

JOINT STATEMENT
56th U.S.-JAPAN BUSINESS CONFERENCE
Towards a Stronger U.S.-Japan Economic Relationship

Washington, D.C.
September 18, 2019

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

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

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

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

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

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

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

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

DIGITAL ECONOMY

The U.S.-Japan Business Council and the Japan-U.S. Business Council (“the Councils”) encourage the U.S. and Japanese governments to continue to promote and codify policies that will help grow the global digital economy. We believe that these efforts should be simultaneously pursued through bilateral, plurilateral, and multilateral agreements that focus on:

1. **Enabling data usage while strengthening data privacy and protection.** The Councils remain committed to promoting policy frameworks that facilitate data usage while enhancing data privacy and protections. Any such agreement, should at a minimum include:
 - Commitments that ensure the ability for businesses in all sectors to move data across borders and a prohibition on the forced localization of data across all sectors.
 - Commitments that the two governments will continue to take proactive and coordinated leadership roles to promote a multi-stakeholder model for internet governance, privacy, and cybersecurity around the world.

While a bilateral trade agreement that incorporates the above is important to the Councils, we strongly encourage the two governments to continue work closely to promote the free flow of data and extend high-standard privacy protections in multilateral fora such as the G7, G20, OECD, and APEC. We are supportive of efforts by both governments to promote frameworks that allow for self-regulation, utilize industry codes of conduct, and foster international operability. We encourage the two governments to strive for greater adoption of these principles through established mechanisms, such as the APEC Cross-Border Privacy Rules system, and emerging concepts such as the Data Free Flow with Trust (DFFT) initiative agreed to at the 2019 G20 Osaka Summit.

Additionally, we encourage the U.S. government to pursue federal privacy legislation that would protect consumers and eliminate a confusing patchwork of state laws.

2. **Promoting best practices and international standards to manage increasing cyber risks.** Given the evolving nature of cybersecurity threats, the Councils recognize that risk-based approaches may be more effective than prescriptive regulation in addressing those threats. Any such agreement, should at a minimum:

- Encourage to strengthen, jointly with industries the capabilities of their respective national entities responsible for cybersecurity incident response, such as the Department of Homeland Security, the National Institute for Standards and Technology (NIST), the National center of Incident readiness and Strategy for Cybersecurity (NISC), and Information Sharing and Analysis Centers (ISACs), among others.
- Strengthen existing collaboration mechanisms for bilateral cooperation to identify and mitigate malicious intrusions or dissemination of malicious code that affect electronic networks.
- Promote risk-based approaches that rely on consensus-based standards and risk management best practices to identify and protect against cybersecurity risks and to detect, respond to, and recover from cybersecurity events.

The Councils also support efforts by both governments to promote key International Organization for Standardization (ISO) standards around risk management and assessment, coordinate closely on cybersecurity capacity building programs with APEC and through the U.S. Department of State’s Digital Connectivity and Cybersecurity Partnership.

3. Maintaining an innovative, open and inclusive framework for global rules on e-commerce. We encourage the two governments to pursue non-discriminatory treatment of digital products and services, and a permanent moratorium on customs duties for electronics transmissions. Moreover, we hope the work for international rule-making on e-commerce in the WTO will produce commercially meaningful results. These efforts should be as inclusive as possible, while recognizing efforts made in the CPTPP, the EU-Japan EPA, and the pending USMCA.

4. Prohibiting forced localization requirements and forced technology transfers in exchange for market access. We urge the two governments to continue work closely to:

- Explicitly prohibit measures that require the use of local technology infrastructure, including computing facilities, in exchange for market access and other commercial benefits.
- Pursue agreements that state that “no Party shall require the transfer of, or access to, source code of software owned by a person of another Party, or to an algorithm expressed in that source code, as a condition for the import, distribution, sale or use of that software, or of products containing that software, in its territory.”

We also remain supportive of the ongoing efforts between Japan, the United States, and the European Union to cooperate more closely on resolving long-standing issues around forced technology transfers by third parties.

In addition to seeking these commitments in trade agreements, we also stress the importance of U.S. and Japanese leadership related to the deployment of Artificial Intelligence and 5G technologies. Joint efforts should focus on:

5. Striving to promote the utilization of Artificial Intelligence (AI). The Councils encourage the two governments to promote the advancement of AI technologies through the development and use of global, consensus-based, and industry-led AI standards. We encourage the two governments to build and promote governance frameworks that are flexible and driven by a transparent, voluntary, and multi-stakeholder process.

Any efforts by the two governments in this area should be mindful of existing rules and regulations, incorporate risk-based approaches to AI governance, and maintain data protection regimes that recognize the need to collect, retain, and process data for AI development, deployment and use. We also encourage the two governments to work closely with industry and civil society to establish global ethical rules around fairness, bias, privacy, transparency and responsibility to explain decision making, human rights, and talent development related to AI.

6. Promoting the deployment of 5G networks and infrastructure. The Councils believe that 5G technology will be both an enabler of innovation and creator of new opportunities across all industry sectors. As it is deployed, we encourage the two governments work collaboratively to ensure that 5G communications networks are based on industry-led, open, consensus-based international standards.



ENERGY AND INFRASTRUCTURE

The U.S.-Japan Business Council and the Japan-U.S. Business Council (“the Councils”) are focused on developing and deploying technologies to enhance our energy security and mitigate climate change. Our businesses continue to focus on low-carbon and innovative solutions both on the supply and demand sides of electricity and gas supply in our respective countries. We also continue to identify business opportunities to deploy our resources, energy technologies and knowhow globally. The Councils encourage our respective governments to support member activities with policies, tools, and frameworks for developing and deploying our low-carbon technologies and ensuring greater penetration on a global scale.

Energy and Infrastructure Cooperation

The Councils remain committed to encouraging cooperation and development of energy and infrastructure projects in the United States, Japan and globally. Joint efforts to promote high-quality infrastructure development across the Indo-Pacific has been particularly welcomed, however, we urge the two governments to consider the following to support this cooperation:

- Clarify the roles, responsibilities, and programs of United States and Japan financial institutions, such as the Overseas Private Investment Corporation (the Development Finance Corporation from October 1, 2019), and the Japan Bank for International Cooperation;
- Ensure that the financial and policy tools for supporting energy and infrastructure projects abroad extends to all forms of low carbon technologies, including natural gas, nuclear, and renewable energy; and,
- Increase advocacy and engagement efforts in target third countries to support our member business community efforts to secure energy and infrastructure projects.

Climate Change and Low-Carbon Energy

The Councils continue to encourage the development and deployment of clean energy technologies to provide energy security and support shared climate change mitigation goals. We urge the two governments to consider the following to support this cooperation:

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- Continue R&D and financial support to achieve economical deployment of carbon capture and usage/recycle technologies to lower the carbon footprint of coal plants;
- Promote U.S. natural gas exports and Japanese LNG-related technologies and knowhow to establish greater footholds in existing markets while opening new ones;
- Establish sustainable national frameworks for the deployment of renewable power such as solar, on/off shore wind and energy storage technologies;
- Develop hydrogen supply chains and infrastructure for power generation, stationary fuel cells, vehicles and other modes of transport to stimulate market development in the United States and Japan, as well as open new markets for our technologies globally; and,
- Promote nuclear power including small modular and advanced reactors and United States-Japan nuclear cooperation as a source of low-carbon baseload energy.

Digital Transformation in Energy Sector

The Councils recognize that digital technologies are increasingly critical to the energy sector. In order to ensure that the sector is able to leverage these technologies most efficiently and securely, we encourage the two governments to:

- Promote a risk-based, industry neutral approach to cybersecurity and data protection that extends to the energy sector; and,
- Continue to support and promote the use of international standards for critical infrastructure operators in the energy sector.

Innovation and Entrepreneurship

The Councils note that many of its members are developing innovative technologies in gas and electricity sectors, including cyber and control systems, advanced generation nuclear reactors, energy management systems, and energy storage systems. The Councils urge the two governments to consider the following action to support the initiatives of our member companies:

- Establish balanced and forward-looking energy policies that enable the development of markets for these technologies.



The Financial Services Working Group of the Japan-U.S. Business Council and the U.S.-Japan Business Council on September 18, 2019, together endorsed collective action in three areas: *Shaping an Interconnected Economy, Securing the Future for an Aging Population, and Strengthening Resilient Economic Growth.*

1. ***Shaping an Interconnected Economy.*** For the financial services industry, digital innovation presents an opportunity to drive growth and competitiveness in the sector. However, optimizing economic benefits to society and managing the policy and regulatory challenges of digital innovation require a high level of government-business cooperation. The Councils recommend three areas of cooperation:

Level Playing Field. Level playing field is a key principle for strengthening financial and capital markets and eliminating market inefficiencies and distortions. An effective regulatory framework promotes innovation, fosters financial stability and protects consumers. An effective framework applies the same set of rules so no entity benefits from an unfair advantage. The Councils call for regulations that ensure that all industry competitors —whether incumbents and new entrants— be subject to the same financial and legal requirements.

Open Data Architecture. In order to deploy new technologies to meet customer needs, industries require full confidence in the ability to move data across borders. Restrictions on data flow threaten security, weaken economic competitiveness, and undermine the efficacy and strength of the Internet as a unified global network. The Councils recommend pursuit of a Japan-U.S. collaboration focused on creating a fully open data architecture, including a desired timeline.

Cybersecurity. The growing frequency and sophistication of cybersecurity attacks pose critical risks to financial services companies. The industry is the primary target of malicious attacks and, collectively, financial services firms spend more to defend against and respond to cyberattacks than any other sector. At stake are theft of sensitive data, disruption of service, breach of confidentiality and, ultimately, the stability of the financial system. As the pace and strength of digital attacks increase, the Councils recommend U.S.-Japan bilateral cooperation to build more cyber-resilient companies and a more secure information technology environment.

2. ***Securing the Future for an Aging Population.*** In the Asia-Pacific and around the world, population aging – caused by rising life expectancy and declining fertility rates -- challenges fiscal sustainability, financial market development and financial stability. The Councils urge both governments to collaborate with industry to leverage the sector’s expertise related to senior-friendly practices, economic data and policy recommendations regarding personal retirement saving, healthcare insurance products and lifetime financial planning support. Priority areas for cooperation are:

Aging and Financial Inclusion. The Councils endorse the G20 Fukuoka Policy Priorities on Aging and Financial Inclusion¹, including increased support for financial literacy to build knowledge of financial risk and risk mitigation.

Retirement and Long-term Investing. As populations age and pension fund liabilities rise, the weak financial position of pension funds heightens risks for current and future retirees. The Councils recommend development on an enabling environment to induce greater individual contributions to long-term savings, insurance and pension.

Policy Framework. Finally, the Councils urge adoption of a policy framework that does not hinder insurers and other financial institutions from supporting retirement and long-term investing. This includes establishing an Insurance Capital Standard (ICS) that strikes the right balance between financial stability and economic growth. A policy framework that supports adequate individual asset formation is also important, including tax incentives or subsidies.

3. ***Strengthening Resilient Economic Growth.*** Resilient economic growth is directly linked not only to the ability of an economy to quickly recover during an economic downturn but also to the sustainability of social and business activities. Resilient economies limit the magnitude of loss and more quickly pivot to a sustainable growth path. In order to support economic soundness in a challenging business environment, the Councils reaffirm our commitment to strengthen resilient growth in the Japanese and U.S. economies, with a focus on the following goals:

Regulatory Coherence. Inter-jurisdictional rules that are duplicative or conflicting create regulatory fragmentation. For investors, this increases costs, limits hedging of a market and reduces risk diversification for investors. The overall impact – contracted markets and reduced liquidity -- is a detriment to the economy. The Councils encourage greater collaboration among financial regulators to foster international regulatory coherence, a critical of economic growth and sustainable development.

¹ G20 Fukuoka Policy Priorities on Aging and Financial Inclusion: https://www.g20.org/pdf/documents/en/annex_03.pdf

Infrastructure Financing. Physical infrastructure underpins all economic activity. Infrastructure increases productivity and competitiveness, spurs economic growth and builds more resilient economies. Sustainability considerations are therefore important for infrastructure investment, as represented by initiatives such as the Sustainable Development Goals and Environmental, Social and Governance frameworks. Underfunding critical infrastructure hampers economic growth and exposes business and society to risk. Despite the risks, public and private sectors around the globe continue to underinvest in infrastructure. The Councils endorse the G20 Fukuoka Principles for Quality Investment² and urge coordinated efforts from the Japanese and U.S. government to facilitate infrastructure financing best practices.

Tokyo Financial Center. Tokyo has a rich history as a center of culture and technological innovation. In view of the substantial comparative advantages of this megacity – democratic government, rule of law, open data architecture, state-of-the-art technology and transport infrastructure, leading global brands, a highly educated workforce and expansive cultural offerings – the Councils support a focused, multi-faceted effort to establish Tokyo’s position as a global financial center on par with the enormous depth and breadth of Japan’s economy.

² G20 Principles Quality Infrastructure Investment: https://www.g20.org/pdf/documents/en/annex_01.pdf



HEALTHCARE INNOVATION

Fundamentally, healthcare is an investment in the national and in the global economy. The R&D-based pharmaceutical, medical device and dietary supplement industries continue to play vital roles in improving the health and welfare of people in the world, including emerging markets, by driving economic growth and job creation, developing innovative healthcare solutions that support the lengthening of average healthy lifespans, improving the quality of life, and reducing the economic burden of disease. At the same time, the sustainability of social security systems, including healthcare, remains a significant challenge to maintaining economic growth in rapidly aging societies with a declining working-age population. The U.S.-Japan Business Council and the Japan-U.S. Business Council (“the Councils”) recognize and welcome that important progress has been made over the last several years in improving the competitiveness and attractiveness of the markets in both countries, which is vital to fueling continued innovation in the future. To further promote these trends, the Councils make the following specific recommendations in priority areas:

Improve Recognition of the Value of Innovation

- For Japan: Improve the 2018 revisions to the Price Maintenance Premium by repealing the company requirements and by expanding the product criteria for drugs.
- For Japan: Limit annual pharmaceutical price revisions, which will be introduced in 2021, to products where there are large margins between medical institutions’ purchase prices and National Health Insurance (NHI) reimbursement prices.
- For Japan: Prevent annual price revisions for medical devices and maintain stability in the current price revision formula.
- For both: Ensure that any health technology assessment (HTA) or cost effectiveness assessment (CEA) in the U.S. or in Japan does not delay patient access or restrict physician choice.
- For the U.S.: Pursue market-based reforms that improve affordability and access for seniors in Medicare Part D.
- For the U.S.: Abandon the International Pricing Index for drugs.
- For the U.S.: Urge continued reforms to the Medicare program’s coverage, coding and payment processes for new medical devices that improve the treatment and diagnosis of Medicare beneficiaries.
- For the U.S.: Repeal the currently suspended Medical Device Excise Tax.

Enhance Clinical, Regulatory and Legal Systems

- For Japan: Develop more public-private collaboration between the Japan Agency for Medical Research and Development (AMED), academia, bio-ventures and the pharmaceutical industries to reduce barriers to translational research.
- For Japan: Maximize the utilization of *Sakigake* and conditional approval to expedite the availability of innovative medical treatments where significant unmet medical need exists.
- For Japan: Establish a regulatory data protection for biologics with the highest global standard.
- For the U.S.: Support the intent of the Creating and Restoring Equal Access to Equivalent Samples (CREATES) Act.
- For the U.S.: Support the U.S. Food and Drug Administration's (FDA) efforts to achieve the medical device user fee program performance goals.
- For the U.S.: Partner with FDA to ensure a more efficient and transparent medical device facility inspection process, per the 2017 FDA User Fee Reauthorization Act.

Increase the Efficiency and Effectiveness of Healthcare Expenditures

- For both: Pursue pharmaceutical and medical device pricing and reimbursement reforms in the context of the sustainability of the overall healthcare system.
- For both: Ensure that patient out-of-pocket copayments do not limit access to medicines.
- For both: Encourage innovation by applying cost-savings from the expanded use of generics after the patent/exclusivity period of originators to new drugs.
- For both: Pursue medical device and pharmaceutical schemes that link pricing to both the patient outcomes and preference as well as to the cost-offsets within the healthcare system and the wider society.
- For the U.S.: Pass on pharmaceutical rebates to patients.

Encourage Preventive Measures

- For Japan: Adopt pro-vaccination policies and give greater recognition to the societal value of innovation relating to prevention.
- For Japan: Promote innovation and policies for new screening methods from a preventive viewpoint, for example, to improve the rate of breast cancer screening.
- For both: Recognize the evidence-based health benefits of functional foods, such as health foods and dietary supplements, so that the benefits can be communicated to promote public health.
- For both: Create an environment to enable the industry to study early disease detection and treatment.
- For both: Support and encourage businesses' voluntary initiatives to promote health and productivity management in both countries.

Promote Use of Digital Health

- For both: Encourage investment in digital health products; establish coverage and payment policies that encourage technology innovation and patient access; and ensure regulatory paradigms for digital health products are transparent, predictable, consistent, timely, and science-based.
- For both: Build an understanding and accelerate the use of the value of health data, and enhance trust in processes that govern collection (including tools), use and reuse of data.
- For both: Promote alignment between the U.S. and Japanese regulators in developing and implementing new digital health policies that accelerate and reduce cost of development of innovative therapies. More specifically, enact new public policies that support the delivery of health care through promising new digital health technologies, such as artificial intelligence (AI), Big Data, practical use of Real-World Data, etc., and ensure that they are aligned with existing standards and best practices developed by regional and global forums as well as with existing laws.
- For both: Allow private industry to utilize real world data to develop and gain approval of innovative medical devices and innovative medicines, such as cancer genomic medicine and medical imaging diagnostics assisted by AI.
- For both: Permit industry, academia, government and medical institutions to collaborate in the development of real world databases of sufficient quantity and quality to assist industry in the development of innovative medical devices and pharmaceuticals.
- For both: Create networked specialty centers that utilize a common IT platform to support integrated care across diagnosis, treatment planning & delivery, patient follow-up, and management of patient data as well as allow businesses to harness such centers.



Travel, tourism, and transportation are key drivers of economic growth for the United States and Japan. Japan’s ambitious national targets, for example, aim to attract 40 million foreign tourists by 2020 and 60 million by 2030. Those tourists are expected to spend somewhere between \$76 billion and \$142 billion (8 trillion and 15 trillion yen) annually in Japan—and the numbers will likely be buoyed by events like the 2019 Rugby World Cup and the 2020 Tokyo Olympic and Paralympic Games. For the United States, the numbers are even more impressive. Approximately 80 million foreign tourists visited the United States in 2018 alone and the tourism industry generated over \$2.5 trillion of economic activity.

While the U.S.-Japan Business Council and the Japan-U.S. Business Council (“the Councils”) recognize that government efforts have resulted in the rapid growth of overseas visitors to Japan and U.S. tourism continues to thrive, there are actions the two governments could take to improve tourism and maximize the economic impact of tourism. We believe that taking these actions will not only support the efforts underway by the Japanese and Tokyo Metropolitan governments for the 2020 Olympic and Paralympic Games, but will also bring increased tourism to rural areas in Japan and help sustain growth in the industry moving forward. Our suggestions include:

1. **Leverage emerging technologies and enable innovative, travel, tourism, and transportation services.** The Councils believe that the continued expansion of innovative demand-responsive, app-based tourism and transportation services would help enable the growth in travel and tourism sought by Japan. In addition to location-based ride-hailing and home-sharing apps often used by local and foreign tourists, the Councils encourage both governments to pursue policies that promote multi-modal digital mobility platforms, mobility as a service, and cashless payments. In particular, foreign tourists increasingly want and expect the convenience of cashless payments, and have a better travel experience when the same payment tools are offered in both their home and destination countries. Increasing the number of merchants who accept cashless payments, as well as increasing the use of technologies, such as contactless acceptance, will result in the added benefit of increasing tourism expenditures. Consumers increasingly expect such services, and we believe that these new technologies will help expand the reach and spend of tourists in both markets.

The Councils recognize that the United States also has challenges in the areas of immigration processing and aging transportation infrastructures including roads, port, airports and railways. We recommend further discussions to accelerate cooperation between the public and private sectors on how to leverage cutting edge technology to improve immigration processing and increase the convenience and resiliency of transportation infrastructure in the United States.

2. **Address uncertainties related to short-term rentals.** Online and app-based travel platforms are important tools in helping tourist destinations improve convenience and increase accommodation capacity for tourists, often with significant gains for communities and locations that have not traditionally benefitted from an influx of tourism dollars, including rural areas. While we support Japan’s efforts to address legitimate public safety challenges, our past experiences—such as in 2018 when the law on private lodging took effect—demonstrate that there is still a need for the Japanese government to remove remaining barriers so that on-line travel agencies and other app-based accommodation platforms can operate efficiently. They include the annual cap that limits home-sharing to 180 days a year, differing local rules and ordinances, and prohibitions based on specific dates and geographic locations.
3. **Continue efforts to alleviate congestion on Tokyo’s infrastructure in advance of Tokyo 2020.** Daily commuters and regular business operations have already maxed-out Tokyo’s transport system, raising fears of even worse congestion when Olympic visitors come to Tokyo. In order to provide smooth transportation services without undermining normal economic activity, the Japanese government introduced “TELEWORK DAYS of 2019” and recommended that companies implement a variety of teleworking options, as well as introduce staggered and/or flexible working hours. The Councils support these initiatives and are encouraged by the efforts of the Tokyo Metropolitan Government, the Cabinet Secretariat, and the Tokyo 2020 Organizing Committee to organize the 2020TDM Promotion Project, the objective of which is to control traffic demands to enable smooth event operations. We believe that this initiative will limit disruption to regular economic activity, and hope these initiatives become a key legacy of the 2020 Tokyo Games.

Additionally, while passenger traffic at airports is a priority for tourism, authorities should be mindful to continue to promote and facilitate air cargo traffic, which relies on the same transport infrastructure and also plays a major role in economic growth.

4. **Leverage technology to promote machine-assisted and autonomous transportation and delivery services.** The Councils recognize the importance of creating transportation options that are convenient and accessible to all, including for those who cannot drive, so as to manage congestion while ensuring the continuity of normal economic activity. For example, innovative technologies such as automated driving, mobile assistance robots, delivery systems that utilize drones, and efficient transportation systems using big data will contribute to developing smart cities and solving common social problems in both countries, such as traffic congestion, manpower shortages, and environmental problems. For such new technologies to be put to

practical use, safety and social acceptability will be critically important, and the Councils hope that such new technologies are developed jointly by both the public and private sectors. Cross-jurisdictional cooperation will also be critical to these technologies and other smart city developments, and the Councils encourage the governments to avoid competing or conflicting regulations and guidelines.

5. **Address concerns regarding the continuity of the Integrated Resorts (IR) business.** The Councils recognize that IR will help grow Japan's travel and tourism industries and contribute to regional economic revitalization by attracting significant investments of as much as over 1 trillion yen (\$9.4 billion), creating tens of thousands of jobs, and catalysing infrastructure development in surrounding areas. In this regard, the Councils have concerns that under the 2018 IR Development Act, the initial certification of the IR Area Development Plan is valid for only ten years, and subsequent renewals are valid for only five years. Such a short certification renewal timeline poses significant political risks to the continuity of the IR business as well as uncertainty for third party investors. Therefore, the Councils recommend that the Japanese government use the Basic Policies, which we expect to be issued in the next few months, to detail the regulatory framework and requirements for IR facilities and thereby comprehensively address these concerns. In addition, the Councils recognize the need to address public concerns about gambling addiction and money laundering, and recommend strong public-private partnership to ensure that the IR projects positively contribute to the Japanese economy.