

JOINT STATEMENT
56th U.S.-JAPAN BUSINESS CONFERENCE
Towards a Stronger U.S.-Japan Economic Relationship
Washington, D.C.
September 18, 2019

Members of the U.S.-Japan Business Council and the Japan-U.S. Business Council (the “Councils”) held the 56th Annual U.S.-Japan Business Conference in Washington, D.C. on September 17-18, under the theme, “Towards a Stronger U.S.-Japan Economic Relationship”. This Conference assembled senior business leaders from the United States and Japan, who committed to promote a free, fair, and rules-based global trading system, as well as set an example for sustainable economic growth in the Indo-Pacific region.

The Councils believe that continued U.S.-Japan economic and commercial cooperation remains a critical stabilizing force globally amid elevated risks due to trade uncertainty and geopolitical tensions. We believe the following recommendations will help strengthen our private sectors’ abilities to compete in an increasingly complex and competitive environment.

- 1. Strengthen the bilateral economic relationship.** As bilateral negotiations toward a U.S.-Japan Trade Agreement progress, the Councils expressed optimism that a deal would build upon the preliminary announcement by President Trump and Prime Minister Abe on August 25 to further deepen U.S.-Japan trade relations. The Councils also encouraged the negotiations to proceed based on the two nations’ joint statement issued last September, with the ultimate goal of concluding a broad-based, high-standard, and forward-looking trade agreement. Specifically, the Councils stressed that any new trade agreement between the U.S. and Japan should:
 - Drive more job-creating investment in both economies;
 - Set high-standard trade rules that can serve as a new “platinum” standard;
 - Further expand two-way trade and investment;
 - Remain consistent with World Trade Organization (WTO) rules; and,
 - Reject managed trade and trade restrictions, which cause serious damage to consumers and industries in both countries.

2. Strengthen and promote the rules-based global trading system. The Councils agreed on the importance of U.S. and Japanese government leadership in promoting economic growth and integration in the Indo-Pacific region, particularly since many businesses have developed extensive value chains. The Councils recognized that the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) is an important step forward for Japan and the region, and expressed hope that a U.S.-Japan Trade Agreement will help drive economic growth in the region by expanding trade and raising standards further. While both are important for regional trade, the global rules-based trading system requires additional reinforcement. Accordingly, the Councils believe it is vital that both governments:

- Work collaboratively to resolve long-standing as well as emerging trade issues and pursue policies that will help remove uncertainty in global markets through the WTO. Specifically, the Councils recommend that the U.S. and Japanese governments work together with the European Union and other like-minded economies in the ongoing efforts to address market-distorting measures, including trade-distorting industrial subsidies, pursue needed WTO reforms, and work to ensure that the WTO Dispute Settlement system is functioning effectively.
- Pursue reform in individual markets where we face joint competitive challenges. The Councils particularly recommend prioritizing enhanced cooperation to address challenges related to data localization, local content requirements, investment restrictions, state-owned enterprises, forced technology transfers, intellectual property rights, low-quality infrastructure projects that place lowest cost over best value over the project life cycle, and other non-tariff barriers.
- Strengthen cooperation to advance regulatory best practices in global forums to counter the use of discriminatory trade practices that may favor domestic firms over others, and ensure a level playing field to foster a transparent and predictable business environment.

3. Pursue policies that enable data to be moved and utilized across industries and borders. The Councils believe data can help facilitate the trade of goods and services, as well as drive sustainable growth in both of our economies. We share concerns that inconsistent regulations, data localization requirements, and overly prescriptive cybersecurity guidelines are increasingly being used as non-tariff trade barriers that threaten economic activity. We encourage the two governments to continue to pursue industry neutral, risk-based approaches that facilitate data utilization and the free flow of data across borders, while balancing concerns around privacy and security. The Data Free Flow with Trust (DFFT) concept agreed to at this year's G20 is a positive step in this direction, and specific recommendations can be found in the following Digital Economy supplement.

4. Ensure that U.S.-Japan trade and investment is pursued as a fundamental national interest. The Councils discussed the growing connection between economic and national security policies, and stress that in this age of global supply chains, investment review regimes and export controls on emerging and foundational technologies should be narrowly tailored to balance governments' need to address legitimate national security considerations and promote economic growth. As such, we reaffirmed our belief that any legitimate policies should restrict trade as little as possible, and expressed our concern over the United States' possible imposition of tariffs on autos and auto-parts of Japanese origin, as well as the existing tariffs on steel and aluminum imports.

The U.S. and Japan are both capital-rich, technologically-sophisticated economies. The Councils' members share many views about the opportunities presented by global trade, as well as growing concerns about the challenges it faces, including the implications for key areas such as innovation, digitalization and social security, with aging populations and persistent fiscal constraints. While some, like those related to the digital economy, are cross-cutting, there are a number of sector-specific areas that were discussed. Our 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.