



Recommendations for Implementation of the US-Japan Technology Prosperity Deal: A Reciprocal Continuity of Service Commitment

September 2026

The Business Software Alliance ("BSA")¹ respectfully submit these recommendations to the Government of Japan and the Government of the United States regarding implementation of the Memorandum of Cooperation Regarding the Technology Prosperity Deal, signed at Tokyo on October 28, 2025 (the "TPD" or "MOC").² We urge both governments to adopt, as an early implementation outcome under the TPD, a reciprocal continuity of service commitment, paired with an advance notification and consultation mechanism.

BSA members serve both US and Japanese customers across numerous sectors, including the automotive, aviation, energy, finance, health, insurance, manufacturing, media, semiconductor, and telecommunications sectors. In each of these sectors, firms in both countries rely, as a matter of daily operation, on technologies developed in the other. A continuity of service commitment would give that reliance a stable foundation, and would provide a more stable foundation for the future success of the TPD.

INTRODUCTION

Japan and the United States are treaty allies and geostrategic partners. The relationship is grounded in the 1960 Treaty of Mutual Cooperation and Security, Article II of which commits both governments to seek to eliminate conflict in their international economic policies and to encourage collaboration between them.³ Subsequent instruments, including the TPD itself, have deepened that collaboration.

The two economies sustained roughly US\$320 billion in two-way trade in 2024. Japan is the largest single source of foreign direct investment into the United States, with a stock of approximately US\$827 billion at the end of 2025, supporting 1,052,000 American jobs — more than half of them in manufacturing.⁴ American firms, in turn, are long-established investors, employers, and suppliers in Japan across software, cloud, semiconductors, medical technology, and financial services.

The MOC records that the Participants intend to collaborate on, among other things:

Advancing pro-innovation AI policy frameworks and initiatives to support the adoption of a Japan and U.S.-led AI technology ecosystem;

Promoting exports across the full stack of Japanese and U.S. AI infrastructure, hardware, models, software, applications, and related standards; [and]

Partnering to ensure the rigorous enforcement of existing protection measures, strengthen protection measures related to critical and sensitive technologies, and enhance supply chain resilience for the AI tech stack.⁵

Under the heading "Trusted Technology Leadership," the Participants further record their intention to build a trusted, interoperable supply chain, and to secure their mutual pharmaceutical and biotechnology supply chains, intellectual property, and innovation ecosystem.⁶

Each of these commitments rests on an unstated premise: that enterprises and researchers in each country will continue to enjoy reliable access to the technologies developed in the other. That premise is worth making explicit. Export promotion, standards harmonization, and supply chain resilience all lose their meaning if the underlying access can be interrupted.

RECOMMENDATION

We urge both governments to agree, as an implementation outcome under the TPD, to the following:

- **Continuity of service.** A reciprocal commitment that neither Participant will adopt measures that materially interrupt continuity of lawful access by persons or enterprises of the other Participant to commercial technology products, services, and tools supplied from its territory; and
- **Advance notification and consultation.** A mechanism under which each Participant notifies the other in advance of measures that would materially affect that continuity, and undertakes consultations on request.

Proposed text for both provisions appears in Section VI below. We recommend that the commitment be reciprocal in form and neutral in drafting: it should impose the same discipline on each government, and it should be equally available to enterprises on both sides.

DISCUSSION

I. The Technology Relationship Is Complementary and Mutually Supportive

The US-Japan technology relationship is complementary and mutually supportive. Many of Japan's technology strengths are concentrated in the physical and materials layers of the advanced technology stack. Japanese firms produce roughly 38 percent of the world's industrial robots.⁷ These firms hold approximately 88 percent of the global market for semiconductor coater/developers, 53 percent for silicon wafers, and 50 percent for photoresists.⁸ Japanese suppliers are likewise central in precision machinery, machine tools, advanced materials, optics, and semiconductor and automotive manufacturing equipment. US semiconductor fabs, automakers, aerospace manufacturers, and medical device firms depend on these inputs, and for several of them there is no near-term substitute.

Meanwhile, US technology leadership is concentrated in (among other areas) the software, computing, and services layers: enterprise and industrial software, cloud computing, cybersecurity, data analytics, and AI development and deployment. Japanese manufacturers, financial institutions, healthcare providers, retailers, and logistics firms rely on these tools to design products, manage operations, secure networks, and reach global markets.

II. Why This Matters Now

Over the past year, commentators in certain markets have argued that reliance on technology supplied from abroad is itself a vulnerability, and have urged longer-term technological decoupling, even from close allies and partners. The argument is not confined to frontier AI models; it is routinely extended to commercial cloud infrastructure, business and industrial software, and enterprise productivity platforms, as well as drones and robotics.

The economic risks of technological isolationism are measurable. For example, Oxford Economics estimates that under the most restrictive sovereign-AI scenario – one requiring a domestically owned full AI stack – Japan would forgo an estimated US\$58.2 billion in GDP gains by 2035 and incur approximately US\$149.7 billion in additional build-out costs, with firm-level AI adoption falling from 20.3 percent to 3.4 percent.⁹ The mirror-image cost to the United States – losing assured access to Japanese semiconductor materials, robotics, optics, medical technology, and precision manufacturing equipment – would be no less real, and in several categories would be felt within a single production cycle.

III. The Need for US and Japanese Leadership

In some economies, proposed measures advanced in the name of "digital sovereignty" could threaten overseas priority markets for both US and Japanese exporters. These proposals could condition market access, regulatory approval, certification, or government procurement on criteria such as:

- Requirements that manufacturers or service providers be owned or majority-controlled by nationals;

- Requirements that senior management or operational personnel hold national citizenship;
- Minimum shareholding thresholds for nationals only;
- Eligibility conditions limited to providers "insulated from foreign legal jurisdiction" – a criterion that, by design, targets foreign providers subject to foreign legal requirements;
- Requirements that intellectual property be filed first in the territory of the regulating economy;
- Eligibility conditions that broadly exclude services or products on the basis of their "country of origin" or origin-based "dependency" arguments; or
- Other "local preference" criteria unrelated to the security or performance of the product or service in question.

Such measures do not just raise legal concerns; they also erode trust and weaken alliances. They will also directly impact Japanese and US interests: A Japanese industrial software firm and an American cloud service provider encounter the same nationality-of-ownership test, the same "insulated from foreign legal jurisdiction" condition, and the same origin-based exclusion. Neither of our economies has anything to gain from the spread of this approach.

Under the TPD, both the United States and Japan have an opportunity to answer challenge this narrative by modeling a better approach. In particular, a reciprocal continuity of service commitment between Japan and the United States would represent a concrete and compelling demonstration by two of the world's largest advanced economies that: (1) openness and security are compatible; and (2) the reliable answer to concerns about dependence is a mutual commitment rather than exclusion and isolationism.

IV. Digital Sovereignty Based in Capability, Collaboration, Resilience, and Trust

Digital sovereignty is best understood as resting on four pillars: capability (technology skill, infrastructure, and knowledge); collaboration (allied partnerships based on complementary strengths and mutual commitments not to weaponize digital rules against one another); resilience (contingency risk management, redundancy, and multi-cloud and multi-source architectures); and trust (encryption, access controls, certifications, and adherence to voluntary international standards).

The operative distinction is between requirements that are risk-based, proportionate, and tailored to legitimate policy objectives – which can coexist with, and draw strength from, an open allied marketplace – and blanket exclusions resting on a supplier's nationality, ownership, or country of origin, which cannot. Security and origin are not synonymous. What matters for durable resilience is the ability to govern, audit, and mitigate risk, not the geographic origin of each element of the stack. Japan and the United States have demonstrated over decades that the first path works.

At the same time, each government retains the sovereign right to regulate its own market and to invest in its own technological and industrial capacity. Each government is right to do so. Non-discriminatory grants, subsidies, tax incentives, public financing, high-performance computing investment, regulatory simplification, and open standards work are all legitimate, and all are unaffected by the commitment we propose.

VI. Proposed Joint Outcome Text

The MOC does not create legally binding rights or obligations,¹⁰ and we do not propose to change that. We recommend a political commitment consistent with the flexible character of the instrument, drafted in the MOC's own register.

Provision 1: Continuity of Service

Each Participant intends to refrain from measures that materially interrupt continuity of lawful access by persons or enterprises of the other Participant to commercial technology products, services, and tools supplied by its own persons or enterprises — including software, cloud and computing services, AI systems, industrial and manufacturing

technologies, and the support, maintenance, and updates on which their continued operation depends.

Where action to address an identifiable and specific national security threat becomes unavoidable, each Participant intends to ensure, to the fullest extent practicable, that such action is narrowly tailored to that threat, limited in duration and scope, and accompanied by advance notice to the other Participant.

Provision 2: Advance Notification and Consultation

Where a Participant proposes to adopt or revise a measure that would materially affect the continuity of access described in Provision 1, that Participant intends to notify the other Participant promptly and in advance of adoption. Either Participant may request consultations, which the other Participant intends to undertake without undue delay.

An early warning and consultation channel prevents disputes from escalating and gives both governments a standing venue as their respective technology policies evolve. It also preserves each Participant's essential security interests: the commitment disciplines the breadth and abruptness of action, not the right to act.

CONCLUSION AND NEXT STEPS

Joint outcome text along the lines set out above would give both governments a reciprocal, replicable model of allied technology cooperation. In a period when some voices seek to fragment markets in the name of sovereignty, a commitment of this kind would set a standard by demonstration rather than by argument.

BSA stand ready to support this work with technical expertise, economic analysis, and engagement from our member companies across the full range of digitally enabled industries, and would welcome the opportunity to discuss these recommendations with officials in both capitals.

¹The Business Software Alliance (www.bsa.org) is the global trade association of the enterprise software industry, representing companies that are leaders in artificial intelligence, cybersecurity, cloud computing, quantum, and other breakthrough technologies. We work in over 20 markets in the US, Europe, and Asia, advocating for policies that build trust in technology so that every industry sector and the public can benefit from innovation. BSA's members include: Adobe, Alteryx, Amadeus, Asana, Atlassian, Autodesk, Avalara, Bentley Systems, Box, Cisco, Cohere, Cohesity, Dassault Systemes, Databricks, Datadog, Docusign, Dropbox, Elastic, EY, Graphisoft, HubSpot, IBM, Kyndryl, MathWorks, Microsoft, Notion, Okta, OpenAI, Oracle, PagerDuty, Palo Alto Networks, PTC, Rubrik, Salesforce, SAP, ServiceNow, Shopify Inc., Siemens Industry Software Inc., TrendAI, TriNet, Veeam, Workday, Zendesk, and Zoom Communications Inc.

²Memorandum of Cooperation Regarding the Technology Prosperity Deal Between the Government of Japan and the Government of the United States of America (signed at Tokyo, Oct. 28, 2025), https://japan.kantei.go.jp/content/202510_moc.pdf; see also The White House, "The United States Signs Technology Prosperity Deals with Japan and Korea" (Oct. 29, 2025), <https://www.whitehouse.gov/releases/2025/10/the-united-states-signs-technology-prosperity-deals-with-japan-and-korea>. The TPD covers AI, quantum computing, biotechnology, space, Beyond 5G/6G, and fusion energy.

³Treaty of Mutual Cooperation and Security between Japan and the United States of America (Jan. 19, 1960; entered into force June 23, 1960), Arts. II and IV, https://www.mofa.go.jp/na/st/page1we_000093.html; U.S. Department of State, Bureau of Political-Military Affairs, "U.S. Security Cooperation With Japan," <https://www.state.gov/u-s-security-cooperation-with-japan>.

⁴U.S. Department of Commerce, International Trade Administration, Japan Country Commercial Guide, <https://www.trade.gov/country-commercial-guides/japan-market-overview>; JETRO, Japan-U.S. Investment Report, <https://www.jetro.go.jp/usa/japan-us-investment-report/> (reporting Japanese direct investment stock in the United States of US\$827 billion at end-2025 and 1,052,000 Americans employed by Japanese companies in 2024, more than half in manufacturing); U.S. Bureau of Economic Analysis, Direct Investment by Country and Industry, <https://www.bea.gov/data/intl-trade-investment/direct-investment-country-and-industry>.

⁵MOC, Section II (Areas of Cooperation), "Accelerating AI Adoption and Innovation."

⁶MOC, Section II (Areas of Cooperation), "Trusted Technology Leadership," sub-headings on Advanced Radio Access Networks, Beyond 5G/6G, and Connectivity, and on Securing Pharmaceutical and Biotechnology Supply Chains.

⁷International Federation of Robotics, World Robotics 2025, <https://ifr.org/worldrobotics/report-2025>.

⁸Brookings Institution, "The renaissance of the Japanese semiconductor industry" (2024), <https://www.brookings.edu/articles/the-renaissance-of-the-japanese-semiconductor-industry/> (reporting Japanese global market shares of 88 percent for coater/developers, 53 percent for silicon wafers, and 50 percent for photoresists).

⁹Oxford Economics and the AI Economy Institute, "The Economics of Sovereign AI: Balancing Autonomy, Innovation, and Growth in the Asia-Pacific" (May 2026), https://adopt-ai.org/wp-content/uploads/2026/05/Oxford-Economics-x-AIAI_Sovereign-AI.pdf Figures 22, 24, and 25.

¹⁰MOC, Section III (Legal Character) ("This MOC does not create legally binding rights and obligations . . .").