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ACCJ Principles for Promotion of Economic Security

Introduction

The American Chamber of Commerce in Japan (ACCJ) welcomes the Government of Japan's (GOJ) efforts to enhance Japan's economic security, including through the "Economic Security Promotion Bill" introduced to the Diet in February 2022.

The U.S.-Japan partnership is the cornerstone of peace, security, and stability in the Indo-Pacific region and the ACCJ believes that Japan's efforts to promote economic security represent an important opportunity to further strengthen this vital partnership. The ACCJ's members, representing over 600 companies ranging from Fortune 500 firms to start-ups, are deeply involved across the wide range of sectors that make up the vibrant, dynamic U.S.-Japan economic relationship and through their activities significantly contribute to enhancing Japan-U.S. economic security.

It is in this spirit that the ACCJ proposes the following principles for promoting economic security, maximizing the contributions that foreign firms from like-minded countries can make to this important effort, and further enhancing Japan's attractiveness as a place for business to invest, innovate, and grow.

Principles for Promoting Economic Security

- **Maintain commitment to economic growth and free market principles:** Economic growth is critical to economic security. Principles such as the promotion of competitive and efficiently regulated markets and open trade and investment are essential to harnessing the dynamism of the private sector to drive economic growth, prosperity, and overall welfare in Japan. In recent years, Japan has made notable progress in areas such as corporate governance that have enhanced Japan's overall competitiveness. Measures to promote economic security should align with this basic orientation and should be clear, focused, and avoid undermining the ability of the private sector to fully contribute to efforts such as Japan's green and digital transformations. Further, in introducing new policy measures, such as regarding critical infrastructure, the GOJ should seek to ensure predictability, consistency, and alignment across various regulations while avoiding overly prescriptive, inconsistent, or duplicative measures that risk impairing market dynamism.
- **Work with partner countries and ensure a level playing field:** A level playing field is critical to bolstering competition among existing market

participants, allowing new market entrants fair access, and guaranteeing fair treatment of all market participants. Cooperation with like-minded partner countries is also critical to promoting economic resilience, a key guiding principle in realizing sustainable economic security, including with regard to supply chains and critical infrastructure. Any measures to introduce differential treatment of firms, goods, or services on the basis of promoting economic security should be narrow, targeted, and should not undermine the ability of companies from allied and like-minded countries to continue making important contributions to Japan's economic welfare and economic security. Further, in the context of international trends such as accelerating digital transformation, the GOJ should avoid measures that may undermine introduction of innovative systems and processes and should instead seek to enhance interoperability between U.S., Japanese, and partner country systems. This could include coordinating to establish a white list system for enterprises from like-minded countries or differentiating pre-examination process for facilities or services offered by enterprises from like-minded countries from those made in adversarial states.

- **Define critical infrastructure, equipment and services narrowly and clearly:** Where Japan would take steps to designate certain infrastructure, equipment and services as "critical," such designations should be narrowly and clearly scoped and not cover wide categories of offerings in Japan. A narrow definition will help ensure that the right resources are applied to protecting the parts of the infrastructure that are most essential and not extended to non-critical systems that may be used or operated by critical infrastructure operators. Prescriptive measures should be avoided to allow operators the flexibility to deploy infrastructure, equipment, and services in a practical manner to meet the desired security objectives.
- **Ensure transparent and fair processes:** Throughout the process of developing, implementing, and enforcing rules related to economic security, the GOJ should ensure ample opportunity for broad stakeholder engagement at all stages of the process, including but not limited to participation in relevant expert groups, meaningful public comment periods, and adequate opportunities for parties involved in enforcement actions to be heard and afforded meaningful avenues of appeal. Ensuring that procedures such as notification or reporting requirements are clear, simple, reliable, and appropriately scoped and are informed on an ongoing basis by private sector engagement and expertise will be critical to avoiding negative unintended consequences and achieving their intended goals.
- **Leverage global best practices:** Adoption of global best practices promotes efficiency and sound regulation, helping Japan to benefit from innovation and expertise developed across the globe. In areas where robust global best practices exist, these best practices should be leveraged as part of Japan's economic security regime. In areas where best practices are still under development, the GOJ should proactively engage with like-minded countries such as the United States to develop and elevate best practices

as internationally-recognized standards, including with regard to ensuring data free flows with trust.

- **Reinforce U.S.-Japan economic collaboration:** The U.S. and Japan should leverage bilateral mechanisms for cooperation such as the U.S.-Japan Economic Policy Consultative Committee established in January 2022 as well as multilateral groupings such as the G7 and Indo-Pacific Economic Framework in order to share best practices and promote alignment and interoperability in each country's respective mechanisms for promoting economic security.¹ In turn, enhanced alignment, interoperability, and collaboration will help to promote overall U.S.-Japan economic resilience. Recognizing the key role played by the private sector in areas such as maintaining and securing critical infrastructure, official government-to-government channels should also be supported by robust mechanisms for regular private sector engagement, including to help identify opportunities for enhanced coordination, cooperation, and integration.

Conclusion

The ACCJ recognizes the important linkages between national security and economic security and supports the efforts by the GOJ to promote Japan-U.S. economic security in the context of further strengthening the U.S.-Japan partnership. As the GOJ seeks to develop its approach to this critical issue and further reinforce the resilience and vitality of the Japanese economy, the ACCJ and its members stand ready to engage based on the aforementioned principles.

In this context, the ACCJ looks forward to future opportunities for dialogue on economic security, including but not limited to with regard to the four priority areas—supply chain resilience, security and reliability of critical infrastructure, public-private technology cooperation, and a non-disclosure system for selected patent applications—identified in the draft Economic Security Promotion Bill.

¹ Other relevant mechanisms for bilateral coordination and cooperation on economic security may include (but are not limited to) the U.S.-Japan Competitiveness and Resilience Partnership, the U.S.-Japan Commercial and Industrial Partnership, the U.S.-Japan Trade and Investment Partnership, the U.S.-Japan Climate Partnership, and the U.S.-Japan Internet Economy Dialogue.