

# Updates on Japanese Business and Economy

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## < Table of Contents >

1. Delegation Visit to New York and San Francisco
2. Meeting with Indiana Governor Holcomb
3. Meeting with Minnesota Governor Walz
4. Meeting with New Jersey Governor Murphy
5. Meeting with U.S. Deputy Secretary of Commerce Graves
6. Meeting with U.S. Under Secretary of Commerce Estevez
7. Other Updates

## Delegation Visit to New York and San Francisco

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From September 11 to 15, Keidanren dispatched a delegation to the U.S. to discuss further actions to pursue the United Nations' Sustainable Development Goals (SDGs). The delegation of 31 participants was led by Mitsuru Izumo, Vice Chair of the Board of Councillors and Chair of the Committee on Startups (President, Euglena Co., Ltd.), and Noriko Gunji, Chair of the Sub-Committee on Responsible Business Conduct & SDGs Promotion (Group Executive, Sustainability Headquarters, Canon Inc.).



UNDP Administrator Steiner (Center),  
Vice Chair Izumo (left), and  
Sub-Committee Chair Gunji

In 2023, the SDGs, with a target year of 2030, reached the halfway point after adoption. In this landmark year, the 2023 SDG Summit was held on September 18-19 at the UN headquarters to review the progress of the 17 goals with the participation of leaders of countries from around the world.

During the visit, the delegation members had substantive discussions with UN officials and representatives of international organizations on the latest progress on the SDGs, challenges ahead, and ways to collaborate. They also actively exchanged views with leading tech companies on how to address issues in promoting sustainability initiatives and AI ethics.

Highlights of the discussions were as follows:

### **(1) Progress on SDGs and Expectations for Japanese Businesses**

According to the UN's [Sustainable Development Goals Report 2023](#), only 15% of the targets are on track while 37% have stalled or regressed, putting the SDGs in peril.

Navid Hanif, Assistant Secretary-General for Economic Development of the UN Department of Economic and Social Affairs, emphasized the lack of investment in the countries in need is the problem. He called for a \$500 billion annual SDGs stimulus package and reform of international financial institutions. He also called on Japanese companies to invest in the SDGs as an opportunity to transform society while expressing high expectations for their technologies and expertise.

Achim Steiner, Administrator of the UN Development Programme (UNDP), expressed his appreciation for Keidanren's leadership in spreading the concept of the SDGs and stimulating broad discussions across Japan through promoting "[Society 5.0 for SDGs](#)." The Administrator added that he is looking to further bolster collaboration between the UNDP and Keidanren

based on [the MOU exchanged in 2018](#).

## **(2) Initiatives for Business and Human Rights**

Regarding human rights protection, which is closely linked to achieving the SDGs, the United States Council for International Business (USCIB) raised concerns about the apparent trend of shifting obligations to protect human rights from states to global corporations.

Business for Social Responsibility (BSR), a private organization promoting sustainability initiatives, explained that both AI developers and AI users are responsible for issues related to the intersection of AI and human rights, as problems occur at all stages of data collection, development, marketing, and use.

## **Meeting with Indiana Governor Holcomb**

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On September 11, Keidanren’s Committee on U.S. Affairs held a meeting with Indiana Governor Eric Holcomb, who was visiting Japan with other state representatives, including Ms. Ann Lathrop, Chief Strategy Officer for the Indiana Economic Development Corporation (IEDC). Governor Holcomb and Ms. Lathrop presented Indiana’s strengths as a business location as follows:



Governor Holcomb



Ms. Lathrop

Indiana ranks first in per capita investment from Japan and is home to over 300 Japanese companies. The IEDC has been supporting investments from Japan and around the world since its establishment in 2005. It not only offers incentives to attract companies, such as tax credits, grants, innovation vouchers, and infrastructure support, but also assists companies’ growth after starting operations by connecting

them with NGOs and universities.

Indiana is seeking to become a state with a world-class business environment through the 5E Strategy, which focuses on five key areas: Environment, Economy of the Future, Entrepreneurship, Energy Transition, and External Engagement. For instance, 70% of new jobs in the past five years have been created by companies five years old or less, which shows the thriving entrepreneurship of the state. Indiana is also working to transition from coal and has the fourth-largest clean energy capacity under development among the states.

In May 2022, Indiana hosted the Global Economic Summit, where the only country-specific roundtable, the “Japan Roundtable,” was successfully held to discuss the challenges and opportunities of the shift toward electric vehicles (EVs). The second summit in May 2024 will discuss the future economy, including mobility, energy, and the application of cutting-edge technologies to agriculture (AgTech). Indiana hopes for Japanese companies’ attendance and collaboration.

## **Meeting with Minnesota Governor Walz**

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On September 12, Keidanren’s Committee on U.S. Affairs held a meeting with Minnesota Governor Tim Walz, who was leading a delegation from the state to Japan. Governor Walz and Commissioner Matt Varilek of the Minnesota Department of Employment and Economic Development (DEED) introduced recent state initiatives to encourage businesses as follows:



Governor Walz

Minnesota, home to more than 50 Japanese companies, has risen to fifth place in CNBC's "[America's Top States for Business 2023](#)." DEED provides tools to help businesses in the state succeed and create jobs and to support their employees under its mission to grow the state's economy and benefit Minnesotans.



Commissioner Varilek

Recently, Minnesota made a historic investment in affordable childcare and child education, which benefits children and also enables parents to work. The state has also established a paid family and medical leave system. Such initiatives will attract more competitive and competent workers, entrepreneurs, and companies. In addition, assistance for working people and youth in low-income households is underway.

Minnesota is also focusing on climate change. A new legislation signed into law in 2022 requires utility companies in the state to supply 100% carbon-free electricity by 2040. Moreover, a large sustainable aviation fuel (SAF) hub was established by a coalition of major companies across industries. The initiative will produce SAF at low cost and low carbon by developing an integrated value chain from raw material sourcing to processing, refining, blending, and use at Minneapolis-Saint Paul International Airport. The state will support universities and private companies in research to address scientific and technological challenges in producing ultra-low carbon SAF from renewable crops in a commercially viable way.

## Meeting with New Jersey Governor Murphy

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On October 17, Keidanren’s Committee on U.S. Affairs held a meeting with New Jersey Governor Phil Murphy, who was leading a state delegation to Japan. Governor Murphy and other representatives from the state, Mr. Wesley Mathews, President and CEO of Choose New Jersey, and Mr. Tim Sullivan, CEO of the New Jersey Economic Development Authority (NJEDA), explained the strengths of the state as follows:



Governor Murphy



Mr. Mathews

Japan is the largest foreign direct investor in New Jersey. According to a CNBC study, New Jersey is the easiest state to do business in, with the most improved business environment among the states. The state’s GDP growth was 4% in 2022, outperforming the national average of 3%. One factor contributing to such strong growth is its favorable location. Newark Liberty International Airport has an average of 311 direct flights per day to 88 destinations worldwide. The state also has access to three major airports in neighboring states within an hour’s drive—Philadelphia International, John F. Kennedy International, and LaGuardia.



Mr. Sullivan

New Jersey is home to 4,200 manufacturing companies from various industries, leading the nation in telecommunications equipment, photonics, clean energy, pharmaceuticals, and food and beverage. To support capital investment by manufacturers, the state has established the New Jersey Manufacturing Voucher Program. The program grants 30-50% of eligible equipment costs (up to \$250,000) and has over \$50 million in funds. Furthermore, legislation was passed in 2021 that

provides over \$14 billion over seven years for companies starting operations in the state.

In addition, New Jersey is ideal for families to raise children. The state ranked first among the U.S. states in a survey of Pre-K-12 public school systems. The state also focuses on STEM education at the higher education level. Moreover, New Jersey has an excellent environment from a diversity viewpoint with laws for reproductive health and LGBTQ+ rights.

While the U.S.-Japan relationship is stronger than ever, further strengthening is necessary given global instability. New Jersey would like to further enhance the relationship with Japanese companies at the state level.

## Meeting with U.S. Deputy Secretary of Commerce Graves

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On September 26, Keidanren's Committee on Cyber Security held a meeting with Deputy Secretary of Commerce Don Graves, who was leading a delegation to Japan with representatives from 14 U.S. companies to identify business partners in ICT security and critical infrastructure protection and to foster U.S. exports of related products and services.



Deputy Secretary Graves

During the meeting, Deputy Secretary Graves explained the high interest of U.S. cybersecurity companies in the Japanese market and identified the delegation's mission as understanding the potential market, particularly in critical infrastructure protection. He highlighted the importance for the U.S. and Japan to work even more closely in

this market, where the two countries have already been working more closely than any other markets, to find opportunities and foster cooperation among companies as the world faces various cyber threats. The Deputy Secretary expressed his expectation that the delegation's visit would be a building block for further strengthening the ties between the U.S. and Japan while helping address Japan's needs.

In the Q&A session, the Keidanren side asked about the necessity for Japanese companies to revise their cybersecurity standard to comply with the Risk Management Framework of the U.S. National Institute of Standards and Technology (NIST) as leading U.S. tech companies do. Most Japanese companies currently use the Information Security Management System (ISMS) conformity assessment scheme as their standard. The U.S. side suggested that companies comply with the NIST framework in every market to improve their cybersecurity capabilities, given that cybersecurity standards are too fragmented for global companies to comply with market by market.

The Keidanren side also asked about necessary measures to ensure the credibility of data, which, with norms and standardization, is required for inter-industrial value creation. The U.S. side responded that innovation is created in an environment with trust, norms, standardization, transparency, clarity, and predictability. They emphasized the importance of developing rules that comply with social norms and do not impede innovation and consumer benefits while preventing interference by state actors with massive datasets.

## Meeting with U.S. Under Secretary of Commerce Estevez

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On October 20, Keidanren's Sub-Committees in charge of Trade and Investment as well as U.S. Relations held a meeting with the Honorable Alan Estevez, Under Secretary of Commerce for Industry and Security. The Under Secretary's remarks were as follows:



Under Secretary Estevez

The world is experiencing a series of threats, such as Russia's aggression in Ukraine, the aggravation of situation in the Middle East, North Korea's missile development, and China's military upgrading and economic coercion. The U.S. is implementing both offensive and defensive policies to counter these threats.

One of the offensive policies is enhancing industrial competitiveness. For instance, the purpose of the CHIPS Act is to encourage the development of the semiconductor industry in the U.S. and to secure stable supply of semiconductors. Another priority is the establishment of reliable and resilient supply chains. Diversification of sources for critical minerals is particularly vital, for which cooperation with like-minded countries is imperative. We cannot yield to such acts like China's export restrictions on gallium and germanium, which is another example of economic coercion.

On the other hand, one of our defensive policies is export controls to ensure the national security of the U.S. and its allies. For example, the U.S., Japan, and 35 other partners have been imposing strict export controls against Russia in response to its aggression in Ukraine. While these may not have an immediate effect on the battlefield, such measures are expected to prevent Russia from rebuilding and

enhancing its military capabilities and, in the long run, to lead to de-escalation of the situation.

Having China in mind, export control on semiconductors and semiconductor manufacturing equipment has been in place since October 2022. This measure targets only advanced semiconductors and equipment to produce them. The rule was revised in October 2023 to adjust the threshold of advanced semiconductors, etc., but is consistent in keeping the targeted items as narrow as possible. The U.S. does not want a complete decoupling with China, nor does it intend to impede China's economic growth through export control.

The principle of the Department of Commerce in implementing export controls is "small yard, high fence," which means the number of items regulated for security reasons should be minimal. It is essential to minimize the impact of regulations on industries to avoid impeding innovation, and to make the rules clear and easy to understand. Meanwhile, the rapid evolution of technologies requires constant reviews of the items to be regulated. However, it is extremely difficult to reach a consensus under the Wassenaar Arrangement, in which Russia participates, making the Arrangement unpractical. Therefore, we have started considering the establishment of an alternative international framework.

Looking ahead, tighter regulations on quantum computing and AI technologies are becoming increasingly important. We would like to carefully consider how to regulate these technologies considering the opinions of the industries that actually utilize them.

## Other Updates

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October 10, 2023

**Regional Affairs**

[Joint Statement: The 26th Türkiye-Japan Joint Business Committee](#)

October 25, 2023

**Trade, Investment, EPA/FTA**

[Keidanren Hosts Roundtable Discussion with Head of the OECD Trade Policy Division John Drummond](#)

November 14, 2023

**Regional Affairs**

[A Message in the 50th Year of ASEAN-Japan Friendship and Cooperation](#)

Contribute to the world by co-creating and expanding the rule-based free and open market

November 29, 2023

**Regional Affairs**

[A Call for Early Conclusion of the Japan-Mercosur EPA](#)

A Statement from the Business Community at the Close of the Symposium

December 1, 2023

**Business Law**

[Comments on IAASB Exposure Draft ISSA 5000, General Requirements for Sustainability Assurance Engagements](#)

December 11, 2023

**Regional Affairs**

[Joint Statement of the 33rd Mexico-Japan Business Council Meeting](#)

December 16, 2023

**Environment and Energy**

[Joint Statement among ASEAN-Business Advisory Council, Keidanren, and Economic Research Institute for ASEAN and East Asia on the Asia Zero Emission Community Platform](#)

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