DIGITAL ECONOMY

The U.S.-Japan Business Council and the Japan-U.S. Business Council ("the Councils") cooperate closely and share broad consensus on issues related to the digital economy. In particular, trustworthiness in Information and Communication Technology (ICT) is a global concern. As new technologies are introduced and new threats emerge, the only way to ensure trustworthiness and the sustainability of our technology infrastructure is to have the correct recognition and strive constantly to improve it. Bearing this in mind, Chapter 1-5 below details proposals for both the U.S. and Japanese governments. Chapter 6 and its annex provide recommendations to business communities in the United States and Japan, and potentially other regions, on issues of trustworthiness in ICT.

1. Promoting the free flow of data across borders. To establish a trustworthy digital economy, we believe that it is essential to not only promote reliable and free data flow by ensuring inter-country interoperability in terms of rules, architecture and trust anchors but also enable data usage. The Councils remain committed to promoting policy frameworks that facilitate the flow of data across international borders, including through concepts such as Data Free Flow with Trust (DFFT), which Japan advocated at the 2019 G20 Osaka Summit. We sincerely appreciate the efforts put forth by both governments to achieve this through robust digital trade disciplines, such as the U.S.-Japan Digital Trade Agreement.

Meanwhile, digital protectionism, which restricts the free flow of data, has proliferated in some countries and regions. We strongly encourage the two governments to continue working closely to promote trust and the free flow of data in multilateral fora such as the G7, G20, OECD, APEC, and the WTO. The Councils encourage both governments to collaborate further to achieve a high standard and commercially meaningful outcome in the Joint Statement Initiative on e-commerce in the WTO including provisions that enable and promote the flow of data as early as possible.

2. Strengthening privacy, data protection and innovation. The Councils remain committed to promoting policy frameworks that facilitate privacy, data protection, and innovation. We encourage both governments to promote high-standard privacy protection and open digital markets in multilateral fora. We also urge the U.S. and Japan to continue working closely to adopt these principles through established mechanisms such as the APEC Cross-Border Privacy Rules System and the OECD's discussions on government access to personal data. The Councils notes the OECD discussions would quickly establish principles that give "obliged access" for law enforcement to access data for investigations. The Councils understand that data flow and

utilization of data, such as healthcare information, is important for addressing pandemics and disasters. We urge both governments to continue to lead discussions aimed at establishing international best practices and norms through multilateral meetings and/or fora.

3. Developing and promoting secure and trusted next-generation telecommunication infrastructure. The Councils believe that that secure and trusted next-generation telecommunication infrastructure, including 5G and 6G or Beyond 5G technology will be both an enabler of innovation and a creator of new opportunities across all industry sectors. We also believe that open, interoperable architecture is key to enhancing economic security by expanding options for selecting trusted vendors and diversifying supply chains. We urge the U.S. and Japanese governments to establish clear, secure and trusted ICT 5G technology public policies aimed at accelerating development and voluntary adoption as well as the use of virtual, open, and interoperable 5G technologies and solutions both domestically and internationally. Open Radio Access Networks (Open RAN) are an important part of this strategy and are in the early stages of maturation. Moreover, we encourage the two governments to take initiative in accelerating the adoption of these technologies by following through on the $2.5 billion and the $2.0 billion commitments the United States and Japanese governments have made to investing in research, development, testing, and deployment.

We also urge the two governments to continue to cooperate and play a key role in adopting similar policies for like-minded countries. This includes, for example, the early establishment and utilization of the "Blue Dot Network", a certification system for high-quality infrastructure being designed through an initiative formed by the U.S., Japanese, and Australian governments, that utilizes the OECD framework. With private sector cooperation, the Councils hope it will be possible to accelerate the adoption of open, interoperable architecture from trusted vendors and the deployment of trusted 5G networks in other markets.

4. 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 consensus-based, and industry-led and global based AI standards, not closed ones in specific regions. We encourage the two governments to build and promote governance frameworks that are flexible, risk-based, and driven by a transparent, voluntary, and multi-stakeholder process.

We encourage the two governments to work closely with industry and civil society to play a global leadership role focused on the principles of human-centered values, fairness, explainability, transparency, security and safety and accountability. In this respect, we look forward to both governments continuing to support discussions at multilateral meetings and/or fora such as OECD Network of Experts on AI (ONE AI), and Global Partnership on Artificial Intelligence (GPAI).

Meanwhile, we hope the U.S. and Japanese governments will cooperate with industries and engage in detailed discussions since we believe that it is what is needed to manage and equitably classify AI systems on risk and to carefully consider the optimal balance between costs and benefits arising from the responsibilities placed on stakeholders.

5. Promoting best practices and international standards to manage increasing cyber risks.
The Councils recognize that managing cyber risk, especially with regard to critical infrastructure, is critical to the economic and national security of the U.S. and Japan and increasingly important for our nations' bilateral digital trade relationship. Given the evolving nature of cybersecurity threats, the Councils recognize that a risk-based approach is more effective for managing cyber risk than prescriptive regulation.

Approaches to cybersecurity should adhere to industry-vetted actions that businesses can take to assess and enhance their security state over time. Allowing industry to combat evolving cyber threats with evolving best practices and globally recognized standards permits a more flexible, current, and risk-based cybersecurity approach.

Private industry greatly benefits when governments leverage existing cybersecurity framework best practices as a starting point, such as the NIST Cybersecurity Framework or the International Organization for Standardization/International Electrotechnical Commission ("ISO/IEC") 27103:2018 (information technology – security techniques – leverage existing standards in a cybersecurity framework) for any future policy enactments.

We also appreciate that the two governments agreed in "U.S.-Japan Competitiveness and Resilience (CoRe) Partnership" to reinforce collaboration and partnerships between research institutions on quantum information science and technology through joint research and exchange of researchers. In line with this, the Councils encourage the two governments to work closely to promote the development of cryptography communication capable of ensuring security in anticipation of the coming quantum computer age.

6. "Trustworthy" principles for ICT suppliers. The Councils understand that trustworthiness in ICT is a concern for businesses all over the world. While this encompasses many different areas, one issue of particular importance is the trusted supply and procurement of ICT products and services. Whether an organization is a supplier or purchaser, ensuring that the development, lifecycle, supply chain, and management of ICT products and services are trustworthy has never been more important.

We set forth recommended principles in the "Annex to the Joint Statement Supplement of the Digital Economy Working Group for the 58th U.S.-Japan Business Conference", which may serve as useful best practices industry is currently undertaking in the United States and Japan related to the issue of trustworthiness in ICT.

The intention of these principles is not to exclude any company, but to encourage to strive for the highest levels of trustworthiness. We hope that these principles would not only prove valuable for the businesses in both countries, but also as a framework for best practices across the Indo-Pacific region. We also hope these principles can provide a basis for further coordination with European industry as well as with businesses in other countries which share similar commitments to trustworthiness in ICT.