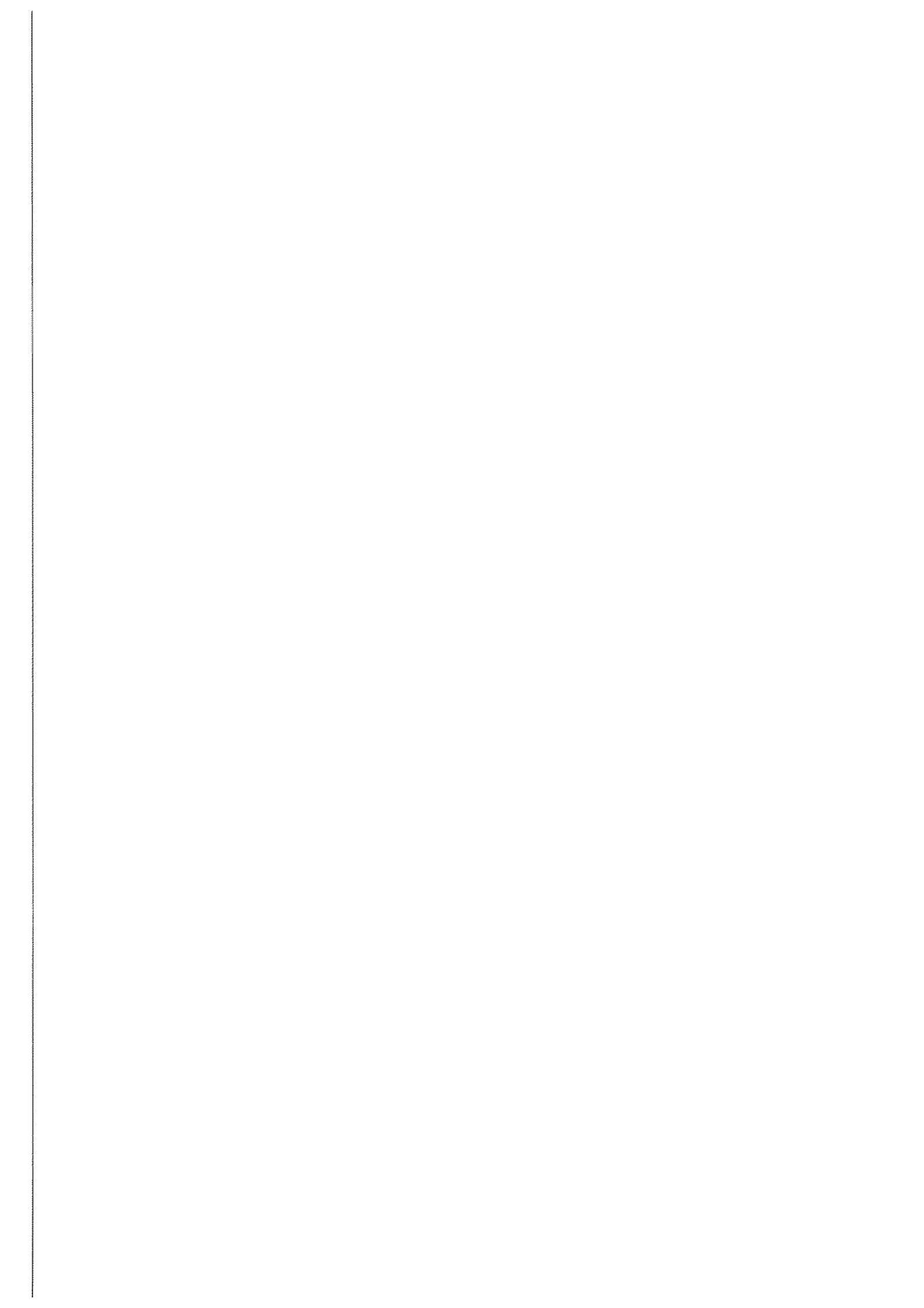


Panel Discussion

Globalization and Regional Economic Cooperation:
Crisis and Opportunity

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Converging Crises of Economic Recession, Food and Fuel Price Volatility and Climate Change Menace

Park, Jindo (Professor of Economics, CNU)

We are facing with triple global crises which converged to threaten development worldwide – financial crisis, food and fuel price volatility and climate changes calamities. These crises are interrelated. There is a need for comprehensive responses that balance economic, social and environmental considerations, for partial response will only provide a temporary respite until a new major crisis hits the world.

Between 2002 and 2008, food commodity prices increased 110% which was among the five largest price runs in the last 100 years. International food prices have come down from their 2008 peaks as the international financial crisis deepened and economic activity slowed across the globe, but are higher than they were in 2006 and likely to remain volatile. Food prices are recently soaring again with oil prices as the nascent recovery in global economic activity. FAO is warning that food crises will occur in the near future. Food prices increase threatens the food security of millions. It is estimated the higher food prices pushed up the number of undernourished people worldwide from 857 million in 2000-2002 to 1.02 billion in 2009. Hunger has increased not only as a result of poor harvests but because of high domestic food prices, lower incomes and increasing unemployment due to the global economic crisis.

There are underling reasons for the volatility of food prices. Food commodity markets are characterized by low short-term demand and supply price elasticity. The causes of higher food prices are declining inventories which can be explained by a combination of fast-growing demand and stalling production.

The consumption of maize trended up markedly since 2002, because food expenditures include larger shares of meat and dairy as income grows. Furthermore, in recent years a rapidly increasing share of world maize production has been used for the production of biofuels. Moreover, using more land and water to produce biofuels will put pressure on the production of other food crops. In addition, the dramatic increase in the price of crude oil pushed up the costs of applying fertilizers, operating agricultural machines, and transporting food across countries. The impact of high oil prices on agriculture is magnified because agriculture has become more energy-intensive in the past decade.

Short – and long term supply factors also contributed to the increase in food prices. In the short-term, episodes of bad weather affected important grain-producing countries. For example, Australia experienced its worst multi-year drought in a century since 2002.

A second short-term factor was the imposition of export restrictions. The main long-term supply factor has been a marked decline in the growth rate of yield associated with the neglect of investment in agriculture over last 20 years. Similarly, the global average annual growth rate of cultivated land area has dropped significantly, from 0.7% between 1970 and 1990 to 0.2% between 1990 and 2005.

An additional factor that contributed to the soaring food prices is the integration of food markets with financial markets. In recent years, commodities have become more attractive to institutional investors such as index funds and hedge funds. Fluctuations in the value of the United States dollar have also influenced the volatility of commodity prices.

In conclusion, the reasons for the soaring food prices are complex and involve some novel aspects such as the closer links between food and fuel markets, and financial aspects also played an important role. Therefore, devising policy responses to prevent similar episodes in the future will require the joint consideration of the food, fuel, and financial crises. The converging crises could be turned into an opportunity to jump toward a more inclusive and sustainable development system. It is clear that the regional and global cooperation is very much needed for creating new economic governance.

Free Trade and MNCs in Asia: Institutional Development and Strategies of MNCs

ANAZAWA Makoto
Professor, Otaru Univ. of Commerce
Nov.27th, 2009

1. Establishing Duty Free Enclaves

In the early stages of the export oriented industrialization, many countries in Asia introduced export processing zones (EPZs in Taiwan and Korea) or free trade zones (FTZs in Malaysia and Thailand). The names would be different from country to country. In China, they are called special economic zones. The first EPZ was established in Taiwan in 1960s. In the 1970s, they were introduced in Korea and Malaysia. These are the special zones free from import and export duties. Companies locating in these zones can enjoy trade without tariffs. However, once they try to supply to domestic markets, the tariffs will be imposed.

MNCs mainly in the E&E sector from US and Japan set up export platforms in these zones to supply to the markets in the advanced countries. Under the free duty, they imported most of the materials for production from home countries and final products were exported. They also made use of the cheap labor available in these countries to reduce the production costs. At first, they did not create backward linkages and these zones are also the enclaves economically. In Taiwan and Korea, the backward linkages were enhanced by showing the increasing local contents ratios.

2. BBC scheme for Auto Industry

Since 1970s, Japanese auto manufactures set up knock down factories in ASEAN countries. All the ASEAN countries imposed high tariff rates on imported cars to encourage domestic production of cars and parts. On the other hand, Japanese firms imported CKD parts from Japan because of the high prices of the local parts and components caused by the lack of the scale merits.

Gradually, Japanese auto manufactures began to produce some key components in their own factories, for instance, transmission in the Philippines, metal press parts in Thailand and steering gears in Malaysia in the case of Toyota and tried to start intra-firm trade within ASEAN.

Japanese auto manufactures negotiated with ASEAN countries to reduce the tariff

rates in the case of the intra-firm trade in ASEAN. In 1988, the BBC (brand to brand complementation) Scheme was introduced and the tariff rate for the intra-firm trade was reduced to 50%. This kind of tariff reduction was expanded to other industries in the 1990s under the AICO (ASEAN Industrial Cooperation) Scheme.

3. AFTA (ASEAN Free Trade Area)

ASEAN countries concluded regional free trade agreement to facilitate the trade within the region in 1992. The CEPT (Common Effective Preferential Tariff) Scheme was introduced to reduce mutual tariff rates. Under the CEPT Scheme, the original members of ASEAN, namely Singapore, Malaysia, Indonesia, Thailand and the Philippines, decide to reduce the tariff rates to 5% by the year 2002.

AFTA encouraged the free trade for MNCs locating in ASEAN and the local firms as well. However, most of the MNCs in the E&E industry, the largest investors in this region, have already been enjoying free trade by locating in EPZs or getting the status of manufacturing warehouses, and the net effects of the CEPT Scheme for these firms were limited. The MNCs in the auto industry could not enjoy the whole advantages of free trade because some countries imposed excise duties on the imported cars instead of import duties.

4. Bilateral and Multilateral/ Regional FTAs

After the year 2000, the bilateral and multilateral FTAs have been getting popular. Singapore and Korea were especially eager to conclude bilateral FTAs with developed countries. Individual members of ASEAN concluded bilateral FTAs with Japan until the year 2006. After that, ASEAN changed the strategy and has been keen to conclude multilateral or FTAs such as ASEAN-China, ASEAN-Korea, ASEAN-Japan, and ASEAN-India.

Under the multilateral FTAs by ASEAN, some Japanese MNCs introduced new strategies. For instance, Honda in Thailand started to export their cars to India without duties. Since Japan has not been very eager to conclude FTAs, Japanese MNCs preferred to make use of the FTAs in the other countries or the regions.

Comments on the Paper Presented by Professor Kim

Jeong, Yong Gil

Professor, Chungnam National University

This paper deals with on the if Born Global Venture(BGV) and Non-Born Global Venture(NBGV) have different marketing strategies and performances or not.

The objectives of this paper are;

1) Do Korean start-ups trying to BGV strategies gain more performances than non-BGV?

Statistical analysis shows that the differences between BGV and non BGV in the area of "growth rate" and "market performances", but no statistical differences in the area of profitability.

2) What are the resource differences between BGV and non-BGV?

Statistical analysis shows that the differences in the area of "knowledge using capacity" and the "international experiences", but no statistical differences in the area of "international orientation" and "technological competences".

3) What are the differences in the marketing strategies between BGV and non-BGV?

Statistical analysis shows that the differences in the area of "quality differentiation", "low pricing strategy", "market differentiation", and "early launching strategy".

I would like comment three things;

1) Professor Kim define the BGV operationally as "the companies doing direct investment, co-production(or marketing), and licensing in the foreign market or export intensity more than 50%.

Would you suggest some real Korean companies classified as BGV?

2) In doing research we must build up hypothesis firstly, and then do empirical testing afterwards.

Professor Kim suggested three research objectives and found some statistical differences between BGV and non-BGV. But I do not understand why these differences exist theoretically. What we need is the not statistical findings but theoretical and thick explanations.

Would you explain why some variables show no statistical differences between BGV and non-BGV?

3) According to the Contingency Theory, the performance or effectiveness of an organization depends on the extent to which the organization's structure matches the contingencies it faces. The most widely used contingency variables are size, technology, and the environment.

In order to find the different strategies or performances of BGV and NBGV, we must consider the contingencies of the companies to be analyzed. What is your opinion about that?

Marketing to foreign tourists
Opportunities and challenges for Hokkaido's tourism industry
Part 2: Hokkaido tourism SWOT analysis and future strategy

Carolus L. C. Praet, Otaru University of Commerce

Paper presented at the Globalization and Regional Economic Cooperation Crisis and Opportunity seminar panel discussion, Otaru University of Commerce, November 27, 2009

In my presentation earlier during this seminar, I gave an overview of Japan's position as an international tourist destination and of the efforts by the Japanese government to attract more foreign tourists. I also showed the importance of the tourism industry for Hokkaido and gave an overview of the growing importance of foreign inbound visitors for Hokkaido tourism. Data I presented show that 8.1% of all foreign tourists visiting Japan visit Hokkaido and that the majority of them are from Asian countries, the top 5 countries being Taiwan, South Korea, Hong Kong, China and Singapore. These five countries together accounted for 85% of foreign tourists visiting Hokkaido in 2008. I also presented results from a Nikkei survey that show what aspects tourists from China, Hong Kong, Taiwan, and Korea find attractive about Hokkaido and what kind of activities they prefer to undertake when visiting. Finally, I proposed the implications of the presented data for Hokkaido's tourism industry.

In this presentation I will first present an analysis of the Hokkaido tourism industry's strengths, weaknesses, opportunities, and threats (SWOT) and will then suggest some of the actions that are needed in the short-, middle-, and long-term.

I. Hokkaido SWOT analysis: Strengths and Weaknesses

Table 1 lists the strengths and weaknesses of Hokkaido as a touristic destination. The

strengths are generally well understood and probably need no further explanation. I would however, like to point out some of the weaknesses that need to be overcome in order to more effectively attract and serve foreign tourists, especially those from Asia. In terms of the type of Japanese-style *ryokan* accommodations favored by the majority of Asian tourists, recent data show that the number of these *ryokans* has declined by 14.1% in the past 6 years. (Hokkaido Bureau of Tourism, 2009) This limits Hokkaido's ability to serve the growing demand among foreign tourists. In addition, the number of world-class accommodations that may serve the specific needs of wealthy Asian tourists is very limited, with the Windsor Hotel Toya perhaps the only exception. Also, 90 percent of Hokkaido accommodations have fewer than 9 employees (Hokkaido Bureau of Tourism, 2009), which limits their ability to cater to the needs of tourists from different countries. Another problem Hokkaido faces is the lack of steady all-year demand from tourists. About fifty percent of all tourists (domestic and international) visit during the summer season from June to September with the peak in August. Only 20% of all visitors visit Hokkaido during the winter months between December and March. (Hokkaido Bureau of Tourism, 2009)

Table 1 Strengths and Weaknesses of Hokkaido's tourism industry

Strengths	Weaknesses
Beautiful Nature	Declining number of Japanese-style <i>ryokan</i> accommodations (14.1% decline in past 6 years) favored by most foreign tourists
Delicious food	Limited number of world-class accommodations for upscale Asian tourists
Positive image, high satisfaction, loyalty and positive word-of-mouth among foreign tourists	90% of Hokkaido accommodations have fewer than 9 employees
Hot springs	Lack of steady all-year demand: 50% of all tourists visit from June-September; 20% visit from December-March
4 seasons	Lack of foreign-language skills and knowledge of foreign cultures among service personnel
Ski resorts	Lack of knowledge about needs and preferences of foreign tourists
Golf courses	Lack of coordinated strategy among Hokkaido tourist locations: role for Hokkaido Tourism Organization
Snow festival Sapporo	Relative lack of experience in marketing Hokkaido to foreign markets
YOSAKOI Soran festival	Sightseeing spots are geographically dispersed for short-staying Asian tourists
Asahiyama Zoo	Limited capital resources for investing in improving service industry infrastructure
Windsor hotel Toya	Relative lack of appealing historical monuments, compared to destinations such as Kyoto or Kanto area
Chitose Rera outlet mall	
Top-class department stores in Sapporo	

Perhaps one of the biggest problems in catering to foreign tourists is the lack of foreign-language skills among Hokkaido service personnel. Even in large retail stores store personnel does not speak English, let alone Korean or Chinese. As most Asian tourists are not fluent in Japanese, this lowers the perceived level of service and consequently the shopping experience. Unless the product is a famous luxury fashion brand, Chinese consumers generally will not buy technically complex products unless either a spoken or written explanation about the product is provided in Chinese. As Hokkaido service personnel generally do not speak any foreign language they often cannot sufficiently communicate with foreign customers and cannot adequately grasp their specific needs. This limits the ability of service personnel to effectively cross-sell to foreign tourists and to provide sufficient product explanations or recommendations.

In addition, there is a general lack of knowledge of the cultural characteristics and

backgrounds of foreign guests among members of Hokkaido's hospitality and retail industries. These industries also appear to lack detailed knowledge of preferences and needs of foreign customers. As far as I am aware, Hokkaido's tourism industry members have not conducted sufficient in-depth market research to understand these foreign customers better. If Hokkaido's tourism industry would carry out market research, service providers would be able to better tailor services to meet the specific needs of these customers.

At the prefectural level, there appears to be a lack of a coordinated strategy among the members of Hokkaido's tourist industry, i.e. between governmental institutions and the private sector and also among tourist locations throughout Hokkaido. It appears the Hokkaido Tourism Organization would be in the best position to take the lead in coordinating the players in the tourism industry so they would collaborate in promoting Hokkaido as a whole by pooling resources. Related to this issue is the relative inexperience of the Hokkaido tourism industry in marketing Hokkaido in foreign markets.

Another weakness is the vastness of Hokkaido, which causes sightseeing spots to be geographically dispersed. This is a problem when targeting Asian tourists who tend to stay only for a few days. However, this problem is not that serious as Asian tourists are geographically close to Hokkaido and may easily return for another vacation without incurring high transportation fees.

Finally, while Hokkaido has its share of historical monuments, they pale in comparison to the richness in monuments of destinations such as the Kansai and the Kanto areas. This however, tends to be less of a problem when targeting Asian tourists who generally view Japanese cultural monuments as more or less similar to those in their own countries. This is more of a liability when trying to attract western tourists, who tend to be more interested in visiting traditional Japanese cultural monuments.

II. Hokkaido SWOT analysis: Opportunities and Threats

Probably the biggest opportunity for Hokkaido tourism is the expected “Big Bang” in tourism in Asia as a result of economic growth and increased wealth among Asian consumers. These consumers will become increasingly interested in spending quality leisure time and travel as soon as they have satisfied their more basic needs for consumer electronics, housing and automobiles. China will be the main growth engine for tourism and the liberalization of tourist visas for individual Chinese travelers will provide a big opportunity for Hokkaido.

In addition, the number of Japanese baby-boomers retiring also presents an opportunity to attract more domestic travelers.

Hokkaido’s many small-scale accommodations should be able to tap into the overall shift in travel behavior from people traveling in organized group tours toward more people traveling with only family or small groups of friends, both among Japanese and foreign tourists.

The fact that universities in Hokkaido host many exchange students from neighboring countries presents an opportunity for using their language and cultural skills to improve services for visitors from these countries.

Moreover, Hokkaido —with its abundant nature— is also well positioned to take advantage of an increasing need for so-called ecological or ‘green’ tourism. Hokkaido can also make good use of its beautiful scenery by actively promoting Hokkaido as a location to Asian filmmakers and producers of television drama series and commercials. The tremendous potential of such a strategy is illustrated that a recent Chinese hit movie prominently featured Eastern Hokkaido scenery. This has caused a sudden increase in Chinese ‘pilgrim’ tourists to the area, who wanted to see in person the scenery where the movie scenes had been shot.

There are also a number of external threats to Hokkaido as a tourist destination, most

of which are beyond the control of Hokkaido's tourism industry. Threats include a strong yen, a worldwide recession, high oil prices, pandemics, natural disasters, and global warming. The ageing and decline of Japan's population can however be offset by attracting more foreign visitors. One other external threat is the increasingly coordinated promotional efforts by other regions such as Kyushu and Tohoku or by other countries in Asia. Table 2 provides an overview of opportunities and threats for Hokkaido's tourism industry.

Table 2 Opportunities and Threats for Hokkaido's tourism industry

Opportunities	Threats
Tourism "Big Bang" in Asia between 2010 and 2019	Strong yen
No need for tourist visas for wealthy individuals from PRC China, starting in July 2009	World-wide recession
Japanese baby-boomers retiring	High oil prices
Gradual shift in tourism behavior from organized group tours toward individual travel with family and friends among Asian and domestic tourists	N1H1 influenza and other pandemics
Green tourism	Promotional activities by other regions in Japan, e.g. Kyushu and Tohoku or by other countries in Asia
Many Asian exchange students in Hokkaido universities: utilize their skills in service industry	Ageing and declining population
Promoting beautiful scenery as location for film, TV drama series, commercials	Volcanic activity and other natural disasters
	Global warming

III. Actions needed: Short-term

In order to address some of the weaknesses detailed above, the Hokkaido tourism industry needs to undertake a number of actions.

Detailed surveys and focus groups of Chinese, Hong Kong, Taiwanese, Singaporean, and Korean tourists need to be conducted in order to better understand the specific needs of travelers from these countries.

Hokkaido exchange students from East Asian nations should be recruited as staff by retail stores, shopping malls, hotels and restaurants catering to foreign tourists.

More language information in Chinese and Korean should be provided in shopping centers, department stores, restaurants, hotels, duty-free shops, and on public transportation. Language and culture workshops on how to deal with foreign tourists should be organized for small-scale accommodations. Finally, assistance with creating on-site signs and brochures in target languages should be provided to small-scale accommodations, which lack the necessary resources.

IV. Actions needed: Mid-term

The Hokkaido Tourism Organization should take the initiative to coordinate and integrate the marketing strategy of all major Hokkaido tourism locations.

The Hokkaido tourism industry should try to 'piggy-back' on the national Visit Japan Campaign, and should use resources of JNTO, JTA, and JETRO.

Travel agents from key markets such as China and other East Asian countries should be encouraged to set up local branch offices in Hokkaido by offering free office space and other incentives. (cf. JETRO, 2006)

As I mentioned above, Hokkaido's beautiful scenery should be actively promoted as location for Asian movies, TV drama series, and commercials.

More effort should be made to promote tourism in the off-season to create more stable demand throughout the year.

V. Actions needed: Mid- to long-term

In order to better serve wealthy East Asian tourists, more effort should be made to attract world-class hotels and resorts to Hokkaido.

The Hokkaido Tourism Organization should promote Hokkaido more actively and effectively in East Asian nations.

Finally, Imposing more strict regulation on construction and development should

preserve Hokkaido's main asset — its nature.

VI. Final remarks

If the above-mentioned issues are sufficiently addressed, Hokkaido's tourism industry will be able to take full advantage of the tremendous opportunities offered by the increasing wealth among consumers from China and other neighboring Asian nations.

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From Competition to Competence

- Localization Strategy and Network management in overseas market

by Jae Kie Park

Professor of International Marketing,
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1. Competition with Global Companies
2. Competition with Local Companies
3. From Competition Strategy to Competence Strategy
 - A. Competition Strategy of M. Porter
 - B. What's the Competence Strategy
 - C. Network Management with Competence
4. Conclusive Remarks

1. Competition with Global Companies

As T. Levitt of Harvard University, the world market is getting closer in demand and supply side. The global companies; SONY, IBM, GE, Philips, McDonald etc., can enjoy their ability to introduce their products and marketing tools to the planet, simultaneously. And the standardization strategy is the most suitable way to the global companies. S. Hymer, through his monopolistic advantage theory emphasizes the global companies enjoy their own firm specific knowledge (FSKs). N Dawar and T. Frost showed on their article the FSKs of global companies are abundant financial resources, superior products, advanced technologies, powerful brands, marketing knowhow, management skill, and so on. It seems like there is no room for any other companies to compete against the global companies.

2. Competition with Local Companies

However, the local companies may have advantages against the attacking global companies; better knowledge of local markets, distribution system, A/S system, local

government support and nationalism. For example, using these FSKs of local companies, Bajaj in late 1990s had defended its own scooter market in India from Honda's power.

Both FSK's of global companies and local companies set high wall for the other companies to get in the local market. But, the other companies, such as Korean companies; LG, SK, Doosan, Kumho, who inevitably should lose the BRICs market in order to survive or make their advantages for the future with finding their own strategies. They have to fight against both the global companies and local companies in the market.

3. From Competition Strategy to Competence Strategy

With the competition concept prevailing for the last 3 decades, the companies beside the global companies are not able to get their own position in the new markets.

A. Competition Strategy of M. Porter

M. Porter had contributed a lot on managerial progress for the companies in less-developing countries, insisting the two directions of cost-leadership strategy and differentiation strategy. However most companies including US ones, chasing the cost-leadership strategy in global markets, have been faced with the weakening or losing position in the world market. Even the global companies using their FSKs have enjoyed the reputation of brand differentiation, as M. Porter depicted. But the BRICs will be unavoidable markets to the non-global companies, such as ones of Korea. They should find different ways to approach the market from Porter's view point.

B. What's the Competence Strategy

Every company has its own resources; financial, material, and human. We call the degree of using the resources as capability. Among the capability, If it would satisfy the following conditions at the best way; valuable, rare, difficult to copy, and hard to substitute (VRCS). We could call the capability as company's core competence. The core competence itself is different each other, i.e. no company can have the same core competence, but similar one. Korean companies have struggled with many other competitors in the world market, accumulating their own experience and capability, and keeping their own core competence.

LG electronics is a little behind in FSKs; financial resource, brand, technology,

products and so on, comparing with global companies such as SONY, Philips. But LG has enjoyed 1st rank market share, more than 30%, of C/TV, refrigerator, in India. Since LG had bitter experience in US market for a long time with cost-oriented strategy, it has been approaching in BRICs market with complete localization strategy. For example, LG's introduced TV with ICTS, OCM, Cricket-loaded in India Market, using their own experience and customer-oriented value creation strategy.

C. Further way to Network Management with Competence

In the digitalization age, the market and technology will be changed so rapidly that a company cannot chase the all the trend of them. Under the uncertainty of business, companies should have it own competence of FSKs and link with other companies who have a other linked competence, respectively. Further transformation of business will be naturally composed of network organization. Also we may have several successful network companies; NIKE, Intel, etc.

4. Conclusive Remarks

FSK → Competence from Competition → Localization Strategy → Network Organization



Globalization and Regional Economic Cooperation Seminar

Panel remarks: Neil Clymer, Associate Professor

Otaru University of Commerce

November 27, 2009

First, I would like to thank the organizers of our conference for inviting me to participate on this panel. Also, I would like to express my personal welcome to our esteemed guests from Chungnam University.

If this conference had taken place 15 months ago it would have been much easier to comment on the topics of Globalization and Regional Economic Cooperation. Yes, at that time there was a slowdown in the growth of many national economies coupled with disturbing signs in the United States and other housing markets. However, world GDP and world trade were still in perpetual growth mode. That has changed. Today we know that those warning signs were harbingers of systemic risk and excessive financial leverage.

The concept of globalization is no longer a story of unassailable capitalism. The United States has lost its footing and increasingly people and nations are looking to China for economic leadership. The economic ascent of China and the concomitant decline of the United States present several challenges for South Korea and Japan. Ours are the two most developed economies of Asia. Of all large nations in this continent we have the highest wages and thus enjoy the highest standards of living. The economies of both our nations depend on manufacturing industries that convert highly specific natural resources into technological products. Many of these products are machines, electronics, and semiconductors.

Our technology industries require open free market access to oil, ores, minerals, and other natural resource inputs. These inputs are sourced from numerous nations around the world. Prices will always fluctuate; the greater risks are the vagaries of nation state political agendas that would limit our access to these resources.

Further, the economies of our two nations depend on export markets for the machines and other high technology goods that we produce. General machinery, electrical machinery, transport equipment, semiconductors plus electronic parts, and instrumentation account for 2/3 of Japanese exports and a similarly high percentage of South Korean exports. South Korea is one of the few countries in this world that

consistently runs a trade surplus with China, largely the result of technology exports.

South Korea and Japan have been the beneficiaries of an international trade regime that protects our investments in education, scientific research, and engineering. A world where the United States has been the dominant superpower has been a friendly world for this protection of intellectual property.

For these reasons, it is critical that our nations cooperatively work together to safeguard these economic rights that have been the cornerstones of our mutual prosperity.