

**Statement by Takeshi Niinami, Chairperson of Keizai Doyukai
on Outcome of Japan-U.S. Tariff Negotiations**

We appreciate that a view has been presented, as an outcome of the latest Japan-United States tariff negotiations, which, among others, set reciprocal and auto tariffs at 15%. The negotiations, highlighting Japanese companies' investments in the U.S. and their proven record of creating U.S. jobs, have succeeded in averting comprehensive tariff hikes, including those targeting automobiles, while establishing a substantial safeguard for the business frontline. We express our respect for the tenacious efforts of the government officials involved in the negotiations. We hope that the agreement reached through the Japan-U.S. tariff negotiations will serve as a catalyst for deepening bilateral ties.

Meanwhile, the fundamental stance of the U.S.—prioritizing national interests over international cooperation—is unlikely to change going forward. Thus, in this premise of the big paradigm shift in the U.S., Japan must demonstrate its leadership to rebuild a framework of international cooperation, rather than focusing solely on deepening ties with the U.S. In addition, there is a pressing need to enhance the resilience of the Japanese economy.

First, even amid the global trend of prioritizing national interests, it is evident that free trade remains indispensable to the Japanese economy. As a flag bearer of free trade, Japan has a vital role to play in advancing that momentum. With the World Trade Organization malfunctioning, Japan must rebuild a free trade framework. This entails expanding CPTPP membership to include countries such as South Korea and Indonesia, exploring a framework to link the EU with CPTPP, and leveraging partnerships like RCEP and QUAD.

Second, behind today's geopolitical and geoeconomic developments lies a U.S.–China contest for hegemony in artificial intelligence—one that may lead to a world where a winner in AI takes all. Thus, Japan must deepen collaboration with like-minded countries such as South Korea and India, anchored in its partnership with the U.S., to firmly establish AI-relevant semiconductor supply chains. At the same time, Japan must fully commit to advancing technological innovation such as for AI development and utilization.

Third, it is vital to reinforce the resilience of the Japanese economy. For this to happen, the norms that wages will rise CPI + 1% or higher must take root. While targeting a 1,500-yen minimum wage (national weighted average) to be reached within five years, Japan must recover its economic dynamism by promoting industrial renovation through accelerating labor mobility. Meanwhile, aiming to channel excess corporate funds into domestic investment, regulatory reforms and deregulation in sectors—such as digital transformation (DX), green transformation (GX), and healthcare—must

advance in order to dismantle vested interests. Finally, urgent policy priorities include: totally abolishing the “annual income ceiling” to boost “household disposable income;” overhauling the “Work Style Reform,” which has been excessively emphasized; and advancing social security reform based on the ‘ability-to-pay’ principle to ease the disproportionate burden on working-age generations.

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