

JOINT STATEMENT 58th U.S.-JAPAN BUSINESS CONFERENCE

Building a Sustainable Future: A Blueprint for U.S.-Japan Leadership

Virtual Meeting

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Members of the U.S.-Japan Business Council and the Japan-U.S. Business Council (the “Councils”) held the 58th Annual U.S.-Japan Business Conference virtually, on October 5-6 EDT and October 6-7 JST, under the theme, “Building a Sustainable Future: A Blueprint for U.S.-Japan Leadership.” The COVID-19 pandemic continues to have an extraordinary impact on business and society, further exacerbating existing economic and social challenges. Recovery will require significantly more international coordination and cooperation from all, including the private sector. In this context, the Conference assembled senior business leaders from the U.S. and Japan, who recognized the importance of revitalizing economies to achieve sustainable growth, transitioning to a net-zero carbon future and establishing more resilient and trusted supply chains.

The Councils also believe that the U.S. and Japan should further enhance coordination and cooperation, in close partnership with other like-minded countries that share our basic values such as freedom, human rights and the rule of law, thereby protecting the enduring principles of our democracies and enabling the international community to build more resilient, sustainable, diverse, and inclusive societies. Towards these ends, the Councils committed to:

- 1. Support government policies that promote post-COVID economic recovery and revitalization.** The Councils view COVID-19 as an opportunity to build stronger, more sustainable economic and social systems, and believe that digital and green transformation are key enablers for sustainable economic growth alongside life science, which will form the basis to counter future pandemics. The Councils also believe that countering protectionism and rebuilding a free, fair, open, and rules-based economic order through multilateralism are essential for the prosperity of the Indo-Pacific region and the global economy. Thus, the Councils urge both governments to:
 - Actively pursue policies supporting the free movement of persons, goods, capital, services and data, while continuing comprehensive and effective measures to promote medicine and vaccine development and distribution to counter future pandemics;
 - Facilitate a globally consistent regulatory framework for international travel that establishes common standards and science-based reciprocal easing of entry restrictions, such as

recognizing accepted vaccination documentation issued in the other country;

- Prioritize the implementation of a forward-leaning, market opening trade agenda, to include promoting and joining major high-standard trade agreements, such as CPTPP and regional digital agreements;
- Focus on two-way foreign investment and business expansion that will revitalize our respective economies and create more well-paying jobs, increase innovation, and add dynamism, as well as strengthening the bilateral economic partnership;
- Address key factors that inhibit innovation and investment, such as high costs of doing business, overly rigid labor rules, the need for skills upgrades, the regulatory environment, taxation of globally mobile talent, and administrative procedures;
- Facilitate investment and government support for growth sectors that promote innovation and resiliency in the labor market, while ensuring long-term fiscal sustainability and “wise spending” policies;
- Promote digitalization in areas where the pandemic revealed it has been lagging, such as healthcare, education, and government, and among micro, small and medium-sized enterprises (MSMEs), while promoting cybersecurity and bridging the digital divide;
- Foster an environment that supports inclusive entrepreneurial opportunities and innovation by increasing gender, racial and ethnic diversity in the workforce, particularly in leadership positions;
- Strengthen Japan-U.S. strategic cooperation and information sharing in the healthcare sector, even in normal times, to promote R&D of therapeutic drugs and vaccines;
- Consider ways in which the public and private sectors can collaborate to develop mechanisms for providing and using data for the public interest in a way that balances public interests and private rights, to facilitate response efforts in future pandemics;
- Reject trade restrictions and managed trade provisions that negatively impact the global economy and refrain from imposing trade barriers that complicate efforts to secure goods;
- Eliminate tariffs based on overly broad application of national security policies, such as U.S. import restrictions based on Section 232 of the U.S. Trade Expansion Act;
- Eliminate market-distorting measures such as harmful industrial subsidies, trade-distorting actions by state-owned enterprises and unfair trade practices as well as address challenges such as those related to data localization, forced technology transfer, and the protection of intellectual property rights; and,
- Promote World Trade Organization (WTO) reform to ensure its future effectiveness, including its dispute settlement system, successfully conclude the WTO negotiations on fisheries subsidies and e-commerce, as well as expand the number of countries and products covered by the Information Technology Agreement (ITA).

2. Support governments’ efforts to achieve a carbon neutral future and enhance environmental sustainability. As the second and the fifth largest CO2 emitters respectively,

the U.S. and Japan are well positioned to lead the global effort to combat climate change. The Councils applaud both governments' commitment to demonstrate global leadership on the path to achieving a carbon neutral future, including through the United States' return to the Paris Agreement and newly established bilateral initiatives. These pledges are important as they encourage businesses to drive the innovation and financing of solutions while mitigating emissions and increasing economic resiliency to climate change. To ensure an energy transition is carried out in a way that mitigates economic harm for businesses, consumers, workers and disadvantaged communities, and does not prematurely narrow various decarbonization measures, the Councils recommend both governments:

- Ensure climate goals set by the governments are achievable, durable, and developed through an open and collaborative public process, in close coordination with the private sector;
- Coordinate on energy policy in a way that does not negatively impact the U.S. and Japan's long-term economic growth, energy security, other industries' competitiveness;
- Clarify policies for achieving the desired energy mix to facilitate business investment in innovative technologies, and to promote realistic, phased, and planned transitions;
- Promote a dialogue with the European Union and the rest of the international community on how to proactively manage the energy sources needed to transition to carbon neutrality;
- Introduce market-based mechanisms to promote decarbonization and consider policies to minimize impacts on disadvantaged communities and sectors for which decarbonization will be especially challenging;
- Promote investment, provide incentives, and establish appropriate regulations to facilitate the development and implementation of innovative technologies, to include various types of renewable energy sources such as hydrogen power, in a manner that does not impede free competition or discriminate between domestic and foreign investors;
- Recognize the unique and important role of natural gas to achieve a lower carbon future, as the primary driver of emissions reductions progress, as well as the importance of nuclear power as a source of low-carbon baseload power supply;
- Support transformative climate adaptation and mitigation projects through multilateral financial institutions and funds;
- Ensure that investors are provided with relevant environmental, social, and governance (ESG) information that is material to long-term business performance, and work to develop flexible and practical taxonomies;
- Support third countries' decarbonization and the dissemination of environmentally friendly, smart, resilient infrastructure in close cooperation with all relevant public financial agencies, through mechanisms, such as the Japan-U.S. Clean Energy Partnership (JUCEP), to achieve the G20 Principles for Quality Infrastructure Investment while promoting an appropriate regulatory system such as bilateral voluntary offset credits;
- Facilitate investment in sustainably produced low-carbon and recyclable materials, and incentivize the reuse and recycling of plastic to improve waste management and reduce plastic waste as part of a circular economy; and,

- Relaunch negotiations for the WTO's Environmental Goods Agreement (EGA).

3. Strengthen supply chain security and resilience. The COVID-19 pandemic and global tensions have revealed vulnerabilities in existing supply chains, such as those producing critical minerals, semiconductors, personal protective equipment, and medicines including vaccines. While acknowledging that a complete onshoring is neither realistic nor desirable, the Councils agreed that the diversification of sourcing in certain industries among a range of different countries, especially like-minded countries, is key to building a resilient and trusted supply chain and mitigating risks facing business communities. The private sector can play a leadership role in this area, with the support of governments and academia. Therefore, the Councils applaud both governments' efforts to address this issue through both bilateral and regional cooperation, such as the U.S.-Japan Competitiveness and Resilience (CoRe) Partnership and the Quad Critical and Emerging Technology Working Group. The Councils encourage both governments to continue these important efforts, as well as to work together specifically to:

- Promote U.S.-Japan collaboration to foster investment and R&D to strengthen supply chain resiliency, particularly for life-saving materials, and those items that facilitate decarbonization, such as strategic minerals and rare earths;
- Enhance public-private dialogues that address supply chain diversification and constraints on the production and distribution of critical technologies and supplies, as well as promote the trusted supply and procurement of ICT products and services, including their development, lifecycle, supply chain, and management;
- Enhance coordination among allies, and strengthen government support for companies by increasing information sharing on security and trade controls that promote economic security;
- Ensure the scope of emerging and foundational technologies on investment review regimes and export controls is narrowly tailored to balance governments' need to address legitimate national security considerations and promote economic growth, and ensure economic security policies are developed through a comprehensive and transparent process;
- Refrain from enacting punitive measures relating to supply chains or extending the reach of domestic preferences in government procurement to new products and sectors in a manner that violates international commitments and invites foreign retaliation;
- Lead discussions in multilateral talks to remove export restrictions and other trade barriers for medical goods as discussed in the Ottawa Group; and,
- Support companies' efforts to address human rights abuses such as forced labor in global supply chains.

The COVID-19 pandemic's impact and the trends it has accelerated will continue even after its public health risks subside. Recognizing this, our sector-specific recommendations for the digital economy, financial services, energy and infrastructure, healthcare innovation, and travel, tourism, and transportation can be found in the supplements that follow.



DIGITAL ECONOMY

The U.S.-Japan Business Council and the Japan-U.S. Business Council (“the Councils”) cooperate closely and share broad consensus on issues related to the digital economy. In particular, trustworthiness in Information and Communication Technology (ICT) is a global concern. As new technologies are introduced and new threats emerge, the only way to ensure trustworthiness and the sustainability of our technology infrastructure is to have the correct recognition and strive constantly to improve it. Bearing this in mind, Chapter 1-5 below details proposals for both the U.S. and Japanese governments. Chapter 6 and its supplement provide recommendations to business communities in the United States and Japan, and potentially other regions, on issues of trustworthiness in ICT.

1. Promoting the free flow of data across borders. To establish a trustworthy digital economy, we believe that it is essential to not only promote reliable and free data flow by ensuring inter-country interoperability in terms of rules, architecture and trust anchors but also enable data usage. The Councils remain committed to promoting policy frameworks that facilitate the flow of data across international borders, including through concepts such as Data Free Flow with Trust (DFFT), which Japan advocated at the 2019 G20 Osaka Summit. We sincerely appreciate the efforts put forth by both governments to achieve this through robust digital trade disciplines, such as the U.S.-Japan Digital Trade Agreement.

Meanwhile, digital protectionism, which restricts the free flow of data, has proliferated in some countries and regions. We strongly encourage the two governments to continue working closely to promote trust and the free flow of data in multilateral fora such as the G7, G20, OECD, APEC, and the WTO. The Councils encourage both governments to collaborate further to achieve a high standard and commercially meaningful outcome in the Joint Statement Initiative on e-commerce in the WTO including provisions that enable and promote the flow of data as early as possible.

2. Strengthening privacy, data protection and innovation. The Councils remain committed to promoting policy frameworks that facilitate privacy, data protection, and innovation. We encourage both governments to promote high-standard privacy protection and open digital markets in multilateral fora. We also urge the U.S. and Japan to continue working closely to adopt these principles through established mechanisms such as the APEC Cross-Border Privacy Rules System and the OECD’s discussions on government access to personal data. The Councils notes the OECD discussions would quickly establish principles that give “obliged access” for law

enforcement to access data for investigations. The Councils understand that data flow and utilization of data, such as healthcare information, is important for addressing pandemics and disasters. We urge both governments to continue to lead discussions aimed at establishing international best practices and norms through multilateral meetings and/or fora.

3. Developing and promoting secure and trusted next-generation telecommunication infrastructure. The Councils believe that that secure and trusted next-generation telecommunication infrastructure, including 5G and 6G or Beyond 5G technology will be both an enabler of innovation and a creator of new opportunities across all industry sectors. We also believe that open, interoperable architecture is key to enhancing economic security by expanding options for selecting trusted vendors and diversifying supply chains. We urge the U.S. and Japanese governments to establish clear, secure and trusted ICT 5G technology public policies aimed at accelerating development and voluntary adoption as well as the use of virtual, open, and interoperable 5G technologies and solutions both domestically and internationally. Open Radio Access Networks (Open RAN) are an important part of this strategy and are in the early stages of maturation. Moreover, we encourage the two governments to take initiative in accelerating the adoption of these technologies by following through on the \$2.5 billion and the \$2.0 billion commitments the United States and Japanese governments have made to investing in research, development, testing, and deployment.

We also urge the two governments to continue to cooperate and play a key role in adopting similar policies for like-minded countries. This includes, for example, the early establishment and utilization of the “Blue Dot Network”, a certification system for high-quality infrastructure being designed through an initiative formed by the U.S., Japanese, and Australian governments, that utilizes the OECD framework. With private sector cooperation, the Councils hope it will be possible to accelerate the adoption of open, interoperable architecture from trusted vendors and the deployment of trusted 5G networks in other markets.

4. Striving to promote the utilization of Artificial Intelligence (AI). The Councils encourage the two governments to promote the advancement of AI technologies through the development and use of consensus-based, and industry-led and global based AI standards, not closed ones in specific regions. We encourage the two governments to build and promote governance frameworks that are flexible, risk-based, and driven by a transparent, voluntary, and multi-stakeholder process.

We encourage the two governments to work closely with industry and civil society to play a global leadership role focused on the principles of human-centered values, fairness, explainability, transparency, security and safety and accountability. In this respect, we look forward to both governments continuing to support discussions at multilateral meetings and/or fora such as OECD Network of Experts on AI (ONE AI), and Global Partnership on Artificial Intelligence (GPAI).

Meanwhile, we hope the U.S. and Japanese governments will cooperate with industries and engage

in detailed discussions since we believe that it is what is needed to manage and equitably classify AI systems on risk and to carefully consider the optimal balance between costs and benefits arising from the responsibilities placed on stakeholders.

5. Promoting best practices and international standards to manage increasing cyber risks.

The Councils recognize that managing cyber risk, especially with regard to critical infrastructure, is critical to the economic and national security of the U.S. and Japan and increasingly important for our nations' bilateral digital trade relationship. Given the evolving nature of cybersecurity threats, the Councils recognize that a risk-based approach is more effective for managing cyber risk than prescriptive regulation.

Approaches to cybersecurity should adhere to industry-vetted actions that businesses can take to assess and enhance their security state over time. Allowing industry to combat evolving cyber threats with evolving best practices and globally recognized standards permits a more flexible, current, and risk-based cybersecurity approach.

Private industry greatly benefits when governments leverage existing cybersecurity framework best practices as a starting point, such as the NIST Cybersecurity Framework or the International Organization for Standardization/International Electrotechnical Commission (“ISO/IEC”) 27103:2018 (information technology – security techniques – leverage existing standards in a cybersecurity framework) for any future policy enactments.

We also appreciate that the two governments agreed in “U.S.-Japan Competitiveness and Resilience (CoRe) Partnership” to reinforce collaboration and partnerships between research institutions on quantum information science and technology through joint research and exchange of researchers. In line with this, the Councils encourage the two governments to work closely to promote the development of cryptography communication capable of ensuring security in anticipation of the coming quantum computer age.

6. “Trustworthy” principles for ICT suppliers. The Councils understand that trustworthiness in ICT is a concern for businesses all over the world. While this encompasses many different areas, one issue of particular importance is the trusted supply and procurement of ICT products and services. Whether an organization is a supplier or purchaser, ensuring that the development, lifecycle, supply chain, and management of ICT products and services are trustworthy has never been more important.

We set forth recommended principles in the “Annex to the Joint Statement Supplement of the Digital Economy Working Group for the 58th U.S.-Japan Business Conference”, which may serve as useful best practices industry is currently undertaking in the United States and Japan related to the issue of trustworthiness in ICT.

The intention of these principles is not to exclude any company, but to encourage to strive for the highest levels of trustworthiness. We hope that these principles would not only prove valuable for

the businesses in both countries, but also as a framework for best practices across the Indo-Pacific region. We also hope these principles can provide a basis for further coordination with European industry as well as with businesses in other countries which share similar commitments to trustworthiness in ICT.

DIGITAL ECONOMY

Annex to the Joint Statement Supplement of the Digital Economy Working Group for the 58th
U.S.-Japan Business Conference:
Recommended Principles to Establishing “Trust in ICT Suppliers”

Various factors are relevant to assessing whether companies that manufacture, distribute, sell, or supply (collectively “Suppliers”) ought to be treated as trustworthy sources of supply for technologies that enable the development and operation of critical ICT networks. Suppliers are “Trustworthy” when:

1. Technical risks associated with the Suppliers’ products or services are reasonably understood and properly managed:
 - a. Technology is designed, developed, and deployed pursuant to a transparent, testable, open, consensus standards-based, and process-oriented framework for identifying, assessing, and managing risk through the anticipated lifecycle of the product or service, including:
 - i. Protection of development and build environments against compromises to production systems;
 - ii. Adoption of a “controls framework” aligned to global industry standards (e.g., ISO 27001), including implementation of granular, role-based access controls;
 - iii. Scanning of code for known vulnerabilities;
 - iv. Modeling of anticipated threats and risks; and
 - v. Maintenance of security of software and firmware update mechanisms and pathways.
 - b. Provenance, pedigree, and integrity of code, including open-source code, can be reasonably demonstrated to ensure securability of resulting products and compliance with intellectual property rights;
 - c. Technology is capable of standards-based conformance testing of controls implemented to manage risk—and also of ensuring repeatability of build processes such that tested code can be validated against code in a finished offering deployed and used in an operating environment;
 - d. Verifiable technical measures are implemented to ensure the application of access controls that effectively limit access to authorized users, authorized processes acting on behalf of authorized users, or authorized devices

- e. Vulnerability handling, remediation, and disclosure policies consistent with international best practices are adopted, transparently communicated, regularly used, and capable of assessment to ensure compliance;
 - f. Information security and privacy practices for the protection of personal data and respecting individual rights are adopted, transparently communicated, and assessed to ensure compliance; and
 - g. Controls, mitigations, policies, and procedures adopted by the Supplier should be clearly communicated and flowed through to:
 - i. Suppliers of components and source code included in its products;
 - ii. Processors/sub-processors of confidential, proprietary, and/or personal data; and
 - iii. Distributors, partners, and resellers who receive, install, integrate, sell, and/or maintain the Suppliers' technology in the market.
 - h. Stability of the supply of products and services is secured and business continuity planning is prepared.
2. Suppliers demonstrate adherence to generally recognized norms of corporate behavior, including:
- a. Public "codes of business conduct" outlining the Suppliers' core values, principles, and practices;
 - b. Public trading of equity, or equivalent mechanisms, to ensure decision-making in accordance with commercial considerations with regard to procurement, investment, and contracting through transparency of ownership, partnerships, governance structures, and funding sources;
 - c. Public demonstration of compliance with auditing and accounting standards generally adopted in the marketplace (e.g., Generally Accepted Accounting Principles or International Financial Reporting Standards) designed to ensure the absence of hidden, opaque, or otherwise non-commercially competitive sources of funding, financing, or subsidy;
 - d. Internal governance mechanisms clearly articulated, enforced, and subject to external review demonstrating a commitment to protect:
 - i. Security and privacy of users and customers against cyber-enabled attacks or other unwarranted intrusion;
 - ii. Privacy and individual rights with transparency, fairness, and accountability;
 - iii. Integrity of products, services, and data against theft, tampering, and unauthorized access;
 - iv. Intellectual property against theft, infringements or misappropriation;
 - v. Fair and open competition;
 - vi. Environmental resources against damaging or unsustainable practices;
 - vii. Human rights against forced or unfair labor practices; and
 - viii. Good governance, public health and well-being.

3. Suppliers operate subject to both international commercial norms as well as national and international laws and standards, but make decisions on the basis of commercial considerations and in response to market forces rather than undue direct governmental control or influence over internal governance and operations as demonstrated by:
 - a. Absence of arbitrary access to company data, facilities, resources, or operations and of mandates to cooperate with government directives – as demonstrated by transparency and reasonable access to due process mechanisms allowing for challenge of such demands to be heard by an independent judiciary or other neutral arbiter.
 - b. Absence of requirements to include government officials in corporate structures or decision-making processes that limit ability of Supplier to act as an independent entity operating under market-driven – as demonstrated by transparency and public disclosure of organizational/governance structure, ownership interests; and

4. Suppliers are headquartered, formed, and operate under the laws of a nation that:
 - a. Govern networks and connectivity services by demonstrating respect for the rule of law, shown by clear legal or judicial limitations on the exercise of power by the government;
 - b. Govern subject to the rule of law with adequate separation of powers protected by an independent judiciary or other neutral arbiter of due process and protected rights; and
 - c. Uphold internationally agreed norms, standards, and treaties essential to global human development, such as the UN Sustainable Development Goals —including being good stewards of environmental resources, implementing fair labor practices, protecting intellectual property, protecting public health and well-being and respecting privacy and human rights—in the procurement and acquisition of ICT.



ENERGY AND INFRASTRUCTURE

The U.S.-Japan Business Council and the Japan-U.S. Business Council (hereafter “the Councils”) recognize that the ambitious target of achieving carbon neutrality by 2050, as pledged by the United States and Japanese governments respectively, has accelerated the momentum for decarbonization. The Councils further welcome the joint statements, “Japan-U.S. Climate Partnership on Ambition, Decarbonization, and Clean Energy,” and “U.S.-Japan Competitiveness and Resilience (CoRe) Partnership” issued by President Biden and former Prime Minister Suga, which will facilitate more concrete cooperation between the United States and Japan toward this shared goal. The Councils hereby affirm their intent to contribute towards achieving carbon neutrality in the United States, Japan, and third countries through this cooperation. The Councils also note that disruptive innovation coupled with orderly transition will be necessary to achieve carbon neutrality, and that natural disasters, geopolitical risks and economic security need to be taken into account to enhance the resilience of the supply chain in a post-COVID-19 society.

Towards an Ambitious Carbon Neutral Target

The Councils recognize that the ambitious carbon neutral by 2050 target pledged by the United States and Japanese governments has accelerated the momentum for decarbonization, and the Councils agree to work to help realize this target. No single technology can achieve this ambitious target, and an “all-of-the-above” approach needs to be taken to maximize efficiency and carbon reduction of both energy production and consumption. The Councils urge the two governments to consider the following measures to promote all clean energy technologies:

- Lead international rulemaking to achieve this ambitious carbon neutrality target through a pragmatic and technology-neutral approach;
- Continue efforts to deploy renewable energy such as on/offshore wind power generation and solar power generation to improve the technology and efficiency of such renewable energy sources, and to enhance the related supply chains in the United States and Japan; strengthen the power adjustment capability including power grid to accommodate growing renewable energy generation; and ensure sufficient power capacity and fair access;
- Promote the switch to natural gas in the energy transition from other power generation methods with higher emissions, and deploy natural gas-based power such as highly efficient gas turbine combined-cycle power as a stable cleaner baseload power supply to help achieve emission reduction targets;

- Discuss issues related to the utilization of nuclear power, another important source of low-carbon baseload power supply, and continue R&D into innovative advanced nuclear technology including passive safety features, small modular reactors and cooperation for decommissioning;
- Take steps to realize the enormous potential of a future hydrogen society, which can contribute to the decarbonization not only of the energy and infrastructure sectors, but also of a wide range of other sectors such as the industrial and transportation sectors; and engage in cross-sectoral cooperation to develop production technologies for all types of hydrogen and ammonia and to establish the supply chain and storage/transportation infrastructure; and,
- Provide economic incentives to promote low carbon solutions such as the deployment of carbon capture and storage, both for new and existing energy infrastructure and industry sector.

Third Country Cooperation for Realization of a Free and Open Indo-Pacific

The Councils believe deepening the cooperation of the United States and Japan with third countries in the Indo-Pacific region is vital to realizing a Free and Open Indo-Pacific (FOIP) for the prosperity and security of this region. The energy and infrastructure sector is one of the key pillars for this cooperation, and while we endorse the importance of further efforts to achieve carbon neutrality worldwide, we also recognize the importance of natural gas as a realistic transitional energy source for the region. The Councils urge the two governments to support the following:

- Continue U.S.-Japan cooperation on liquefied natural gas (LNG) issues in the region including the establishment of a transparent LNG market, including for U.S. LNG exports, the deployment of LNG-based energy infrastructure, the establishment of the LNG distribution network within the region, the assurance of freedom of navigation, and raising international awareness of the role natural gas can play in promoting lower carbon energy in the region;
- Expand U.S.-Japan cooperation to other forms of clean energy cooperation in the region such as promoting emissions reduction at existing coal power plants, as well as converting coal power plants to LNG-based infrastructure and to hydrogen-based infrastructure including ammonia in the long-run;
- Finalize the pragmatic and practical certification criteria for the Blue Dot Network (BDN) which is a tool to accelerate the FOIP strategy, and fully develop the newly established Japan-U.S. Clean Energy Partnership (JUCEP) together with policies of the new United States Administration, including on the role of natural gas in regional decarbonization efforts, for promotion of quality infrastructure; and,
- Provide business matching opportunities for private companies from the United States and Japan to mobilize private capital, promote public-private partnerships, and reduce barriers to execute energy and infrastructure projects in third countries to assist with their energy transition and decarbonization goals and to materialize government-led programs and initiatives further.

Promoting Innovation and Responding to Digitalization

The Councils agree that disruptive innovation, coupled with orderly transition, is necessary to achieve the ambitious carbon neutral target by 2050. Simultaneously, a response to risks in the energy and infrastructure sector of the ever-expanding digitalization is essential. The Councils urge the two governments to promote the following:

- Improve the efficiency and product life of energy storage technology, and reduce the use of, and build recycling ecosystems for, critical minerals to keep up with clean energy-related demand;
- Develop more cost-effective and efficient CO₂ capture technologies such as carbon capture and storage and direct air capture, and support the development of business models utilizing captured CO₂, such as CO₂-EOR (Enhanced Oil Recovery) and methanation, to establish a CO₂ value chain;
- Develop innovative technologies for production, transportation and storage technologies for hydrogen, ammonia and synthetic fuel, for their application in not only the energy and infrastructure sector, but also across a wide range of sectors;
- Utilize digital technologies to enable the energy and infrastructure sector to increase efficiency and stability including demand-response and grid digitalization; and,
- Enhance cyber security readiness and resilience against cyber attacks on critical infrastructure as an essential response to expanding digitalization.

Resiliency Required for a Post-COVID-19 Society

COVID-19 exposed the vulnerability of supply chains which pursued economic efficiency while disregarding risks such as dependence on a single country. In a post-COVID-19 society, natural disasters, geopolitical risks and economic security need to be fully taken into consideration to ensure the resilience of the supply chain, and promote smart, modern, resilient infrastructure. The Councils recommend the following to the two governments for a post-COVID-19 society:

- Promote policies for energy-related sectors that support economic security by balancing economic efficiency and legitimate national security concerns, and cooperate to establish U.S.-Japan alignment on such policies;
- Strengthen public and private dialogues to diversify supply chains in the energy and infrastructure sector, such as energy sources, energy infrastructure equipment and critical minerals, to enhance resilience, and provide further economic incentives for diversifying supply chains from U.S. and Japanese government financial institutions;
- Expand cooperation between the United States and Japan, as well as other like-minded countries, to build resilient supply chains in the energy and infrastructure sector, accelerate the adoption of pre-disaster mitigation, and define the United States and Japan as respective “trusted partners” and avoid potential barriers that could hinder this cooperation; and,
- Develop alternative options for products for which the diversification of supply chain is difficult.



FINANCIAL SERVICES

The Financial Services Working Group of the Japan-U.S. Business Council and the U.S.-Japan Business Council endorse collective actions in five areas: *Realization of a Sustainable and Carbon Neutral Society, Regulations, Japan as a Global Financial Center, Promotion of Digital Financial Innovation, and Securing the Future for an Aging Population.*

1. ***Realization of a Sustainable and Carbon Neutral Society.***

The momentum to achieve a sustainable and carbon neutral society has accelerated globally. The financial services sector can play a key role in this effort, through initiatives such as developing common taxonomies and supporting transition activities, in addition to promoting sustainable finance and assessing climate change risk. This trend also offers the U.S. and Japanese governments, in coordination with the private sector, the opportunity to align domestic climate-related frameworks and to coordinate in international standard-setting. In this context, the Councils' recommendations are:

Reporting and Disclosure. Both countries' financial regulatory agencies should engage in a public-private dialogue for the purpose of considering disclosure and reporting standards related to sustainable-financing activities, and climate-related risks and opportunities. The goal should be to establish a framework for reporting and disclosure that balances investor needs for transparency and informed decision-making with the need for financial institutions to have flexibility within the framework in view of the uncertainties and subjective interpretation inherent in any analysis of the assessment and impact of sustainable financing activities.

Principles for Taxonomies/Promoting Transition Finance. The Councils support the transitional activities needed to achieve a sustainable and carbon neutral society in an orderly manner, and encourage U.S. and Japanese regulators to work with other countries to develop flexible and practical taxonomies, which avoid a "one-size fits all" approach.

Infrastructure Financing. Infrastructure is the foundation for enhancing productivity and competitiveness and realizing sustainable economic growth. The Councils support U.S.-Japan cooperation in national infrastructure projects and urge the sharing of best practices to promote green and clean infrastructure investment which contribute to green growth.

2. ***Regulations.***

Financial regulations encourage healthy markets and sustainable economic growth. As an essential piece of a healthy financial system, regulations should be regularly reviewed to ensure a level playing field, take account of technological developments, and consider structural changes in societies and international regulatory discussions. This should include measures to promote economic security, where U.S.-Japan coordination and private sector input are critical to avoiding negative unintended consequences and ensuring an appropriate balance between growth and national security considerations. The Councils' recommendations are in the following areas:

Level Playing Field. A level playing field is an important regulatory principle for strengthening financial and capital markets and avoiding inefficiencies and distortions in markets. Digital innovation introduces various actors including technology companies into the financial services value chain. Imposing the same regulations on the same activities by assessing risks for the financial system will promote competition and innovation while ensuring financial stability and consumer protection.

Free and efficient capital market system. The amount of financing through global capital markets in 2020 was the highest in history, reflecting enormous corporate finance needs amid the COVID-19 crisis. Businesses of all sizes need well-functioning and multi-faceted capital markets. Excessive and unnecessary regulations constrain access to capital for businesses, making it harder for them to form and grow. The Councils believe that a free and efficient capital market system is essential to economic growth and innovation, and encourage U.S. and Japanese regulators to review regulations based on the business environment.

International Regulatory Coherence. In recent years, market fragmentation has been a key area of focus for global policy makers, regulators and market participants. The Councils applaud efforts by global regulators to address market fragmentation and reduce gaps between global standards and national regulations. We believe the next critical task is to implement a process for consistent cooperation that can ensure deference, mutual recognition and/or equivalency determinations and urge the U.S. and Japanese governments to formalize the process, such as by establishing a financial regulatory forum to discuss regulatory issues in these areas.

3. ***Japan as a Global Financial Center.***

The Councils support a multifaceted effort to strengthen Japan's position as a global financial center and laud the continued work to update and improve the quality and coverage of the Corporate Governance Code and Stewardship Code, alongside other important measures to enhance Japan's business environment and overall competitiveness. In this spirit, the Councils encourage the Government of Japan (GOJ), and particularly the Japanese Financial Services Agency (FSA), to continue these efforts including by engaging in and advocating for policy measures to enhance Japan's attractiveness. In addition, the Councils urge that GOJ and FSA promote market development through public-private cooperation in order to become a driving force in the global green finance market toward the realization of the Green Global Financial

Center. In particular, the Councils recommend the GOJ and FSA to focus on four key areas below:

- Corporate Governance and Transparency: Progress on areas such as board independence, diversity, and accountability in accordance with revised Corporate Governance Code, coupled with measures to enhance the availability of diverse talent to fill demand for independent directors is needed;
- Improvement to the Finance Professional Ecosystem: Far greater numbers and specialization are needed, as well as general modernization of employment practices, including hiring, promotions, performance appraisal and termination;
- Increase Individual Investment Market Participation: Particular attention is needed in financial planning and fiduciary standards, as well as reforms in the individual investor markets, including in advisor quality, sales practices, asset allocation; and,
- Deepen the Institutional Markets: Institutional markets should be broadened and resources allocated to creating a more nimble clearing and market infrastructure, expanded product range and enhanced technology.

4. ***Promotion of Digital Financial Innovation.***

After COVID-19, digital innovation has become increasingly important in every industry. In the financial services sector, it is necessary to address enhancement of financial products and services and improve customer convenience by promoting digitalization at a faster rate than ever before. The Councils urge the governments of the U.S. and Japan to strengthen collaboration in the following ways to harness the benefits of innovation while managing any related risks:

Central Bank Digital Currency. While central bank digital currencies are being researched globally, the Councils appreciate that the U.S. and Japan, including respective central banks, are carefully assessing the security risks and the impact on the financial system in their research. The Councils encourage the U.S. and Japan to strengthen collaboration and to lead international efforts in cooperation with third countries.

Data Connectivity. The Councils' financial services firms view data connectivity as a means to connect to their customers, manage risks, and provide critical services globally and one of the key factors to economic growth and financial stability. To that end, the Councils recommend our two governments recognize the importance of financial services data connectivity; support open data architecture; promote greater bilateral and multilateral engagement on data connectivity; and strive for greater cooperation and consistency in general data regulations.

5. ***Securing the Future for an Aging Population.***

The Councils recommend that both governments strengthen public and private collaboration to motivate private retirement saving, including through insurance and private pension funds, and financial planning; to increase technology and financial literacy particularly for vulnerable populations; to adopt a policy and regulatory framework that does not hinder insurers and

other financial institutions from supporting the long term protection, investment, and retirement needs of society. This includes ensuring appropriate capital standards for insurers at the global and national/jurisdictional levels and ensuring that long duration insurance and savings products remain widely available to consumers as well as policy framework that supports adequate individual asset formation including tax incentives or subsidies.



HEALTHCARE INNOVATION

Healthcare systems must constantly evolve to meet the changing needs of society and to incorporate new technologies that offer improved health outcomes and greater efficiency. The COVID-19 crisis has made clear the link between health and the economy, underscoring the need to make strategic investments in healthcare and the importance of collaboration and coordination between government and industry. The future sustainability of our healthcare systems, including rapid response to pandemic threats, requires on-going dialogue and partnership between stakeholders. **In consideration of these factors, the U.S.-Japan Business Council and Japan-U.S. Business Council (hereafter “the Councils”) propose a bilateral private-public dialogue focused on elements of an innovative, equitable, efficient, and effective healthcare system that provides patients with timely access to best available medical innovations.**

In our view, a sustainable healthcare system integrates the following four elements:

1. ***Innovation Ecosystem:*** Continuous creation of breakthrough innovation in healthcare technologies, medicines and vaccines, healthcare delivery systems, and healthcare provider capability, which are supported by medical mechanisms to support the assessment of the benefits of these innovations.
2. ***Patient and healthcare provider access to the best possible care:*** Optimal patient and provider experience and access allowing the use of innovations to produce the greatest return on health system investment to patients, their families, and the broader economy.
3. ***Budget Optimization:*** Efficient and flexible resource allocation driven by evidence that maximizes outcomes, minimizes unnecessary expenditures, and maintains capacity to respond to emerging challenges.
4. ***Data and digitalization:*** Effective data collection and analysis, with appropriate privacy protections, to inform individual patient and health system level decision-making based on actionable insights.

To achieve these priorities, the Councils recommend a formal dialogue where policymakers and industry collaborate regarding technologies and innovative contributions to advance healthcare sustainability.

This Joint Statement represents the collective opinions of the Councils and reflects the shared interests of Japanese and U.S. industry. Our objective has always been to support patient-centered

healthcare while fostering the competitiveness and resilience of the industry and of the Japanese and U.S. economies. Therefore, we support the “CoRE” partnership formed by former Prime Minister Suga and President Biden. The dialogue we propose is consistent with the partnership’s goals to support the competitiveness and resilience of our nations. The following policy recommendations address issues currently impacting the sustainability, efficiency and effectiveness of our health systems and the ecosystems that enable innovations in various sectors.

Healthcare System Sustainability

- For both: Enhance collaboration between governments to improve emergency preparedness through a variety of avenues including: research and development, supply chain management, therapy and diagnostic production and monitoring, and rapid evaluation of medical value.
- For both: Improve regulatory review processes with staff expertise and adequate resources.
- For both: Ensure reimbursement schemes are aligned with the innovation in pharmaceutical, medical device, diagnostics, sensors and patient support aids.

Data and Digitalization

- For both: With appropriate privacy protections in place, accelerate the collection and use of life-course data including genome data by both the public and the private sector. Enhance trust in processes that govern collection (including tools), use and reuse of data. The use of real-world data and big data in the evaluation of medical technology, such as cost-effectiveness, will support progress of value-based healthcare.
- For both: Allow private industry to utilize real-world data to develop and gain approval of innovative medical devices and innovative medicines, such as genomic medicine for cancer, implantable and wearable medical devices with physiologic closed control system, and medical imaging diagnostics assisted by AI.
- For both: Promote alignment between U.S. and Japanese regulators in developing and implementing new digital health policies, which accelerate, and reduce the cost of, developing innovative therapies and improve health outcomes by using technology to collect data and support physician/patient interaction.
- For Japan: Accelerate clinical trials by utilizing real-world data to replace placebo groups where appropriate, and developing Decentralized Clinical Trials platforms.
- For both: Permit industry, academia, government and medical institutions to collaborate in the development of real-world databases of sufficient quantity and quality in order to improve data utilization, including disease registries. This would support the innovation ecosystem allowing for more local research and development.
- For both: Encourage the adoption of an interoperable IT platform that is used to support integrated care across diagnosis, treatment planning and delivery, patient follow-up, and patient data management, making IT platforms available to manufactures and healthcare professionals.

- For both: Address ethical, legal and social issues on utilizing medical records and personal health data.
- For both: Promote the use of remote practices such as telemedicine, which can be utilized in home care.
- For Japan: Develop the environment in which individuals can access and utilize their own medical records in medical institutions and personal health records.
- For Japan: Enhance an early introduction of a special law to promote protection and utilization of privacy information specific to healthcare that will contribute to the promotion of R&D.
- For Japan: Further support the development of a data platform for the traceability of pharmaceuticals and medical devices.

Vaccines, Prevention, Functional Foods

- For both: Adopt and strengthen science-based vaccination policies and public information campaigns and give greater recognition to the societal value of prevention.
- For both: Recognize the evidence-based health benefits of functional foods, such as health foods and dietary supplements, so that the benefits can be communicated to promote public health.
- For Japan: Promote innovation and policies for new preventative screening services, for example, to improve the rate of breast cancer screening, detect atrial fibrillation, consistently monitor glucose levels with continuous glucose monitoring systems, and diagnose cognitive impairment at earlier stages.

Innovation Ecosystem

- For both: Recognize the importance of innovation and pursue pharmaceutical and medical device pricing and reimbursement reforms to reflect the value of these treatments in the context of the overall healthcare system. Recognize that pharmaceutical and medical device price reductions have a minimal impact on the Total Cost of Healthcare while having a significant impact on the amount of funds available for R&D slowing the pace of needed innovation.
- For both: Ensure the regulatory, pricing and reimbursement systems recognize the innovation associated with the development of new indications for existing therapies.
- For both: Ensure that any Health Technology Assessment (HTA) or Cost Effectiveness Assessment (CEA) in the U.S. or in Japan does not delay patient access or restrict physician choice.
- For both: Pursue medical device and pharmaceutical evaluation schemes that link pricing to both the patient outcomes and preference, as well as to the cost-offsets within the healthcare system and the wider society.
- For both: Maintain and provide new incentives for public-private research collaborations and use dialogue with industry, academia, and medical-research institutions to identify opportunities for greater partnership and policy reform to enhance coordination.

- For both: Safeguard intellectual property protections that sustain risk-taking investment and long-term research into new medical technologies and tools.
- For Japan: Further expand legally established combined medical care (combination of non-insurance medical treatment and insurance covered medical treatment).
- For Japan: Introduce pricing schemes suitable for innovative therapeutics such as cell and gene therapies and software as a medical device.

Pharmaceuticals

- For both: Explore opportunities to create additional benefit and plan design structures to reduce potential barriers to medicines and devices that out-of-pocket copayments may pose.
- For both: Consider a Mutual Recognition Agreement (MRA) on Good Manufacturing Practice (GMP) between the U.S. and Japan to improve supply chain management.
- For Japan: Encourage innovation by applying cost-savings from the expanded use of generics after the patent/exclusivity period of originators to pay for new therapies and/or contribute to research funds.
- For Japan: Simplify pricing and reimbursement rules to create a more transparent and predictable operating environment.
- For Japan: With regard to value-based pricing, consider the full range of benefits derived from therapies, including reduction of nursing-care expenses and improved labor productivity.
- For Japan: Improve the Price Maintenance Premium Policy by expanding the product criteria for medicines.
- For Japan: Limit off-year price revisions to products where the margin of discount between the National Health Insurance (NHI) reimbursement price and the medical institution purchase price is larger than the market average.
- For Japan: Maximize the utilization of *Sakigake* and conditional approval to expedite the availability of innovative medical treatments where significant unmet medical need exists.
- For Japan: Establish regulatory data protection for pharmaceuticals including new modalities with the highest global standard.
- For the U.S.: Abandon international reference pricing proposals, which do not reflect the value of the innovation or allow for sustained investment in future therapies to address unmet medical needs.

Medical Devices

- For Japan: Maintain current price revision formula and frequency (e.g., once every two years). More specifically, we recommend the following:
 - Undertake functional category consolidation only with specific data-driven reasons for doing so, including sufficient time for consultation with relevant companies and clinical experts within the affected categories and exclusion of newly established functional categories for a certain amount of time to allow for stabilization of categories and data collection.
 - To the extent the Foreign Average Price (FAP) price revision rule must remain, maintain the current FAP ratio, FAP comparator countries and R-zone level, eliminate the off-

cycle FAP survey, and reduce the impact of short-term exchange rates on the FAP calculations.

- Adopt a FAP floor to add fairness to a system that currently has an upper limit but no lower limit.
- Provide further clarification of Market Expansion Repricing rules and suspend implementation until all outstanding issues are addressed in consultation with industry.
- Consider premium reimbursement opportunities for new “pioneer medical devices.”
- For Japan: Establish a new infection control management fee specialized for operating rooms to accelerate the use of medical devices related to infection control in addition to STM (special treatment material), corresponding the COVID-19 situation and the increasing risk of new infectious diseases.
- For the U.S.: Urge continued reforms to the Medicare program’s coverage, coding and payment processes for new medical devices that improve the treatment and diagnosis of Medicare beneficiaries.
- For the U.S.: Work with the FDA and Congress to reauthorize the FDA’s Medical Device User Fee Program before it expires next year, and partner with FDA to ensure a more efficient and transparent medical device facility inspection process, per the 2017 FDA User Fee Reauthorization Act.



TRAVEL, TOURISM AND TRANSPORTATION

Travel, tourism, and transportation have created millions of jobs in the United States and Japan in recent years. The COVID-19 pandemic, however, has significantly impacted our societies and economies, and consumer demand in these sectors has declined significantly. According to the United Nations World Tourism Organization, international tourist arrivals were 85% below 2019 levels between January and May in 2021, and the emergence of COVID-19 variants and continued movement restrictions continue to hinder travel and mobility.

The U.S.-Japan Business Council and the Japan-U.S. Business Council (“the Councils”) recognize the importance of public-private cooperation and offer the following recommendations—not only to ensure the sustainability of these industries during and post-pandemic recovery—but also because well-functioning cross-border traffic is crucial to economic and social recovery more broadly. We believe these actions will support tourism’s rebound and help address the long-term changes that may emerge in travel behavior due to the pandemic.

1. Restarting the Free Movement of People for the Recovery and Revitalization of the Travel, Tourism and Transportation Industries:

Although our response to COVID-19 has entered a new phase with increased vaccinations, the Councils believe that resuming travel and tourism is essential for global economic recovery and the revitalization of these sectors. The Councils encourage both governments to promote cooperation with the private sector to safely restart the free movement of people while rapidly distributing vaccines, particularly in Japan, to a wider age group and ensure the safety and security of both tourists and those in the hospitality industry by employing a data-driven approach to testing and screening protocols. The Councils also recognize the importance of establishing digital infrastructure and developing common criteria for reopening international borders, and make the following recommendations to both governments as follows:

Continued government support for business continuity:

The travel, tourism, and transportation sectors are highly diverse and include a significant number of small and micro-businesses. Given the prolonged impact of COVID-19, continued government policy and financial support should be provided to minimize job losses and protect viable companies. It is also important to promote policies and investment that improve the

attractiveness and resiliency of local tourist resorts as well as to stimulate travel demand when the pandemic subsides.

Gradual lifting of the border enforcement measures:

As mentioned in the overarching Joint Statement, the Councils believe that vaccine certificate verification is key to an early resumption of cross-border movement of people while preventing the spread of COVID. We encourage governments to remove obstacles to private sector collaboration by facilitating a globally consistent regulatory framework for international travel that establishes common standards and science-based reciprocal easing of entry restrictions, such as recognizing accepted vaccination documentation issued in the other country. To realize a gradual resumption of cross-border travel between our two countries, we urge the U.S. and Japan to create a roadmap for a step-by-step lifting of entry restrictions, such as eliminating the Japanese government's limit on passenger numbers entering via international airlines, and for a gradual removal of the quarantine period based on the local number of cases and vaccination rates. These roadmaps should be developed in frequent communication with the private sector to improve business predictability, while also communicating effectively with the public.

International standardization of health credentials:

The Councils recognize the importance of shortening the time required for entry and simplifying procedures to reduce the stress of cross-border movement. We urge both governments to accelerate digital transformation while increasing the capacity for required health inspections, and to provide vaccination certificates in multiple languages to be instantly recognized globally. It is also important to streamline entry procedures internationally in a way that does not require travellers to use multiple forms of vaccination certification. Additionally, the Councils encourage the governments to play an active role in developing global standards for health credentials on a non-discriminatory basis, and accelerate discussion at the expert groups formed by the U.S. and others including the European Union.

2. Promote Future-oriented Initiatives Beyond COVID-19: New Trends

The COVID-19 pandemic is expected to have a permanent impact on consumer behavior, accelerating digital transformation across numerous industries. The Councils believe that new tourism and life-style trends, such as telework, workcation and online tours, will lead to new opportunities for establishing more resilient and attractive travel, tourism, and transportation services. The Councils encourage governments to support industries' initiatives to develop innovative services. Although the Tokyo Olympics was held without spectators, we hope the 2025 Osaka Expo and the 2028 Los Angeles Olympics will showcase these innovations.

Promoting cashless payments:

With respect to Japan's stated goal of increasing cashless payments to 40% of all consumer transactions by 2025, the Councils also recommend that Japan implement Near Field Communication (NFC) Type A/B standards. These standards are already well-established in metropolitan areas like New York, London, and Sydney and are becoming a preferred payment

mode due to its low infection risk. The Councils urge the Japanese government to develop practical solutions through continued dialogue with all relevant private sector stakeholders.

Promoting Mobility as a Service (MaaS):

In the mobility sector, innovative technologies, such as automated driving, delivery systems that utilize drones and robots, and efficient transportation systems that use big data, will contribute to developing smart cities and to solving common social problems in both countries, including traffic congestion, manpower shortages, and environmental problems. For example, in both the U.S. and Japan, new taxi rates, such as pre-defined fees and variable pick-up fees, are tested by using big data. The Councils endorse these practices and request that both governments promote digital transformation across numerous industries.

Facilitating e-commerce:

The pandemic has revealed that e-commerce is a lifeline, particularly for millions of people and small businesses hard hit by the pandemic. The governments should ensure equal treatment between public and private delivery services to facilitate e-commerce. The Councils encourage both governments to recommit to the World Trade Organization's Trade Facilitation Agreement articles on express delivery shipments, which often include critical medical supplies and other time-sensitive shipments, to expedite the simplification of customs clearance processes especially for low value goods and to avoid the imposition of new trade barriers.

3. Sustainable & Inclusive Development in Travel, Tourism, and Transportation

The Councils recognize that the pandemic should be viewed as an opportunity to initiate a better future for the travel, tourism and transportation industries, where digitalization and low carbon initiatives enable sustainable growth.

Ensuring inclusive development

The Councils encourage both governments to support inclusive development in the travel, tourism and transportation sectors, such as developing attractive tourism resources and new ventures that provide business opportunities for small and medium enterprises in rural areas while ensuring equal access to technologies, services, and opportunities for work to all people regardless of race, ethnicity, gender, age or any other status.

Encouraging government support for low carbon initiatives

The Councils are collectively committed to achieving ambitious carbon neutral emissions goals and encourage both governments to support collaborative initiatives between the U.S. and Japanese industries, including the development of next generation aircraft utilizing advanced technologies and other energy saving technologies in the mobility sector. In the airline industry, Sustainable Aviation Fuels (SAF) have been identified as one of the key elements to help achieve these goals, and the Councils encourage both governments to remove barriers to the realization of a cost-competitive SAF market, while providing incentives to foster investment and supporting the establishment of a resilient supply chain and deployment of SAF.