

**Joint Statement**  
**43<sup>rd</sup> Annual U.S.-Japan Business Conference**  
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**U.S. Economy**

The Councils welcome the continued moderate economic expansion of the U.S. economy in the face of the rise in crude oil prices and monetary policy tightening. The economy has slowed in recent months, mainly because the rate of appreciation of housing prices has slowed substantially, and inventory adjustment has led to a sharp decline in housing investment. The housing adjustment, along with higher crude oil prices, has exerted some downward pressure on consumer spending, and vigilance will be necessary as to their repercussions.

Corporate production remains brisk, and corporate earnings are moving steadily. Combined with high capacity utilization, this has kept capital spending strong. Employment has lost some momentum but still continues to expand, and unemployment rates remain low, thus leading to solid growth in household income, which is supporting consumer spending. Consumer spending could be boosted further if oil prices continue to moderate and housing stabilizes as data indicate, which would result in modest strengthening in the fourth quarter.

Monetary tightening appears to have reached a temporary halt with inflation under control and economic growth moderating. A flexible monetary policy is expected to continue providing stable economic growth into the future.

Global economic imbalances remain a significant issue. The large and still growing U.S. current account deficit remains a significant concern. Correction of this imbalance requires change in economic policies as well as a realignment of currency values. Addressing future risks associated with the U.S. deficit will necessarily require multilateral cooperation and coordination.

**Japanese Economy**

The Councils are encouraged by the continued expansion of the Japanese economy. The private sector's resolution of its key structural issues — excess debt, excess capacity, and excess employment — has improved the medium- to long-term stability of the economy. The elimination of the supply-demand gap has helped the economy emerge from its years of deflation.

Having completed their structural improvements, corporations have improved profitability and are starting to take more ambitious strategies as a result, and this should lead to continued strength in both capital spending and employment. Stabilized growth in employee compensation has been particularly significant, and should support future growth in private consumption.

The economy is in the process of changing its nature to one with a better balance between domestic and external demand. While the effects of the slowdown in the U.S. economy requires cautious observation, stable growth in Asia including China remains a positive factor, and along with stable domestic demand, should maintain the momentum for continued expansion.

It is also important for the government to continue with its structural reforms. While the restoration of fiscal soundness is a pressing issue, priority should be placed on achieving efficiency in the government sector. In particular, cautious study is required on such matters as increased taxes and social benefit expenses. The Councils support efforts to reactivate the private sector through further deregulation and tax reform, and are encouraged by the Abe government's emphasis on sustaining economic growth through innovation. Ultimately, this will increase government revenues and thereby restore fiscal soundness.

## **Pursuing a U.S.-Japan Economic Partnership Agreement**

The Councils continue to believe that conclusion of a high-level, comprehensive, and commercially meaningful Economic Partnership Agreement (EPA) between the United States and Japan is a positive and worthy objective that would: 1) provide substantial economic and trade benefits to both economies; 2) improve and solidify bilateral relations more broadly by strengthening the economic relationship and deepening economic integration; and 3) establish a model for other bilateral or regional agreements that achieve meaningful economic and trade liberalization.

The Councils continue to envision an EPA as an “FTA-Plus” agreement that would have to encompass “substantially all the trade” in goods, including agriculture, as well as “substantial sectoral coverage” in services, as required under WTO rules. Most importantly, a commercially meaningful EPA would have to address non-tariff measures such as regulations and regulatory transparency, standards, commercial laws, investment rules, capital and currency markets, trade remedies such as antidumping, competition policy, human resources and movement of natural persons, intellectual property, secure trade and the like. A U.S.-Japan EPA would build upon and expand the progress made under existing bilateral trade agreements, and give new life and purpose to the Economic Partnership for Growth, which includes many areas that would be covered in EPA negotiations.

A comprehensive, high-level U.S.-Japan EPA would be a significant and unprecedented undertaking requiring high-level political commitment by both governments, and strong support by the private sectors in both countries. In the Councils’ view, the timing is right for both governments, in cooperation with the private sector, to begin formal study of the outlines and essential areas of coverage in such an agreement.

The Councils pledge to support this initiative by conducting studies, both separate and joint, to identify those sectors and areas that are essential to realizing a comprehensive and commercially meaningful U.S.-Japan EPA. Moreover, the Councils will cooperate with both governments to support this process.

## **Aging Society: Implications for Healthcare and ICT**

Japan has a rapidly aging society, while the United States will face a similar situation in the near future. An increasing number of global studies suggest that detecting and treating diseases at their earliest stages saves time, money and lives. As societies such as Japan and the United States age, this approach is increasingly important so that people remain healthy and productive, as well as safe and secure, for as long as possible given increasing life expectancy.

These objectives are consistent with the “New Health Frontier Strategy” promoted by Prime Minister Abe in his September 29 policy speech to the Diet, and President Bush’s plan for “Reforming Health Care in the 21<sup>st</sup> Century” announced in early 2006.

Accordingly, the Councils urge both governments to accelerate movement towards a preventive medicine or “Early Health” model that: recognizes the clinical and economic potential of early diagnosis and treatment; develops information systems that drive greater quality and efficiency; provides earlier access to innovative pharmaceutical products and medical devices that help citizens lead longer and more productive lives;

and encourages both transparency and consumer awareness of quality and cost in healthcare.

State-of-the-art ICT technologies can contribute to the maintenance of a healthy and productive society by improving quality and reducing the cost of healthcare. Promoting standard Electronic Healthcare Records (EHR) and improving the health information and communication (ICT) infrastructure across hospitals and other service providers could satisfy patient needs and dramatically improve the U.S. and Japanese healthcare systems by increasing efficiency, reducing administrative costs, improving diagnostics, and avoiding fatal mistakes. Strategic utilization of ICT in healthcare will also play a key role in linking healthcare providers through networks that can provide seamless services to patients and create an environment for senior people to live safe and secure lives. ICT also contributes to R&D activities, including the creation of innovative products and diagnostic techniques.

To accelerate the use of strategic healthcare ICT in Japan and the United States, the Councils urge both governments to use an open and transparent process with regard to standards and procurement, with the goal of utilizing the best technologies from around the world. More specifically, the Councils urge both governments to: Develop and harmonize common standards and protocols for the health communication infrastructure for the sharing of electronic health information; provide incentives, including subsidies, to medical institutions to invest in new technologies and systems; ensure that transparency and technology-neutrality are maintained in procurement processes to prevent vendor “lock-in” and promote new entrants into the market; promote utilization of ICT, such as remote sensing over a ubiquitous network to enable senior citizens to live safely and securely; and promote translational research in order to accelerate applications of fundamental research to real markets.

## **Trade**

### WTO

The Councils are very concerned by the impasse in the Doha Development Agenda (DDA), and urge both governments to take action to achieve a successful outcome. Further postponement of the opportunity to achieve multilateral liberalization and establish multilateral rules would seriously impact the global economy and economies of WTO members. It could also erode confidence in the WTO system itself, especially at a time when many countries are pursuing regional free trade agreements or economic partnership agreements on their own.

In particular, both countries must put forth new and improved offers on agricultural trade.

The United States must be prepared to reduce trade-distorting production subsidies further. In this regard, the Councils urge the U.S. government and Congress to deliberate on the 2007 Farm Bill with the implications for the DDA firmly in mind. The Councils also strongly urge the U.S. Congress to renew Trade Promotion Authority (TPA) to facilitate approval of the DDA and bilateral Free Trade Agreements (FTAs).

Japan must be prepared to increase market access in agriculture by offering greater reductions in tariffs and increases in tariff-rate quotas. The Councils encourage efforts of the Government of Japan to strengthen agricultural competitiveness within Japan by

accelerating structural reform of the sector, in line with the new Basic Plan for Food, Agriculture and Rural Areas.

While these are politically sensitive and difficult matters, as the two largest economies and leading trading nations, it is critical that the United States and Japan exhibit real leadership. It is also critical that both governments and key constituents in both countries understand that much larger gains will flow to the U.S., Japanese and global economies from further liberalization of trade in goods and services.

### Security and Trade

In the aftermath of 9-11, the need for enhanced security of sea and air-bound freight shipments entering the United States, Japan, and other countries has been heightened significantly. In this era of global supply chains, logistics and transportation is a critical component of business, and balancing these security objectives with the needs of an open, free-flowing trading system is a challenging but essential task.

The U.S. Department of Homeland Security (DHS) has endeavored to do this through the Container Security Initiative (CSI), Customs-Trade Partnership Against Terrorism (C-TPAT), and the so-called 24-Hour Rule. The Government of Japan is currently considering its version of the 24-hour Rule, as is the European Union. Although such measures are essential for improving security against terrorism, some – in particular the 24-hour rule – have made trade between the United States and Japan (and other markets) more costly and complicated. The implementation of such programs should not impede the smooth flow of bilateral trade, and it is important to eliminate measures that add to lead times and costs without providing a clear security benefit.

The Councils urge both governments to establish a bilateral dialogue to reconcile supply chain security and trade facilitation issues. The Councils recognize that it is essential that governments and the private sector cooperate, including through institutions such as the World Customs Organization (WCO), in order to identify and adopt best practices and establish mutual recognition of security and trade facilitation programs. Toward this end, the Councils agreed to study matters relating to security and trade facilitation as part of a Working Group on trade in order to convey practical suggestions for improving the programs to both governments before the next Council meeting.

### **Health Care Innovation**

A fundamental part of maintaining a healthy aging population is having a health care industry that can develop innovative life-saving and life-enhancing products and therapies, shorten hospital stays, and reduce costs.

The U.S. and the Japanese governments are starting to recognize the economic impact of the healthcare industry. In the U.S., President Bush noted that “keeping America competitive requires affordable healthcare” in his address, “Reforming Health Care for the 21<sup>st</sup> Century.” Meanwhile, in his first policy speech since taking office, Prime Minister Shinzo Abe announced “Innovation 25,” a long-term strategy to stimulate innovations in several fields by 2025, including healthcare, engineering and information technology. The 2006 Economic Growth Strategy of the Ministry of Economy, Trade and Industry (METI), also emphasized the importance of the healthcare industry. The Councils believe that the healthcare industry can contribute significantly to sustainable economic growth in both countries, and urge reforms that support innovative industries.

## Pharmaceuticals

In the U.S., the FDA has launched the Critical Path Initiative, a national effort to stimulate and facilitate modernization of the scientific process through which potential human drugs, biological products, and medical devices are transformed from discoveries into actual products. Meanwhile, the Japanese Ministry of Health, Labor and Welfare (MHLW) began revising its Vision for the Pharmaceutical Industry issued in 2002. The Councils recommend that the MHLW consider the following actions in this process:

- **Improve the R&D processes:** The MHLW has introduced several efforts in line with this vision, including increasing the number of Clinical Research Coordinators (CRC). However, attention still needs to be paid to administrative requirements, as well as institutional practices, that pull Japan out of sync with other major markets. The Councils recommend that efforts currently being undertaken by various government bodies be centrally coordinated by the Prime Minister and Cabinet Office.
- **Accelerate the product approval process:** The MHLW has introduced several initiatives to shorten approval times, in line with this vision. The MHLW established a special organization to accelerate product approval on 1<sup>st</sup> October 2006. Furthermore, the Pharmaceutical and Medical Device Agency (PMDA) has decided to increase the number of staff in order to resolve the problem of “drug lag” The Councils welcome the efforts to prevent the drug lag, but, at the same time, actions need to be taken to close the current gap in the review process between the US and Japan. The PMDA’s performance metrics should be actively employed, through dialogue with the health care industry of Japan, the U.S. and Europe as the basis for seeking process improvements and improving consistency and efficiency. At the same time, steps need to be taken to ensure that PMDA staff numbers can continue to grow. The Councils encourage continued meetings of high-ranking officials between FDA and MHLW, in order to improve trust building and information exchange.
- **Enhance IPR protection:** The MHLW has decided to expand the term of data exclusivity from six to eight years. The Councils recommend that the U.S. government consider expanding its data exclusivity from five to eight years, as in Japan.
- **Reform pricing system:** Steps need to be taken to establish a new pricing system that evaluates innovations adequately in the context of a universal healthcare system. Under Japan's universal healthcare system, prices of new pharmaceuticals are determined through a series of complex pricing rules that include comparisons with older, devalued products. All listed products have their prices revised downward every two years. To recognize more fully the value of innovation over a product's patent life, comprehensive pricing system reform should be pursued with a long-term view. In the interim, steps should be taken to make the current pricing system more fully reward and encourage innovation. The Councils urge the Government of Japan to actively discuss reforms with the industry, including the U.S. industry, to seek an alternative to the current pricing system that recognizes more fully the value of innovation, and encourages innovative pharmaceutical R&D in Japan.

## Medical Devices

Medical technology reduces the cost of long-term health care and hospital stays, and many studies have shown that funds invested in medical technology yield far greater benefits than the costs to society, saving and extending lives. However, medical devices and diagnostic technology currently face a number of hurdles in Japan. In particular, the Councils urge the Government of Japan to:

- **Accelerate approval time:** To make the regulatory approval process faster and more efficient so that Japanese patients have more timely access to innovative medical devices, PMDA should speed the approval process and substantially increase the number of medical device reviewers while accelerating the approval of products already approved in other major countries. The PMDA should also allow applicants to use foreign clinical data, without requiring supplemental Japanese data, whenever possible.
- **Expand reimbursement coverage:** Recent technology-based reimbursement differentiation with respect to imaging devices such as Magnetic Resonance (MR) and Computed Tomography (CT) scanners has provided greater incentives to hospitals and clinics to replace outdated technology. On the other hand, total reimbursement for most hospitals in Japan has been reduced. The Councils agree that it is important to evaluate new medical devices with advanced technology in order to ensure medical treatment in the early stage of diseases. However, it is also important to take into account the total medical expenditures and economy of Japan. The Councils urge the MHLW to evaluate new technologies properly and ensure balanced allocation of reimbursement fees that are beneficial to the citizens in Japan.

## **Japan and the U.S. as Global Financial Services Hubs**

Recognizing their critical importance to economic growth, the Councils applaud ongoing efforts by the Japanese and U.S. governments to establish fair and efficient financial and capital markets, and to reinforce their markets' positions as global financial centers. The Councils believe that observance of global best practices in regulations and taxation can help to ensure each market's prominence.

The Councils believe that Japan and the U.S. should assess how treatment of skilled personnel and managers affect the attractiveness of their markets and their citizens involved in the global finance sector, including how they treat managers with responsibilities for their respective regions and how their expatriate citizens are taxed. The U.S. should bring its taxation of expatriates in line with global standards.

The Councils believe that transparency contributes to policy effectiveness by reducing uncertainty in the decision-making of market participants, and promotes financial and systemic stability by enabling better understanding of financial policies. Increased use of open dialogue in policymaking, published criteria for product approvals and administrative sanctions, proper public comment procedures, no action letter systems, interpretive letters and the like significantly improve stability and the ability of companies to comply with laws. The Councils believe that Japan should further clarify its guidelines for financial conglomerates and financial services supervision applicable to foreign financial institutions in order to ensure transparency in implementation of regulatory policy.

The Councils believe that Japan should carefully measure the impact of existing and future tax rules on business activity and economic growth. Japan's effective corporate tax rate should be lowered to international standards. If Japan reviews its consumption

tax regime, the government should ensure that the treatment of such transactions is consistent with global standards and should reconsider treatment regarding the application of consumption tax to transactions between wholly-owned affiliates.

In the U.S., the Sarbanes-Oxley Act has helped to bolster public confidence in the securities market but has also increased significantly compliance costs for listed companies. Japan's new Financial Instruments and Exchange Law (FIEL) incorporates internal controls disclosures and other reporting requirements similar to those in Sarbanes-Oxley. The Councils believe that both governments should continue to review these laws with a view to improving effectiveness while reducing compliance costs and time demands through dialogue with industry participants.

The Councils believe that Japan should carefully study the most efficient way to achieve the important investor protection objectives of the FIEL as it develops the detailed regulations by which companies comply with the new law.

The Councils recommend that further steps be taken to put in place a more transparent and efficient legal and market environment for consumer and commercial lending to ensure a robust supply of credit. The reform of consumer finance laws currently under consideration by the Government should provide a stable and predictable legal framework for the consumer lending sector.

## **Postal Privatization**

### Postal Savings and Insurance

The "Framework of the Implementation Plan Regarding Succession of Japan Post's Businesses" ("Framework") was issued by Japan Post's management on July 31, 2006. The Framework specifies the scope of products and services to be provided by the new Postal Savings (*Yucho*) and Postal Life Insurance (*Kampo*) corporation and puts forward those entities' intention to expand their business scopes quickly.

"Downsizing" and "securing equivalent conditions of competition" are essential to ensuring that the postal savings and insurance businesses, which are government-owned, do not unfairly disadvantage the private sector. Measures to ensure equivalent conditions and competition must be effective, taking into consideration the totality of the circumstances. The Councils continue to urge that *Yucho* and *Kampo* not be allowed to broaden the range of products underwritten/manufactured beyond those currently offered while equivalent conditions of competition are not ensured. In addition, the Councils continue to urge that effective measures be taken to prohibit cross-subsidies among the new (post-privatization) businesses and existing (pre-privatization) businesses.

Accordingly, the process for approval of entry by the new postal entities into new businesses or product areas is critical. In particular, the proceedings of the Postal Privatization Committee, which oversees the progress of the privatization, should be conducted in a transparent manner, such as hearing the views of relevant parties. The Councils strongly request that when the Postal Privatization Committee reviews applications concerning the expansion of the business scope, it should maintain a cautious manner so as to ensure equivalent conditions of competition with private financial institutions.

### Express Delivery

The Framework also specifies the products and services to be provided by the new *Yubinjigyo Kabushiki-gaisha* or Postal Services Company. According to the Framework, the Postal Services Company (PSC) sees expansion opportunities in the international express and logistics businesses. The PSC plans to compete in such services against private companies.

To meet the Postal Privatization Act's goal of "promoting open and free competition" (Article 2), competitive services offered by the PSC should operate under the same regulatory framework and be supervised by the same regulatory agency as competing private sector services. The Framework acknowledges this principle in the case of Japan Post's domestic parcel delivery service (Yu-Pak), but contemplates allowing the equivalent international express delivery services (EMS) to continue to enjoy numerous regulatory advantages over competing private sector services and be supervised by a different regulatory body. EMS' regulatory and other advantages should be eliminated to ensure fair competition.

### **Foreign Direct Investment**

The Councils are concerned that the environment for foreign direct investment (FDI) in both the United States and Japan is becoming less hospitable at a time when it is needed in both countries as a source of capital, technology, and employment. The vast majority of FDI in developed economies such as Japan and the United States occurs through cross-border Mergers & Acquisitions (M&A), so it is critical to establish an atmosphere, as well as the rules and processes, in which transactions between foreign and domestic companies are welcome.

As the leading host and source of FDI, the United States sets an example. Accordingly, the Councils urge the U.S. Congress to take great care in making any revisions to the CFIUS (Committee on Foreign Investment in the U.S.) process by which proposed transactions are reviewed for their national security implications. In the Councils' view the CFIUS process should remain objective and fact-based so that potential deals are evaluated solely on national security grounds.

The Councils are very concerned that "net" FDI inflows in Japan remain lower than FDI levels in other major economies. The Councils therefore welcome Prime Minister Abe's pledge to double inward FDI by 2010, and urge the government to move much more proactively and aggressively to improve the investment environment, including a review of regulations that impede FDI.

Moreover, a functional environment for cross-border M&A is still needed in Japan. The triangular merger mechanism allowing foreign subsidiaries in Japan to use parent-company stock as consideration in cross-border M&A transactions, which will be effective as of May 1, 2007, is a welcome step. The Councils urge the Government of Japan to implement rules allowing both appropriate shareholder protection and flexible tax deferral on such transactions at the same time so that this can be an effective tool for enabling "friendly" transactions between willing parties.

## **Intellectual Property**

The Councils understand that recent changes in the business environment, characterized by progress in globalization and the rapid spread of information technology, are making intellectual property increasingly important as a source of corporate value and a driver of innovation. The Councils believe that the United States and Japan share a common interest in strengthening intellectual property rights both domestically and globally. The Councils urge the two governments to show leadership in the following areas:

- First, the Councils encourage both governments to consider initiatives such as the Patent Prosecution Highway, the Substantive Patent Law Treaty, and a Patent FTA as key measures for an international patent system. Vital to this will be U.S. adoption of a first-to-file system, in order to bring U.S. practice into conformity with international rules and procedures. After first discussing the need for this change ten years ago, the Councils are pleased to note that legislation recently introduced in the U. S. Congress addresses this important matter, and hope to see solid progress in this area.
- Second, the Councils urge the U.S. government to improve its patent system by ensuring the quality of patent examinations, the expertise of district court judges and the reasonableness of court proceedings and damage awards. The Councils also urge the Government of Japan to shorten the patent examination period and to establish uniform criteria for determining inventiveness and patentability so as to avoid conflicting standards between the Japan Patent Office and courts.
- Additionally, the Councils urge both governments to work jointly, as well as through public-private partnerships, to eliminate intellectual property infringement in third countries by encouraging the governments of these nations to take independent measures to address these problems. In particular, the Councils support continued collaboration in combating piracy and counterfeiting, including efforts toward the possible international legal framework on preventing the proliferation of counterfeit and pirated goods.
- Finally, the Councils request both governments to take steps to address new issues brought about by globalization and the advent of digitization. These include achieving a balance between the protection and utilization of media content. It is necessary to clarify the assessment method for the allocation of profit among entities and implement promptly and efficiently transfer pricing and tax measures such as Advanced Pricing Agreements and the Mutual Agreement Procedures.

## **Labor Market Flexibility**

Labor market flexibility is one of the chief factors in improving productivity, a critical component of economic growth. As experience from economies such as the United States shows, more flexible rules on employment practices and benefits can encourage a more dynamic and mobile labor market that increases productivity, as well as innovation, investment, job creation, worker welfare, and competitiveness. Accordingly, the Councils urge both the U.S. and Japanese governments to make labor policy issues a higher priority in terms of domestic policy, as well as in bilateral policy discussions.

There are new labor market challenges that must be met in both countries. In the United States, as the number of workers in short-term employment increases, ensuring that they have sufficient skills and capabilities is an increasingly important part of Human Resources (HR) policy, as well as education policy.

In Japan, creating better working opportunities to meet various interests and needs of society – such as work-life balance, diversity management, and managing an older workforce – have become priority issues as the birthrate declines and society ages.

The Councils recognize that it is crucial to establish a better labor policy environment in Japan as a result of recent policy discussions such as: (1) the Labor Policy Council on Labor Contract Rules and Working Hour Management; and (2) the review team on the Defined Contribution (DC) pension plan. In this regard, the Councils urge the Japanese government to:

- **Introduce pecuniary settlement for dismissal:** New rules on labor contracts should be created which would result in judicial decision-making options that are more acceptable to both parties in a lawsuit. New rules should also be implemented in consideration of varying types of cases that arise in connection with different business models.
- **Introduce white collar exemption rules:** New rules on exemption from working hour management should be created to expand and define better the category of “overtime exempt” employees and promote performance and merit-based employment standards. In parallel, the existing discretionary work system should be fundamentally reviewed for its necessity.
- **Improve Defined-Contribution (DC) pension plans:** Improvement of DC plans along the lines suggested under Pension Reform (below) will help make the labor market more flexible by increasing worker mobility.

## **Pension Reform**

The Councils continue to believe that the reinforcement of corporate pension schemes to supplement national pension schemes in Japan is increasingly important in light of rapid demographic and social changes. In particular, the expansion of the Defined Contribution (DC) Pension Plan system is needed not only to reinforce overall pension schemes but also to reinvigorate capital markets and enhance labor market flexibility.

The Councils ask the Government of Japan to review and improve the DC Pension Plan system by: 1) increasing contribution limits substantially; 2) abolishing the special corporate tax; 3) allowing voluntary employee matching contributions; 4) expanding eligibility for participants; 5) relaxing restrictions on access to DC Pension funds; 6) enhancing portability of DC Plans; and 7) encouraging flexibility in the types of investment options available under DC plans.

## **Energy and Environment**

The Councils continued to discuss the impact of growing worldwide demand for energy, high energy prices, and global climate change. The Councils encourage greater efforts on the part of government, industry and consumers to address these issues. Sustained efforts to increase energy conservation, including through the accelerated development and application of new or alternative technologies, are essential in reducing greenhouse gas (GHG) emissions. A coherent regulatory environment that takes into account both the specific circumstances of each country and realistic economic costs and technological capabilities is essential.

### Climate Change

It is important for governments and industry to begin focusing on an effective and practicable international scheme post-Kyoto that takes into account the need to maintain economic growth while addressing the increasingly evident urgency of the challenge. The Councils continue to believe that one of the most realistic and effective schemes will be a market-driven approach emphasizing new technology and the inclusion of all major GHG producers. Governments should provide consistent rules that provide regulatory certainty to companies operating in one or more countries.

### Energy Conservation

In cooperation with both governments, U.S. and Japanese industries can contribute to energy conservation efforts in the United States and Japan, as well as in third countries, through: 1) the development and commercial deployment of more efficient technologies; and 2) the application of building codes and product standards based on appropriate energy-efficiency technologies.

### Nuclear

Nuclear power generation has become an increasingly important component of both energy security and CO<sub>2</sub> emission reduction. U.S. and Japanese companies should partner globally to further develop this source of clean energy through initiative such as the Global Nuclear Energy Partnership.

### Renewables

Renewable energy sources such as wind and solar can help promote energy security, diversification, conservation, and the reduction of GHG emissions. Both the U.S. and Japanese governments should therefore be exploring all possible short- and long-term incentives to encourage further research in and development and deployment of these key sources of energy by all potential suppliers in this industry.

### Clean Coal Technologies

There is a need for both a regulatory framework and incentives to encourage the development and prove the viability of clean coal technologies, including Integrated Gasification Combined Cycle (IGCC), with carbon capture and sequestration, taking the specific circumstances in each country into consideration. The ability to offer this energy source at affordable prices depends to a large extent on the ability to develop a number of commercial-scale projects that will, over time, drive cost reductions. American and Japanese companies can cooperate in these efforts.