

JOINT STATEMENT
54th JAPAN-U.S. BUSINESS CONFERENCE

U.S.-Japan Ties at a Critical Juncture

U.S.-Japan Business Council / Japan-U.S. Business Council
Washington, D.C.
November 3, 2017

Overview and Key Themes

1. The U.S.-Japan Business Council (USJBC) and Japan-U.S. Business Council (JUBC) (hereafter, the “Councils”) held the 54th meeting of the U.S.-Japan Business Conference (hereinafter, the “Conference”) in Washington on November 2-3, 2017, under the Conference theme: “**U.S.-Japan Ties at a Critical Juncture.**” Today, a number of security and economic challenges in the Asia-Pacific require greater U.S.-Japan cooperation. North Korea’s continued pursuit of nuclear weapons and a growing number of territorial and maritime disputes are among the most prominent security concerns facing the two countries. In addition, the liberal international economic order has come under intense scrutiny in recent years. These themes remained top of mind for participants throughout the Conference.
2. This Conference assembled business leaders from the United States and Japan, who confirmed their commitment to promoting a free, open and rules-based global trading system; setting an example for sustainable economic growth; and maintaining regional stability. Throughout the conference, the Councils stressed the need for the U.S. and Japanese business communities to be in lock-step at this critical juncture, where we face growing uncertainty not only over regional security, but also regarding the shifting U.S. stance on trade – particularly in the Asia-Pacific region. The Councils underscored the importance of promoting shared values in order to preserve and build on the contributions made by U.S. and Japanese businesses to global economic growth, including through development of extensive value chains across the region.
3. The Councils agreed that a rules-based free-trading system promotes economic growth, job creation, and innovation and resilience of participating economies. The Councils duly recognize the Government of Japan’s leadership in pursuing the Trans-Pacific Partnership (TPP-11) since the US decision to withdraw from TPP. The Councils expressed their hope that discussions between the United States and Japan on a bilateral framework will be accelerated with a view to deepening their economic relations, and setting high trade and investment standards throughout the Asia-Pacific region.

4. The Councils emphasized that the U.S.-Japan Alliance is essential to stability and prosperity across the world and underscored the importance of strengthening the commercial relationship as a fundamental pillar of the U.S.-Japan relationship. The Councils encourage the governments of both countries to commit themselves to further improving market access and pursuing high standards and more comprehensive cooperation in areas such as digital commerce, competition with state-owned enterprises, regulatory practices, and intellectual property protection, among others. They applauded both governments for their renewed engagement through the U.S.-Japan Economic Dialogue, including on more effective enforcement activities against unfair trade practices by third countries. They emphasized the need for private-sector input into the dialogue and encouraged both governments to ensure concrete outcomes that create meaningful opportunities for the private sector. A priority area is enhanced collaboration on quality infrastructure, both bilaterally, and throughout the Asia-Pacific region, including closer cooperation on infrastructure projects and standards setting through APEC, in the activities of the Asian Development Bank (ADB), and in other regional fora.

Key Challenges Facing the United States and Japan

5. The Councils expressed their commitment to addressing mutually concerning protectionist trends in third countries, including those related to: government subsidies to state-owned enterprises, excess manufacturing capacity, market access restrictions, forced technology transfers, and burdensome and restrictive data policies that will have severe implications for global innovation. The Councils recognized China's growing economic influence and committed to working together to promote a level playing field for U.S. and Japanese companies. At the Conference business leaders' attention was brought to the "Made in China 2025" policy and potential concerns associated with such industrial policies.
6. The Councils expressed concern over rising protectionist sentiment on a global scale, and in particular that guided by oversimplified metrics related to trade deficits and surpluses. Metrics should take into account basic macroeconomic principles as well as the benefits that are realized from the free flow of goods, services, labor and capital. The Councils encourage both governments to avoid adopting economic policies that protect one industry, sector or market at the expense of others. To realize the benefits of a vigorous and innovative economy, both governments must take measures to ensure market competition stays healthy, robust and impartial. To that end, the Councils expressed concern over a number of U.S. proposals tabled in the North American Free Trade Agreement (NAFTA) modernization negotiations and urge U.S. negotiators to reconsider those proposals that would be harmful to U.S. businesses, such as the local content requirements in the automotive sector, as well as Japanese firms with substantial investments in the United States and across North America.
7. With both countries facing demographic challenges posed by aging populations and shrinking workforces, improving overall productivity of both countries' workforces is

critical to ensuring sustained growth and long-term competitiveness. Greater workforce productivity can be achieved through structural changes and public-private partnerships that promote diversity and incentivize individual and collective performance; optimal employment of skills, education and experience of mid-career professionals and new entrants; an enhanced focus on preventative healthcare to mitigate health risks associated with aging; and the removal of barriers to women and foreign workers entering the workforce.

Priority Challenges and Issues in the United States:

8. The Councils support development of broad consensus among Congress, the executive branch, and the American public on comprehensive policies that will enable large and small businesses to grow the economy and generate new jobs. The Councils urge the U.S. administration to prioritize domestic policies that favor economic growth, pursue a wide-ranging and rules-based approach to global trade, and ensure that transparency, predictability and a commitment to the rule of law continue to drive foreign investment into the United States.
9. The Councils applaud the focus on tax reform by the U.S. administration and Congress. Tax reform legislation should lower tax rates for all businesses to a level that will enable them to compete successfully in the global economy, attract foreign investment to the United States, increase capital for investment, and drive job creation. In addition, the Councils believe that tax reform legislation should ensure industry-specific neutrality and avoid special tax benefits or penalties targeted to one industry versus another. The Councils also appeal to both governments to review their respective taxation systems to ensure fairness for citizens of both countries working in the other to optimize the free flow of people between the two countries.
10. The United States' travel, transportation and energy infrastructure is increasingly overburdened and in disrepair from decades of underinvestment and neglect. Repair and improvement of infrastructure projects will present major foreign direct investment opportunities, and will directly enable the seamless movement of goods, services and people across state and international borders. The Councils encourage the U.S. government to prioritize improving existing U.S. infrastructure and to support investment in advanced transportation projects, such as the construction of high speed rail lines in the western and northeastern corridors and in Texas, as doing so will not only facilitate transportation, but will produce high-paying, skilled jobs for U.S. workers.
11. The U.S. faces a shrinking workforce resulting from increasing retirement of the baby-boomer generation, and will need to find ways of leveraging all of its labor potential to realize long-term economic expansion. With respect to immigration reform, the Councils encourage the U.S. government to pursue administrative reforms, along with much needed legislation that overhauls an outdated immigration system.

Priority Challenges and Issues in Japan:

12. Structural and regulatory reform will be an essential complement to current monetary and fiscal measures aimed at overcoming deflation. To do this successfully, the Japanese government must convince consumers and investors alike that national finances are sustainable and that social safety net programs will remain viable in the medium to long term.
13. Japan faces an acute demographic challenge, with over 40% of the population projected to be over age 65 by 2025. The Japanese government must develop innovative ways to increase individual and collective worker productivity to ensure that the growing costs of entitlement and social security programs are sustainable. This will necessitate the elimination of structural and cultural barriers to women entering the workforce, and consideration of enhanced participation of the elderly population and foreign workers. It is also imperative that the Japanese government implement critical labor reforms, including by developing a mechanism for legalized severance, as well as establishing an effective white-collar exemption and other measures to incentivize performance over hours worked.
14. To overcome those challenges and enable sustainable and resilient growth, the Councils recognize the concept of “Society 5.0” and urge the Government of Japan to collaborate with business to set a concrete action plan and ensure steady implementation of the strategy. In particular, the Councils believe that the greater usage of data is the key to success and it is the most important to implement a series of policies to enable it in an expeditious manner.

Sectoral Priorities:

15. Digital Economy - The Councils applaud both governments for the focus they are bringing to digital economy-related issues and also encourage them to continue to collaborate and advocate for the principles in third countries, regions and other international fora to prevent digital protectionism. The Councils support the governments’ efforts to share best practices with other countries and regions, and hope for increased dialogue between the U.S., Japan, and others. A detailed overview is provided in the digital economy supplement, and prioritizes areas related to: allowing cross-border data flows, avoiding data localization and cloud computing requirements, avoiding requirements of source code disclosure, enhancing cybersecurity cooperation, improving critical infrastructure necessary to support technological advances and connectivity, and strengthening intellectual property protection.

16. Financial Services – The Councils support regulatory and supervisory efforts that achieve an appropriate balance between strengthening financial stability, benefiting the wider public interest, and preserving the ability of financial institutions to drive economic growth. In that regard, the Councils highlight the extensive employment, credit, liquidity, and risk management financial institutions provide, which are critical to the functioning of the economy and financial systems around the globe. The Councils support government efforts to promote regulations and international standards that: allow appropriate risk-taking necessary to finance growth; maintain a level playing field; are proportionate to the issue they aim to address; achieve consistency across jurisdictions where appropriate; and avoid unintended consequences. These areas, and other priorities, are further discussed in the Financial Services Sector supplement.

17. Energy - The Councils recognize that energy security is paramount to national security, and that diversified energy mix which incorporates renewable and non-renewable energy sources will ensure reliable, resilient and environmentally sustainable economic growth. The Councils applaud both governments for their continued collaboration on innovative nuclear energy generation technologies as a means of producing emissions-free energy and welcome the Statement of Intent signed by both governments which desires to strengthen the special bond between two nations through greater industrial cooperation. We recognize that there are abundant collaboration opportunities to ensure nuclear power generation facilities are safe and survivable when natural disasters strike. The Councils also recognize that the U.S. shale revolution, especially in the production of natural gas and Liquefied Natural Gas (LNG), holds great potential for increased energy trade, cooperation and security between the U.S., Japan and the broader Asia-Pacific region, and the Councils urge both government promote cooperation in this area.

18. Healthcare - The Councils note their ongoing commitment to public-private collaboration toward addressing pressing healthcare challenges, improving health outcomes and raising economic productivity worldwide. They advise both governments to further improve the healthcare environment in both countries in a way that allows for greater efficiency and fully acknowledges the value of innovation. In that regard, the Councils underscore the importance of ensuring that pricing and reimbursement systems fully recognize real-world patient and caregiver value and are efficient, transparent, and consistent. In addition, the Councils note the importance of ensuring regulatory practices that encourage global development and result in first-in-world approvals. The Councils also note the importance of collaboration across the public, private, and academic sectors and encourage both

governments to provide platforms for efficient translational, pre-clinical, and clinical development that will spur innovative R&D.

19. Travel, Tourism and Transportation – Travel between the United States and Japan helps forge close ties and common values between our peoples and secure the foundation for the strong partnership between our two countries. The Councils recognize that international travel and tourism have been an important recent driver of economic growth in both countries. Just over the past four years, the number of inbound international travelers to Japan has tripled, and the Councils commend the Government of Japan for its focus on improvements aimed at enhancing transportation infrastructure and in providing convenience for foreign visitors to Japan, and encourage the US government to explore ways to improve the environment around international travel and tourism to the United States. The Councils believe that the 2020 Tokyo and 2028 Los Angeles Olympic and Paralympic Games can spur further economic growth, and also provide significant opportunities for public-private sector collaboration to help make the Games a success. The Councils believe that the recent authorization of integrated resorts (IR) by the Diet of Japan will enhance growth in this sector and, as Japan considers appropriate regulations, the Councils encourage the Japanese government to address public concerns while maintaining the positive potential IR has for tourism and investment for the Japanese economy.