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*November 11, 2010*

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Thirty-three years ago, Mike Mansfield became the U.S. Ambassador to Japan. At a speech in Tokyo he said, the most important bilateral agreement we have with any country is [the] one we have with Japan, bar none. Many of us took that declaration with great seriousness. History has demonstrated that indeed the U.S. Japan relationship has played a significant role in maintaining peace and stability in the Asia Pacific region.

From this foundation, we extended a hand of freedom to all surrounding countries, including China and South Korea. In the late-19th and 20th centuries, the United States experience in Asia was marked by war, and leading up to this 21st century, by reconciliation.

It was this foundation of peace and stability that helped nurture the concept of the Asia Pacific Economic Cooperation, or APEC. Without the specter of belligerence and threatening neighbors, relations between APEC nations could thrive. This foundation of peace and stability made it possible for countries with a history of conflict to come together. To exchange their views with one another. To get to know one another, and to now, help each other.

In 1989, representatives of the 12 largest economies met in Australia to mark the beginning of APEC. The leaders from these nations gathered for the first time in 1994 to outline APEC's vision for stability, security, and prosperity. Sixteen years later, there have been substantial increases in trade between the U.S. and this dynamic Asia Pacific region. The interdependence among the world's economies have reached a level never seen before.

Today, APEC's 21-Member Economies are home to 41 percent of the world's population. 54 percent of the world's total Gross Domestic Product. And 44 percent of the world's trade. In 2009, U.S. exports to APEC accounted for \$618 billion or 59 percent of U.S. exports worldwide,

compared to 21 percent that went to the 27-member European Union.

Conversely, in 2009 U.S. imports from APEC countries totaled \$994.1 billion, or 63.8 percent of all U.S. imports. This was 45.7 percent more than the total U.S. imports from the European Union.

At the same time, Americas trade deficit with APEC countries was \$376 billion. This represents 75 percent of our nations trade deficit. These figures are staggering. Regrettably, it can be used to alter the relationships we currently enjoy when confrontational statements are made.

Policymakers use terms like jobs and economic growth when speaking of the domestic economy. But, we use much harsher descriptions currency manipulation, out-sourcing, and product safety when referring to international trade.

In the United States, there are those who rail against unfair trade and labor practices, intellectual property rights infringement, undervalued currency, and illegal subsidies to industries. In turn, other nations denounce the United States for insisting on beef and poultry exports, increasing the availability of U.S. automobiles, and wanting greater access to the financial and service sectors. While some of this may simply be theater and drama, there can also be serious ramifications for the businesses that engage in international commerce.

The APEC economies today are more diverse, complex, and integrated than in 1994. This makes it all the more difficult for nations with strong interrelated financial ties to declare malicious intentions or rattle their saber.

During these difficult economic times, I hope and pray that the political and industrial leaders of our nations will maintain their calm, and exercise patience. This is not the time for bombastic, irresponsible, or threatening statements. But rather, the time for reasoned dialogue which avoids the fiery rhetoric, harmful to diplomatic relations.

Our supreme goal must be to strengthen relationships that bring greater stability without need for military might. This is not only in our best interest, it is in the interest of the world community.

For policy makers, security is interwoven into the economic prosperity of a nation. When countries take actions and rhetoric intensifies, whether over geo-political disputes or in commerce and trade, there can be serious consequences.

For example, during the 1980s, the Japanese economy grew at a tremendous pace. Japanese automobiles surged into the American marketplace which had been dominated by the Big Three in Detroit. The subsequent decline in market share resulted in significant U.S. job losses. At the same time, Japan resisted opening its markets to the United States. Increasing unemployment in the U.S. caused harsh statements, the likes of which I fought against during World War II. These inflamed passions claimed the life of a young man, Vincent Chin. He was beaten to death because they thought he was of Japanese descent, and the cause of job losses among U.S. auto workers.

This example illustrates that trade-related actions can, and have caused diplomatic tensions to flare. This also tells us that our relationships are not static, but rather dynamic and evolving. North Korea's aggressive moves against the Republic of Korea, or the dispute between China and Japan over the Senkaku Islands reminded us that the Asia Pacific region can be very volatile. Hence, we must be vigilant and committed to maintaining peace and stability because national prosperity is inextricably tied to national security.

APEC represents one such opportunity for industry and policy makers to come together to discuss their concerns with one another, and to move forward amicably. As a policy maker, I understand the natural wariness between the public and private sectors on how best to create greater prosperity. This forum provides business leaders the opportunity to express themselves in a forthright manner about the policies and conditions under which they operate. These internal conversations are taken seriously by all sides. It is incumbent upon us to understand that our relative actions do not occur in a vacuum. For every action, there is a reaction.

For example, free trade and open markets, as a general policy, seems harmless enough. It sounds good, in fact. However, the outcomes may not always be fair. Therefore, it is imperative that all parties give careful consideration to any agreements or business transactions that could inadvertently harm those who are simply trying to provide for their families. As policymakers, we have a duty to weigh the various interests competing for our attention both big and small.

I am most hopeful that this forum helps us avoid future misunderstandings, averts potential trade wars, and facilitates further stability in the region. I am most hopeful that it will yield a better understanding of each others cultural, historic, security, and economic backgrounds. This will go a long way toward helping us manage those moments when we may not immediately understand each others perspectives. In this regard, let me congratulate Yokohama on an outstanding job as APECs 2010 host.

As we look forward to 2011, while I may be partial, I can think of no better place than my beloved home state of Hawaii, my home city of Honolulu to host APEC 2011. We are honored by President Obamas selection, and his confidence that we will carry out our duty as Americas host city with distinction, deference to diplomacy, and always, with the spirit of aloha.

We are a multi-cultural state where past generations of Native Hawaiians and immigrants from every APEC economy have figured out how to live, work and play together. We have built a thriving 21st century economy and a vibrant society.

Hawaii is much more than a world-class destination with beautiful beaches and lush valleys. Much more than five-star hotels and restaurants, and the annual accolades we receive as a favorite destination worldwide.

We are a bridge to Asia. We are a gathering place to conduct business, engage in diplomatic dialogue, undertake cutting edge research in astronomy and ocean sciences, and further innovative technology. Hawaii is a year-round national testbed for the deployment of renewable energy technology. We are home to the U.S. Pacific Command and all the component commands which have responsibility for the Asia-Pacific region. Civil-military engagements occur on a daily basis, and we are a favored location for international exercises, training and dialogues.

Hawaiis people are the faces of APEC. We have been shaped by the history, culture and events of this region. We will provide a beautiful, secure setting for productive discussions. We will captivate and invigorate.

And, I have long believed that Hawaii multi-cultural and tolerant is what the world should always strive to be. So, E Komo Mai Welcome. We welcome you to Honolulu in 2011.