

### **Section 3 Japan-U.S. economic relations**

#### **1. Japan-U.S. Economic Dialogue**

At the first Japan-U.S. summit meeting between Prime Minister Abe and President Trump, held in February 2017, the two leaders agreed to further deepen dialogue and cooperation in order to dramatically enhance Japan-U.S. economic relations, and in order for Japan and the United States to lead the robust growth of the Asia-Pacific region and the world. In this regard, they decided to establish the Economic Dialogue forum led by Deputy Prime Minister Aso and Vice President Pence.

At the first round of Economic Dialogue held in Tokyo on April 18, 2017, Japan and the United States agreed to hold economic dialogue along three policy pillars: common strategy on trade and investment rules/issues, cooperation in economic and structural policies, and sectoral cooperation.

Japan and the United States agreed that the first pillar--common strategy on trade and investment rules/issues--would cover: a bilateral framework for setting high trade and investment standards; perspectives on trade and investment initiatives of the United States and Japan in the regional and global trading environment; and addressing third-country concerns.

The two countries agreed that the pillar of cooperation in economic and structural policies would cover: G7's active use of the Three-Pronged Approach (mutually-reinforcing fiscal, monetary, and structural policies); cooperation on global economic and financial developments and challenges; and cooperation on regional macroeconomic and financial issues.

Under the pillar of sectoral cooperation, Japan and the United States held constructive and meaningful discussions in such fields as infrastructure and energy in order to promote mutual economic benefits.

On October 18, the second round of Economic Dialogue was held in Washington, D.C. At the second round, Japan and the United States appreciated the energetic discussions held in order to obtain concrete results along the three pillars that were agreed on at the first round. The two countries also confirmed the importance of pursuing constructive dialogue in order to further deepen the Japan-U.S. economic relationship. A Japan-U.S. joint press release was issued after the second round.

On common strategy on trade and investment rules/issues, with regard to bilateral trade issues, Japan and the United States confirmed (A) that restrictions on Japanese persimmons and on U.S. potatoes from Idaho were lifted, and (B) that Japan will streamline noise and emissions testing procedures for U.S. automobile exports certified under Japan's Preferential Handling Procedure (PHP) in the area of automobile trade. Furthermore, both sides also confirmed that Japan will (C) ensure transparency and fairness in its system for geographical indications (GIs) in accordance with its domestic law and procedures and will (D) ensure transparency continuously with respect to reimbursement policies related to life sciences innovation.

In addition, Japan and the United States confirmed that technical-level work is underway to strengthen effective enforcement activities against unfair trade practices and to promote high trade and investment standards.

On cooperation in economic and structural policies, Japan and the United States (A) reaffirmed the active use of the three-pronged approach affirmed by the G7 members. Additionally, the two sides (B)

shared recognition on the current state of the global economy and finance, including financial regulatory regimes, and on cooperation on the challenges, and (C) confirmed that they, as major stakeholders in the multilateral development banks, will work closely together to promote sustainable and inclusive development while maintaining consistency with the highest international standards and debt sustainability.

On sectoral cooperation, Japan and the United States welcomed that effective and broad-ranging discussions are taking place in working groups set up by both sides in sectors where it will be possible to promote economic benefits and job creation in both countries, and that both sides are attaining concrete achievements that are enabling the win-win relationship between Japan and the United States to be further strengthened.

In this context, both sides confirmed that they will deepen discussions in areas such as (A) cooperation in the transportation infrastructure sector, including measures to deal with infrastructure deterioration and the development of high-speed railways, an increase in investment, and promotion of quality infrastructure through infrastructure development in third countries; (B) energy ties, including with respect to liquefied natural gas, civil nuclear energy and energy infrastructure; (C) leveling the global playing field; (D) cooperation in the digital economy; and (E) inclusive workforce participation, including women’s economic participation.

**Figure III-1-3-1 Japan-U.S. Economic Dialogue (2nd round)**



**Reference Joint Press Release from Vice President Mike Pence and Deputy Prime Minister Taro Aso on the Second Round of the U.S.-Japan Economic Dialogue (October 16, 2017)**

Vice President Mike Pence and Japanese Deputy Prime Minister Taro Aso met today for the second round of the U.S.-Japan Economic Dialogue.

At today's meeting, Vice President Pence and Deputy Prime Minister Aso, as Chairs of the Economic Dialogue, affirmed the importance of strengthening bilateral economic, trade, and investment ties. Fostering strong domestic demand-driven growth and fair trade practices can expand trade and foreign direct investment between our two countries that contribute to economic growth and job creation and result in more balanced trade. Both sides committed to build on momentum in the Dialogue to demonstrate progress in the near future.

**Common Strategy on Trade and Investment Rules/Issues**

Technical-level work is underway that is to (1) result in more effective enforcement activities against unfair trade practices by third countries, as well as (2) identify new areas of common interest for promoting high trade and investment standards

Some initial progress was made on bilateral trade issues, including the lifting of restrictions on Japanese persimmons and on U.S. potatoes from Idaho. In the area of autos trade, Japan will streamline noise and emissions testing procedures for U.S. automobile exports certified under Japan's Preferential Handling Procedure (PHP). Japan committed to ensure meaningful transparency and fairness in its system for geographical indications (GIs) in accordance with its domestic law and procedures, including those receiving protection through international agreements. Japan also committed to ensure meaningful transparency continuously with respect to reimbursement policies related to life sciences innovation. Both sides affirmed that they would intensify work to achieve further progress in the near term on bilateral trade issues

**Cooperation in Economic and Structural Policies**

The United States and Japan reaffirmed the active use of the three-pronged approach (mutually reinforcing fiscal, monetary, and structural policies) affirmed by the G7 members.

The United States and Japan share the view that financial regulatory regimes should be calibrated to reduce regulatory costs and burdens, while maintaining high standards of safety and soundness and ensuring the accountability of the financial system to the public.

As major shareholders in the Multilateral Development Banks, the United States and Japan are committed to working closely together to promote sustainable and inclusive development, consistent with the highest international standards and debt sustainability.

**Sectoral Cooperation**

The United States and Japan are coordinating on specific sectors to promote economic benefits and job creation in both countries. These focus on programs to increase investment and promote quality infrastructure, as well as to deepen energy ties; dialogues that develop shared strategies to level the global playing field for businesses; and activities that promote cooperation in specific sectors, including the digital economy, and inclusive workforce participation.

Our two countries affirmed that infrastructure projects in the Indo Pacific should be consistent with

market competition and transparency, responsible financing arrangements, open and fair market access, and high standards of good governance.

Today, both governments concluded negotiations on a Memorandum of Cooperation to enhance cooperation in the transportation sector, including infrastructure development, financing, and maintenance, as well as intelligent transportation systems.

With respect to energy ties, both sides look forward to announcements in the near future on concrete achievements in a range of energy issues, including liquefied natural gas; highly efficient coal and carbon capture, utilization, and storage; civil nuclear energy; and energy infrastructure.

## **2. Japan-U.S. summit meeting (November, in Tokyo)**

On November 6, 2017, President Trump visited Japan for the first time, and a Japan-U.S. summit meeting was held.

On economic matters, the two leaders agreed that their countries intend to take the initiative to establish high-standard trade and investment rules, advance cooperation on enforcement against unfair trade practices in third countries, and take a strong lead in supporting development and investment in the region and the world. In addition, the two leaders confirmed that they would address the following matters in the field of trade and investment with a view to further strengthening the Japan-U.S. economic relationship.

- In the field of motor vehicles, both countries affirmed that they will strengthen cooperation bilaterally and, as appropriate, at relevant international fora such as World Forum for Harmonization of Vehicle Regulations (WP29), on motor vehicle standards and the promotion of good regulatory practices. In addition, it was decided that U.S. safety standards found to be no less stringent than those of Japan will be deemed to meet the corresponding standards of Japan, and that imported motor vehicles under the Preferential Handling Procedure will be provided with equivalent opportunities to be eligible for government financial incentives.
- On life sciences innovation, the Japanese side decided to increase transparency in its system including by extending the time for industry organizations to present their views at the Central Social Insurance Medical Council ('Chuikyo').
- Moreover, the U.S. side confirmed that it is considering amending regulations related to the standards of fill for bottled distilled spirits.

The two leaders shared the view to carry forward the "Japan-U.S. Strategic Energy Partnership (JUSEP)" within the framework of the Japan-U.S. Economic Dialogue. They also highlighted their commitment to cooperate on investment opportunities in energy, infrastructure, and other critical sectors to support development in emerging markets. Moreover, they shared the view that cooperation should take place between the relevant bodies that will jointly carry out infrastructure development in third countries.

Furthermore, the two leaders welcomed that investment in the United States by Japanese companies remains at a high level, and shared the view to promote two-way trade between Japan and the United States.

**Figure III-1-3-2 Japan-U.S. summit meeting (November 2017)**



**3. Japan-U.S. summit meeting (April, in Florida)**

On April 17 and 18, 2018 (local time), Prime Minister Abe and President Trump held three meetings in Florida, the U.S.--a Japan-U.S. summit meeting, a small meeting, and a working lunch.

On economic matters, the two leaders affirmed the necessity to safeguard free and fair trade in the Indo-Pacific region.

Prime Minister Abe explained to President Trump about investments by Japanese companies in the United States and how such investments contributed to job creation in the United States and expansion of U.S. exports, as well as about the increase in purchases of U.S. energy by Japanese companies, among other matters, and President Trump welcomed the investments.

The two leaders also agreed to launch new talks for free, fair, and reciprocal trade deals chaired by Mr. Toshimitsu Motegi, Minister in charge of Economic Revitalization, and Ambassador Robert Lighthizer, United States Trade Representative, with a view to further expanding trade and investment between Japan and the U.S. and realize economic development in a free and open Indo-Pacific region based on fair rules so as to benefit both countries, and to report the discussions to the Japan-U.S. Economic Dialogue under Deputy Prime Minister Taro Aso and Vice President Mike Pence.

**Figure III-1-3-3 Japan-U.S. summit meeting (April 2018)**



#### **4. Initiatives to further develop Japan-U.S. trade relationship**

The trade “friction” of the 1980s has become a thing of the past. Investments by Japanese companies in a broad range of industries, including the auto industry, are creating many high-quality jobs in the United States, and innovations brought about as a result are adding value to the American people’s everyday life. Thus, the two countries’ economic relationship has become basically cooperative.

In order to promote understanding on this point and further develop the Japan-U.S. trade relationship, JETRO is promoting initiatives such as (A) holding “road shows” in regional cities, (B) approaching state governors and influential local community officials, (C) holding seminars intended to promote investments in the United States and (D) holding local events to match Japanese and U.S. companies based on the Action Plan of the Government Task Force on Strengthening the Japan-U.S. Relationship at the Grassroots Level, which was drawn up in July 2017.

These initiatives may be appreciated for leading to the enhancement and maintenance of a stable investment environment in the United States for the benefit of Japanese companies and also help to secure jobs and strengthen living and industrial infrastructures in the United States.

#### **5. Response to U.S. import restrictions related to steel and aluminum**

On March 8, 2018, the United States issued presidential proclamations on imposing tariffs of 25% on steel and 10% on aluminum based on Section 232 of the U.S. Trade Expansion Act on the grounds that imported steel and aluminum products pose a national security threat, and the tariff measures were implemented on March 23. The United States has left room for modifying or removing the tariff measures if an agreement is reached on an alternative means to ensure that imports from the countries targeted by the measures no longer threaten to impair U.S. national security (country-by-country exemption). In addition, products that cannot be produced in the United States in a sufficient amount or products requiring national security considerations may be exempted from the measures if requests for exemption are made by U.S. companies (product-by-product exemption).

Japan has already been explaining to the United States that imports of steel and aluminum from Japan, a U.S. ally, have no adverse effects on U.S. national security but are making significant contributions to U.S. industries and jobs, and has been requesting exemption. In addition, on March 9 and May 1, the Minister for Economy, Trade and Industry issued statements.

Regarding the country-by-country exemption, a presidential proclamation issued on March 22 prescribed that seven economies--Mexico, Canada, Australia, Argentina, Brazil, the EU and the ROK--would be exempted until April 30 on a provisional basis. On May 1, it was announced that the ROK would be exempted from the measures based on Section 232 indefinitely with respect to steel because the country agreed to implement measures that contribute to a rise in the capacity utilization rate in the United States, including the reduction of excess production and excess capacity concerning steel and a restrictive quota on U.S. imports of steel products from the ROK in terms of volume. In addition, Australia, Brazil and Argentina were exempted indefinitely, while the period of exemption for Mexico, Canada and the EU was extended until May 31.

**Reference Statement by Minister Seko on U.S. Import-Restrictive Measures on Steel and Aluminum**

March 9, 2018

Being concerned about the current status of global overcapacity caused by market-distorting measures, Japan has been taking proactive measures to address this issue through international cooperation in fora such as the G20 and the Global Forum on Steel Excess Capacity.

We have persistently explained to the Government of the United States of America that Japanese steel and aluminum imports do not negatively affect American national security. Rather, these products have always contributed to the growth of U.S. industries and the creation of jobs.

It is extremely regrettable that, in spite of these circumstances, the Government of the United States of America decided on March 8th to impose tariffs on steel and aluminum products from countries including Japan based on Section 232 of the Trade Expansion Act of 1962.

These measures will not only close the U.S. market, but could also disturb global steel and aluminum markets including those of Asia, and may have significant negative impacts on the multilateral trading system as a whole.

We would like to remind all countries that the crux of the issue is to address global steel and aluminum overcapacity. Retaliating with unilateral, non-WTO compliant measures would not benefit any country in the world.

After carefully examining the content of the decision and its impact on Japanese corporations, Japan will consider necessary measures under the framework of the WTO, while continuing to request that the Government of the United States of America exclude Japan from its measures. At the same time, Japan will continue to uphold the free trade system, and will call on relevant parties to resolve issues in WTO-compliant manners.

**Reference Statement by Minister Seko on U.S. Import-Restrictive Measures on Steel and Aluminum**

May 1, 2018

Regarding additional tariffs on steel and aluminum products based on Section 232 of the Trade Expansion Act of 1962, imports of Japanese steel and aluminum do not negatively affect American national security, as repeatedly explained to the Government of the United States of America. Rather, these products have always contributed to American industries and jobs. On this basis, the Government of Japan has been requesting the Government of the United States to exempt Japan from the measures.

It is extremely regrettable that despite this, the Government of the United States of America did not exempt Japan from the measures in its recent decision.

Japan will advance its consideration of necessary action under the framework of the WTO, while continuing to firmly request permanent exemption from the measures.