



**Vol. 29 November 2024**

## Updates on Japanese Business and Economy

### <Table of Contents>

1. **Highlight:** New Prime Minister Ishiba Inaugurated
2. **Highlight:** Review Procedure of Nippon Steel's Acquisition of U.S. Steel
3. **Keidanren's Policy Proposals**
  - Advancing the Asia Zero Emission Community (AZEC) Initiative
  - Keidanren Summer Forum 2024
  - Science to Startup
4. **Dialogue with the U.S.**
  - Meeting with Kentucky Governor Andy Beshear
  - Meeting with the California State Legislature Delegation
  - Global AI governance: Speech by Microsoft Vice Chairman and President Brad Smith

*\* All positions in this newsletter are as of the date stated.*

# 1

## **Highlight:** New Prime Minister Ishiba Inaugurated

**Following** the inauguration of the Shigeru Ishiba Cabinet on October 1, Keidanren Chairman Masakazu Tokura visited the Prime Minister's Office on the 4th, with [Japan Chamber of Commerce and Industry](#) Chairman Ken Kobayashi and [Keizai Doyukai](#) Chairperson Takeshi Niinami. They met with Prime Minister Ishiba to submit proposals from each organization to the new Cabinet and to discuss future policy issues.

At the beginning of the meeting, Prime Minister Ishiba expressed his desire to ensure that Japan overcomes deflation. He requested cooperation from the business community to revitalize local areas and ensure a stable energy supply in order to achieve a high-value-added economy. Chairman Tokura presented Keidanren's proposals (see next page), emphasizing five key points:

- 1. Macroeconomic policy:** He stated that he hopes to continue linking productivity improvements to wage increases in 2024 through discussions by the Committee on Management and Labor Policy, assuming a moderate price increase of around 2%.
- 2. Energy policy:** This is the greatest concern of the business community. He emphasized that achieving carbon neutrality under the Green Transformation (GX) Implementation Council is essential, promoting the use of nuclear power as a baseload power source alongside renewable energy. He also highlighted the importance of research and development of innovative reactors and nuclear fusion, as well as the significance of [the Asia Zero Emission Community \(AZEC\)](#) initiative for expanding Japan's technological development overseas.
- 3. Social security policy:** He noted that "consumption and investment" are necessary for economic growth and called for social security reform that is oriented toward all generations, as well as integrated reform of taxes and social security to link wage increases to consumption.
- 4. Regional revitalization:** He mentioned that Keidanren is considering a regional concept that includes both prefectural and state levels.
- 5. 2025 World Expo in Osaka:** As Chairman of [the Japan Association for the 2025 World Exposition](#), he expressed his enthusiasm, stating that under Prime Minister Ishiba's leadership, he aims to work collaboratively as a united team to ensure the Expo's success.

Prime Minister Ishiba fully agreed with the proposals made by the three organizations and expressed high expectations for private companies' efforts to revitalize regional areas.

For the original article, visit [here](#) (Japanese only)



Chairman Tokura submitted the proposals to Prime Minister

## Keidanren's Request to Ishiba Administration published on October 4, 2024

(Provisional translation)

**With** private capital investment exceeding 100 trillion yen annually and high wage increases, the Japanese economy is on the brink of success for the 30-year effort to "completely exit from deflation." It is of utmost importance to seize this opportunity to strengthen public-private cooperation more than ever before, continue the "[virtuous cycle of growth and distribution](#)," and swiftly implement various policies aimed at advancing to a new economic stage. At the same time, Japan faces two major challenges that it must overcome: a declining and aging population, and its status as an island nation with limited resources. Therefore, it is necessary to realize a sustainable economy and society from a medium- to long-term perspective. In addition to addressing current policy issues, Keidanren urges the new Cabinet to envision Japan's future and carefully consider the various intertwined and escalating challenges in the economy and society.

- **Completely break away from deflation and expand the virtuous cycle of growth and distribution**
- **Create new value through innovation**
- **Promote GX while ensuring a stable and inexpensive supply of energy**
- **Ensure the sustainability of the economy, finances, and social security**
- **Stimulating the local economy**
- **Value and respect diversity**
- **Promote diverse working styles and smooth labor mobility**
- **Maintain and strengthen a free and open international economic order based on the rule of law**
- **Accelerate reconstruction support for areas affected by the Great East Japan Earthquake and the Noto Peninsula Earthquake**
- **Ensure the success of the 2025 World Expo (Osaka-Kansai Expo) and the 2027 International Horticultural Expo (GREEN×EXPO 2027)**

For the original article and proposal, visit [here](#) (Japanese only)

# 2

## Highlight:

# Review Procedure of Nippon Steel's Acquisition of U.S. Steel

Keidanren issued a comment and sent a joint letter to U.S. Secretary of the Treasury Janet Yellen regarding the review procedure of Nippon Steel Corporation's acquisition of U.S. Steel. This letter was created in collaboration with [the Global Business Alliance \(GBA\)](#) and other organizations in the U.S.

## Keidanren's Comments on the Review Procedure of Nippon Steel's Acquisition of U.S. Steel published on September 6, 2024

**The** acquisition of U.S. Steel by Nippon Steel Corporation has garnered significant interest among Japanese companies, especially those considering investing in the United States. We sincerely hope that the review procedure will be conducted with the utmost integrity and fairness in accordance with the law.

For the original comment, visit [here](#)

## Letter to the Honorable Janet Yellen, U.S. Secretary of the Treasury, published on September 11, 2024

Dear Secretary Yellen:

The undersigned organizations are writing regarding your role as the Chairperson of the Committee on Foreign Investment in the United States (CFIUS) to express our concerns about political pressure being brought to bear on the U.S. Government's foreign investment review of Nippon Steel's proposed acquisition of U. S. Steel. We fear that the CFIUS process is being used to further political agendas that are outside the committee's purview and putting the U.S. economy and workers at risk.

It is critical that CFIUS remain solely focused on defending U.S. national security while championing economic openness. That was the standard set when Congress codified CFIUS in the 1980s. That was the standard reaffirmed when Congress made reforms in the mid-2000s, and that was the standard with which FIRRMA was passed by Congress.

(Continued on the next page)

Unfortunately, there have been persistent attempts recently to politicize the committee's work from across the political spectrum, allowing politics to undermine the clear and narrow statutory mandate of national security. We fear this political pressure may be unduly influencing the outcome of the CFIUS review. Indeed, America's investment climate will be severely tarnished if such political interference prevails.

As you know, the United States is the world's largest recipient of foreign direct investment. Foreign-headquartered companies have invested over \$5 trillion into the U.S. economy, employing 7.9 million U.S. workers and offering salaries and benefits that are seven percent higher than the U.S. national average. American workers at foreign-headquartered companies produce 23 percent of all U.S. goods exports, shipping \$412 billion in goods to customers around the world annually.

The United States is also the largest source of outbound investment (\$6.68 trillion at the end of 2023). As described by top CFIUS officials, CFIUS's exclusive focus on national security concerns is intended to "reinforce" the U.S. commitment to maintaining an open investment policy. U.S. companies seeking to make investments abroad will be vulnerable to reciprocal action as a result of politicizing the U.S. review process. Such a decision would give license to foreign governments to protect national champions even when a specific investment presents no national security risks.

CFIUS should never become a tool for political posturing and should not morph into industrial policy masquerading as national security.

In closing, we would note that a critical factor for why the United States is able to attract such a high level of investment from international companies is our country's commitment to the rule of law and the predictability and stability of our regulatory framework. We urge you to maintain this standard and ensure political interference does not diminish America's investment climate.

Thank you,

Global Business Alliance (GBA)  
U.S Chamber of Commerce  
National Foreign Trade Council (NFTC)  
Autos Drive America  
Alliance for Automotive Innovation  
United States Council for International Business (USCIB)  
Keidanren (Japan Business Federation)

*For the original letter, visit [here](#)*

Keidanren publishes proposals on various policy issues and encourages the Japanese government, the business community, and society to implement them in Japan and overseas.

## Advancing the AZEC Initiative



### (1) What's the AZEC Initiative?

**The** AZEC ([Asia Zero Emission Community](#)) Initiative was proposed by Prime Minister Kishida in January 2022 with the aim of fostering cooperation among Asian countries to share the principle of advancing decarbonization and promoting energy transition. In March 2023, the first ministerial meeting was held with 11 countries, including Japan, ASEAN member states, and Australia, followed by a leaders' meeting in December of the same year. During this time, it was decided to establish the "AZEC Advocacy Group" to promote the AZEC initiative through public-private collaboration. This group is composed of Keidanren, [the ASEAN Business Advisory Council \(ASEAN-BAC\)](#), and [the Economic Research Institute for ASEAN and East Asia \(ERIA\)](#).

### (2) Keidanren's Proposal

On August 5, Keidanren Vice Chairman of the Board of Councillors Takafumi Uchida and Vice Chairman Masakazu Kubota visited Prime Minister Kishida to present its policy proposal "**Recommendations for Advancing the AZEC Initiative**" (*see next page*). Mr. Uchida expressed the business community's high hopes that the AZEC initiative would drive carbon neutrality in Asia. He emphasized that AZEC partner governments, including Japan, must focus on "policy and institutional cooperation" and "support for individual projects" as complementary efforts. He highlighted the need for regulatory reforms and budgetary measures to support specific decarbonization projects alongside broader AZEC initiatives, such as developing common rules and a transition finance mechanism.

*For the original article, visit [here](#) (Japanese only)*

### (3) AZEC Advocacy Group

On August 20, the first roundtable of the newly established group was held in Jakarta, Indonesia. Approximately 20 representatives from the business communities of AZEC partner countries participated, including Mr. Uchida and Managing Director of Keidanren Arihiro Iwamura.

*For the original article, visit [here](#) (Japanese only)*



# Recommendations for Advancing the AZEC Initiative

## —For the 2nd AZEC Ministerial Meeting

(excerpt)

### I. Expectations for AZEC

- Decarbonization in Asia is crucial for achieving carbon neutrality on a global scale. In particular, ASEAN, where energy demand is expected to increase, faces the challenge of promoting both economic growth and decarbonization.
- The AZEC initiative aims to achieve optimal energy transitions tailored to the particular situation of each partner country, based on the basic principles of simultaneous achievement of decarbonization, economic growth, and energy security and achieving net-zero emissions through diverse and realistic pathways. The Japanese business community has high expectations for this initiative.
- Moving forward, we should promote policy and institutional cooperation and individual project support as two complementary approaches.
- Based on this understanding, Keidanren has compiled recommendations based on survey results from its members.

### II. Promotion of AZEC-Wide Policy Coordination

- Partner countries need to collaborate and cooperate in rule-making and finance structuring. The outcomes should be linked to the formation of multilateral frameworks and rules.
- To this end, we hope to promote understanding of AZEC initiatives beyond partner countries and work on expanding partner countries to include India and others.

#### 1. Rule-Making:

- 1) Zero-Emission Supply Chains
- 2) Establishing Green Product Markets
- 3) Promotion of Joint Crediting Mechanism and Expansion of Partner Countries
- 4) Other Standards
- 5) Promotion of Trade and Investment

#### 2. Finance: Expansion of Private-Sector Transition Finance

### III. Recommendations to Governments for Promoting Individual Projects

- Strong promotion of individual decarbonization projects is also essential.
- Partner countries need to implement support measures such as reforming regulations and systems that are barriers to business advancement and allocating budgets.

### IV. Establishing a Framework for Steady Implementation of Policy Coordination and Individual Projects

For the original proposal, visit [here](#)

**Keidanren** held the Summer Forum 2024, chaired by Vice Chairman Toshiaki Higashihara, in Nagano on July 18 and 19. Thirty-eight senior Keidanren officials participated, including Chairman Tokura, Chairman of the Board of Councillors Tetsuro Tomita, and several Vice Chairs and Vice Chairs of the Board of Councillors. The discussion centered around the theme of "Designing a Sustainable Future Society," and the "**Summer Forum 2024 Karuizawa Declaration**" was adopted. At the closing session, Chairman Tokura and Vice Chairman Higashihara presented the declaration to Prime Minister Fumio Kishida.

## Summer Forum 2024



Chairman Tokura and Vice Chairman Higashihara submitted the Declaration to Prime Minister

### **Keidanren Summer Forum 2024 Karuizawa Declaration – Designing A Sustainable Future Society – (Provisional translation)**

To realize "[sustainable capitalism](#)," Keidanren is promoting efforts to create a virtuous cycle of growth and distribution, as well as a robust middle class. It is considering a concept tentatively named "Future Design 2040," which will illustrate Japan's envisioned future in 2040, achieved through these efforts.

As part of this initiative, the Summer Forum 2024 centered on the unifying theme of "Designing a Sustainable Future Society." The discussions emphasized the importance of growth in envisioning the future society while incorporating a global perspective and the concept of Society 5.0, which leverages digital technology to foster economic growth and address social issues.

Throughout the first to third sessions, participants exchanged views on the envisioned future society in 2040 and the various challenges anticipated both domestically and internationally. In breakout sessions, in-depth discussions were held on four key themes: digital transformation (DX), green transformation (GX), regional revitalization, and human resource development.

Based on these discussions, we have summarized below our vision for a sustainable future society aimed at 2040, when the aging population problem is projected to peak, amid a serious population decline and low birth rate. The Karuizawa Declaration will update Society 5.0, enabling Japan's industry to provide new value globally. We hope the government will boldly implement related policies.

- 1 Challenge in Implementing New Digital Technology**
- 2 Cheap and Stable Supplying of Energy and the Realization of GX and Circular Economy (CE)**
- 3 Creating Japan's Future from Regions**
- 4 Developing Global Leaders**

For the original proposal, visit [here](#) (Japanese only) / Prime Minister's speech can be found [here](#)



# Science to Startup (StoS) (excerpt)

**On** September 17, Keidanren published a proposal titled "Science to Startup". In the proposal "[Vision for Startup Breakthrough](#)," published in March 2022, Keidanren set a goal of "10X10X" to increase both the number of startups and their success rate by 10 times by 2027 and has reviewed the progress every year since then. Because of the momentum created by [government initiatives](#), the base has expanded by 1.5. However, the height remains unchanged. In order to raise the level of success, the proposal was compiled focusing on Japan's strengths, namely excellent research and technology.

## ■ Significance of S to S

In the United States and China, deep tech startups account for more than half of unicorns. There are still numerous world-class research projects in Japan, though the decline in Japan's research capabilities has been pointed out. However, the pathway to commercialize these strengths through startups remains underdeveloped. Therefore, Keidanren proposes measures to create a path for the commercialization of research through startups, referred to as "S to S."

## ■ 7 Specific Measures

In Japan, there is still a shortage of funding for later-stage startups. However, if the Science to Startup path proves effective and many deep tech startups with the potential to become unicorns emerge, it is expected that funding will naturally flow in from overseas (*see the figure below*). Therefore, the proposal focuses on connecting research to social implementation and is organized into seven key actions.



## ■ Actions Large Companies Should Take

Large companies should proactively engage in activities such as carve-outs, sales of unused patents, procurement, M&A, support for overseas expansion, and promoting human resource mobility.

## ■ Conclusion

In the virtuous cycle of Science to Startup, startups and intellectual property are born from university research, profits are generated from the growth of startups and licensing of intellectual property, profits circulate back to universities, and new research is born from the increased research funds. Many seeds of startups lie dormant in Japan's excellent research. There are two and a half years remaining until 2027, the target year for 10X10X. The StoS pathway should be developed as soon as possible to serve as the foundation for realizing 10X10X and further growth thereafter.

For the original proposal, visit [here](#)

# 4 Dialogue with the U.S.

## Meeting with Kentucky Governor Andy Beshear

July 19, 2024

**Keidanren's** Committee on U.S. Affairs held a meeting in Tokyo, where Kentucky Governor Andy Beshear, along with Secretary of Economic Development Jeff Noel and Secretary of Transportation Jim Gray, shared insights on the state's political and economic landscape. Key points of the presentation include:

### ■ The state's economic development and the contribution of Japanese companies

Kentucky has recently achieved the greatest economic growth in its history. Since Governor Beshear took office in 2019, over 1,000 new factory projects have generated \$32 billion in private investment and 53,000 jobs. Kentucky is grateful for the vital role Japanese companies have contributed to this growth. Japan is Kentucky's largest foreign investor, with more than 200 Japanese firms operating here, making it the second-largest state for Japanese investment in the U.S. Our advantage is the public side and private side including the workers in Kentucky understand the Japanese business culture through their experience of collaborating with Japanese companies.

### ■ Focus on the EV industry and a favorable investment environment

Kentucky is becoming a premier location in the U.S. to manufacture EVs. A U.S. automaker is constructing the world's largest battery factory, valued at \$5.8 billion, while another EV battery manufacturer is building a \$2 billion facility. We are also enhancing EV charging infrastructure along highways. While there are not enough EV charging stations in the U.S., we expect to be able to address this in 18 months. As the infrastructure improves and the costs decline, the EV market will likely expand rapidly.

### ■ Human resource development and education reform

We prioritize human resource development.

offering tailored education and training at the high school, community college, and university levels. Our comprehensive system aims to meet the specific needs of companies, especially in manufacturing and logistics. To retain young talent, we've invested about \$300 million in technical education for high school students. Those not going to college can still receive job training. We believe our approach aligns well with the long-term human resource strategies of Japanese companies, and it has garnered positive feedback from our Japanese investors.

---

After the presentations, a lively discussion took place where participants raised questions about talent acquisition and the investment environment. Governor Beshear emphasized that they have placed the first priority to the economic development and job creation, overcoming political division and he called for further investment from Japanese companies.



Sub-Committee Chairman Itagaki and Governor Beshear

For the original article, visit [here](#) (Japanese only)

# Meeting with the California State Legislature Delegation

September 18, 2024



**Keidanren** held a meeting in Tokyo with California State Assemblyman Freddy Rodriguez (Chair of [the Emergency Management Committee](#)), Assemblyman Joaquin Arambula, and Assemblyman Wendy Carrillo. Representing Japan were Shigeo Kudo, Chairman of the Subcommittee on Emergency Management and Strengthening of Social Infrastructure, along with representatives from companies developing advanced disaster prevention technologies, such as NEC and Fujitsu. They exchanged views on disaster prevention and mitigation measures in California and Japan.

Chairman Kudo remarked, "California is a region that Japanese people admire, but it is also one of the areas in the United States that has experienced many disasters, such as earthquakes, fires, and heavy rains. For this reason, California has implemented advanced disaster prevention and mitigation measures. I am very excited to exchange ideas with all of you who are responsible for planning these initiatives. This will provide an opportunity for both sides to learn a great deal."

Assemblyman Rodriguez responded, "Wildfires and small earthquakes occur frequently in the southern part of the state. Thirty years have passed since the Northridge Earthquake, which caused enormous damage, and raising residents' awareness of disasters is an important issue. Securing a budget is necessary to prepare for disaster prevention and mitigation. The state legislature has established [the Emergency Management Committee](#) and is working on developing concrete measures.

While visiting Japan, I exchanged views with the Japanese government and business community and was impressed by Japan's thorough disaster prevention measures. I hope to share disaster information between Japan and California and foster a relationship where we can support each other."

In the discussions, Keidanren presented its proposal, "[Building a Sustainable Society that Can Withstand Large-scale Disasters](#)," published in April 2023. It emphasized the importance of utilizing disaster prevention digital transformation (DX) and promoting pre-disaster reconstruction in preparation for large-scale disasters. Additionally, participating companies shared their disaster prevention DX initiatives, including the development of a disaster information-sharing platform that enhances the visualization, analysis, and response to disasters, as well as the implementation of "digital twin" models for disaster prediction and prevention. Both sides deepened their mutual understanding of the latest trends in disaster prevention and mitigation measures.

---

Keidanren will continue to work on disaster prevention and mitigation measures to build a society resilient to increasingly severe and frequent natural disasters. It will also disseminate information about the importance of these measures to relevant parties both domestically and internationally.

For the original article, visit [here](#) (Japanese only)

# Global AI governance: Speech by Microsoft Vice Chairman and President Brad Smith

July 8, 2024

**The** use of generative AI is accelerating both domestically and globally. With various models being created daily, the environment surrounding AI is changing dramatically. In this context, to realize an AI-powered company and society where the benefits of AI can be enjoyed across all fields, it is essential to strategically advance the development and use of reliable, high-quality AI alongside the formation of rules to ensure that all entities appropriately benefit from these advancements.

On July 8, Keidanren took the opportunity of the visit of Microsoft Vice Chairman and President Brad Smith to Japan to host a meeting with him in Tokyo. During this meeting, he gave a presentation on the state of global AI governance and engaged in an exchange of opinions. The summary of his presentation is as follows:



## ■ The Role of AI

The evolution of generative AI is making waves worldwide. Like electricity, AI is a general-purpose technology that can dramatically transform the economy and society when combined with other technologies.

Since the 1870s, when Thomas Edison put the light bulb into practical use, the world has enjoyed the benefits of electricity. Just as air conditioning is indispensable in Tokyo during the summer, electrical appliances have greatly enhanced convenience in people's lives. However, unlike developed countries that have established power networks, approximately 700 million people in developing regions, such as Africa, still lack access to electricity. Electrification, particularly in rural areas, remains a significant challenge for the future.

If AI-related technologies and services are widely disseminated, they will lead to economic growth and the reduction of disparities among countries around the world. In Edison's time, global dissemination was not conceivable, but we aim to spread AI globally as quickly as possible to promote the prosperity of all nations. AI also plays a crucial role in maintaining productivity in developed countries facing social issues such as aging and population decline.

## ■ Towards the Establishment of Global AI Governance

Establishing global AI governance is essential for the widespread adoption of AI. To achieve effective AI governance, we must focus on (1) broad and inclusive access and use, (2) globally significant risk governance, and (3) regulatory interoperability. This requires coordinated responses at all levels, from macro to micro, including global consensus at the United Nations and other institutions, multilateral policy coordination (e.g., G7, G20, OECD), bilateral trade policies, domestic policies, industrial standards, and internal company policies.

Additionally, to address points (1) to (3), we must ensure public access to AI, enhance skills, build consensus based on scientific perspectives, identify risks, establish technology standards, measure specific risks, and monitor and control major risks.

It is crucial to deepen discussions on establishing global AI governance, while drawing on the governance efforts of international organizations in other fields, such as civil aviation, nuclear power, and capital movements.

*For the original article, visit [here](#). (Japanese only)*

For more information on Keidanren's recent activities, please visit our website:

# Keidanren

Japan Business Federation [www.keidanren.or.jp/en/](http://www.keidanren.or.jp/en/)

---

**Keidanren USA**  
Japan Business Federation • Washington DC

[Washington Office](#)



[Policy Proposals](#)



[Weekly Journal \[JP\]](#)

---

## Editor: Keidanren USA

- If you wish to stop receiving these emails, you can unsubscribe by replying to this email with "Unsubscribe" in the subject line. Thank you.
  - Please feel free to forward this newsletter to anybody you think might be interested.
  - Please let us ([washingtondc@keidanren.us](mailto:washingtondc@keidanren.us)) know if you know of anybody who might wish to be included on this mailing list.
-