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Business Council



JOINT STATEMENT

61st U.S.-JAPAN BUSINESS CONFERENCE

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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.