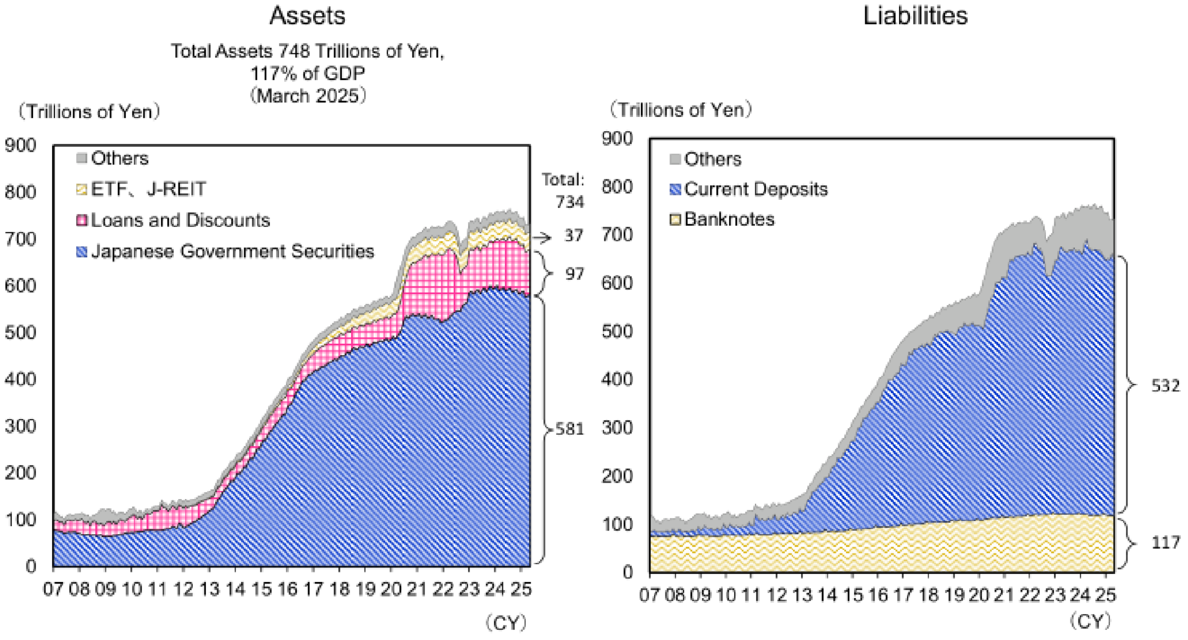
Source: Bloomberg; Compiled by DIR.

Japan’s CPI and its Decomposition



Note: Temporary factors include the effects of the increase in consumption tax, free education, travel support measures, and the decrease in mobile phone fees.
Source: Ministry of Internal Affairs and Communications, Bank of Japan; compiled by DIR.

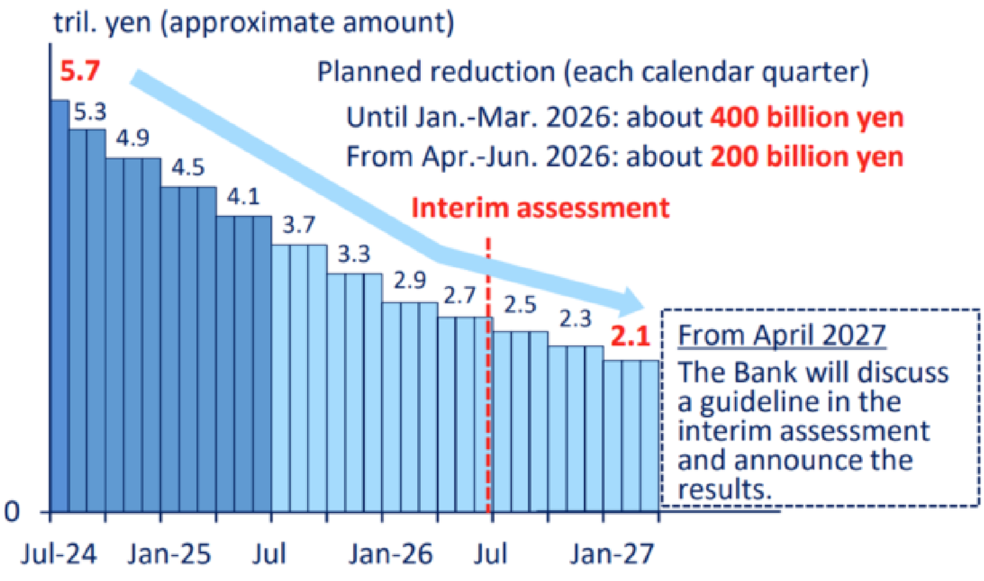
Bank of Japan's Balance Sheet



Note: Most recent values from May 2025.
Source: Bank of Japan; compiled by DIR.

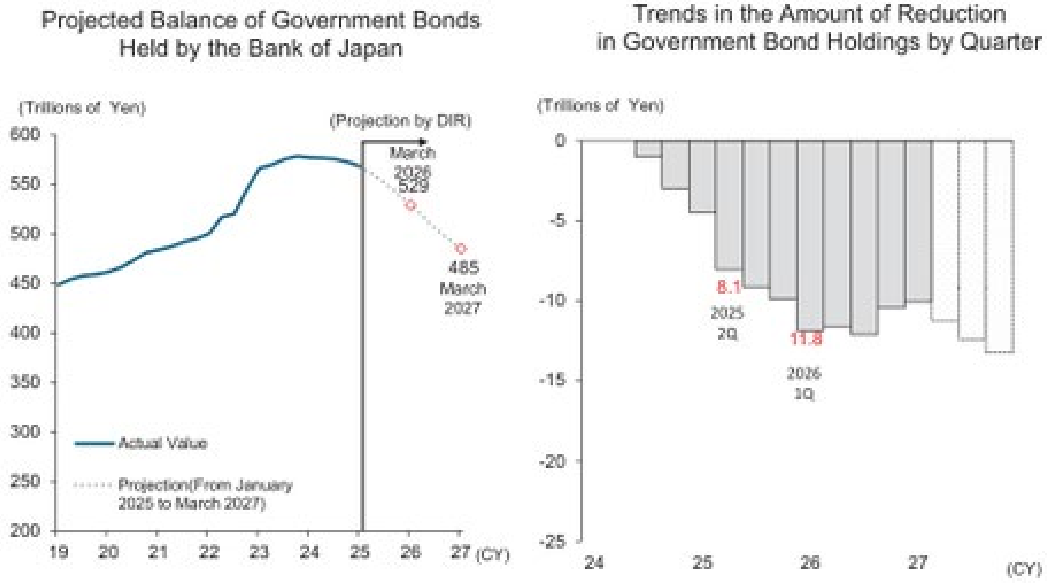
Plan for Reduction of JGB Purchase Amount

Amount of monthly JGB purchases



Source: Bank of Japan.

Projected Balance of Government Bonds Held by BOJ



Note 1: Based on the monetary policy meeting in June 2025.
Note 2: It is assumed that the balance will be reduced as decided at the monetary policy meeting in June 2025 until March 2027.
It is assumed that similar policies will be maintained after March 2027.
Source: Bank of Japan; compiled by DIR.

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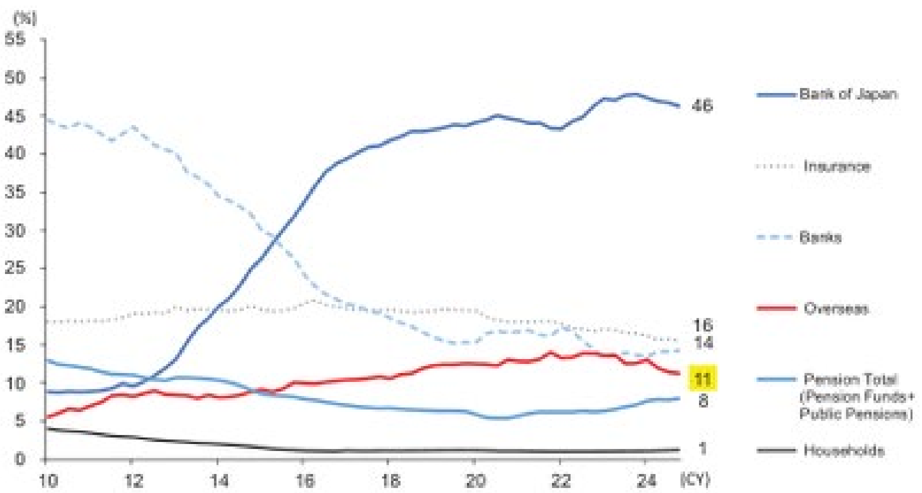
Distribution of Japanese Government Bond Holders



Note 1: Japanese government bonds include FILP bonds and treasury discount bills.
Note 2: Banks include securities investment trusts and securities companies.
Source: Bank of Japan; compiled by DIR.

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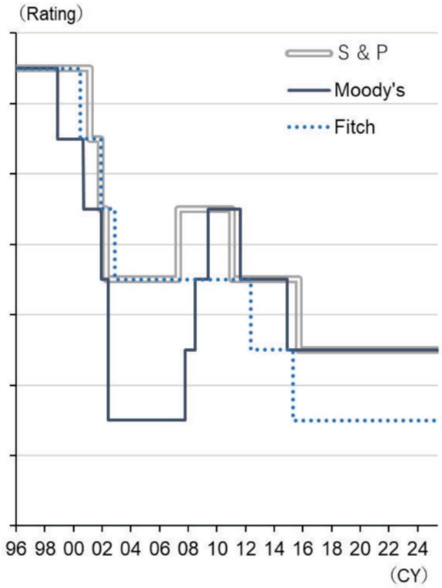
Ratings of JGB and International Comparisons

The Rating of JGBs

S&P Fitch	Moody's
AAA	Aaa
AA+	Aa1
AA	Aa2
AA-	Aa3
A＋	A1
A	A2
A-	A3



Source: S&P Global, Fitch Ratings, Moody's; compiled by DIR.

Comparison of Government Bond Ratings

	S&P	Fitch	Moody's
Germany	AAA	AAA	Aaa
Canada	AAA	AA+	Aaa
US	AA+	AA+	Aa1
UK	AA	AA-	Aa3
France	AA-	AA-	Aa3
Japan	A+	A	A1
Italy	BBB+	BBB	Baa3

Note: In domestic currency denomination.
Source: Bloomberg; compiled by DIR.

Key Takeaways: What Japan Should Do in this Shifting Economic Landscape

- Contribute to Fostering the Multilateral Free Trade System
- Continue Steadily Promoting Policies to Achieve Goals Not Yet Accomplished
- Develop Strategic Interdependence with the US