

**JOINT STATEMENT**  
**49<sup>th</sup> U.S.-Japan Business Conference**  
**U.S.-Japan Business Council/Japan-U.S. Business Council**  
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The U.S.-Japan economic partnership has been the cornerstone of peace and prosperity in the Asia-Pacific region for 60 years. In order to maintain this foundation as the basis for continued economic and security stability in this critical region, restoring strong economic growth in the United States and Japan is essential. In recognition of this, and the fact that growth in both economies will have to rely more on business expansion given the constraints on fiscal and monetary policy, members of the U.S.-Japan Business Council and Japan-U.S. Business Council (hereinafter, "the Councils") set as the overall theme of the 49<sup>th</sup> U.S.-Japan Business Conference "Restoring Private Sector-Led Growth."

**1. THE JAPANESE AND U.S. ECONOMIES**

Japanese Economic Priorities

Amid intensifying global competition, Japanese companies face six primary difficulties: (1) an appreciation of the yen that has adverse effects on exports; (2) heavy corporate tax and social insurance premiums that hinder corporate investment and hiring; (3) lagging FTA/EPA negotiations with major trade partners; (4) rigid labor regulations that discourage diversified employment patterns; (5) stringent environmental regulations that impose burdens on Japanese companies relative to those other countries; and (6) significant electricity supply shortages that raise operating costs and uncertainty.

Concrete, far-reaching initiatives and specific policies are needed to offset these constraints on Japanese economic growth. Given Japan's rising debt, the ability of the Government of Japan to provide new stimulus measures is limited. Accordingly, the Councils concur that the primary strategy should be to unleash private sector driven activity through reforms that liberalize trade, reduce taxes, increase labor market flexibility, ease regulations in ways that reduce cost and compliance burdens without compromising consumer and environmental safety, and ensure a stable and affordable energy supply, as outlined more detail below.

### U.S. Economic Priorities

While housing prices show signs of stability and consumers are increasing purchases of durable and non-durable items, the U.S. economy still faces significant headwinds, including slower growth in major export markets, policy uncertainty and regulatory hurdles in the United States, and continued deleveraging by corporations and consumers. The unresolved debate over the U.S. fiscal situation also creates significant uncertainty for the short term, while demanding viable, longer term solutions. The Councils urge the U.S. government to move decisively and with urgency to resolve the “fiscal cliff” situation while outlining a balanced and sustainable longer term strategy to reduce U.S. deficits and overall debt.

As in Japan, there are serious constraints on U.S. fiscal and monetary policy that will limit the extent to which additional stimulus or monetary easing can be applied. As outlined below, the Councils therefore urge the U.S. government to take decisive and urgent action to implement reforms that stimulate private sector expansion through trade liberalization, lower taxes and regulation on businesses, and development of domestic energy resources in an environmentally responsible manner.

## **2. US-JAPAN ECONOMIC RELATIONS AND COOPERATION IN THE ASIA-PACIFIC**

The Councils recognize that Asia-Pacific is the growth center for the world economy and that the ability of U.S. and Japanese firms to trade and invest freely in the region is a critical factor in the growth of the U.S. and Japanese economies. Accordingly, in the Councils’ view, the United States and Japan can and should play leading roles in helping establish a rules-based, high standard economic architecture for the region, with the establishment of a Free Trade Area of the Asia Pacific (FTAAP) as the long-term goal.

To this end, it is essential that Japan participate in the highest standard regional trade negotiation underway, the Trans-Pacific Partnership Agreement (TPP). The Councils concur that Japan’s entry into TPP is in the strategic economic interests of Japan and the United States and strongly support Japan’s participation in the TPP negotiations as soon as possible, fully understanding and committed to the same high standards, comprehensive scope, and ambitious timetable as the current partners.

Participation in TPP would boost Japan's economic growth by increasing two-way trade with member economies, reducing operating costs for businesses in Japan, lowering prices for Japanese consumers, and opening the way for more foreign direct investment in Japan. The expansion of U.S. exports to Japan as a result of TPP would also benefit U.S. companies and the U.S. economy overall. A stronger economic relationship between the U.S. and Japan would surely solidify overall ties at a critical time, thus helping ensure regional stability.

To facilitate this commitment, the Councils encourage the U.S. and Japanese governments to make the utmost effort to reach agreement on Japan's participation in their consultative discussions. Furthermore, the Councils pledge their continued efforts to assist in this process by providing accurate information about the terms and benefits of TPP publicly and to political leaders in both countries to correct any misunderstanding about the terms and requirements of TPP.

In other trade initiatives, the Councils strongly support U.S.-Japan cooperation in expanding the product coverage and membership under the Information Technology Agreement (ITA) as a means of forming multilateral rules under the World Trade Organization (WTO).

Cooperation in APEC continues to offer great opportunities for the US and Japan to work together to advance mutually beneficial initiatives. In particular, the Councils support and appreciate the strong leadership exerted by the U.S and Japanese governments regarding the recent agreement within APEC to eliminate and reduce tariff rates and barriers applied to environmental goods and services (EGS), and technological innovation of EGS.

In order to achieve global penetration of products that are good for the environment, we need to widen the range of products that are recognized as environmental products. This is particularly true for LEDs and storage batteries, the integral components of smart grids, which need to be recognized as environmental products.

The Councils agree that the U.S. and Japan can succeed in strengthening our economies only if both governments look beyond their borders to endorse and promote strong IP regimes that foster innovation and commercially sustainable technology diffusion. Both the U.S. and Japan have been proponents of the WTO Agreement on the Trade Related Aspects

of Intellectual Property Rights (TRIPS), and have similarly robust protections for intellectual property. Advancing these protections in third countries and in multilateral organizations is a shared goal of the U.S. and Japan. The Councils thus urge both governments to deepen U.S.- Japan collaboration on IP to protect the investment of Japanese and U.S. enterprises, universities and government research. To support this objective, the Councils will form a Working Group of U.S. and Japanese companies to engage with both governments to enhance bilateral cooperation on IP.

### **3. ENERGY and U.S.-JAPAN COOPERATION**

In light of the high uncertainty regarding the costs and stability of the electricity supply in Japan in the aftermath of the Great East Japan Earthquake and accident at the Fukushima Dai-Ichi nuclear plant, ensuring a stable energy supply at economically feasible costs is a critical pillar of economic growth strategy for Japan. This is vital not only to maintain and expand domestic industries and employment but also to offer an attractive business environment to foreign corporations operating in Japan. The Councils therefore strongly urge the Government of Japan to clarify the policy direction as quickly as possible.

The Councils encourage the Government of Japan to pursue a diversified, cost-effective and realistic energy mix that will support economic growth in the short and long terms.

There are several critical elements of this:

- Maintaining a sufficient level of nuclear power generation to cover current and future demand for electricity by industrial and household users;
- Promoting the technological development of nuclear power generation with enhanced safety in light of the lessons learned from the accident at the Fukushima Dai-Ichi nuclear plant;
- Adopting a sustainable strategy for the use of thermal power sources such as liquefied natural gas (LNG), including importation of LNG from the United States;
- Accelerating the development of renewable energy technologies.

There is great potential for the United States and Japan to cooperate significantly in these areas, and the Councils urge both governments to set greater energy cooperation as one of the top bilateral economic priorities involving both the public and private sectors going forward. To support this objective, the Councils will form an Energy Working Group of U.S. and Japanese companies to engage with both governments to support U.S. LNG exports to Japan.

#### **4. FINANCIAL SERVICES**

The health of the macro economy and stability of the financial system are closely linked, and as such, the recent uncertainties in the global economy threaten again the stability of the global financial system only a few years after the turmoil of 2008. The Councils trust that both governments will pursue sound policies that will strengthen the global financial system and promote sustainable economic growth. Furthermore, the Councils call on both governments to continue working through the G20, the Financial Stability Board (FSB) or other global standards-setting bodies, while ensuring transparency and accountability to duly elected leaders, to strengthen the current framework of global economic governance for pursuing the strong, sustainable and balanced expansion of the global economy.

In the macro-economic area, it is clear both Japan and the US have large and growing fiscal imbalances that are unsustainable for the long term, and the Councils urge both governments to take concrete actions for keeping fiscal discipline and consolidating public finance, which will stabilize the global financial system further.

The Councils, meanwhile, fully support regulatory measures to strengthen the global financial system. Nonetheless, the Councils remain concerned about the potential for unintended consequences of the current global regulatory reforms on financial markets including capital markets, which threaten to harm the sector's ability to fuel growth. The Councils urge both governments to be careful, when considering and implementing new domestic regulatory measures, to ensure that the regulatory environment neither places an unnecessary burden on the financial industry and market participants nor creates new opportunities for regulatory arbitrage. Moreover, the Councils continue to urge that, in the spirit of the 2009 Pittsburgh summit, the rules should be coordinated and harmonized to avoid extraterritorial application and possible overlap of conflicting requirements. Thus, the Councils welcome moves by regulators in both countries to expand dialogue with industry

and consider the views of market participants when crafting and implementing new reforms.

In addition, the Councils welcome continued efforts to further modernize U.S. state-based insurance regulation and ensure that reinsurance regulation is consistent with global best practices. With regard to the Japanese postal financial entities, the Councils continue to believe that ensuring equivalent conditions of competition is essential before determining whether the postal financial entities broaden their range of products.

## **5. HEALTH CARE INNOVATION**

The R&D-based pharmaceutical, medical device and diagnostics industries have consistently played a vital role in economic growth and high-wage job creation in both the U.S. and Japan. These industries provide real economic value to the U.S. and Japan through improved patient care, health outcomes, and healthcare system efficiency. Sustained and enhanced competitiveness in these sectors is vital not only to economic recovery, but, more importantly, to improving the health and well-being of people across the U.S. and Japan. As such, the Councils urge the U.S. and Japanese governments to pursue policies that foster innovation in the healthcare sectors and speed access to life-saving and life-enhancing medical products.

To expedite access to healthcare products, the Councils welcome continued progress by Japan toward reducing the drug, vaccine, device and diagnostics lags and look forward to improvements in U.S. regulatory processes resulting from the 2012 reauthorization of PDUFA and MDUFA. The Councils appreciate the close collaboration with MHLW as it prepares to revise Japan's Pharmaceutical Affairs Law and anticipate that revisions will ease the regulatory burden on medical device and diagnostics companies in Japan.

To promote innovation, the Councils support policies that encourage companies to introducing advanced products and therapies to U.S. and Japanese patients, such as the price maintenance pilot pricing system for pharmaceuticals in Japan. The Councils strongly encourage the U.S. and Japanese governments to repeal policies, such as Japan's Foreign Average Price Rule (medical device) and Special Repricing for Market Expansion Rule (pharmaceutical) as well as the U.S. medical device tax, that run counter to innovation and

detract from the ability of pharmaceutical and medical device companies to create jobs and grow the economy.

**Healthcare IT:** The Councils also embrace the potential of Healthcare IT for new growth to improve healthcare efficiency while optimizing healthcare costs, and to provide personal care based on adequate privacy rules, all of which will ultimately contribute to better patient outcomes. With this in mind, the Councils endorse the Japan's Five Year Medical Innovation Strategy which identifies the key elements of Healthcare IT, such as electronic health records and telemedicine which can be utilized for homecare and emergency care.

## **6. DISASTER MANAGEMENT and ICT**

The earthquake and tsunami that struck the north-east of Japan on March 11, 2011, and floods, typhoons and hurricanes that often cause extensive damage to the region, all remind us that the Asia-Pacific region is highly vulnerable to the impacts of natural disasters. Recognizing that economic impacts caused by such natural disasters are huge, the Councils reaffirm the significance of U.S.-Japan Joint initiatives between the public and private sectors to reduce multiple disaster risks at home and abroad, and strengthen the resiliency of our communities.

The following issues are some key elements of disaster management and ICT's roles that U.S. and Japan can cooperate on towards a more resilient society:

- Promoting and facilitating the use of Business Continuity Plan (BCP) that encompasses the whole supply chain, recognizing the importance of delivery of goods and services following the disaster.
- Implementing the resilient ICT network infrastructure that contributes to highly accurate disaster prediction, and secure communication networks in times of natural disaster.
- Establishing Cloud based Management System for Private/Government related data to recover from disaster without critical data loss.

- Utilizing the Traffic Information Data for motor vehicles in the event of natural disasters, which is recognized as an example of "Big Data", will help to provide effectively passable driving routes with rescue teams and volunteers groups and others.

## **7. IMPROVING THE BUSINESS ENVIRONMENT**

### **Reduction of Corporate Tax**

Given that Japan and the United States have the highest statutory corporate tax rates among major economies, the Councils are pleased that both governments are discussing reductions in these rates as part of broader fiscal and economic policy discussions. The Councils support significant reductions in the corporate tax rates in both countries as a means of improving the U.S. and Japanese business environments, which will translate into more investment, economic output, and jobs.

### **Consumer Redress Mechanisms**

The Councils urge both governments to ensure that major new initiatives that could affect the liability environment for businesses and investors, such as the proposed consumer "class action" proposal currently under consideration in Japan, undergo careful cost/benefit analysis and stakeholder review before approval in order to avoid unintended consequences that could impose undue costs or uncertainty on businesses, thus adversely affecting the business environment and Japanese economy. In particular, it is important that such systems are not applicable on a retroactive basis, contain clear standards of commonality, and do not supersede existing regulatory authority.