U.S. Chamber of Commerce International Affairs | U.S.-Japan Business Council | JUBC Japan-U.S. Business Council

**JOINT STATEMENT**

**61st U.S.-JAPAN BUSINESS CONFERENCE**

Washington, DC

October 10-11, 2024

Members of the U.S.-Japan Business Council and the Japan-U.S. Business Council (the "Councils") held the 61st Annual U.S.-Japan Business Conference on October 10-11 in Washington, DC. The Councils jointly represent 136 companies from both the United States and Japan, with sectors including the digital economy, financial services, healthcare, energy, infrastructure, travel, tourism, and transportation.

Following a historic summit between President Joe Biden and former Prime Minister Fumio Kishida in April 2024, and recent efforts such as U.S.-Japan Economic Policy Consultative Committee (Economic "2+2") and Japan-U.S. Commercial and Industrial Partnership (JUCIP), the U.S.-Japan partnership is entering a new era. Trust between the two nations has never been higher.

The 2024 Conference convened senior business leaders from the United States and Japan, who shared common views on challenges and opportunities, such as addressing climate change and energy security with realistic and effective actions; strengthening the resiliency of semiconductor supply chains; promoting innovation and appropriate governance in AI; fostering innovation in the healthcare sector; and bolstering efforts to ensure a robust workforce and talent pipeline across all sectors. The Councils also believe that collaboration should be further strengthened in third country markets, including those in emerging economies, to foster more resilient, sustainable, diverse, and inclusive societies and promote a more transparent and rules-based international economic order. To achieve these goals, the Councils committed to:

1. **Urge both governments to grow their support for basic science and research and development in semiconductors, large language models, and quantum computing with the aim of cementing U.S. and Japanese leadership in critical and emerging technologies.**

   The U.S. and Japan are global leaders in semiconductor, AI, and quantum computing development and implementation. Maintaining this advantage requires sustained and proactive policy support and investment in research and development of advanced chips, the more sophisticated AI models that will run on them, and computational power to solve problems beyond the capabilities of classical computing. There is also a need for research into how to manage the risks of AI use, such as privacy and misinformation, copyright issues, and job displacement. Therefore, the Councils recommend that both governments:

   - Strengthen bilateral and public-private collaboration on R&D as well as manufacturing of next-generation semiconductors, AI models, quantum computing and quantum networking, and the accompanying governance and legal issues that must be addressed to enable responsible and efficient deployment of AI-based technologies;

- Sustain recent efforts to create resilient semiconductor supply chains, including diversification of procurement sources (including critical minerals), a light-touch regulatory system to ensure access to necessary essential materials, including chemicals, and support companies' decisions to seek optimal placement of production bases;
- Strengthen the technical and investment aspects of cybersecurity, especially through strengthening public and private sector cooperation in the U.S. and Japan to protect critical infrastructure, to address emerging risks associated with the advancement of AI;
- Adopt a risk-based approach to AI to avoid unnecessary restrictions to unlock innovation, value, and greater productivity, recognizing efforts by some companies to realize interconnected AI models toward such goals;
- Strengthen public-private cooperation in and between the U.S. and Japan to promote innovation in next-generation technologies such as high-density integration, optoelectronic integration, and silicon carbide semiconductor materials and power devices;
- Identify future competitive technology areas and formulate strategies to develop the U.S. and Japan's mutual competitiveness, and coordinate policy and restrictions on export of foundational technologies essential to future competitiveness and security (e.g., in semiconductor, AI, and quantum computing); and
- Ensure technology used to power critical systems and essential services should come from trusted sources, particularly given the rising use of cloud-controlled systems, updatable software, and virtualized hardware, and leverage AI as a tool to enable greater digital resiliency and observability to boost human capabilities to defend critical systems.

## 2. Encourage both governments to work together to facilitate energy security in the Indo-Pacific region and to make realistic energy transitions toward carbon neutrality.

The rapid advance of technology such as generative AI and the expansion of data center utilization creates an urgent need for stable energy supplies to meet accelerating demand. At the same time, international cooperation to achieve carbon neutrality remains a top priority. The business communities of both countries should promote the adoption of realistic solutions to the so-called energy trilemma (ensuring energy security, equitable access to energy, and a sustainable global environment) with specific action plans. Therefore, the Councils recommend that both governments:

- Promote realistic, technology-neutral programs that advance the energy transition through creating a reliable energy mix using currently available generation sources such as renewable energy (solar, wind, hydro, geothermal), LNG, hydrogen co-firing, ammonia co-firing, nuclear power, and biomass. Regulators should consider and account for the unique needs of each region and industry while maintaining a focus on steady and affordable objective reductions in greenhouse gases (GHGs);
- Elevate and advance the U.S. Department of Energy's Measurement, Monitoring, Reporting, And Verification (MMRV) Working Group, which aims to create internationally comparable and reliable information on the methane, carbon dioxide and other greenhouse gas emissions of the natural gas lifecycle, to enable natural gas providers to compete on the basis of verifiable claims of lower carbon emissions in their products;
- Strengthen cooperation among the U.S., Japan, and other like-minded countries on the financial and non-financial policy supports needed to promote technological innovations such as Carbon Capture, Utilization and Storage (CCUS), innovative reactors including Small Modular Reactors (SMRs), grid utilization, renewable and zero-emissions technologies, and efficient production of sustainable aviation fuel (SAF) to achieve carbon neutrality by 2050;
- Promote carbon-recycling products such as e-methane (synthetic methane) and e-fuel (synthetic fuel), and support ongoing efforts by companies signing Letters of Intent (LOI) to avoid CO2 double counting to promote those products;
- Enhance the provision of transition finance and the development of energy infrastructure, especially low-carbon energy, in emerging economies appropriate to the situation in each country; and
- Enhance collaboration between the public and private sectors to leverage digital tools to modernize grid

operations and more effectively integrate variable energy sources.

### 3. Encourage government initiatives to promote innovation and ensure stable supply for healthcare goods that support health and welfare.

In both countries, which face the challenges of an aging population and widening economic disparities, the provision of accessible, advanced medical and care services is a fundamental necessity to ensure the public's well-being. It is imperative that both countries cooperate to ensure stable supplies of medical and pharmaceutical goods and patient access to advanced medical care, as well as to improve convenience and efficiency through digital technology. Therefore, the Councils recommend that both governments:

- Enhance coordination between government agencies in the U.S. and Japan to promote innovation in healthcare and nursing care;
- Collaborate to diversify supply chains, including inputs to ensure a stable and secure supply of pharmaceuticals and medical devices;
- Establish rules and infrastructure for efficient utilization of healthcare and nursing care data;
- Enhance incentives in Japan's biopharmaceutical ecosystem to encourage greater investment and early patient access to new therapies and technologies, including through reforming pricing rules in Japan to better assess product value and enhance the predictability of the system. This will help ensure continued investments in drug discovery innovation overall and in innovative therapies where there is a significant unmet need, such as regenerative medicine, cell and gene therapy, and digital therapeutics; and
- Promote harmonization of regulations in order to promptly approve safe and effective pharmaceuticals and medical devices.

### 4. Create a predictable and supportive regulatory environment to enable businesses to effectively recruit, train, and retain top-quality workers.

The Councils urge both governments to work together with the private sector to ensure workers are trained on the latest skills and that visa requirements and quotas in both countries reflect the sectors facing the highest shortages of workers. Therefore, the Councils recommend that both governments:

- Routinely discuss workforce challenges with the private sector and use this data to inform workforce training initiatives and programs, and support private sector efforts to promote diversity and inclusion;
- Provide grants and other policy supports to enable job seekers to reskill themselves to meet the workforce needs of today, with considerations for small and medium sized business workers and non-regular workers;
- Recognize the unique challenges facing seasonal professions, especially those in the travel, tourism, and transportation sectors, and develop policies to ensure these industries can access talent when needed; and
- Promote enhanced productivity and improved treatment of first-line workers who support society (transportation, logistics, hospitality, healthcare, construction, security, etc.), and share best practices.

### 5. Enhance the role of the financial services sector in addressing shared challenges and strengthening the global economy.

The Councils encourage efforts by both governments to support the growth of a healthy financial system, realize a sustainable society, advance international cooperation in finance, promote digital financial innovation, and secure a brighter future. Therefore, the Councils recommend that both governments:

- Aim for regulatory coherence, a level playing field, and implementation of the finalized Basel III framework in line with international agreement to maximize the prudential deployment of private capital;
- Encourage efforts to support decarbonization and financial inclusion, such as by promoting sustainable finance and blended finance initiatives with multilateral development banks, and to narrow the protection gap in emerging economies;
- Pay close attention to the financial needs of small and medium sized enterprises and adapt regulations to

meet those needs;
- Promote digital financial innovation in areas such as digital asset, data connectivity and AI; and
- Pursue policies to support Japan's development as an international financial center and as a nation facilitating asset management. The Councils support Japan's "Policy plan for Promoting Japan as a Leading Asset Management Center."

## 6. Accelerate momentum for multilateral collaboration with Indo-Pacific partners.

To strengthen U.S.-Japan leadership in promoting Free and Open Indo-Pacific, the Councils recommend that both governments:

(1) Strengthen partnerships with other countries in the region.
- Build partnerships for shared prosperity in the Indo-Pacific region based on the rule of law and with respect for each national and regional culture.
- Support U.S.-Japan private sector collaboration and partnerships to bring greater prosperity to emerging economies.

(2) Bolster quality infrastructure investment.
- Promote investment through international frameworks such as the Partnership for Global Infrastructure and Investment (PGII) based on ensuring investment governance, such as the G20 Principles for Quality Infrastructure Investment.
- Adhere to international principles for sound third-country infrastructure investment based on mutual benefit.

(3) Maintain and strengthen a free and open international economic order.
- Reaffirm the U.S. and Japan's support for free and open flows of foreign direct investment between our two countries.
- Ensure investment screening measures are narrowly tailored to national security concerns and such review mechanisms operate in a rule-based manner to ensure transparency and facilitate investments among trusted partners.
- Recognize the importance of trade liberalization agreements, including but not limited to initiatives such as the Indo-Pacific Economic Framework (IPEF) and CPTPP, as key levers to achieve economic resiliency and promote a Free and open Indo-Pacific.
- Enhance U.S.-Japan cooperation to address trade-distorting actions and market-distorting measures, such as pervasive and harmful industrial subsidies, all forms of forced technology transfer, and abuse of intellectual property rights.
- Coordinate U.S. and Japan joint efforts to ensure strong supply chain resilience with major trading partners, including the European Union, by working cooperatively to ensure sound science, risk-based regulations to secure access to essential raw materials for manufacturing priority industries such as defense, semiconductors, decarbonizing technologies, health products, among others.
- Address economic coercion in cooperation between the U.S. and Japan, as well as with other countries in the Indo-Pacific region.
- Promote data flows in the region through initiatives such as the Data Free Flow with Trust (DFFT) and the Global Cross Border Privacy Rules (CBPR) Forum in the Indo-Pacific region as a basis for strengthening economic linkages, including rule-making in frameworks such as the OECD's DFFT Experts Community, IPEF, and promotion of practical projects to accelerate data distribution.

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.

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# Digital Economy

In April 2024, President Joe Biden and Prime Minister Fumio Kishida agreed to strengthen U.S.-Japan cooperation on critical and emerging technologies, with a focus on cybersecurity, AI, quantum, and semiconductors. The U.S.-Japan Business Council and the Japan-U.S. Business Council ("the Councils") welcome a joint technology agenda for closer semiconductor cooperation bilaterally and with like-minded countries to strengthen global semiconductor supply chains, recognizing the importance of semiconductors to various industries and national security. In a similar vein, given the ever-growing importance of cybersecurity to national security as evidenced by the updated national security strategies of both countries, we commend the bilateral commitment to establish a new cybersecurity working group that will develop an action plan for mutual recognition of cybersecurity labeling schemes with input from relevant experts. In addition, continued emphasis should be placed on the promotion of strong digital trade rules, such as those enshrined in the U.S.-Japan Digital Trade Agreement, and the free flow of data, a key pillar of the global digital economy. As our two countries work to address societal concerns and facilitate sustainable growth via our deep partnership across the digital economy, we recommend that the governments consider the following policy recommendations:

## 1. Enshrine cross-border data flows in trade and digital agreements.

The digital economy remains a major driver of economic growth around the world, and organizations of all sizes and industries rely on the movement of data to thrive. This need for efficient and effective cross-border data flows will only accelerate in the era of AI and as other innovations emerge. However, some governments have called for a policy of data localization based on a misguided belief that keeping data onshore will provide better security and protection. In reality, data localization increases compliance costs, weakens security, creates new areas of cybersecurity vulnerability, and impedes the openness and accessibility of the global Internet.

The Councils urge the U.S. and Japanese governments to push back against efforts that promote data localization and undermine open cross-border data flows by advancing shared principles for responsible data management and cybersecurity, such as through the Data Free Flow with Trust ("DFFT") initiative and implementing the 2023 G7 digital commitments. We strongly encourage the two governments to continue to uphold the free flow of data in multilateral fora, such as the G20, OECD, APEC, and the WTO, and to promote these principles through established mechanisms, such as the APEC Cross-Border Privacy Rules ("CBPR") System, the Global CBPR Forum, and the workstreams under the OECD DFFT Experts Community. The Councils urge the Biden administration to restore U.S. leadership on digital trade policy and work closely with partners like Japan to reinforce strong digital trade rules that facilitate data flows, protect intellectual property, and prevent discriminatory treatment of businesses based on nationality. The Councils also recognize the importance of digital governance, such as privacy, data protection, and trustworthiness, to further promote the digital transformation of society, however these policy objectives are consistent with, not hindered by, our trade obligations.

## 2. Bolster U.S.-Japan leadership in critical and emerging technologies.

Semiconductors are strategically important to economic and national security given their essential role in digitizing the world and powering nearly all industries. Notably, chips are necessary for advanced information and communications technology ("ICT") sectors, which are critical to secure supply chains. As such, close coordination between the U.S. and Japan is required not only to fill critical gaps in the semiconductor supply chain, but also to reinforce supply chain resilience throughout the entire semiconductor ecosystem. As the U.S. and Japan seek to strengthen their role as global leaders in the development and protection of this critical technology, the two allies should develop a bilateral mechanism involving the U.S. Department of Commerce, Japan's Ministry of Economy, Trade and Industry, and the private sector of both countries. Building on the U.S.-Japan Competitiveness and Resilience ("CoRe") Partnership launched in April 2021, this initiative should complement multilateral supply chain strengthening efforts under

the Indo-Pacific Economic Framework for Prosperity ("IPEF"). A formal public-private dialogue would help prepare both countries for supply chain disruptions. As part of this regular exchange, the Councils encourage both governments to continue to ensure that their respective semiconductor incentive programs are open to both U.S. and Japanese companies and joint ventures. Additionally, these incentive programs should support R&D, design, and production of the full range of semiconductor technologies.

The Councils urge the two governments to accelerate the implementation of cutting-edge quantum technology, in areas including quantum computers, quantum secure communications, and quantum networking, and the implementation of demonstration schemes and joint development based on the CoRe Partnership. In addition, both countries should work to identify and protect rule-based standards for development processes, secure the supply chain for critical inputs necessary for quantum technology, and implement approaches that bolster industry capacity in key standard-setting processes for emerging and critical technologies, including quantum technology.

## 3. Promote trustworthy AI and empower the workforce with 21st-century digital skills.

As technology innovation advances rapidly, it is crucial to develop and utilize AI not only for consumers but also for industrial use to enhance economic productivity and achieve a resilient and efficient society. It is also essential to develop human-centric and trustworthy AI to maximize social benefits of the technology. As discussions on AI regulations continue globally, the Councils recognize the importance of ensuring that AI governance keeps up with the rapid pace of technological innovation while ensuring that innovation can take place in an interoperable environment of rules and standards to properly utilize AI on a global scale. We urge the two governments to lead in achieving these goals while cooperating with relevant stakeholders, including industry. To this end, the Councils welcome the leaders' commitment to further advance the Hiroshima AI Process and strengthen collaboration between the U.S. and Japanese AI Safety Institutes. We believe establishing trust is foundational for the successful and secure deployment of AI. We encourage the two governments to work toward adoption of practices that enable the use of trusted vendors, support trusted enterprises, and build trusted governments.

Additionally, to ensure the responsible development and use of AI across all players in the AI ecosystem, it is essential to endorse transparent, multi-stakeholder approaches to AI governance that are informed by internationally recognized standards and frameworks. This includes developing voluntary standards, frameworks, and codes of practice that can bridge the gap between AI principles and implementation. Multi-stakeholder initiatives have the greatest potential to identify gaps and mobilize AI actors to address them. The United States' National Institute of Standards and Technology's ("NIST") Artificial Intelligence Risk Management Framework ("AI RMF") and Japan's Ministry of Economy, Trade and Industry ("METI") AI Governance Framework offer a good basis to coordinate on bilateral interoperability of AI governance, given their shared emphasis on agile governance, a risk-based approach, promoting safety, transparency, and accountability while fostering innovation, making both suitable models for broader inspiration and adoption. We welcome the launch of the AI Safety Institute (AISI) by the Government of Japan in February 2024 and call on the two governments to accelerate cooperation between the AISIs to establish interoperable AI safety assessments.

With businesses looking at upskilling employees on AI, there is an urgency, particularly in Japan, to empower the workforce with basic digital skills and specialist trainings. Both the public and private sectors should invest in programs that help ease worker transitions and improve incentives for businesses to invest in training. Education systems must also adapt through policy reform to better prepare students in both the K-12 and higher education systems for developing AI and machine learning systems. And through these efforts, we should address the digital divide. Collaboration between governments and businesses is vital, as businesses' access to a global skilled workforce will be critical to its ability to succeed across borders. Additionally, both governments should raise public awareness regarding the innovation and benefits of AI across the economy and society to help the public better understand how to maximize its use in their daily lives. When using AI technologies, it is important to respect and safeguard the intellectual property ("IP") rights of creators and owners. Governments must provide clear and predictable standards that ensure full respect for IP protection and enforcement with respect to AI, including through patents, trademarks, and copyrights.

AI and other technologies can also be used to support climate resilience and the green transition by enabling existing technology to operate more efficiently. For example, AI models can enable better balancing of the electrical grid by providing grid managers with more accurate demand forecasts. Meanwhile, the Councils recognize the exciting potential for data centers to drive innovation in energy by considering their environmental impacts thoughtfully and collaborating with new and existing energy providers to meet their power needs. Optimizing data center energy efficiency through energy-saving innovations, such as next generation semiconductor technologies including high-density integration, optoelectronic integration, silicon carbide materials, power devices, cooling systems, thoughtful water use policies, and energy management, will be crucial to realizing sustainable development objectives with AI.

## 4. Develop and promote a resilient and reliable next-generation ICT infrastructure.

The Councils believe that secure and trusted next-generation telecommunications infrastructure will enable innovation and new opportunities across all industries by accelerating digitalization of wireless infrastructure. We believe that governments should seek an all-of-the-above solution to advance communications infrastructure including fiber, wireless, fixed wireless, and satellite. In the wireless space, we believe that an open, interoperable architecture can help enhance economic security by expanding options for selecting trusted vendors and diversifying supply chains. Based on the U.S.-Japan Global Digital Connectivity Partnership launched in May 2021, we urge both governments to continue to establish clear, secure, and trusted information and communications technology ("ICT") 5G technology public policies to accelerate development and voluntary adoption, as well as the use of virtual, open, interoperable, and standards-based network technologies and solutions including those for radio access networks ("RANs"), optical transport, and network management both domestically and internationally. It is also important to strengthen cooperation between both governments in 6G, next-generation radio communication technology beyond 5G. While the private sector is driving the development of 6G, both governments can play an important role in realizing the promise of 6G through research and development, bilateral and multilateral cooperation, and standards development.

Further, sound spectrum policy should be a key goal of both governments. A sound spectrum policy is critical to the business community and its consumers, as well as to fulfilling important national objectives including national and homeland security, job creation and economic growth. Both governments should focus on developing modern spectrum pipelines that consider all spectrum access models, engage in long-term spectrum planning, investment in spectrum research and development, and ensure coordination on spectrum policy across each government.

Finally, we encourage the two governments to take initiative in accelerating the adoption of these technologies by implementing their commitments to invest in research, development, testing and deployment. We recognize that it is important to develop, build, and maintain a multi-layered network consisting of not only terrestrial networks, but also non-terrestrial networks and submarine cables among others, to bolster the reliability and strength of the overall information and communications network. From this viewpoint, we call on both governments to continuously strive to further collaborate with like-minded partners, including those in the Global South, to build a highly reliable and strong network by leveraging the international communications infrastructure (such as transoceanic submarine cables), thus bolstering global connectivity. We encourage coordination between likeminded governments to spur advances in next generation foundational technology (e.g., chip development, quantum, and AI) through active and robust participation in standards development organizations.

## 5. Leverage cybersecurity to deploy a safe and secure infrastructure.

The Councils recognize that effective cybersecurity risk management, especially regarding critical infrastructure, is vital to the economic and national security of both countries. Given the evolution of cybersecurity threats and their increased frequency and sophistication, use of digital technologies to bolster infrastructure resilience will be key to managing risks. Moreover, the Councils recognize that a risk-based approach is more effective for managing cyber risk than prescriptive regulation. As such, we encourage both governments to discuss current and anticipated cyber regulation, balancing the need for safety and innovation while ensuring harmonization of regulation and standards to maximize cross-border value creation. The use of outdated digital devices that are no longer supported by their manufacturers can pose security risks to critical networks and information systems. Both governments should consider ways for critical infrastructure owners or operators to address these risks when such devices are beyond their supported lifecycles.

As the U.S. and Japan take steps to strengthen cybersecurity across government, critical infrastructure, and supply chains, approaches to cybersecurity should adhere to internationally recognized cyber risk management frameworks that are relevant across sectors that businesses can utilize to enhance their security over time. Allowing industry to combat evolving cyber threats with evolving best practices and globally recognized standards, such as the NIST Cybersecurity Framework, permits a more flexible, current, and risk-based cybersecurity approach. Furthermore, increasing the use of cloud and AI as essential enablers of cybersecurity capabilities as well as enabling the rapid sharing of cybersecurity vulnerability and threat information between countries and critical industry will be key to strengthening cyber capacity and resilience. A more aligned international approach to cyber policymaking also streamlines the process for SMEs that need to strengthen their cybersecurity capabilities to integrate into global supply chains. The Councils urge the U.S. and Japanese governments to lead in enhancing cybersecurity cooperation for critical infrastructure in the G7 and the Global South.

The international approach should include continued efforts toward mutual recognition of Internet of Things ("IoT") cybersecurity labeling program and agreement on the key elements of the Secure Software Development Framework ("SSDF") and the software bill of materials ("SBOM") to ensure interoperability of policies for secure IoT and software development.

We encourage the two governments to include the U.S.-Japan Digital Trade Agreement's cybersecurity provisions in future trade agreements, including the WTO joint initiative on e-commerce and the trade pillar of IPEF.

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# Energy and Infrastructure

Industry and governments around the world have been working hard to meet ever-growing energy demand while simultaneously ramping up efforts to reduce greenhouse gas emissions in pursuit of carbon neutrality. At the same time, countries have renewed their policy focus on energy security due to the increasingly unpredictable geopolitical environment.

With the advancement of technology such as generative AI and the expansion of data center utilization, there is an urgent need for stable energy supplies to meet accelerating demand. It is crucial to strengthen energy resilience as well as achieve the energy transition through the entire energy supply chain.

The U.S.-Japan Business Council and the Japan-U.S. Business Council (hereafter "the Councils") believe that the U.S. and Japan must remain global leaders in promoting a stable and responsible global system that prioritizes achieving a more sustainable power sector and ensuring an affordable, reliable, and stable energy supply for both developed and developing countries.

Achieving carbon neutrality and enhancing energy security requires careful planning and international collaboration on pragmatic policies to advance a sustainable transition as well as designing an overall concept which includes energy production, power grids, efficiency measures and consumption. Every country has a different resource mix and is at a different stage of its energy transition pathway. Obviously, there can be no one-size-fits-all approach or collective pace, so we need to advance solutions that complement efforts to enable a balanced energy transition.

In addition, the Councils remain committed to U.S.-Japan cooperation in support of a Free and Open Indo-Pacific (FOIP) for the prosperity and security of the region. The Councils also see Southeast Asian countries as important stakeholders in achieving FOIP.

## 1. Continuing Efforts for Strengthening Energy Security

The Councils welcome that the U.S. and Japanese governments continued their Energy Security Dialogue and held a 1.5 track dialogue with the private sector last year. Considering the current uncertainties related to energy security, such as volatile energy prices and global competition over resources, it is important to continue these dialogues to promote stability and predictability.

We further acknowledge that natural gas and liquefied natural gas (LNG) play, and will continue to play, a vital role globally in helping countries reconsider reliance on coal and advance their economic growth and decarbonization objectives. The 2024 G7 communique reflects these sentiments when, it stresses "the important role that increased deliveries of LNG can play and acknowledge[s] that investment in the sector can be appropriate in response to the current crisis and to address potential gas market shortfalls provoked by the [current] crisis."

As the International Energy Agency (IEA), and numerous other credible energy forecasting entities, sees a role for natural gas in paving the way to a renewables-heavy energy mix, as well as a backup power source, LNG will continue to be important not only in the short term, but also in the long term. This is especially true for countries that have limited alternative low carbon energy sources to meet growing demand. This fundamental view was recognized in the final negotiations of the 2023 United Nations Climate Conference in Dubai (COP28), which concluded that "transitional fuels can play a role in facilitating the energy transition while ensuring energy security"- a clear signal of support for the role of natural gas in emissions reductions.

Meanwhile, the lack of consistency and transparency in the measurement and reporting of methane emissions has been a challenge for the LNG market. The Councils support the work of the U.S. Department of Energy's Measurement, Monitoring, Reporting, and Verification (MMRV) Working Group, which aims to create an internationally recognized standard for certifying the carbon emissions of natural gas products. This standard is an important step toward enabling LNG suppliers to compete on the basis of verifiably lower emissions than their competitors and will open new opportunities to lower emissions across the value chain.

Addressing emissions and carbon intensity throughout the natural gas value chain are an important priority for countries, investors, off-takers, and suppliers looking to ensure energy security and move projects forward. The Councils further support the progress of the Japan-U.S. Clean Energy and Energy Security Initiative (CEESI), which was established in May 2022 as the preeminent Japan-U.S. ministerial-level energy dialogue and which has thus far initiated knowledge sharing in carbon capture, utilization and storage (CCUS) / carbon recycling and civil nuclear energy.

The Councils recommend that the U.S. and Japanese governments consider the following measures to enhance energy security and resilience for a stable worldwide energy supply:

- Support the development and deployment of infrastructure to increase the capacity and efficiency of exporting U.S. LNG to the Indo-Pacific while accelerating the deployment of clean energy technologies in the region;
- Elevate and advance the U.S. Department of Energy's Measurement, Monitoring, Reporting, and Verification (MMRV) Working Group, which aims to create internationally comparable and reliable information on the methane, carbon dioxide and other greenhouse gas emissions of the natural gas lifecycle, and to enable natural gas providers to compete on the basis of verifiable claims of lower carbon emissions in their products;
- Increase energy supply through inter-governmental frameworks among like-minded countries and support investments in energy infrastructure to diversify supply chains and sources of energy, instead of depending on a single source;
- Expand utilization of nuclear power and promote the new generation of safer reactors which can contribute to the enhancement of energy security as a key source of safe, resilient, and green baseload power;
- Continue the Japan - United States Energy Security Dialogue, which strengthens the two countries' bilateral partnership on energy security and maintain its 1.5 track dialogue with related private sector partners in order to exchange thoughts and achieve alignment between governments and the private sector;
- Boost activities of the Coalition for LNG Emission Abatement toward Net-zero ("CLEAN") – an initiative by buyers and producers of LNG which aims to reduce methane emissions in the value chain; and,
- Drive discussions for managing and reducing carbon intensity through expansion of low carbon hydrogen and $CO_2$ capturing solutions. Each country, considering its own energy and economic situation, should work toward establishing carbon intensity targets for the production, import and consumption of low-carbon hydrogen in an effort to advance decarbonization activities.

## 2. Developing Schemes for Sustainable Transition

The Councils are aware that the energy transition is far more complicated than simply turning off fossil fuels and switching on renewables. It requires a balancing act between decarbonizing our society and ensuring secure, stable and affordable energy supplies for each country. Every country has different energy requirements and resource constraints which require a pragmatic, transparent and phased approach toward carbon neutrality.

Various solutions are available, including e-methane/e-natural gas, biogas, carbon capture systems, nuclear power, batteries, low-carbon hydrogen, and ammonia in addition to employing natural energy resources such as solar, wind, geothermal, and pumped storage hydropower. Technology development and innovation are critical to expanding adoption of these solutions, and we must also offer the private sector a fair return in order to increase the number of actual projects using these solutions, because limited incentives and support make it hard for commercial developers to greenlight resources and capital for such projects.

The Councils acknowledge the need to expand and modernize power grids and energy infrastructure to keep pace with ambitious goals for both renewables deployment and stable energy supply, and it is expected to explore means to boost investment in power grids and share best practices for grid modernization.

The Councils welcome that the governments of the U.S. and Japan have started a high-level policy dialogue on the synergies between the U.S. Inflation Reduction Act (IRA) and Japan's Green Transformation (GX) Promotion Strategy. These synergies will be one of the key thoughts and approaches for decarbonizing the power sector in both countries and reducing reliance on less resilient sources of supply in other goods. The approach must be to enhance flexibility and affordability, achieve industrial competitiveness, promote decarbonization and circularity, and strengthen economic and energy security.

The U.S. and Japan's continued efforts to achieve a carbon neutral world through "the policy dialogue on the synergies between the U.S. IRA and Japan's GX Promotion Strategy" will be the new core of U.S.-Japan cooperation in this area. The Councils urge the two governments' support for the following initiatives to accelerate decarbonization:

- Support continued implementation of the Memorandum of Cooperation between the Ministry of Economy, Trade and Industry of Japan and the U.S. Department of Energy concerning collaboration in the field of CCUS / conversion and recycling, and $CO_2$ removal;
- Continue commitment on switching to natural gas, a stable and dispatchable cleaner power supply which can be utilized as a baseload power, and methanol from other fuels with higher emissions; and deploying cutting edge technologies such as dual-fuel gas turbines capable of combusting both natural gas and hydrogen, or hydrogen-only combustion;
- Activate incentives for CCUS and other decarbonization pathways for cleaner utilization of existing infrastructure, decarbonization of hard-to-abate sectors such as the industrial and transportation sectors, energy saving for buildings and production of cleaner fuels including hydrogen/ammonia, e-fuels such as e-methane/e-natural gas, sustainable aviation fuel and biogas;
- Promote cross-sectoral cooperation, such as the recent consortium announcement between U.S. and Japanese companies, to develop an entire hydrogen value chain from production to transportation, storage and utilization, and mobilization of all technologies related to hydrogen, ammonia, and e-methane/e-natural gas to quickly realize a hydrogen economy;
- Establish a 1.5 track dialogue for the IRA-GX Coordination Ministerial Meetings so that industry can share pragmatic commercial expertise with the ministers to maximize the value of the policy dialogue. This effort would promote further the U.S.-Japan collaboration on investment for clean energy projects by addressing bottlenecks and challenges each country's private sectors face, especially related to the timing of the implementation of their respective measures;
- Add an inflation adjustment clause into the IRA with respect to tax credits for hydrogen and ammonia production and CCUS to attract needed investment to such decarbonization projects. For example, by the addition of an inflation adjustment clause (as in the case of renewables) and by the relaxation of the proposed "three pillars" regulatory requirements for hydrogen production, such as the production of simultaneous quantities at the same time of day;
- Set a framework which enables carbon footprints of investments by Japanese companies in decarbonization projects in the U.S. to be measured and returned to Japan, so that Japan can achieve visibility for its global contribution toward realizing a carbon neutral world; and,
- Ensure a clear and sustainable rules-based approach so that each country has predictable policies toward reducing emissions or introducing a price for carbon, and develop mechanisms for emissions trading and environmental value trading, so-called 'Corresponding Adjustment', across countries.

## 3. Implementing Proven Technologies into Society at Scale

The Councils emphasize that disruptive innovation which supports an orderly energy transition is necessary to achieve the carbon neutrality targets set for 2050 by the U.S. and Japanese governments. Also, no single technology can achieve this target, and an "all-of-the-above" approach is required.

The U.S. and Japan lead the world in low- and zero- carbon energy innovations, and both governments should promote policies that advance this leadership through support for implementation of existing technologies and investment in research and development of future solutions. Implementation at scale and at a reasonable cost are two of the largest barriers to carbon neutrality, and support for both the deployment of existing solutions and R&D simultaneously will enable industry to deploy, review and evaluate, and then iterate on existing solutions to reach the breakthroughs needed tomorrow.

It is important for the two governments to look carefully at technologies and projects which will realistically contribute to the energy transition. The Councils recommend the two governments promote the following policies to accelerate implementing proven technologies:

- Implement digital technologies in the energy and infrastructure sector, including power grids, for the improvement of efficiency, utilization of limited resources, and promotion of smart, modern, and resilient infrastructure;
- Utilize AI and IoT technologies to decarbonize value chains such as hydrogen and $CO_2$ and optimize demand management of power grids. Investment is required for further optimization of power generation, transmission, and distribution;
- Establish a $CO_2$ value chain, one of the key pillars toward carbon neutrality and decarbonizing hard-to-abate sectors, by promoting development of business models utilizing captured $CO_2$ and creating a circular economy for $CO_2$ which has e-methane/e-natural gas as one solution;
- Cooperate to realize a mutual authentication for batteries which have become a strategic material. Batteries also contribute to overcoming the intermittency of renewables;
- Ensure a secure and sustainable supply chain for critical minerals that will better support expanded development of renewables and battery storage technologies. The Councils recognize the efforts of the Mineral Security Partnership in furthering this goal. In addition, industry requires support for developing technologies and products which can reduce the usage of critical minerals;
- Increase nuclear power usage with proven and advanced technologies including both new and existing plants and new technologies such as advanced and small modular reactors (A/SMRs), fast reactors, high temperature gas-cooled reactors and nuclear fusion that meet stringent safety standards;
- Develop risk-based standards incorporating private sector consultation to enhance cyber security resilience and readiness against cyber-attacks on critical infrastructure. The U.S. and Japan should take the lead in promoting the strengthening of cybersecurity for critical infrastructure such as Post Quantum Cryptography (PQC) and Quantum Key Distribution (QKD) in the G7, Southeast Asia and the so-called 'Global South' and,
- Provide subsidies to proven technologies and projects which will contribute to decarbonization in the U.S., Japan and other countries so that companies can scale solutions.

## 4. Cooperating with Southeast Asian Countries in Order to Achieve a Free and Open Indo-Pacific

The Councils believe the cooperation of the U.S., Japan, and Southeast Asian countries in the Indo-Pacific region is essential to realizing a Free and Open Indo-Pacific (FOIP) that brings prosperity and security to the region.

Southeast Asian countries require infrastructure in order to sustain rapid economic growth. It is not enough to just invest in projects across the board; efforts must be focused on promoting quality infrastructure investment so as to support strong, sustainable and balanced growth and to enhance resilience.

Southeast Asia is one of the largest and fastest-growing areas on earth and therefore requires significant energy supplies. U.S. LNG and Japanese decarbonization technologies will help the region to solve the energy trilemma of ensuring energy security, supplying affordable energy, and achieving environmental sustainability.

In particular, the rapid growth in plastics use across Southeast Asia has led to significant pressure on the environment. The U.S. and Japan can play a major role in supporting these nations' efforts to implement circular economy practices that will both protect the environment and create over 1.5 million jobs, as per a study by the Economic Research Institute for ASEAN and East Asia. The Councils urge the two governments to support the

following recommendations:

- Expand U.S.-Japan cooperation with Southeast Asian countries through multilateral initiatives, such as the Asian Zero Emission Community (AZEC), to decarbonize existing coal power plants with CCUS systems and sustainably switch coal power plants to LNG, use renewable natural gas with CCUS systems, and then convert such infrastructure to hydrogen/ammonia infrastructure with minimum modification for further emissions reduction in the long run as well as expanding batteries for sustainable usage of renewables;
- Mobilize financing to accelerate the development of low-carbon and clean energy technologies in Southeast Asia via the "Clean Energy, Decarbonization, and Infrastructure" pillar of the Indo-Pacific Economic Framework (IPEF) in the region. Simultaneously, utilize the "Supply Chain" pillar to secure the sustainable supply chain of energy infrastructure equipment and critical minerals, and ensure freedom of navigation;
- Increase capacity building training, technical assistance, and technology transfers between the U.S., Japan, and Southeast Asia, so that Southeast Asian countries can develop the cleaner, cheaper and more reliable electrical grid, and energy sources they need to advance their economic development;
- Utilize all existing frameworks for public-private dialogue established by the U.S. and Japanese governments to support private energy and infrastructure business projects in the region. This could take multiple forms, including providing business matching opportunities for private companies, encouraging mobilization of private capital, and reducing regulatory barriers in Southeast Asian countries;
- Encourage circular economy approaches, which can synergize with reducing carbon emissions and using natural resources sustainably, to reduce resource extraction as much as possible. In addition, circular economy practices can maximize the value of products and services throughout their entire life cycle;
- Develop common principles such as "Circular Economy and Resource Efficiency Principles (CEREP) and life cycle assessment (LCA) tools to evaluate the circularity and environmental impact of the different alternatives, and additionally support the waste hierarchy by rethinking the traditional, linear "take-make-dispose' way of doing business to adopt new ways of working that maximize the value and use of our resources. As the evaluation method of 'circularity' has a significant impact on the competitiveness of companies, it is necessary to take into account the characteristics of the industry and business sector;
- Pilot increased investment in waste management through available channels such as U.S. and Japanese development funding to create economic value for waste plastic (as a feedstock) and e-waste in the developing economies in the Indo-Pacific region; along with new job creation, while also establishing environmental solutions;
- Support Southeast Asian policymakers in developing and implementing their national roadmap for a circular economy, including the adoption of Extended Producer Responsibility (EPR) and its supporting regulations;
- Provide capacity building and/or technical assistance to enable better policymaking on the circular economy, specifically the use of fiscal incentives and mandates that could promote wider adoption of circular materials;
- Encourage greater investment in recycling technology, including the deployment of advanced recycling which is a more suitable technology to address the complexity in developing economies in the region; and,
- Promote greater public awareness of new cleaner alternatives increasing public acceptance of the role of CCUS, low carbon hydrogen and low emissions fuel as part of the "all-of-the above" solution to achieve a carbon neutral society by 2050.

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# 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: *Maintaining a Healthy Financial System, Realizing a Sustainable Society, Advancing International Cooperation in Finance, Promoting Digital Financial Innovation, and Securing a Brighter Future*.

## 1. Maintaining a Healthy Financial System

### Level Playing Field

The Councils embrace innovation and the healthy introduction of new financial products and services both by incumbent players and new entrants. At the same time, the lines between traditional and new financial products — as well as between traditional financial institutions and tech-focused newer entrants — are becoming increasingly blurred. It is important that regulators remain focused on the potential emergence of risks presented by specific activities and products regardless of the nature of the entity from which they are offered to customers and apply regulations designed to address similar identified risks in the financial markets across all similar providers. Policymakers should give due consideration to the changes needed to adhere to these principles. Doing so will enhance customer protections, preserve financial system stability, and encourage continued competition and innovation in finance.

### Regulatory Coherence

Regulatory fragmentation in financial services has been exacerbated by strategic, environmental, and technological developments that have motivated national governments to act before international standards and best practices can be established. In this environment, it is critical that the U.S. and Japanese governments align on the development of appropriate policies and regulations that are coordinated, strike the right balance between global consistency and local relevance, and are evidence-based and outcomes-oriented, thereby facilitating pursuit of the objective of financial regulatory coherence. The Councils encourage the two governments to establish a bilateral financial services regulatory forum, patterned after the one between the US and the EU, in order to, inter alia, formalize regulatory dialogue between two countries to discuss the potential impact of their respective policies and regulations on cross-border financial services and facilitate efforts to identify financial services and products that may be susceptible to regulatory mutual recognition or deference and to act in pursuit of such agreements.

### Finalized Basel III Framework

The finalized Basel III framework, which was agreed by Basel Committee on Banking Supervision (BCBS) in December 2017, has already been introduced or is being considered for implementation by national financial regulatory agencies. Both Councils stress the importance of the framework being applied in each country in a harmonized manner in terms of the agreed intent and timeline, so as not to overly restrict the operations of banks while simultaneously ensuring a level playing field.

## 2. Realizing a Sustainable Society

### Appropriate Evaluation of the Initiatives of Financial Institutions

The importance of transition finance was reaffirmed at the G7 Apulia Summit, and there is a growing international understanding of its significance. Financial institutions are expected to support companies' efforts towards decarbonization through transition finance and similar initiatives to achieve a sustainable society and economy. Both governments should collaborate in examining a framework, including measures for evaluating and disclosing financed emissions, for appropriately assessing the efforts of financial institutions for transition, so that they can smoothly provide finance to sectors that require transition.

### Promotion of Blended Finance

In order to further attract private investment towards the realization of Green Transformation (GX), it is of utmost importance for public institutions, including multilateral development banks (MDBs), export-import banks, and others, to establish a blended finance framework through measures such as assuming risks that cannot be fully covered by the private sector. Considering the confirmation of the importance of blended finance at the G20, both governments need to cooperate to strengthen the international framework for expanding blended finance. From these perspectives, the councils support the efforts of the government of Japan to stimulate private investment in GX, including the provision of debt guarantees through the GX Acceleration Agency and support decarbonization in emerging economies through Asia Zero Emission Community (AZEC), including the provision of these financing solutions.

### Reporting and Disclosure

The G7 Finance Ministers and Central Bank Governors' Meeting 2024 welcomed the International Sustainability Standards Board (ISSB) standards for reporting on sustainability and for climate-related disclosures and reaffirmed the importance of globally interoperable sustainability disclosure frameworks. Both countries' financial regulatory agencies should engage in a public-private dialogue to consider how disclosure and reporting standards can contribute towards topics related to sustainable financing activities, and climate-related risks and opportunities. The goal should be to establish a globally harmonized framework for reporting and disclosure that balances investor needs for transparency and informed decision-making with the need for financial institutions and reporting entities to have flexibility within the framework. The two governments should collaborate on these standards to ensure they are reliable, accountable, and avoid greenwashing.

### Supporting Small and Medium-Sized Enterprises

Small and medium-sized enterprises (SMEs) constitute the backbone of our economies, contributing to the vast majority of jobs, tax payments, innovation, and resiliency. But due to the current geopolitical stress, energy transitions, digital transformation, market volatility and attendant regulatory fragmentation, SMEs are experiencing unsustainable burdens. Both governments should continue to prioritize fostering the diversification and adaptation of SME financing instruments and thus the Councils welcome the new legislation by the Japanese government to promote SME lending focusing on business potential. Both Councils also believe that non-financial support is key to strengthen SME awareness about the steps towards net zero and provide the necessary tools that can enable them to embark and stay on the journey.

### Protection Gap

Climate change is testing the resilience of our financial systems through more frequent and severe natural catastrophe (NatCat) events. In particular, the NatCat protection gap in disaster-prone areas, which refers to the difference between the total economic losses from disasters and the amount covered by insurance, is a major issue for both countries, as confirmed at the G7 Finance Ministers and Central Bank Governors' Meeting 2024. The Councils support the collaborative efforts of multiple stakeholders, including the public and private sectors, to

narrow the protection gap by reducing the economic losses caused by NatCat events and promoting the risk transfer measures, such as insurance.

## 3. Advancing International Cooperation in Finance

### Strengthening US-Japan Partnership

Both Councils welcome the two governments intending to organize a roundtable, involving the respective financial sectors and regulatory authorities of the two governments, to discuss capital markets integration and identify potential key reforms, as announced at the Japanese Prime Minister's official visit to the United States in April 2024.

### Supporting Emerging Economies

The Councils appreciate both governments supporting sustainable growth of emerging economies. The initiatives such as the Partnership for Global Infrastructure and Investment (PGII) and the G20 Principles for Quality Infrastructure Investment should play a significant role in assisting emerging economies to tackle its development needs especially in infrastructure.

Both Councils welcome these initiatives that must involve private sector perspectives and participation. To foster private sector investment in emerging economies, the Councils believe that sustainable finance and blended finance mentioned in Item 2 of this statement are instrumental and encourage the two governments to work in tandem to help reduce costs of political risk insurance premiums and to lower borrowing costs in Ukraine and select other economies affected by war to speed their recoveries. In addition, aligning the global interpretation of Basel III capital rules and country regulations, sharing expertise of the development banks and financial institutions, and streamlining documentation and standardizing contracts would lower significant barriers for mobilization of private capital in infrastructure investments associated with MDBs and their related organizations.

Finally, both Councils urge their respective governments to take measures to prevent debt problems in emerging economies, which would not only impede their development but also exacerbate instability in financial markets across the world.

### Economic Security

Both Councils understand that finance represents a critical infrastructure sector, and that it is necessary for the public and private sectors to work together to ensure cybersecurity and other measures to provide safe and sustainable services. When considering various economic security regulations, both governments should coordinate appropriately to ensure national security while taking care not to hinder free economic activity.
Furthermore, given that the increasing number of targets and growing complexity of financial sanctions hinder cross-border capital flows and reduce predictability for financial institutions, both governments should conduct close communication between the public and private sectors to enhance the effectiveness of sanctions and reduce the compliance risks for financial institutions.

## 4. Promoting Digital Financial Innovation

### Digital Financial Innovation, Including Central Bank Digital Currency (CBDC)

The Councils recognize the importance of the continued efforts by both governments to resolve regulatory and operational issues to promote digital financial innovation., As financial regulatory authorities continue to develop legal frameworks, it is vital to provide timely, clear, and integrated guidance to market participants in this field to balance innovation with financial stability and consumer protection, particularly with the emergence of digital assets.

The Councils appreciate that both governments and central banks are deliberating CBDC policy. The Councils are closely following international initiatives aimed to utilize tokenized deposits and wholesale CBDCs, such as Project

Agorá, while encouraging both governments to evaluate the need for retail CBDC by identifying whether there is a shortcoming with other payment systems that retail CBDC would be able to address more effectively than private alternatives.

### Data Connectivity

The Councils reiterate the importance of data connectivity for financial services and call on both governments to pursue high-standard rules in the digital economy. The Councils urge the two governments to reaffirm their commitment to supporting free flow of data across borders and to actively promote the work of the OECD in advancing Data Free Flow with Trust (DFFT), including through the newly established Expert Community, and in advocating the importance of moving forward with digital trade negotiations.

### AI/Generative AI

Considering that the global interest in generative AI continues to grow, both Councils welcome the advancement of international efforts for the expansion of reliable AI systems, such as the launch of the Hiroshima AI Process agreed upon by the G7, and the establishment of the AI Safety Institute by both governments respectively to work on the evaluation of AI safety. Both national governments should lead international discussions on the various systems and guidelines related to the use of AI and the policies for dealing with associated risks, through those frameworks, to ensure that any AI-specific regulations complement and align with existing sector-specific regulations to avoid duplicative or conflicting requirements that could stagnate innovation or increase risk. We also recommend both governments focus on cultivating the human resources needed for the development and application of AI.

## 5. Securing a Brighter Future

### Personal Financial Assets and Japan as an International Financial Center

Both Councils underline the need for the policy measures, such as tax incentives or subsidies, to support adequate individual asset formation and the importance of financial literacy for individuals to take a more active role in managing their personal assets. From this perspective, we recommend that both governments strengthen public and private collaboration in enhancing the incentives for formation of personal financial assets and increasing financial literacy, particularly among vulnerable and young populations.

As Japan exits deflation, there is much to gain by transitioning Japan from a savings economy to an investment economy, and in so doing help promote the circulation of assets within local markets. The Councils support the government of Japan's "Policy Plan for Promoting Japan as a Leading Asset Management Center," which aims to help with personal financial asset formation and secure Japan's prominence as a global and regional financial center. This Plan includes policies for reforming the governance of asset management firms and asset owners by encouraging new entrants from both domestic and international asset management companies and competition within the industry and enhancing outbound information dissemination and communication. The Councils also welcome the Japanese government's initiatives for doubling asset-based income among individual investors and reforming corporate governance.

### Insurance

The Councils recommend that both governments ensure that the insurance sectors are able to meet the evolving financial needs of consumers, to include maintaining the wide availability of long duration insurance and savings products. We encourage regulators to facilitate the insurance sectors' appropriate provision of more innovative insurance products that meet changes in customer needs while ensuring sufficient insurance coverage for customers. We also recommend that both governments establish appropriate capital standards for insurers at the global, national, and jurisdictional levels.

## Promoting Foreign Direct Investment (FDI)

The Councils welcome the government of Japan's greatly stepped-up efforts to increase inbound FDI, particularly via the Cabinet Office's "Office of Foreign Direct Investment Promotion" as well as the multiple initiatives undertaken by the Ministry of Economy, Trade and Industry as part of the overall government strategy to encourage investment into Japan. Additionally, Japan has been the largest source of FDI in the US for recent 5 years, contributing to economic growth and job creation in the U.S. The Councils believe promotion of two-way FDI presents a win-win opportunity for both countries' corporate sectors and investors.

To this end, we are concerned by attempts to politicize the foreign investment review process, which should be conducted objectively. The U.S. and Japan are indispensable allies and each other's top foreign investors. The deep ties between our two economies support millions of jobs, enriches communities, and strengthens our collective national security.

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# Healthcare Innovation

While the emergency responses and economic adjustments implemented during the COVID-19 pandemic are diminishing, the need for continued investments in healthcare innovation to address ongoing and future health challenges remains crucial. COVID-19 demonstrated the importance of transformative technological advances and new thinking in health – from agilities in regulatory policy and digital solutions to the strengthening of healthcare infrastructure and investment in research and development for innovative vaccines and treatments. Despite their historical leadership in the life sciences, the U.S. and Japan face significant challenges. For example, pricing methods that increasingly do not reflect the value of innovation, patient experience, or long-term outcomes, frequent revisions to pricing rules, and annual price cuts to patented medicines have made the Japanese market unpredictable and less supportive of innovation. While Japan took some positive steps recently to reverse this trend, more work is needed to reverse the notable decline in biopharmaceutical R&D investment in Japan and return of a drug lag in which innovative medicines to treat unmet medical needs are not launched in a timely manner. Similarly, new price-setting policies in the U.S. are already undermining the development and availability of healthcare solutions, without fully addressing affordability concerns for patients. Furthermore, pressures persist globally to weaken intellectual property protection, making it critical that both governments continue to reinforce the importance of strong IP protection for innovation.

This April, U.S. President Joe Biden and Japanese Prime Minister Fumio Kishida agreed to expand U.S.-Japan cooperation on health and biotechnology. The U.S.-Japan Business Council and Japan-U.S. Business Council (hereafter "the Councils") commend both governments on the commitment to launch a new biotechnology innovation and healthcare dialogue with incorporation of input from the private sector aimed at addressing shared challenges and opportunities. In alignment with the Councils' previous recommendations, we welcome this new public-private dialogue and recognize it as an important opportunity to advance industrial competitiveness and address barriers to innovation.

To maximize the potential success of this new dialogue, the Councils encourage the governments to adopt a robust agenda identified through consultation with the private sector, aimed at achieving concrete outcomes and practical solutions to barriers to innovation, with frequent opportunities for private sector engagement over a five-year period. In this regard, we propose that the dialogue is structured to:

- Solicit comments (e.g., through the Federal Register process) from the private sector on specific topics prior to any government-only meetings.
- Welcome and participate in, as appropriate, private sector-organized panel discussions and side events between formal meetings.
- Measure and publicly report on progress and results from the dialogue through an annual review process.
- Support creation of a private sector advisory panel to support policy efforts.

The Councils recommend adopting a clear, objective-driven agenda which would include the following pillars:

1. **Investment in healthcare innovation.** The dialogue should include exchange of views on best practices for enabling investment that supports medical innovation. A new, holistic strategy is needed with cross-ministerial engagement to support ambition across all parts of the health innovation ecosystem. The private sector can provide regular consultation and guidance on targets and policy approaches to incorporate into the strategy, as well as lessons learned from similar endeavors in other countries.

2. **Timely patient access to innovation.** Half of innovative medicines now receive annual price cuts in Japan and the price of a medicine can be further reduced significantly and repeatedly, which represent disincentives to investment and result in

significant commercial uncertainty. The public-private dialogue should seek to address the factors that contribute to reduced patient access to innovative medicine as a result of some medicines not being developed and launched in Japan and promote a meaningful exchange of views on concrete proposals for reform. For Japan, the Councils urge the government's actions to consider how the off-year price revision should be, in the light of the government's stated goals to enhance the biopharmaceutical ecosystem and promotion of innovation. The current cost-effective analysis system has some weaknesses, such as it does not consider secondary economic benefits of new health innovation, increases in productivity due to health benefits, or the impact of the health sector on the economy. Expansion of this system could significantly negatively impact timely patient access to new medicines and treatments. In the U.S., the unintended consequences of price setting are already harming the development of the next generation of treatments and cures, and the Councils recommend the government take steps to preserve the existing, market-based incentives for innovation.

3. **Supply chain resilience and economic security.** The Councils recommend that the dialogue include specific discussion of opportunities for the United States and Japan to deepen partnership to promote supply chain resilience, including through commitments to improve regulatory transparency and due process, reduce regulatory disparities and address other tariff and nontariff barriers that increase the cost of supply chain integration and otherwise make it more difficult for companies to operate in the market.

4. **Digital health partnership.** The Councils recommend leveraging the new public-private dialogue to design and launch a U.S.-Japan partnership on digital health, aimed at sharing best practices for telemedicine and remote care, digital therapeutics, artificial intelligence, and cross border data flows and privacy, as well as establishing regulatory pathways to enable patient access to these technologies.

In addition to the above pillars for the dialogue, the Councils recommend that the governments consider the following policy recommendations:

## Innovation in Healthcare and Evaluation

- For both: Develop and improve the R&D, regulatory environment, and reimbursement systems to encourage continued investment in the market. Ensure that regulatory and pricing systems are keeping pace with the incredible breakthroughs in science and technology associated with new pharmaceutical and medical technology products.
- For both: Encourage adoption and implementation of high-standard IP regimes; prevent the erosion of intellectual property protections that drive investment in biopharmaceutical research and are essential to research partnerships in Japan and the United States, as well as around the world.
- For both: Introduce financial initiatives that can reflect the value of innovation to encourage the development and early launch of innovative therapeutics such as regenerative medicine, cell therapy, and gene therapy, and for digital therapeutics such as software as a medical device ("SaMD").
- For both: Ensure that use of or any movement towards implementing Health Technology Assessment ("HTA") at a minimum includes consideration of the importance of patient access and physician choice.
- For both: Eliminate harmful price control policies that discourage innovation and patient access, including provisions stipulated in the Inflation Reduction Act of 2022 that disincentivize the development and stable supply of small molecule medicines, medicines for rare diseases, and R&D of new uses following a medicine's initial regulatory approval and provisions in Japan that disincentivize the development and stable supply of medical devices and innovative pharmaceuticals.
- For both: Share best practices in education, access capabilities, and adoption between the U.S. and Japan around genomic medicine and explore opportunities for collaboration.
- For Japan: Maximize the opportunity for multinational companies to engage in the new public-private forum derived from Japan's Cabinet-level working group on enhancing drug discovery capabilities and as described in the Honebuto 2024 policy paper, to identify required goals, actions, and KPIs to enable Japan to develop a comprehensive national strategy to strengthen its drug discovery capacity and play a key role in the global biopharmaceutical innovation ecosystem.
- For Japan: Continue to reform regulatory policies to resolve the lag and loss in bringing treatments and vaccines to market by harmonizing regulations to global standards and allowing the consideration of real-world evidence. Policies should eliminate requirements unique to Japan and be verified on a regular basis to ensure they are implemented as intended.
- For Japan: Promote pricing approaches that consider the wide range of benefits derived from therapies, including

clinical outcomes as well as social, population and economic benefits, including those that will affect the health system.

- For Japan: Exclude patented new drugs from the scope of price revisions (including off-year) and market expansion and spillover repricing, similar to other G7 countries.
- For Japan: Create a new pricing mechanism for innovative products with no comparator to ensure fair and adequate value is given to novel drugs without a subjective and onerous transparency penalty.
- For Japan: Provide more regular and meaningful opportunities for stakeholders including the industry to provide input regarding the development of rules impacting the health care sector and otherwise address the current challenges of low business predictability due to numerous changes to pricing rules and little room for negotiation by the industry in the pricing process.
- For Japan: With respect to medical devices, abolish the Foreign Average Price adjustment system, which bluntly compares medical devices pricing without any consideration to differences in healthcare systems and business and reimbursement environments among countries, to ensure innovative medical devices remain available to patients in Japan.
- For Japan: When reviewing Functional Categories for medical technologies, work closely with industry to ensure that any changes do not undermine rewarding innovation.
- For Japan: When conducting cost effectiveness evaluations for innovative drugs and medical technologies, ensure that available published evidence, value-based healthcare/procurement guidelines, and internationally accepted cost-effectiveness modeling are considered; avoid the mechanistic use of cost-effectiveness thresholds when determining value to avoid creating barriers to the entry of innovations. Cost effectiveness evaluations should also consider secondary benefits provided by new health innovation, increases in productivity due to health benefits, and the impact of the health sector on the economy.
- For Japan: Provide early access to diagnostics and screening assays for diseases like cancer and rare diseases, given screening, prevention, and better targeted therapies lead to lower healthcare costs in the long term.
- For the U.S.: Address the unintended consequences of pricing reforms on provider reimbursement, so that all physicians can afford to administer the most appropriate medicines for their patients.

## Digital Transformation

- For both: Redouble an overarching commitment to swift and effective digitalization in healthcare with strong leadership and adequate support from the government.
- For both: Promote alignment between U.S. and Japanese regulators in developing and implementing new digital health policies to reduce the cost of developing innovative therapies and improve health outcomes by collecting data and supporting physician/patient interaction. Health data platforms should be designed with consideration of the secondary use of health data collected, which may be used for medical research and development.
- For both: With appropriate protections and meaningful incentives, promote the development, adoption, and use of interconnected/interoperable health data platforms – whereby individuals can access their own health data – using international standards such as HL7/FHIR to support integrated care across diagnosis, treatment planning and delivery, patient follow-up, and patient data management.
- For both: Address Ethical, Legal, and Social Issues ("ELSI") including privacy, information protection, and antidiscrimination to accelerate the sharing of de-identified health data. Conduct an education campaign to raise awareness of the advances that can be achieved with the voluntary sharing of anonymized medical data in driving evidence-based treatment solutions and evidence-based policy making.
- For both: Address barriers to data sharing mechanisms, while maintaining appropriate privacy protections, to allow for the discovery of novel targets and therapies and facilitate the integration of genomic/multiomic data into the healthcare system through cooperation with researchers and clinicians and a sharing of best practices between the two countries.
- For both: Further promote the application of Decentralized Clinical Trials, allowing a hybrid of in-person and remote visits to medical institutions for the benefit of trial participants.
- For both: Promote alignment between U.S. and Japanese regulators in cybersecurity risk management to protect against cyberattacks and data intrusions, ensure patient safety, and minimize enterprise risk.
- For both: Promote the use of diverse treatment modalities such as telemedicine, which can be utilized in the home.
- For Japan: Implement a comprehensive health data policy that promotes building data infrastructure by the government and includes legal frameworks that enable utilization of health data by the private sector while appropriately protecting patient privacy.
- For Japan: Establish a digital mechanism by which the healthcare industry can properly deliver necessary information regarding pharmaceuticals and medical devices to patients and the public.

- For Japan: Further support the development of a data platform for the traceability of pharmaceuticals and medical devices.

## Economic Security and Resilience

- For both: Promote economic security policies that enhance diverse and resilient supply chains and encourage trade with trusted partners.
- For both: Reinforce global supply chains through alliances between the U.S. and Japan and support removal of unjustified trade barriers to medical products to ensure timely and equitable access for patients and stable supply of health products including therapeutics and medical devices.
- For both: Reinforce investment in R&D for advanced healthcare technologies to improve the technological capabilities and industrial competitiveness of the U.S. and Japan.
- For both: Establish initiatives to enhance mutually beneficial cooperation between the U.S. and Japan regarding components, material, and manufacturing technology from the viewpoint of industry development and stable supply of medical products and technologies.
- For both: Support joint U.S. and Japan countermeasures against infectious diseases and health emergencies. Establish a market incentive system for R&D for antimicrobial drugs and vaccines and promote the fight against drug resistance ("AMR").
- For both: Establish expedited regulatory review procedures for improved supply chains such as the relocation of manufacturing sites in the event of an emergency and regulatory reliance/sharing of reviews of post- approval changes related to manufacturing, and consider other initiatives to support supply chain resilience.
- For both: Establish a Mutual Recognition Agreement (“MRA”) on Good Manufacturing Practice (“GMP”) between the U.S. and Japan to improve supply chain management.
- For both: Adopt and strengthen science-based pro-vaccination policies and public information campaigns, understanding that high vaccine uptake is essential to preserving economic and social resilience vis-a-vis pandemics and seasonal and endemic diseases.
- For both: Recognize the evidence-based benefits of fundamental health solutions, such as a well-balanced diet, exercise, and adequate sleep, so that the benefits can be communicated to promote public health and wellness and enhance primary disease prevention for healthy longevity in aging societies.

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# Travel, Tourism and Transportation

This year, Japan and the United States launched the "U.S. - Japan Tourism Year" for the first time, aiming to restore and develop mutual travel between the two countries. Through a combination of economic forces and enhancement of mutual understanding by both governments, tourism between the U.S. and Japan is steadily recovering to pre-pandemic levels. The travel, tourism, and transportation industries ("TTT industries") have worked tirelessly to grow their workforce and capital investments to meet this ballooning demand, but they face major policy challenges. These include a persistent shortage of human resources and challenges in activating mutual exchanges between the U.S. and Japan.

The Japan-U.S. Business Council and the U.S.-Japan Business Council (referred as “the Councils" below) recognize the need for public-private partnership to ensure that the future growth of the TTT industries achieves a balance between economic and environmental goals, ultimately leading to sustainable growth. The Councils encourage both governments to take the following steps to ensure the tourism and transportation sectors reach their full potential to connect communities and promote social development and growth through the creation of industries and jobs:

1. **Addressing Quality Tourism and Human Resource Challenges: Embrace a wide range of solutions to address human resource shortages.** Whether through increased digitalization, or reassessing the qualifications required for drivers and other tourism professionals, both governments should use every tool available to ensure the tourism sector has the labor and capital it needs to serve growing demand.

2. **Efforts to promote mutual exchange: Reduce travel barriers through cooperative agreements on security and immigration practices, such as pre-clearance for Japanese travelers to the United States or offering incentives for citizens to get or renew their passports. Additionally, efforts to foster the development of next-generation leaders responsible for exchanges between the two countries should be promoted.** The Councils applaud the upcoming finalization of Japan’s admittance to the Global Entry program and urge both governments to keep this momentum up through additional efforts to foster mutual travel, such as pre-clearance facilities at Japanese airports.

3. **Pursuit of Sustainability in the TTT industries: Provide long-term, predictable policies to support sustainable aviation fuel (SAF), drones, air taxis, and driverless automobiles.** Support from governments is welcome for the development and research of advanced technologies in digitalization and decarbonization to promote the achievement of carbon neutrality goals. Additionally, assistance in pursuing diverse technologies suited to regional needs is anticipated. Governments must provide predictable, long-term policy support, such as the SAF Blender Credit and initiatives like the Minnesota SAF Hub, to ensure the sector can meet the ambitious decarbonization goals needed to safeguard the industry’s future.

4. **Efforts in the TTT industries to address crises such as infectious diseases and natural disasters: Measures should be taken to promote disaster preparedness, climate resiliency, and pre-disaster mitigation strategies to reduce the impact of future disasters.** Given the TTT industries’ high vulnerability to disasters, as seen following the global IT outage of July 2024, the New Year’s Day earthquake in Ishikawa, and the 2023 wildfires in Maui, both governments, in collaboration with industries, should take steps to centralize information on how businesses can prepare for disasters and promote awareness of the benefits of disaster preparation and investing ahead of the next crisis.

## 1. Addressing Quality Tourism and Human Resource Challenges

To further expand the travel, tourism, and transportation industries, it is essential that we focus on improving the quality of tourism, including the promotion of meaningful cultural exchanges, and attracting visitors to new destinations across both countries. This requires leveraging and expanding resources of tourism content such as history, culture, nature, and food, as well as offering new customer experiences. The Councils support local government marketing campaigns, digital promotion efforts, and industry exhibitions to raise awareness of less recognized destinations and activities. We also recommend both governments work to implement the following recommendations:

### 1.1 Creation of New Demand and Promotion of Off-Peak Tourism

The concentration of demand in specific regions and seasons affects not only the quality of service and traveler satisfaction, but also productivity and the working environment for the industry. To equalize travel demand throughout the year, it is necessary to provide subsidies to stimulate tourism demand during off-peak seasons and support the decentralization of tourism. Consumer preferences are shifting, with an increased desire to visit new and emerging destinations, and the TTT industries can help drive greater dispersal of tourism throughout Japan and the United States in partnership with local governments. Redeveloping existing buildings and historical tourism assets into hotels and vacation rentals is a way to revitalize towns while preserving culture and appearance.

In addition to addressing overtourism, it is crucial to deepen local residents' understanding of the significance, importance, and economic impact of tourism and to foster cooperation. Japan has the potential to become a world-class MICE destination given its experience hosting the 2020 Tokyo Olympics and its work towards hosting the 2025 World Expo in Osaka. The Councils recommend that Japan expand incentives for MICE facilities seeking to attract international visitors and support the integration of these facilities with other local facilities. Additionally, revenue sources such as the international tourist tax and accommodation taxes, which contribute to regional environmental improvements, should be used to effectively promote such awareness.

### 1.2 Strengthen Support for Human Resource Acquisition and Development

While tourism demand has grown at a rapid pace, the industry continues to face a lack of human resources following the pandemic-era employee exodus from travel-related industries, including surrounding fields such as transportation. This situation is preventing the sector from reaching its full potential to drive economic growth.

Key drivers to secure and maintain a stable workforce include flexibility in work hours and location, the ability to respond in real time to fluctuations in labor demand, diversified sources of talent which include foreign national workers in both nations, and innovation through digital transformation and other means. There is an urgent need to analyze how national and local governments can provide support and regulatory reform to improve productivity, working conditions, and access to workers. Strategic policies, including those aimed at modernizing working visa requirements and attracting foreign talent, can help new innovations, strengthen industrial competitiveness, and promote sustainable growth.

Urgent action is required for hotels, including ryokans and private lodgings, airports, and logistics sites, where personnel shortages are limiting operations of facilities. Furthermore, a shortage of drivers in public transportation, with taxis being the primary example, is causing concerns about mobility solutions, and it is presumed that this is resulting in significant economic losses. We welcome the recent initiation of government discussions to solve the issues of truck and taxi driver shortages, and we urge both governments to pursue expanded legal pathways to help alleviate chronic workforce challenges in these industries, particularly for ridesharing services. To address these complex challenges, it is essential not only to respond quickly across ministries but also to further utilize government-led consortia and public-private discussions to promote collaboration among various industries.

### 1.3 Promote the Use of Digital Tools

Apps and other digital tools related to transportation and tourism have great potential for eliminating language barriers for travelers, attracting visitors to new destinations, and improving worker productivity. The Councils

encourage the adoption and utilization of digital solutions such as robotics, automation, and AI to improve the accessibility of tourist information and reservation sites for hotels and restaurants.

The expansion of cashless payment at tourist attractions and transportation systems has and will continue to boost convenience for overseas travelers and reduce the burden on human resources. It will also promote tourism to less-traveled domestic destinations and help revitalize local economies. Applications currently used in Japan are not user-friendly for foreign travelers because they do not support English, or do not accept international credit cards or electronic payment methods of any kind. The Government of Japan can help by promoting the importance of considering an international audience in modern technology deployment.

By advancing the use of digital technologies, it is also possible to efficiently collect user data and understand consumption trends, thereby linking these efforts to future increases in demand. In recent years, initiatives have been expanding in areas such as the proliferation of next-generation transportation utilizing autonomous driving and MaaS, as well as the practical implementation of drones and flying cars, emphasizing the importance of data utilization and collaboration.

It is important to promote collaboration between different transportation systems and other industries to expand the scope of where mobility can contribute to economic security, and to create new value beyond the boundaries of mobility, including sustainability. Utilizing data not only enhances customer experiences but also holds promise for optimizing workforce allocation, improving productivity, and advancing automation and resource-saving measures through the analysis of business process data using AI. Together, the U.S. and Japan can create pioneering solutions and lead the international community in tackling complex societal issues.

## 2. Efforts to Promote Mutual Exchange

### 2.1 Provide Initiatives to Revitalize Mutual Interaction

Active air travel between Japan and the U.S. will invigorate business in both countries and support medium to long-term economic growth in Japan and the U.S. by promoting leisure tourism, study abroad programs, and cultural exchange. In both countries, it is essential to stimulate both inbound and outbound exchanges. Strategic initiatives by both governments are essential for growth, such as the easing of visa requirements for visitors to Japan, and efforts to increase the percentage of Japanese citizens holding passports.

The Councils applaud the two governments' agreement on and efforts toward the full-scale implementation of Global Entry, the U.S. pre-entry screening system, for Japanese passengers. We expect that Global Entry will become even more effective in the future by expanding the scope of the program and facilitating pre-screening for Japanese passengers travelling to the U.S.

### 2.2 Initiatives for Developing Next-Generation Leaders

Both Councils support the agreement between the governments of the U.S. and Japan to foster close ties between the two countries and promote strong connections with the next generation of leaders. The Councils share a strong expectation for the enhancement of various exchanges, including engagement with youth, experts, opinion leaders, cultural exchanges through sports and the arts, and sister city partnerships. As competition for international talent intensifies, collaboration between Japan and the United States in talent development is essential.

In particular, there is a strong expectation for the enhancement of educational exchanges involving students who will be the future leaders of both nations. To facilitate this, both national governments and local authorities should implement incentives such as scholarships or low-interest student loans to reduce barriers for participants of diverse backgrounds to join such exchanges.

The number of Japanese students studying in the U.S. has been declining since its peak in the early 2000s. The

rising cost of tuition and the economic burden from exchange rate fluctuations have led to more cases of students abandoning their study abroad plans. It is crucial to develop countermeasures to revive the accessibility of U.S. study programs through coordinated efforts between the public and private sectors.

Additionally, there is concern that many Japanese experts who were active in the field of Japanese studies in the U.S. from the 1970s to the early 2000s are now becoming senior leaders, while positions and courses specializing in U.S.-Japan relations at major universities nationwide are rapidly declining. To secure opportunities for the next generation of leaders, it is necessary for the government and private sector to collaborate urgently and explore support measures.

Mutual internship programs between industries and companies in the U.S. and Japan can also serve as a means to promote exchanges. The industrial sector should provide diverse and fair opportunities for overseas students and foreign exchange students and strive to promote flexible working styles.

### 2.3 Promote Inclusive Tourism Development in New & Existing Destinations

We encourage the U.S. and Japanese governments to continue to redesign systems to take advantage of developing technologies and build the most sustainable forms of so that all stakeholders involved in the travel, tourism, and transportation sectors can enjoy the benefits of the technologies and services described in this proposal. We believe it is increasingly critical to build inclusive policies that support employment opportunities regardless of nationality, race, religion, gender, age, disability, or any other status. Many of the Councils' members are actively engaged in hiring international workers and training them in the required language and cultural skills, but more support from governments is necessary to ensure these workers are welcomed in society at large. In addition, both governments should support the development of tourism resources that will provide business opportunities for micro-entrepreneurs as well as local, small- and medium-sized enterprises.

## 3. Pursuing Sustainability in Travel, Tourism, and Transportation

The Councils look forward to continued support from the governments of the U.S. and Japan for the business community's efforts to achieve carbon neutrality, including the development of energy-saving technologies and processes in the mobility sector, the commercialization of sustainable fuels and associated technologies for 2030 and beyond, and the development and introduction of next-generation aircraft using advanced technologies.

### 3.1 Advance Bilateral Supply Chain Resiliency for Critical Minerals through Reconstruction

In the automotive industry, it is important to pursue a variety of technology options that meet the conditions of each region to achieve global carbon neutrality. Additionally, by exporting U.S.- and Japan-developed technologies to third countries, the U.S. and Japanese governments, along with the private sector, will contribute to sustainability initiatives around the world. Rebuilding and creating resilient supply chains, including securing critical minerals, is also important for sustainable efforts. Through multilateral channels such as the Indo-Pacific Economic Framework for Prosperity ("IPEF") and bilateral agreements between the U.S. and Japan, concerted efforts are being made to strengthen supply chains. We look forward to continued leadership and effective support from the U.S. and Japanese governments to ensure the expansion of the utilization of diverse low-carbon technologies.

### 3.2 Ensuring a Stable Supply of SAF and Maintaining International Competitiveness

In the aviation industry, Sustainable Aviation Fuels (SAF) are the key lever available for airlines to reduce carbon emissions. In the U.S., states like California and Minnesota are accelerating efforts to encourage investment in SAF development by providing state-specific incentives in addition to federal incentives. The Councils encourage the U.S. to extend the SAF blenders tax credit beyond two years, promote research and development, allowing state efforts to expand to more regions. The Minnesota SAF Hub highlights what is possible when a national government uses its convening power to bring private sector and state actors together to collaborate on efficient SAF

production and uptake. The Councils urgently encourage the government of Japan to make similar efforts to maximize the development and uptake of SAF in country.

In Japan, the newly established Strategic Domestic Production Promotion Tax System supports efforts toward the development and utilization of SAF. To build a competitive SAF supply system and create an environment where airlines can procure SAF reliably, it is essential not only to invest in manufacturing and supply infrastructure but also to establish mechanisms that lower business operation costs and provide incentives. Such support is crucial for achieving long-term cost reductions to scale production, maintaining competitiveness in the SAF market, and remaining a leader in sustainable aviation.

### 3.3 Embrace Air Taxis and Next Generation Air Mobility as a New Mode of Urban Transit

Air taxis and next generation air mobility is still in the early days of testing and development, but their potential to revolutionize urban and inter-city transit grows clearer by the day. Through providing a fast, clean, and exciting way to travel from one end of a city to the other, air taxis and next generation air mobility have the potential to reduce road congestion, alleviate short-haul flight loads at major airports, and stimulate economic growth through the creation of new business models. Both governments should support this new technology through R&D subsidies, clear permitting processes for taxi port construction, and "rules of the road" to ensure air taxis operate safely and smoothly.

## 4. Promoting Infectious Diseases and Disaster Preparedness for the TTT Industries

### 4.1 Lessons Learned from the Pandemic and Preparing for the Next Crisis

As we look past the effects of the COVID-19 pandemic and the natural disasters impacting Ishikawa and Maui, it is crucial that we make use of the lessons and experience gained to strengthen management systems prior to future crises and build a more resilient society.

It is undeniable that the decision-making process of easing border restrictions in Japan lagged far behind its G7 counterparts during the pandemic. Based on the new action plan formulated by the Japanese government in July of this year, we strongly anticipate that preparations for future infectious diseases will be made and that the predictability of business in times of crisis will be improved. It is critical to seek out and encourage valuable public-private partnerships to identify critical infrastructure needs and risks before a crisis.

Additionally, according to the U.S. Chamber's 2024 Climate Resiliency Report, every $1 spent on disaster preparedness yields a $13 return on investment in cleanup and recovery savings. Given the TTT industries' unique vulnerabilities, both governments should work together with the industry to implement disaster-resilient urban planning and strengthen social functions to minimize damage during disasters and maintain socioeconomic activities in preparation for future disasters.