Center for Strategic and International Studies

The U.S.-Japan Bilateral Economic Relationship: Past, Present, and Future

“Strategic Partnership, Local Impact”

An Armchair Conversation With:
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Maryland Department of Commerce

Rob Sharpe,
Senior Vice President,
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Moderated By:
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ABIGAIL FRIEDMAN: Well, I think we can start with our last round. The one thing worse than being the last panel before lunch is to be the panel after lunch, so. (Laughter.)

And what we’re going to try to do here with this last armchair conversation is to try to get this as granular as possible. We’ve had some really good conversations and kickoff with Congressman Castro this morning sort of talking about the broader U.S.-Japan economic relationship, and some of the thematic issues we’ve already touched on. What I’d like to do with Ben Wu and Rob Sharpe is talk about specifically locally, what does the U.S.-Japan relationship look like in the economic field, and specifically within the U.S.

So we have Ben Wu, who is with the Maryland Department of Commerce, and also had previously with the U.S. government Department of Commerce.

And then, after that, we have Rob Sharpe, who is with Hitachi Automotive industries, so – in Michigan.

ROBERT SHARPE: Yeah.

MS. FRIEDMAN: So we’ve got Maryland and Michigan represented.

So if we – let’s just start right off. And, Ben, can you start just by telling us a little of the kind of work that you’re doing now in Maryland to enhance or work on U.S.-Japan economic relations?

BENJAMIN H. WU: Sure, Abigail. Thank you.

And thank you to CSIS for putting together this panel, and to the Embassy of Japan also for the invitation.

For Maryland, the state of Maryland, we’re just doing some phenomenal things within our state with Japan, and this is a great opportunity to discuss some of those new initiatives and some of the opportunities that the state of Maryland has with Japan to bolster not just the Maryland-Japan relationship, but also the United States-Japan relationship as well.

You know, Abigail, there is a(n) old maxim that says that all politics are local. And in many ways, that axiom applies not just to American politics, but also to trade as well. We saw and we’ve heard over the course of the past several hours this morning about the importance of the United States-Japan relationship, especially with trade. But where it actually comes down to the nitty gritty, where things get done on the trade front, is within the states.

And so the state of Maryland, we recognize that with our governor, Governor Larry Hogan. And Governor Hogan believes that the state’s economy can grow – one of the easiest ways and best ways to grow the state’s economy is to promote direct foreign investment and also to help Maryland companies push exports out into the international marketplace. And that is one of the key components of the state’s economic strategy.

And if I could give a little advertisement about the state –

MS. FRIEDMAN: Please.
MR. WU: – it’s actually working. And what we’ve seen, U.S. News and World Report just came out last week with their rankings of the best states in the country, and Maryland was number eight, so we were in the top 10. We were also ranked by Bloomberg Innovation Index as number five in the country, and that was an increase over the course of the past several years, as well, too. You know, we rank number three in the country in terms of R&D, number two in the country in terms of STEM. And we also have made great economic gains in our productivity; we are now ranked in the top 10. Governing magazine just also had Maryland listed in the top 10 in its rankings. And in terms of unemployment, we’ve been able to drop our unemployment rate a full percentage point since the governor took office, from 5.4 (percent) to now 4.2 (percent), well below the national average of 4.6.

So the economic strategy for the state writ large is performing very well, and we’re very pleased of the governor’s leadership and direction. But one of the key components, as I mentioned, for that economic growth strategy is our ability to look beyond the water’s edge, to be able to seek direct foreign investment from international – multinational companies, and also to help push Maryland products and export them into important and key international markets.

So this is one of the areas – and I can go into greater detail, granularity about some of those areas, but I do want to give Rob a chance to open up as well.

MS. FRIEDMAN: Great.

MR. SHARPE: Well, you did a nice job, so that was – (laughs).

MS. FRIEDMAN: Yeah. I was going to say I’m from – I was raised in Maryland.

MR. WU: Oh, really? (Laughter.)

MS. FRIEDMAN: So I love hearing about how great Maryland is.

But, Rob, you’re with Hitachi Automotive industries.

MR. SHARPE: Correct.

MS. FRIEDMAN: And of course, we all know Hitachi has a range of activities, but let’s just focus on the automotive. Can you talk a little about Hitachi’s automotive profile in the U.S.? Is it focused entirely on Michigan? What does it entail?

MR. SHARPE: Yeah, no, that’s a – that’s a good question. It’s really throughout the United States.

In regards to Michigan, we have our headquarters there, our engineering center. And for the obvious reasons: the big three are located in Detroit, so we want to be very close to our customers. But from a manufacturing footprint, we’re a little more outside the box. We have – we have four facilities, three facilities in Kentucky. We have one facility in Georgia. We have research and development in Silicon Valley and an aftermarket in California.

And Kentucky’s been a very good place for us to be. It’s centrally located. In all regions – Georgia, Kentucky, Michigan – we have very, very close relationships with the state economic
Cabinets. I believe the Kentucky Cabinet, including the governor, is in Japan meeting with our CEO this week.

So we try to spread our manufacturing footprint out to really match where our customers are. Our biggest customers are Nissan, are General Motors, Ford. Honda’s growing quite a bit, and we’re trying to match their footprints to where they’re manufacturing here in – here in the States.

MS. FRIEDMAN: Great.

Ben, earlier today when Professor Samuels was talking, he was talking about Japanese researchers coming to the U.S. You mentioned the STEM field in Maryland. And that brings the larger question, for me, is how much – how much time do you devote to bringing Japanese companies, expertise, researchers to Maryland? And how much of your – of your day is spent promoting U.S. companies going to Japan? How does that flow work from your perspective?

MR. WU: Well, I think that there’s a hybrid strategy in which both are of equal value. Being able to help promote Maryland exports to Japan is a priority, but we’ve also been spending a lot of time attracting Japanese direct foreign investment into Maryland. And Maryland, while we’re a small state, we also have a number of superlatives that puts us at a competitive advantage over some of the other 49 states in the country.

We have, for example, our workforce: We have the most highly-educated workforce in the country for those with advanced degrees and professional degrees.

We’re also a very wealthy state. We have the highest per-capita income within the country.

And geographically, we’re located in the middle of the Northeast region, Northeast corridor, and so that puts us in great proximity to – all the way up to Boston and New England, and down South into the Southern states of Florida and Georgia.

And we have great opportunities for egress and ingress with our ports. Maryland – Baltimore Port is one of the busiest in the country, and BWI Airport is one of the fastest-growing airports in the country as well.

And then, of course, our universities. We have some of the top research universities in the country: Johns Hopkins, which receives more federal funding than any other academic institution in the United States; and also we have the University of Maryland, which, from a flagship campus in College Park to UMBC and throughout, have developed very strong, world-renowned research capabilities.

And we also have in Maryland a very significant federal presence from NIH, FDA, Fort Detrick, NASA, NOAA, Fort Meade with NSA. We hope soon, if everything goes well, we’ll be able to welcome FBI also into Maryland. And then we have a number of military installations, from Andrews Air Force Base, Aberdeen, Indian Head, Pax River.

So, you know, the companies want to be in Maryland because of all of these demographics. So we’re very attractive to a multinational company, or to those international businesses in Japan that are looking to gain an entry into the United States or to develop a(n) East Coast presence for their
company. And so there are a number of reasons why, I think, the Japanese companies are interested in coming over to Maryland.

And conversely, there are a number of Maryland companies that recognize that there is a growing market in the Asia-Pacific region, and that getting a foothold in Japan is very significant. We have in Maryland the headquarters for Marriott, which is — now is the world’s largest hotel now that they’ve merged with Starwood, and they have a very aggressive Asia strategy. Lockheed Martin works very closely with a number of the defense contractors and defense entities around the world. Under Armour is also headquartered in Maryland, and Under Armour also recognizes that the Asia-Pacific region is probably their hottest market right now, and so they are very engaged in trying to enter the Japanese market. And as a matter of fact, Kevin Plank said that the first presence that they had in Asia was in Japan. So they recognized that they could establish the brand, and given the maturity of the Japanese market, then that would allow for them to have a foundation to expand and grow throughout the Asia-Pacific region.

MS. FRIEDMAN: What’s interesting about — you know, as you were talking, it made me think that I certainly tend to think of U.S.-Japan bilateral relations as, OK, we’ll have a company here and a company there, but it may be that what you’re describing is that by having — by bringing in Japanese — in this case Japanese companies into Maryland, you’re also expanding the international exposure of some of your local companies. And so maybe, in fact, what happens is that we will end up seeing states that are more international-minded because — and maybe more emboldened to go outside of — outside of the U.S.

One of the things that I work on with The Wisteria Group that I — that I run is helping smaller companies, smaller SMEs, nonprofits, that have never worked internationally sort of get a feel to do that. So I really like what I’m hearing.

So, Rob, someone probably in Ben’s position in Michigan deserves a medal because they obviously got Hitachi — (laughter) — to base there, and so you are like the end result of the kind of work that Ben is doing in Maryland. What are some of the challenges that a Japanese company like Hitachi sees? Well, maybe the better thing is what are some of the pluses and minuses. What are some of the attractions, things that Hitachi can show up in Michigan and say Michigan is great because it’s got X, Y, Z, or the U.S. is great because of this? But then, also, what are some of the challenges, maybe especially locally, and how has Hitachi handled them?

MR. SHARPE: Sure. I think if we go back — and we started our operations in the U.S. back in the early 1980s. And to be honest, in the automotive arena, when you came in as a Japanese company, it was not easy. And I remember those days very well, going into some of the plants, you know, and that you were very kind of under the radar. But through a lot of relationship-building, through a lot of development with local communities, and just an appreciation from the automotive OEMs to show our capability, that’s completely gone these days. And so the ability now to share technology, to share capability has really expanded our success within the United States.

And it kind of goes both ways. One of the things that we’ve really tried to focus on is a system that we called match pairs, where — and this can be either in Japan or it could be in the States — we try to take local people and match them with expertise from either Japan or the U.S., and share that technology to get to a very similar understanding and a very similar capability. And that match pair system has worked very well for us.
MS. FRIEDMAN: What about corporate social responsibility? Do you feel that that was an important component, especially in the automotive sector –

MR. SHARPE: Yes.

MS. FRIEDMAN: – in the ’80s with the sort of great media attention to the frictions and the conflicts? How did corporate social responsibility play?

MR. SHARPE: Yeah, and that’s one of our main credos. If you go to our website, it’s a very important part for us.

So we’ve spent a lot of time, you know, working from collaborations with small communities, a lot of training with the different communities that we’re in, both on manufacturing and in engineering, and that’s gone very well also. And we’ve spent a lot of time on that. We want to – we really want to support the communities, all the way up through the state level. And we spend a lot of time and a lot of focus on that corporate responsibility, social responsibility. So it’s a very big part of our DNA working here in the – in the States.

MS. FRIEDMAN: Before I turn back to Ben, I had just one more follow-up question. What are – if you had to give advice, let’s say, to Japanese companies coming to the U.S., what would be your top three, or one or two pieces of advice?

MR. SHARPE: I think – I think one is local empowerment, quick decision-making, and obviously collaboration. Those three are probably the most important, I think, as we – if I was to recommend to someone coming in. Very important.

MS. FRIEDMAN: Great, great.

Ben, I’m going to change the subject a little, but you’ve got this terrific background working both with the federal government level and the local Maryland level. So how have you seen differences in how the U.S.-Japan economic relationship is handled, based on your federal experience and your state experience?

MR. WU: The federal bilateral relationships that the United States has with countries like Japan is often buffeted by a number of different or many, many national issues. In the states, really, that’s where in a sense the rubber hits the road.

The Maryland engagement with Japan really took off after Governor Hogan was elected in 2014. He said that he wanted to go to Asia and to have a trade mission to Asia as soon as our General Assembly session concluded in April. And so we set off in May 2015 to go to Korea, China and Japan. And as part of the planning, the creation of deliverables for that trade mission – which, by the way, ended up being the most successful trade mission in Maryland history, with almost $13 billion in deliverables – we worked very closely with the Japanese companies that were in Maryland, we worked very closely with the Embassy of Japan, and we also worked very closely with other stakeholders that were engaged with Japan in Maryland.

And this trade mission came off of the heels of President Obama and Prime Minister Abe’s summit earlier, in the first part of 2015. And at that summit, they recommitted to the United States-Japan relationship and sought to prioritize efforts in transportation infrastructure, as well as in
promoting the national and energy security for Japan. And so we were able to take that framework, which – and we had been working with our embassy also, Ambassador Kennedy’s folks over in Tokyo, and also with our Foreign Commercial Service in the Department of Commerce, as well as the East Asia Bureau and Japan Desk over at State Department. So we were tuned into what the key issues would be, so that our follow up led – or a lot of the creation was based off of that framework that Obama and Abe had put together in their initial summit.

So one of the deliverables that we had was the bidding on Cove Point, which is creating a refinery for liquid natural gas in partnership with Sumitomo Energy, Tokyo Gas and Kansai Electric, in which we will be sending out LNG through the refining point over in Lusby, Maryland, production that will help Japan during its time of energy needs in the post-Fukushima nuclear disaster. So we’re going to have a contract – 20-year contract, $300 billion a year over 20 years – or $300 million, a $6 billion contract, to provide and help secure Japan’s energy security and needs. And that will be LNG which will be exported out of Maryland. And the governor went to the groundbreaking for the refinery plant, which is the – only the second in the country and the first on the East Coast. So it’s a significant project, and the end result will be that we’ll be able to provide Japan, through Maryland refining, opportunities for clean natural gas to help sustain and secure Japan’s energy future.

We also had investment in Japan – from Japan, from Marubeni Corporation as well as Toyota Tsusho and Osaka Gas, into another LNG plant – power plant in southern Maryland, CPV St. Charles Energy Center. That will help provide 725 megawatts. It’s a $775 million project that will help power and fuel the economic growth for southern Maryland as well.

And then we also were able to work with the embassy and to work with JR Central in helping to set the stage for the possibility of a maglev train. The first phase will go from Washington to Baltimore, with one stopover at BWI. And ultimately, if it’s able to be completed as dreamed, the second phase will go to Philadelphia, the third phase will go to New York, and possibility the fourth phase will go to Boston. But this is a new superconducting maglev technology that Hitachi, in conjunction with Sumitomo, has created, and this was one of the areas that Prime Minister Abe had highlighted with President Obama. And so being able to set the stage for that first phase, that’s so critical because if we can launch the first phase, the thinking is that the – it’ll be enough momentum to carry into the second and third and then possibly the fourth phases as well. It’s a 10-year project. And then, when the governor met with Prime Minister Abe when we were in Tokyo during the trade mission, he reaffirmed the Japanese commitment to help fund and support the project.

So when we returned back after the governor and our delegation had a chance to rid the Yamanashi test track – which is, you know, quite incredible, just because this technology is much different than the other maglevs that I’ve seen around the world. For example, the one over in Shanghai, which is Siemens technology, basically it’s elevated, it’s a straight shot – absolutely straight, and has to be because they can’t navigate terrain or curves. The new technology allows for the trains to adapt to the terrain as well as to make curves, and it’s really very spectacular.

So when we came back after meeting – the governor met with Prime Minister Abe, we then supported the – through our Federal Railway Administration – the application for federal funds, and we received $28 million for that first stage, for pre-engineering analysis and environmental review. And we just had a public hearing within the proposed test track, between Odenton and Linthicum, Maryland, to be able to move along, indoctrinate the idea of maglev. So the first phase, for the pre-engineering analysis and the review, will be about three years. And Japan’s commitment pretty much
assures that, as promised, that Maryland taxpayers won’t have to assume the cost for maglev. And so we’ll see if we can make this a reality, but we’re moving forward in big way.

But this was done with our trade mission because of Prime Minister Abe and President Obama’s commitment to it, so we’re feeding very much into the greater bilateral relationship. And for our trade mission to be successful, we knew that we had to be able to pair with national priorities.

MS. FRIEDMAN: Yeah, that’s great. In answering my first question, you’ve actually also highlighted something that I think is really important for us to understand today, is that we often talk in terms of international trade in terms of competition and trade wars, but what you really highlighted with the LNG plants, with the high-speed rail, is how integrated trade is – that you’re not describing a situation where having Japanese companies or capacities come in is a negative; it’s seen as a huge positive for Maryland. And the reverse, that Maryland’s capacity to develop/present LNG ports is a huge positive for Japan.

And my guess is that that also plays right into the kind of work that Hitachi does. Tell us about your automotive systems and how they are integrated or not integrated into U.S. company products.

MR. SHARPE: Yeah, and that’s a really good point. A lot of the technologies that we work on are kind of forward-looking. And right now, two of the ones that I think you hear the most about are electrification and autonomous vehicles. And even with our base – our core products, we really look from a localization standpoint to really localize. We’re not just bringing product in from Japan to assemble in the manufacturing plants that we have here in our footprint, but we’re looking for those capable local suppliers here in the States. And that’s gone very well for us, and that’s a big plus for our customers. It’s good for the states that we’re in. It’s really a good relationship for both.

And with the electrification and with the autonomous focus, there’s so much going on in that area that it’s still developing, and I think it’s providing a lot of potential for local companies that have those same objectives to be in that area, in that field of technology. And so we’re developing that locally here in the States with several companies.

MS. FRIEDMAN: OK.

MR. WU: Yeah. Abigail?

MS. FRIEDMAN: Please.

MR. WU: The bottom line for us in a state is, you know, we want to invite the investment. We want to push the exports. But the bottom line for us – and this applies across the board for our economic strategy – is job growth and economic development. And we have – in Maryland the largest Japanese-based employer is actually Terumo, and they have a manufacturing plant for medical devices over in Cecil County, which is not in Baltimore, it’s not in the Greater Washington area. Also Shimadzu, another life-sciences company, has a presence in Columbia, and it’s looking to expand into our Innovation Center. And, you know, the reason why they’re in Maryland, I think it’s because of the quality of life, but also the workforce. And they find that there are great opportunities to be in Maryland. And so recognizing that there are increasing opportunities to attract Japanese companies to Maryland – we’ve worked very closely with Kyderon (ph) as well.
But we’ve done even more than just trying on the hard business attraction and retention strategies. We’ve also worked very closely with Ambassador Sasae and the embassy to develop and create the Maryland-Japan memorandum of cooperation. We’re only the third state in the country that has a formalized MOC with Japan. California was the first. Technically, we were actually the second, but we didn’t sign ours until after Washington did because the governor had his cancer, so we delayed the signing. So technically we’re third, but I still – personally I think we’re second. (Laughter.)

MS. FRIEDMAN: We try harder.

MR. WU: But then we also developed a Maryland-Japan driver’s license reciprocity agreement so that the Japanese residents – citizens with a valid driver’s license can come to Maryland and they won’t have to take the test. So it makes it easier. It streamlines the process for greater engagement and a relationship between Japan and Maryland.

This is our – actually our fifth country – reciprocity agreement with an international country, but it’s our first with one driving on the other side of the road. So – (laughter) so, yeah. But, you know, it’s something that – it’s reciprocal, so you know, our American drivers – Maryland drivers can also be a danger in Tokyo driving on the wrong side of the road just as much as the Japanese drivers may be in Maryland.

MR. SHARPE: I bet. (Laughter.)

MS. FRIEDMAN: Yeah.

MR. WU: So we’re really – I mean, when I said that – the Japan-Maryland relationship, we’ve just done some phenomenal things. It’s really – over the course of the past two years, I mean, we’ve really been able to take not just the steps to attract industry and to reinforce Maryland as a prime destination for Japanese companies, but also to help push Maryland products into Japan, but we’ve really taken steps that we hope will be able to solidify the relationship for years to come and to make the Maryland-Japan relationship so inexorably tight that there will be greater opportunities for development. And this will feed into the greater desire and attempt to strengthen the United States-Japan relationship.

MS. FRIEDMAN: Great. Thank you.

This sort of feeds into another topic that I – that I wanted us to get to in this conference today, is looking to the future, what are possibilities for U.S.-Japan economic cooperation – basically, taking it global? In other words, going beyond – are there areas where some of this synergy between U.S. and Japan on the economic front can be marketed internationally? Do you have any thoughts on that, Rob?

MR. SHARPE: You know, we kind of look at the markets and we’re so closely tied with the automotive OEMs, we follow them, basically. And right now, you know, after the Lehman shock, I think everyone’s familiar that the automotive industry really had a hard time. But we’re at a point now that the recovery’s been very strong. In the U.S., North America, we’re up around 17 – maintaining a 17 million vehicle per year, which is phenomenal from a recovery. But the other area that’s very important now that we look at from automotive sales is China. And that becomes very difficult because of the cultural differences. You know, now you have China, you have Japan, you have U.S., the stuff that we do with the automotive companies here and their joint ventures. So we try to model
that, but you can’t exactly do that because of the cultural issues that exist between – really between the three companies. So those would be the two areas that we’re really focused on.

MS. FRIEDMAN: Ben, you spoke before about U.S. companies sort of going to Japan to sort of position themselves in Asia. Is that something that you see will increasingly happen in the future, less so? What’s your sense of Maryland companies’ relationship with Japan and how that feeds in globally?

MR. WU: Well, I think each of the companies – irrespective of whether or not they’re in Maryland, American companies look at the Asia market with a great appetite. And so I think that they see that there’s a growing middle class within the Asia-Pacific region. There is a desire for American products and services. So there is a real effort to try to position American companies in Asia just to be able to capitalize on the market.

And each of the companies make their own determinations as to where their prime market would be and where they would need to go and be headquartered. You know, Japan, for many years it was by default, you want to be in Asia, you have to be in Japan. It’s a mature market, and it was one in which, because of the stability of the marketplace and also the growing affluence of the Japanese people and the economic growth, seemed to be a natural for companies to want to position themselves first in Japan.

Then China became a prime destination, just given the great and increasing China market, especially with their expanding middle class. Now even a lot of companies are looking at Southeast Asia with that same desire, looking at the demographics in Southeast Asia. And so Hong Kong, Singapore, Taiwan are all locations for American companies to want to position themselves and have an office or their headquarters. So really – it really depends on each of the American companies.

For us as a state, what we tell our companies – and, you know, quite frankly, the big companies, the Marriotts, the Lockheed Martins, the Under Armours of Maryland, they’re all headquartered there, but they have their own strategies. And they’re not going to deviate from that just because we say, hey, this is not a bad opportunity or a good market.

But where we add the real value is for the small and medium-size companies, who are looking to enter into a market. And so we can help provide with some export grants to assist with their marketing efforts and potentially cover some of their travel costs for trade shows. We can help also provide guidance. We have in-country assistance too from our own representatives.

So our growth in – our real impact, where we can see the best growth, is really in the small or in middle-size companies in Maryland. And we see great opportunities for them in Japan.

MS. FRIEDMAN: Great. Thank you.

Everyone has been very patient, but I think at this point I’d like to open it up for questions on all the issues we’ve discussed or anything else.

Yes.

Q: Jonathan Ward from Oxford.
I want to ask the whole panel, one, about the Obama-Abe summit in 2015. I mean, it seems like that was a very significant milestone. And I’m just wondering what the sort of continuities have been since then or if we expect anything to change from sort of the vision that was set out in that summit.

And then a second question is just with regard to Maryland and Japan. I’m wondering if you could put that in context, Mr. Wu, like, is that really like the largest sort of foreign-trade relationship that Maryland has, or is it sort of one of many that are similar? Or where does it really fall? Thank you.

MR. SHARPE: I’ll start with that.

MS. FRIEDMAN: Yeah.

MR. WU: The Maryland-Japan relationship is not our largest. It’s not even close to our largest. But we do rank it as very important. In Maryland, we started, I guess, back in 1981. We had our first sister-state relationship with Kanagawa Prefecture. And we’ve had some growth since then. It’s been steady. But ever since the governor came in, I think we’ve seen really a great emphasis on the benefits of engaging much more aggressively with Japan.

And I should say that it’s not just one-sided. Ambassador Sasae and the embassy, you know, have been more than gracious and solicitous of us. As a matter of fact, the – Maryland used to be under the jurisdiction as a state within the Northeast, I guess, consulate in New York. And so just by proximity, New York, those folks never really came down and engaged that directly with Maryland.

Then Ambassador Sasae changed the structure so that the Economics Division became the overseer of the Maryland relationship. And then, based off of the momentum from the Abe-Obama summit, we were able to do great things.

So we’re engaged with many other international partners other than Japan. But I think that we’re very proud of the relationship that we’ve developed. It really has been phenomenal over the course of just the past two years. And what we see is the foundation for future growth. But we – the Maryland-Japan relationship in terms of economic numbers is not quite as strong as many – several other countries around the world that we have in Maryland.

MS. FRIEDMAN: So I’m curious. Which is the number one trading partner with my home state?

MR. WU: Canada is actually our number one trading partner.

MS. FRIEDMAN: That’s what I would have thought, yeah.

MR. WU: Yeah. And a lot of that, I think, is because of NAFTA. But –

MS. FRIEDMAN: Yeah.

MR. WU: So we’ll see whether or not they are able to still retain.

MS. FRIEDMAN: Yeah. And I think with you – if I could adapt a little bit your previous question and ask Rob, if I understand correctly, how much are you seeing continuity? And how much
change are you either seeing now with the change in administration or are you anticipating? How is that affecting your work?

MR. SHARPE: Right. I think anticipating is a better word for that. With some of the discussions and some of the agreements with the Obama administration, and obviously the relationship with Prime Minister Abe, really focused our direction in the environmental issues, in the regulations café. All that drove, you know, what you see for alternative propulsion right now, whether it be fuel cells, electrification. There’s a lot of people—and you’ve probably heard me say electrification 10, 15 times today. And we think that’s a good model for us to follow. A lot of people are.

What we’re looking at now is maybe some uncertainty and some relaxation here in the States for those regulations. And we’re trying to understand how much of an impact will that be on our business model.

Globally, I think we’re good. You look at China, Europe. They have some very strict regulations that are driving those technologies. And they’re good technologies to have for the environment. If they’re relaxed here in the States, that may focus a shift in some of the technologies that we have to do, and especially for the OEMs and the credits that they receive.

So we’re really watching closely what may happen. We’re hoping that we get to a point where the electrification on the vehicles that you see become more commercialized and more marketable, not just for, you know, the right thing to do for the environment, because ultimately it is. And whether that be fuel cells, whether it be electrified vehicles, whatever we can do to make this a greener world, I think, is better for all of us. And it’s commercializing that and getting it to market, you know, in an acceptable rate.

So we’re kind of on a wait and see right now, as well as the OEMs, to see what might happen in regards to the U.S. regulations. But globally they’re still going to be there.

MS. FRIEDMAN: Great.

Other questions? Yes.

Q: Thank you. So this is Vicki Walker (sp) again. I’m with Prime International.

And I’m going to go now to the question about how you’re developing markets to attract youth and cultivate new talent, and also how well you are working in rural areas as compared to urban areas, which could also be models for further kind of international development in business if you’re doing things at real value chains and how you’re bringing in youth; if those two can be combined.

MR. WU: Well, the state of Maryland has, as I mentioned, a very strong network of academic institutions with some of our top research universities. Many Japanese international students attend Maryland institutions. And so we’re—we do try to cultivate through educational exchanges, and it’s part of our memorandum of cooperation as well is to help continue to promote not just our economic relationship, but also our cultural and educational relationship with Maryland and Japan. And so I think that continues to be strong.
In regards to whether or not we try to reach out to some of the less populous areas in Japan, quite frankly, that’s not a concern of ours. We’re willing to take any Japanese company that comes to Maryland, irrespective whether or not they’re headquartered in a more populous area or in Tokyo.

Right now we don’t have an economic strategy that benefits all of Japan in that sense. That’s not our priority. Ours is to attract investment and economic potential to Maryland. And we’ll take it from all corners of Japan.

MS. FRIEDMAN: Which is similar to what we would expect Japanese prefectures doing. You know, prefectural governors is focused on bringing in international investment and business into their prefecture. And the federal and national role is to facilitate that kind of activity.

MR. WU: And I’d mentioned our Maryland-Kanagawa Prefecture sister-state relationship, which is one of Maryland’s oldest sister-state relationships. And so we had a chance to have engaged with the governor of the prefecture over the course of the past several years. And Kanagawa is in many ways similar to Maryland in terms of its innovation economy, its educated workforce. And so we have a lot of commonalities. And so oftentimes when we look to try to engage in Japan, directly engage, we do turn naturally to Kanagawa. And also we have a sister-state relationship committee that is always on the lookout for ways in which we can continue that collaboration and partnership.

MS. FRIEDMAN: Great.

MR. SHARPE: I’d like to add to that, because I think it’s a fantastic question. And with Hitachi and Hitachi Automotive, you know, our technology is really kind of what our base is. That’s kind of our DNA. We really go out of our way to support STEM. We get involved with a lot of local groups and high schools, colleges, to sponsor different activities. And I’d be happy to share some of those with you, you know, offline.

And it’s really important for us, because we see that, you know, the youth, and especially in automotive – automotive really hasn’t been a sexy industry to get into. But now when you get into some of the things we’re talking about with self-driving cars, autonomous vehicles, we’re getting a lot of excitement. And so we’re spending a lot of time and a lot of money supporting the STEM activities and getting people involved.

And then in regards to some of the urban questions and the rural, a lot of our manufacturing plants are not in main cities. So we spend a lot of time with local communities to bring in the high-school units, to get them used to being around industry and a workplace. And then we give those kids a lot of opportunities to apply for jobs. They have to go through a lot of gates to get an interview, but we spend a lot of time to train, to educate and to kind of uplift those urban areas that we’re in. And it’s worked out very well for us.

MS. FRIEDMAN: Thank you. Great.

Any more questions? Yeah, Suzuki-san.

Q: I hope I won’t be the last one to ask a question. But my name is Yokata (sp) Suzuki. I’m the – (off mic) – at the Japanese embassy here.
I don’t know as a result of – all the integration between U.S. and Japan happened purely as a result of this new administration. There’s – (comes on mic) – there’s really the growing interest by the Japanese company to find out what is really happening in Washington, you know, this town. And then I’m having a number of visitors from some Japanese companies, you know, very much worried about what is really happening here. And then some companies are sort of asking me their advice, like do we really need to send somebody as an attaché here, or what’s the best way to find out what’s really happening in this town?

We as an embassy, we have more than 100 diplomats working in our embassy. And we still, you know, having a struggle to find out what is really happening here too. So if the company has to send or do something here in D.C., what is your advice? I know that CSIS, for example, have a number of fellows from the Japanese companies, so probably that’s the best way to find out what is happening in town. But, you know, second best, as a – you know, do you think it’s a good idea to establish a(n) office here – single-man, one-man office here? Or do you think it’s good idea to have a consultant contract to ask somebody to represent your company to find out, you know, in this new uncharted, you know, period of the time in Washington, D.C.? Thank you.

MR. WU: Ambassador Suzuki, let me try to say this as unbiased as possible: Yes, I believe that you should establish an office in Maryland for all Japanese companies. (Laughter.)

MS. FRIEDMAN: I was going to have – my answer was going to be, yes, I definitely think they should be hiring a consultant. (Laughter.)

MR. WU: At CSIS. (Laughs.)

MS. FRIEDMAN: But – (laughs) – but seriously, but seriously, you know, you and I – I was a diplomat before my current life, and Suzuki-san and I worked together. And we both know that as diplomats nothing can really beat having an on-the-ground presence or an on-the-ground – you know, you just get a better feel for what’s really going on. A lot of companies can’t afford to do that, but I do think it is important.

And I think it’s especially important for Japan, because a lot of people in America still have images of Japan. They’re actually positive images. But, you know, they will think of Japan in terms of cherry blossoms or think of Japan in terms of anime. But what really needs to happen to put this U.S.-Japan economic relationship on steroids is for people to understand Japan as a powerful economic partner, and that synergy, the integration.

So as much as I would like to say, yeah, just hire a small boutique consultant – (laughs) – first of all, the fact that they’re asking you the question is great, because that means that they understand that they need to understand more. And I was thinking back also on – I remember in the ‘80s it was, I think, when all of these different states in the U.S. states started to open up offices in Tokyo. And if you talk to most of those state offices now, they saw that as a very positive action that they took.

MR. SHARPE: I think, from Hitachi’s side, you know, we’re one of several groups under the Hitachi Limited umbrella. But we do have an office here and a presence here that we rely on quite heavily for feedback. So it’s well worth the – especially right now, it’s well worth having a presence here.

MS. FRIEDMAN: OK, we’ll take the last question from –
Q: Hi. David Parker from CSIS.

I just had a question especially for Ben, but also for Rob and Abigail. Given what’s going on right now in your particular perspectives, what would you like to see out of this administration in terms of trade policy? What do you think would be the most positive thing that would help, from your perspective?

MR. WU: Well, I think the National Governors Association just met last week. And there is a growing sense of the chief executives of each of the 50 states that there is a need to continue an economic relationship internationally and to cultivate trade. If we put barriers in the marketplace, or reciprocally, if a company – a country puts barriers into their marketplace, then that could have impacts beyond just the bilateral relationship the United States has with that country. That could ripple down to impact the loss of jobs, potential – jeopardize potential expansion in a particular state.

So the governors are, I think, keeping an eye on what transpires in terms of the trade debate. But there’s also a growing recognition among all 50 governors that internationally there is great potential for exports and direct foreign investment for each of those chief executives within those states to expand their economic portfolio, and that trade and looking internationally is an important part or should be an important part of their state’s economic strategy.

MR. SHARPE: I think, from our side, I’m – again, I’m more biased on the automotive – is that one thing that keeps us up at night is that something will change overnight and that, you know, whatever changes do come is that they’re well thought out, they’re discussed, and we’re given time to react to it, that it’s not just – I don’t want to say knee-jerk decision, but something that is discussed, debated, and allows us time to make changes if needed.

We spend a lot of capital investment here in the United States. There’s sometimes four-year lead time to that. And so we have a lot of things that are in process right now. If something changes overnight, that could have a huge impact on our cost model.

MS. FRIEDMAN: Great.

We have run out of time. And I wanted to thank, first of all, this audience for asking such great questions and for your patience in listening to all of the different speakers. I definitely appreciate Congressman Castro’s devoting time from his very busy schedule to come to CSIS; previous panelists and this panel. And please join me in thanking everyone and CSIS for all of the work that was – went into it. Thank you, CSIS staff. (Applause.)

(END)