

AS PREPARED

“The Midwest and Japan: Looking to the Future”

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Good morning. I would like to welcome Governor Mitchell Daniels, Jr. of Indiana, Governor Jennifer Granholm of Michigan and Governor Jim Doyle of Wisconsin, to Japan. I would also like to thank Governor Kensaku Morita of Chiba, Governor Kiyoshi Ueda of Saitama, Governor Tomikazu Fukuda of Tochigi, Governor Shomei Yokouchi of Yamanashi, Consul General George Hisaeda and Consul General Kazuhide Ishikawa for coming to Tokyo for these important meetings and METI Director General Hideichi Okada for sharing the dais with me this morning. The unceasing efforts of Japan Conference Chairman Yuzaburo Mogi and U.S. Conference Chairman James Thompson to promote this important annual bilateral dialogue between the United States and Japan must also be acknowledged for without their strong support, this dialogue would not be possible.

Ambassador John V. Roos, who as you know arrived in Tokyo with his family just one month ago, sends his best regards and looks forward to working with you and your companies to deepen the United States-Japan economic, trade, and investment relationship. Ambassador Roos is honored to be serving President Obama and the American people as your representative to Japan. Like Ambassador Roos, I am also from California, but I attended U.C. Berkeley, not Stanford. He has not yet forgiven me.

The ten states of your association conjure up images of the best of the United States. The Big Ten and Big Twelve Conferences in academics and athletics; corn, pork, beef, wheat, and other signature heartland agricultural products; and the airports of Chicago, Minneapolis, and Detroit provide key gateways to America for so many travelers from Japan. It is also important to note that many Japanese watched the Major League All Star game, hosted by the St. Louis Cardinals this past year, live on television. They were treated to wonderful views of the Gateway Arch and Mississippi River – true American images! This arch is special to me because my great, great grandfather left Missouri on a covered wagon to try his luck in the gold fields of California in 1850.

The United States-Japan Economic Relationship in Good Shape

You have arrived in Japan at a historic moment. The Japanese people on August 30 voted for the Democratic Party of Japan to lead the country after 55 years of nearly uninterrupted Liberal Democratic Party stewardship. As President Obama said, Japan's election was a "historic election in one of the world's leading democracies. We are confident that the strong United States-Japan alliance and the close partnership between our two countries will continue to flourish." The United States Government welcomes the opportunity to work with the new Government and to build upon our past successes to further cement this indispensable alliance and economic partnership – the largest and most comprehensive partnership in the world.

This change in government in Japan comes on the heels of positive changes in our economic relationship over the past decade. The United States and Japan have moved beyond the trade frictions of the 1990s to a real economic partnership. This change is important and makes our relationships even more vital.

Our nations are the two largest economies in the world. Together we are working in the G8, the G20, and in APEC, or the Asia-Pacific Economic Cooperation forum, to help strengthen the global economy and find new ways to foster bilateral as well as regional trade and investment.

This growing partnership is based on shared values such as belief in the democratic system of governance, rule of law, and sound, free market economic principles. These common beliefs provide opportunity for cooperation on a global scale, and many of your states are benefiting from Japanese companies' efforts to expand abroad.

Michigan and Ohio, for example are home to almost 900 Japanese investors. These companies employ over 100,000 people, including 53,000 manufacturing jobs. Additional Japanese investment in Minnesota, Indiana, Illinois, Wisconsin, Iowa, Missouri, Kansas and Nebraska supports over 80,000 jobs at almost 1,000 companies. This investment represents the new and lasting ties that underpin our strong bilateral relationship.

We have made a good start, but we have much more we can and should do as the world's two largest economies. Part of our success thus far is due in part to the efforts of your State Offices here in Tokyo. The State offices from Illinois, Indiana, Iowa, Kansas, Missouri, Nebraska and Ohio improve relationships, deepen business ties, encourage travel and study abroad, and build bonds that make this one of the world's most important relationships.

Working Together to Tackle Global Economic Turmoil

Our partnership has never been more important. The United States and Japan are working closely to implement measures to pull the regional and global economy out of recession. No one understands better the impact of the current global economic and financial crisis than you do. Your companies, your workers have been severely affected by the events of last fall. The United States and Japan have been working with our partners in the G7 and G20 to craft and implement a global response to the economic crisis. Our governments' efforts are aimed at keeping trade and investment flowing and workers in their jobs. Among our success:

- We have stabilized our financial institutions;
- We have enacted strong fiscal stimulus packages; and
- Our central banks have cooperated to ensure adequate liquidity in world credit markets.

At the same time, the United States and Japan must look to the longer-term agenda. This agenda includes strengthening financial regulatory systems and building a business environment that encourages entrepreneurship and innovation. This agenda must stimulate small and medium-sized enterprise growth and encourage employment and worker-skill development. We need to build a global financial, economic and trading system that can survive future shocks and respond to the needs of the 21st century economy. We also need to look at structural changes in our economies ---- to strengthen our economic flexibility, improve our ability to compete in a global economy, and provide our people the economic well-being they expect.

Bilaterally, Our Two Economies Are Increasingly Interconnected

While we discuss the global economic crisis, let's not forget there is good news in the bilateral economic relationship.

Investment, as the governors and state officials here today know, is a powerful force linking our two economies. Japan is our fourth largest trading partner and second largest source of foreign direct investment.

Japanese firms have invested more than \$230 billion in the United States, and American firms have invested more than \$100 billion in Japan. 600,000 Americans work for Japanese companies and American companies employ almost 250,000 Japanese workers. This is a win-win situation for both countries and for both our countries' citizens. We are pleased that, despite the crisis, Japan continues to welcome foreign direct investment and continues to attract positive investment inflows. We see American states eagerly looking for investment – investment that creates jobs and strengthens communities – as the recent announcement by Nissan in Tennessee illustrates.

Agricultural Trade Supporting Jobs

One thing I am certain every member of this audience understands is the importance of Japan as a customer for United States' agricultural products. Aside from Canada and Mexico, Japan is our largest agricultural export market and agricultural products are your states' number one export to Japan. Japan is our largest export market for wheat and corn, our third largest market for soybeans. Japan is our largest export market for pork – buying almost 40 percent of all United States' pork exports; more than our next five export markets put together.

When current restrictions on the beef trade are eased, it will undoubtedly once again be our largest market for beef.

In light of the enormous benefits Japanese consumers derive from U.S. agricultural imports, it is curious that so many Japanese maintain an ambivalent view of agricultural trade and foreign-grown agricultural products. While the United States' role as a reliable supplier of Japan's agricultural needs for more than fifty years is clear, the Japanese remain conflicted about what they perceive to be an over-dependence on imported food and feed. The United States Government remains concerned such viewpoints among Japanese consumers are supported by domestic Japanese agricultural policies. These policies cast the issue as one in which the "threat" of agricultural imports can only be addressed by increasing the level of Japan's self-sufficiency in food. They ignore the costs associated with propping up the country's inefficient agricultural sector.

According to Japan's Agriculture Ministry, Japan imports about 60 percent of its food, as measured by total calories consumed.

The United States is Japan's biggest supplier (about 15 billion dollars worth in 2008). As a nation, Japan is one of the largest importers of agricultural products (although interestingly, not as large as the United States – we are the largest importer of agricultural products in the world).

This dependence on imports, however, is not the result of a failure of Japanese agriculture, but rather a product of Japan's spectacular economic growth over the last half century. The Japanese diet has improved and diversified and the natural result has been an explosion in demand for food and feed. And a natural corollary has been that a large share of Japan's imports comes from an ally – the United States – that has been a major agricultural exporter for decades and that has invested in systems designed to deliver safe food to consumers wherever they may reside.

Food security, or reliable access to safe food, is a subject of serious importance, and improving global food security is an objective embraced by the United States Government. While much of the global discussion has rightly focused on the needs of developing countries, it is also necessary to understand that the elements that contribute to food security apply to countries like Japan as well.

Japan's experience mirrors the experience of most countries, which is that food self-sufficiency is not the same thing as food security. While domestic Japanese agricultural production is a key element in feeding the Japanese nation, it is not adequate given Japan's level of economic development and her demand for high quality food. A food security strategy built upon the two pillars of domestic production and imports achieves food security for Japan. This "two pillar" strategy requires a shift in thinking from focusing only on domestic production to a broader view recognizing imported agricultural products as legitimate and wholesome contributors to the well-being of Japanese society. Public opinion leaders and policymakers would be well-served to make this shift in thinking. Japanese companies, with their long-established trading and investment relationships with reliable foreign suppliers of agricultural products, already know that imports complement domestic production to bolster Japan's economy and the welfare of Japanese consumers.

And what about our side of this equation? We have to continue to recognize the Japanese market remains vital to our well-being and we need to understand the responsibility we have to protect and sustain our agricultural systems so that we can continue to be the most reliable supplier of safe, healthy food for our most reliable customer and partner. The farmers in the Midwestern states know about this trust and are succeeding globally based on this principle.

Japanese Tourism and Study Abroad

In 2008, Japan provided the fourth largest number of travelers to the United States after Canada, Mexico and the U.K. Almost 3.25 million Japanese visited the United States, many of whom were repeat visitors. Japanese spending in the United States remained healthy with travel and tourism receipts totaling around 15 billion dollars in 2008. We hope to increase the number of visitors and spending in the years to come. However, these numbers are falling – down 8% in 2008 from the previous year, and down 18% for the first six months of 2009 – and if we want to remain competitive in this important business we need to compete; you need to compete. I urge you to focus more on the Japanese tourism market and its tremendous potential.

Travel and tourism is an important industry for the United States economy. Midwest U.S. state tourism offices and convention bureaus make considerable efforts to promote their regions to Japanese business and leisure travelers. The Midwest has much to offer: from cosmopolitan cities to wide-open spaces, nature, cultural pursuits, such as art and music, and sporting activities from Major League Baseball to the Indy and Brickyard 500s. But, again, we need to sell your quality product to the Japanese.

One way to increase tourism is to focus on Special Interest Tours, or SITs -- a recent travel trend in Japan. Japanese travelers are now venturing overseas for a different kind of travel experience --- one with a specific purpose. The Midwest states have many potential tourism resources and activities that present excellent opportunities for Japanese SITs such as nature tours, Great Lakes fishing expeditions, or Mississippi River cruises. I encourage the United States' state and travel promotion groups to work together with Japanese agencies to entice Japanese travelers to experience a new travel adventure in the United States Midwest. This is a competitive industry and we need to ensure that America's best, your best, is on display.

The same is true in education. America has the best to offer and Japanese who study in the United States become great ambassadors for Japan during their time at United States universities.

Prime Minister Aso and the next Prime Minister Hatoyama, for example, both attended Stanford University. Mr. Yoshiyuki Kasai, the president of JR Tokai (which is the company that operates Japan's famous "bullet trains") graduated from the University of Wisconsin. These student exchanges are important because these students, as well as American students in Japan, help deepen ties between our countries. They graduate and go on to become businessmen and women, academics, politicians, and advisors. They create ties that bind Japan and the United States together and help us surmount the problems that face the world, whether they be global warming, nuclear disarmament, or the eradication of disease and hunger.

APEC as a Catalyst for More Open Regional Economy

I want to spend a moment discussing an opportunity you may not be aware of. A key component of United States economic and trade policy in the Pacific Rim region is the Asia Pacific Economic Cooperation (APEC) forum. To put the size of APEC into perspective, the 21 economies account for:

- 55% of world GDP;
- 45% of Global Trade; and
- 40% of world population (2.7 billion consumers)

The 21 APEC member economies in 1994 set a goal of "free and open trade and investment" among the organization's economies. Japan is leading the charge as the APEC economies work toward this long term goal. APEC members are discussing the best way to achieve this objective and Japan's year as chairman of APEC in 2010 will be vital if we are to make progress in this area.

So, as Japan hosts APEC in 2010, followed by the United States in 2011, these back-to-back years in positions of leadership provide increased opportunities for us to work together to strengthen APEC as an institution, and advance our mutual trade and investment goals.

Obama Administration Formulating "Comprehensive Strategy" for Asia

As to specific United States Government policies, U.S. Trade Representative Kirk is working on a "comprehensive strategy" for Asia, which President Obama and Ambassador Kirk consider a priority region. It is too early to know exactly what policies the Obama Administration will pursue in this area, but the President and Ambassador Kirk will undoubtedly include agriculture, manufacturing, services, green technology, and other sectors of interest to your states' economies.

Climate Change and Energy: Promising Areas for Cooperation

One of the outcomes of APEC's work is likely to be an agreement to act on climate change and to cooperate closely on energy efficiency and green technologies. During her visit to Tokyo, Secretary Clinton and Foreign Minister Nakasone agreed it is time to focus on cooperative and effective programs to reduce greenhouse gas emissions while also providing for the long-term prosperity of both countries.

The United States is prepared to make commitments of our own, and, at the same time, encourage other countries to do the same in multilateral negotiations that culminate this December in Copenhagen. I think cooperation and coordination between the United States and Japan in the area of climate change is essential to any kind of effective global strategy to protect our environment and keep our workers the most productive and innovative in the world.

As we move toward a more energy-efficient society, we also need to implement significant technological changes. In many of these technologies -- clean engines, alternative energy generation, nuclear power, and improved energy efficiency -- American and Japanese companies lead their fields. So we want to partner with Japanese counterparts to promote and disseminate these new clean technologies in order to reduce greenhouse gas emissions and protect the quality of life on our planet for future generations.

Conclusion

Improving the lives of our citizens; providing the young with greater opportunity and more hope; and making the world a better place is our joint responsibility. This is the same charge that Ambassador Roos has taken. He and the entire Embassy team, including our consulates in Nagoya, Osaka, Sapporo, Fukuoka and Okinawa, will continue to work daily to improve the United States-Japan relationship. Our objective is the same, so I am confident that by working together with state governments and American businesses, we can improve the world we live in.

I wish you all the best during your time in Japan.