

(Tentative Translation)

**Report from the Government of Japan**

**Concerning the Recommendations of**

**the Japan-EU Business Round Table (BRT)**

June 2023

Note: The content of this report is based on the situation as of May 31, 2023.

This Progress Report is made in Japanese and translated into English. The Japanese text is the original and the English text is for reference purposes. If there is any conflict or inconsistency between these two texts, the Japanese text shall prevail.

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## **Working Party 1: Trade Relations; Investment and Regulatory Cooperation; Financial Services, Accounting and Taxation**

### **WP-1 / #01\* / EJ to EJ: Strengthening the EU-Japan Economic Relationship Post-EPA**

#### **Enhancing Regulatory cooperation**

As stipulated in the Japan-EU Economic Partnership Agreement (EPA), Japan and the EU annually convene the Specialised Committee on Regulatory Cooperation. Both sides held the fourth meeting of the Committee in February 2023 and shared information on the impact assessment mechanism for the major regulatory measures under consideration, among other items. Japan and the EU will continue proceed with their discussions on regulatory cooperation.

#### **Encouraging the use of EU-Japan EPA, particularly by SMEs**

The Ministry of Economy, Trade and Industry (METI) and the Japan External Trade Organization (JETRO) are promoting the utilisation of the Japan-EU EPA by using their official websites to provide relevant information, including information provided from the EU side. METI and JETRO also hold briefing seminars and workshops in Japan and abroad as well as online, set up consultation centers, and publish and distribute brochures and handbooks to this end. The Ministry of Foreign Affairs (MOFA) coordinates with chambers of commerce and industry and other organizations across the country to hold EPA seminars targeting a wide range of companies including small and medium-sized enterprises (SMEs); MOFA also provides a list of links as a source of useful information on trade with the EU (Related Information on SMEs (Japan-EU EPA Chapter 20)) on the MOFA website to encourage SMEs to utilise the Japan-EU EPA.

To promote greater convenience through digitalisation, JETRO has developed and offers a free Excel tool to assist with certificates of origin and other documents for trade agreements including the Japan-EU EPA, while METI conducted a digital platform demonstration to provide SMEs with easy low-cost access to the EPA.

#### **Joint investment in 3rd countries**

Japan values the EU's Global Gateway. At the 28th Japan-EU Summit in 2022, both sides recognized the importance of jointly improving connectivity through Quality Infrastructure, and confirmed to continue cooperation based on the Japan-EU Connectivity Partnership. Japan continues to support the efforts to enhance cooperation among institutions under the respective memorandums of understanding between the Japan Bank for International Cooperation (JBIC), the Japan International

Cooperation Agency (JICA), or the Nippon Export and Investment Insurance (NEXI), and the European Investment Bank (EIB), and such initiatives as investment promotion in developing countries that meet funding demand from the private sector. Japan will also follow up with the EU-Japan Centre for Industrial Cooperation, JETRO, and other organizations to promote joint investments in third countries.

### **Minimising the impact of Brexit**

The Government of Japan has called for an early resolution, through talks between the UK and the EU on the issues concerning the Northern Ireland Protocol as part of the EU-UK Withdrawal Agreement to ensure that Japanese companies operating in the UK and the EU would not be affected. Japan's overseas missions are also working to assess the impact of Brexit on Japanese businesses in the region. The Government of Japan will continue to offer them appropriate support as necessary.

### **Promoting the free flow of data**

In October 2022, Japan and the EU initiated formal negotiations for the inclusion of "provisions on the free flow of data" into the Japan-EU EPA in accordance with Article 8. 81 of the Agreement. As the negotiations will encourage free cross-border data flows and lead to further enhance Japan and the EU's leading roles in the global discussions on data governance, both sides will further advance the negotiations.

### **WP-1 / #02\* / EJ to EJ: Recommendations for an ambitious multilateral trade agenda toward the next WTO Ministerial Conference**

Assuming the G7 Presidency, Japan has been leading the discussions at the G7 meetings with the aim to contribute to outcomes at the 13th WTO Ministerial Conference (MC13). The G7 leaders confirmed in the Hiroshima Leaders' Communiqué the importance of working towards WTO reform, including dispute settlement (DS) reform, looking ahead to a successful MC13, and called for all WTO members to engage constructively in the Joint Statement Initiatives (JSI), and to join the efforts to make permanent the Moratorium on Customs Duties on Electronic Transmissions. It was also reaffirmed that efforts would be strengthened to ensure a level playing field in light of concerns with non-market policies and practices that could distort global competition, trade, and investment. Toward MC13, Japan is committed to further deepening the discussions at the G7 Trade Ministers' Meeting in October.

## **WP-1 / #03\* / EJ to EJ: Applying international standards and enhancing regulatory cooperation**

### **1. Create a common chemicals regulation**

The EU and Japanese regulatory authorities share information and exchange views on regulatory cooperation at meetings of the Japan-EU Industrial Policy Dialogue Working Group on Chemicals. Specifically, the two sides shared information on developments in chemicals management regulations and exchanged opinions on the risk assessment of chemical substances and its methods at the sixth Chemicals WG meeting held in September 2021. Both sides will continue sharing information and exchanging opinions on chemicals management. Japan will also seek to boost cooperation with the EU based on international schemes such as the OECD Test Guidelines, OECD Principles of Good Laboratory Practice (GLP), Mutual Acceptance of Data (MAD), UN's Globally Harmonized System of Classification and Labelling of Chemicals (GHS), and the Stockholm Convention on Persistent Organic Pollutants.

### **2. Create a common resource efficiency policy**

Japan will continuously contribute to international cooperation on energy efficiency through organizations that include working groups introducing best practices in energy efficiency policies and regulations under the framework of the Energy Efficiency Hub initiated by the International Energy Agency (IEA), and other programs. With respect to international cooperation on resource efficiency and the circular economy, discussions are ongoing at ISO/TC323 toward international standardization of the circular economy framework, business models, circular economy indexes, and other issues. Japan will continue to cooperate at the multilateral level.

### **3. Expand the benefits of AEOs**

To further simplify customs procedures for authorized economic operators (AEOs), the Government of Japan will continue to explore possible improvement measures for specific issues facing the operators by collecting information and views exchanged between the public and private sectors.

### **4. Adoption of UN Regulations and promotion of regulatory cooperation in the automobile sector**

The Government of Japan has cooperated with the European Commission in formulating international regulations in the World Forum for Harmonization of Vehicle Regulations (WP.29) under the United Nations Economic Commission for Europe.

As a Vice-Chair of WP.29 in 2023, Japan will cooperate with Italy, the current Chair of WP.29, to make further contributions to establishing globally harmonized technical regulation at WP.29.

Toward realizing carbon neutrality, Japan will work with the European Commission and the Japanese and European automobile industries to advance the discussions on developing a Life Cycle Assessment (LCA) in the automobile sector, taking carbon-neutral fuels into consideration.

The Government of Japan will continue to promote the international harmonization of automobile regulations at WP.29 while working to ensure automobile safety and protect the environment in Japan.

## **5. Sanitary and phytosanitary regulation**

Sanitary and phytosanitary measures are taken based on scientific evidence for the protection of human, animal or plant life or health in both Japan and the EU.

Japan and the EU confirmed their continued cooperation regarding sanitary and phytosanitary measures at the fourth meeting of the Joint Committee of the Japan-EU EPA in April 2023, in addition to discussions at expert level in the fourth meeting of the Specialised Committee on Sanitary and Phytosanitary Measures in December 2022.

Both sides will continue science-based discussions to achieve the objective of expanding food and beverage exports.

### **WP-1 / # 05\* / E.J to E.J Achieve climate neutrality**

Japan, along with more than 70 WTO members, has participated in the Trade and Environmental Sustainability Structured Discussions (TESSD) since its establishment, and has been playing an active role in discussing the promotion of products and technologies that help reduce greenhouse gas emissions and the issues related to the Carbon Border Adjustment Mechanism. Japan will continue to promote the discussions of the issues such as exploring approaches to promote and facilitate trade in environmentally friendly goods and services, including technical and regulatory elements, and examining how trade-related climate measures and policies can contribute to climate and other environmental goals and commitments in line with WTO rules and principles, including through other initiatives, with the aim of realizing global net-zero emission.

With respect to offshore wind power, Japan will work to develop next-generation technologies in light of the domestic and international trends of bottom-mounted and floating-type wind farms as well as Japan's characteristics, strengths, and other conditions. Japan will encourage intergovernmental cooperation and collaboration between Japanese and international corporations, and proceed to establish a globally harmonized method for evaluating the safety of floating-type wind farms. Regarding the

production of hydrogen and ammonia, the Government of Japan will make maximum use of multilateral cooperative frameworks, including the International Partnership for Hydrogen and Fuel Cells in the Economy (IPHE), as well as bilateral collaborations, and actively work to create globally harmonized standards to make new technologies easier to use across the world.

**WP-1 / #06\* / EJ to EJ: Recommendation on BEPS Action Plan and Other Tax Issues**

**BEPS Action Plan**

Japan and the EU countries have played a central role in the Base Erosion and Profit Shifting (BEPS) Project to promote a level playing field and improve tax certainty. The BEPS Project is currently in the implementation phase, and the Government of Japan is contributing significantly to expanding the number of countries and jurisdictions joining the OECD/G20 "Inclusive Framework on BEPS" (with roughly 140 members joining the framework so far).

In response to the project's recommendations, the Government of Japan has given due consideration to the potential compliance costs for businesses as well as predictability for compliant taxpayers through hearings with the business community and relevant authorities when designing its domestic tax systems and relevant procedures.

The Government of Japan will continue to explore a system to prevent aggressive tax planning by multinational enterprises while seeking opinions from the business community in order to effectively implement the agreed measures.

Japan will also maintain cooperation with its international counterparts, including the EU, to fully implement the BEPS package in a timely, consistent, and comprehensive manner as it addresses the remaining challenges with a view to ensuring a level playing field.

The Government of Japan hopes to make continuous efforts to resolve advance pricing agreement (APA) cases effectively and efficiently through bilateral and multilateral negotiations, thereby avoiding double taxation between Japan and EU member states.



## **Other Tax Issues**

The Government of Japan recently lowered the statutory corporate income tax rate to its 20-percent target range following the FY2016 Tax Reform, and will monitor the effects of the reduction. In the FY2020 Tax Reform, the Government of Japan established a “consolidated tax payment system” after simplifying and revising the consolidated taxation system, from the perspective of reducing companies’ administrative workload and creating a business environment for companies to make group management more efficient and fully demonstrate their competitiveness.

The Government of Japan will also continue to actively expand its tax treaty network with the EU member states to further promote investments and economic exchanges between Japan and the EU by eliminating double taxation through the reduction of investment income taxation by the source countries and the introduction of arbitration proceedings.

To address the tax challenges arising from the digitalisation of the economy, an agreement on a two-pillar solution was reached at the OECD/G20 “Inclusive Framework on BEPS” in October 2021. The Government of Japan will continue to contribute to the ongoing international discussions as well as to carry out necessary considerations towards the amendment of domestic laws in accordance with the agreement.

### **WP-1 / #07 / EJ to EJ Ensure timely negotiations on bilateral/regional agreements on personnel movements under the COVID-19 and future pandemics**

Japan will appropriately examine how to deal with issues related to travel under possible pandemics in the future, taking into consideration its experiences with COVID-19.

### **WP-1 / #08\* / E to J: Harmonization & mutual recognition of standards and product certifications; acceptance of international standards where applicable**

#### **Automobiles**

A transitional period up to seven years was agreed upon after years of Japan-EU EPA negotiations. Japan has made steady progress, adopting the regulations listed in the Japan-EU EPA Annex 2-C (Motor Vehicles and Parts) as domestic regulations earlier than initially planned.

In the fields of emissions and fuel consumption, the Government of Japan grants mutual recognition of approval under the 1958 agreement including the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) and other measures.

The Government of Japan will continue to promote globally harmonized automobile regulations at WP.29, while working to ensure automobile safety and protecting the

environment in Japan.

## **Railways**

Railway safety standards are developed and maintained in each country based on its own transportation conditions and lessons learned from past accidents, and collateral policies are accordingly different between Japan and the EU. In Japan, the Government of Japan conducts conformity assessments of technical regulations, and has not established regulations that ensure product safety through third-party certification and other forms, as in Europe. Japanese suppliers are required to undergo the EU's conformity assessment for exported products, despite their products conforming to Japan's standards. In addition, the Government of Japan understands that both Japan and the EU allow railway operators to test whether products meet their own requirements.

The Government of Japan has established a ministerial ordinance on “Technical Regulatory Standards” and the nonbinding interpretation on “Approved Model Specifications” which provides standard and specific numerical value. The English translation of these standards is available on the following website:

[http://www.mlit.go.jp/english/2006/h\\_railway\\_bureau/Laws\\_concerning/index.html](http://www.mlit.go.jp/english/2006/h_railway_bureau/Laws_concerning/index.html)

In terms of standardization activities, Japan contributes to consensus building at the standards council meetings on ISO/IEC and other international standards, with the Railway International Standards Center playing a central role in participating in regular meetings with European organizations, including the JISC-CEN/CENELEC discussion sessions, and exchanging views on activities related to the development of international standards.

The Government of Japan understands that railway operators should determine their own unique solutions based on the challenges, needs and current conditions of their railroad lines while taking costs and other factors into account.

Some Japanese railway operators publish a list of planned procurements. The Government of Japan understands that Japanese railway operators constantly seek safe and reliable products, and that they are willing to actively procure superior European products.

The Government of Japan has drawn up comparison tables between Japan's Technical Regularly Standards and the EU's Technical Specifications for Interoperability (TSI), and instructed the relevant railway operators to equally treat tests and experiments required of suppliers, and disclose the appropriate and applicable part of their implementation standards to European suppliers with a firm interest. The Government of Japan understands that Japanese railway operators will take concrete measures, and expects European suppliers to make specific approaches to Japanese operators.

## **Processed food**

In Japan, the use of food additives is prohibited, except when the Minister of Health, Labour and Welfare (MHLW) designates harm to human health as unlikely under the Food Sanitation Act. The designation procedures for food additives (including enzymes) are, in principle, based on requests from business operators and other entities. The Government of Japan understands that the EU also takes a similar approach.

The data necessary for the designation of food additives (including enzymes) are derived from publications as well as evaluations by the Joint FAO/WHO Expert Committee on Food Additives (JECFA) and other bodies. Japan's standards and criteria for additives are established in harmony with international standards by referring to the regulations of the EU and other regions as well as the Codex Alimentarius.

Furthermore, since 2002 the Government of Japan has been in the process of designating 45 food additives (excluding flavoring agents) proven safe and used internationally, with 41 items having completed the procedures. Three of the remaining items were cancelled because they were no longer considered to fall under the category of internationally used additives after reexamination for exporters to Japan, and the last one item is under review by the expert committee of the Food Safety Commission of Japan.

In light of the nuclear power plant accident in the former Soviet Union, the Government of Japan continues to give guidance on conducting voluntary inspections for radioactivity in foods to importers of berries, berry products, mushrooms, and other items from some EU countries when submitting import notifications. This is because violations exceeding Japan's standard values continue to be found during inspections at the time of importation.

## **WP-1 / #09\* / E to J: Self-verification and risk assessment**

Japan's framework for RF technical standards conformity certification now permits the self-verification of the conformity to technical standards by manufacturers and other entities with regard to the wireless devices less likely to disrupt other radio stations. Authorities continue ramping up the categories of wireless devices that can be self-verified as far as not disrupting other radio stations or adversely affecting human health. Careful consideration must be given to the concerns that non-conforming base station equipment with high antenna power could cause disruption/interference in other radio stations and excess over safety limits for human exposure.

In Japan, the Food Sanitation Act does not require government or third-party approval for food apparatus, containers or packaging.

Under Japan's current system, medical devices including non-invasive medical devices are classified based on their risk level in a way that conforms to international standards, and undergo different procedures for each classification. Devices considered extremely

low risk to the human body even if defects are found, are classified as general medical devices (Class I), and are permitted to be marketed by submitting notification (i.e., self-confirmation of conformity) to the Pharmaceuticals and Medical Devices Agency (PMDA).

#### **WP-1 / #10\* / E to J: Wind power**

With respect to the third-party body certification process used to review wind power construction plans, the amendments to the Electricity Business Act in June 2022 has allowed registered conformity verification bodies stipulated in the Act to verify most of the items that have been certified by third-party body. The Government of Japan will ask the registered conformity verification bodies for accurate and prompt verification, while the methods of verification, including the language used and the use of international certifications, etc., will be left to each body.

In April 2023, Niigata Port was newly designated as a base port essential for the installation and maintenance of offshore wind power facilities, in addition to Noshiro Port, Akita Port, Kashima Port, and Kitakyushu Port. Akita Port has finished necessary improvements that include strengthening the geo-resilience of quay walls, and the other ports are now undergoing them. Japan will continue to maximize its use of designated base ports while proceeding with planned port upgrades in light of the development of offshore wind power.

Article 3 of the Ship Law stipulates that, in principle, maritime transportation between domestic ports should be conducted by Japanese-flagged vessels. Even for transportation incidental to the construction work for offshore wind power, foreign-flagged vessels cannot be used for this purpose. A foreign-flagged vessel can be used for domestic transportation by reflagging to a Japanese-flagged vessel.

#### **WP-1 / #11\* / E to J: Automobiles**

Tax incentives for Kei cars have been introduced as a social policy, taking into consideration Japan's specific circumstances such as its higher population density relative to land mass, and the rationale behind such incentives remains valid. In addition, these incentives make it easier for residents living in rural areas who need automobiles for their daily lives to purchase Kei cars and deliver substantial social benefits.

Japan is of the view that the taxation system is an issue to be discussed through domestic tax reform process in each country. As regards the Mini-Vehicle Ownership Tax, the tax rate was raised by the 2014 Tax Reform Outline that took effect in April 2015. In addition, following the increase in the consumption tax rate to 10% from October 2019, the tax was lowered on passenger cars newly registered on after October 1, 2019. With these measures, the tax gap

between passenger cars and Kei cars was narrowed.

**WP-1 / #12\* / E to J: Freight and logistics**

To further simplify customs procedures for AEOs, the Government of Japan will continue to explore possible improvement measures for specific issues facing the operators by collecting information and views exchanged between the public and private sectors.

## **Working Party 2: Life Sciences and Biotechnologies, and Healthcare and Well-being**

### **WP-2 / #03\* / EJ to EJ: New technologies including biopesticides should be further promoted to achieve a paradoxical agenda of feeding population without starving the planet**

Japan has been working to reduce the risks associated with the use of chemical pesticides based on the “Strategy for sustainable Food Systems, MIDORI” that aims to enhance both productivity potential and sustainability in the agriculture, forestry and fisheries industries with innovation.

As alternatives to traditional chemical pesticides, the Government of Japan will consider what rules to adopt for using biopesticides, biostimulants, RNA-based pesticides, and other materials, referring to the discussions at the OECD. Japanese authorities are of the view that mutual authorization would be difficult because data obtained solely from other countries with different natural conditions cannot determine the impact on non-target organisms. However, authorities will continue to discuss such rules based on the latest scientific knowledge and harmonized with the trends of international discussions.

### **WP-2 / #05\* / EJ to EJ: Reform of the pharmaceutical pricing system should provide a stable, predictable environment that rewards innovation**

Japanese authorities consider it important for the pharmaceutical industry to develop new drugs through ceaseless innovation as well as create an environment that encourages global competition. Based on this view, MHLW will constantly review the pharmaceutical pricing system at the Central Social Insurance Medical Council on the basis of balancing “promotion of innovation” with “sustainability of the universal health insurance system,” taking the industry’s opinions into full account.

### **WP-2 / #06\* / EJ to J: Regulatory environment should be improved to ensure fast access to ground-breaking innovations**

In 2022, a review panel consisting of industry organizations and regulatory authorities was established to discuss issues related to regenerative medical products. The review panel will continue its discussions, including whether there are factors blocking foreign product access to the Japanese market.

Regarding the evaluation and authorization of pharmaceuticals with high needs, Japanese authorities have worked on operational improvements, including, for example, setting up a consultation service for pioneering drugs, which has resulted in increasing the number of designations from zero in 2020 to two in 2021 and four in 2022. Authorities will continue to consider additional initiatives through opinion exchanges with industry organizations.

Japanese authorities are also considering how to respond to epoch-making innovations.

For example, with respect to Software as a Medical Device (SaMD), authorities are looking into the possibility of introducing a two-stage approval mechanism involving first-stage approval at an early stage when a certain efficacy or effectiveness can be validated to a high degree, and post-marketing second-stage approval after clinical significance is determined.

**WP-2 / #08\* / EJ to J: Health Technology Assessment (HTA) should be carefully applied**

The assessment results of the Health Technology Assessment (HTA) system are not used for making decisions on health insurance reimbursement but for adjusting prices after reimbursement. So far, 42 drugs have been selected for the assessment, with the prices of 25 items adjusted.

To revise medical fees in fiscal 2024, Japanese authorities will continue discussions at the Central Social Insurance Medical Council, seeking views from the public analysis team and the industry and other entities.

**WP-2 / #09\* / EJ to J: A harmonized approach for integration of health-related data and construction of data health infrastructures should be established**

Japan has actively promoted the organic linkage of data in the fields of healthcare, medical service, and nursing care, and the utilization of innovative technologies, including ICT, to help extend each Japanese citizen's healthy life expectancy and provide more effective and efficient medical and care services. Currently, under the auspices of the Headquarters for Medical Digital Transformation (DX) Promotion headed by the Prime Minister, Japanese authorities are promoting such medical DX initiatives as "the construction of a nationwide medical information platform," "the standardization of electronic medical records," and "DX for the revision of medical fees," aiming to further enhance public health and provide high-quality medical services.

**WP-2 / #11\* / EJ to J: Fostering bioeconomy by encouraging small-to-midsized enterprises, such as start-up companies, should be promoted**

As startup companies with specialised technologies in specific fields continue to grow, and horizontal division of labor spreads around the world, Japan will further promote innovation creation through comprehensive support for startups and other enterprises, and work to create an open innovation community that organically promotes innovations with participation from overseas firms.

Japan will strengthen measures to support venture businesses and promote startup companies by disseminating information and providing consultation and network

assistance with support organizations through one-stop service centers. In addition, the Government of Japan launched the “Strengthening Program for a Pharmaceutical Startup Ecosystem” with a budget of 350 billion yen and provides generous support to domestic and international venture capitals (VC) investing in Japanese startup companies. Japan will also coordinate with the bio-community as a regional industry-academia-government biotechnology network to attract investments from home and abroad through seminars, pitch events, and other activities.



## **Working Party 3: Digital Innovation and Mobility**

### **WP-3 / #01\* / EJ to EJ: Strengthening the EU-Japan Cooperation to Realize the DFFT**

#### **A) Cooperation in Rulemaking on Global Digital Trade**

The G7 leaders confirmed in the G7 Hiroshima Leaders' Communiqué that they “call on all WTO members to work together to make permanent the Moratorium on Customs Duties on Electronic Transmissions,” and Japan will continue to collaborate with other WTO members.

As a co-convenor, Japan has led the negotiations of the WTO Joint Statement Initiative (JSI) on E-commerce, and has made continuous efforts to strive towards greater convergence on provisions that enable and promote the flow of data while ensuring trust in data, such as provisions on cross-border data flows, data localization and source codes, and is committed to achieving a substantial conclusion by the end of 2023.

In addition, Japan worked with Europe and the United States in leading the OECD discussions aimed at establishing principles on government access to personal data, and contributed to the December 2022 adoption of the “Declaration on Government Access to Personal Data Held by Private Sector Entities” with government access principles, as a ministerial declaration by the OECD members, including Japan.

### **WP-3 / #01\* / EJ to EJ: Strengthening the EU-Japan Cooperation to Realize the DFFT**

#### **B) Cooperation through EPA and Digital Partnership between Japan and the EU**

In October 2022, Japan and EU launched formal negotiations for the inclusion of “provisions on free flows of data” in the Japan-EU EPA in accordance with Article 8.81 of the EPA. Japan is committed to further progress of negotiations to include texts that would promote free flows of data between Japan and the EU.

Moreover, the Japan-EU Digital Partnership was launched at the Japan-EU Summit in May 2022. Under this framework, Japan and the EU will work on tasks that include deepening the mutual understanding on data governance.

### **WP-3 / #01\* / EJ to EJ: Strengthening the EU-Japan Cooperation to Realize the DFFT**

#### **C) Support for Social Implementation**

At the G7 Digital and Tech Ministers' meeting in April 2023, the Ministers endorsed the establishment of an international framework (Institutional Arrangement for Partnership: IAP) to operationalize Data Free Flow with Trust (DFFT), aiming to solve various issues arising from cross-border data transfer. Japan will work on prioritized

areas, including data localization as well as data sharing and utilization across companies, industries and borders. For example, Japan launched the “Ouranos Ecosystem” as an initiative originating from Japan.

**WP-3 / #02\* / EJ to EJ: Cybersecurity for Trusted Society**

METI held the “Working Group for Establishing a Security Conformity Assessment System for IoT Products” in November 2022, and held discussions with experts from industry, government, and academia on the security standards and conformity assessment system required for IoT products, with the interim report completed in March 2023.

In designing domestic systems, Japan will continue discussions with other countries to achieve interoperability with similar systems, including the EU Cyber Resilience Act.

Japan will continue to comprehensively promote R&D, technical verifications, and social implementation through industry-government-academia collaboration to build a global quantum cryptographic network as new security technology allowing to exchange confidential information among nations and important agencies safely and securely even in the age of quantum computers.

**WP-3 / #03\* / EJ to EJ: Social Implementation of Human-Centric AI Technology**

Japan will continue to examine ideal approaches to AI governance in Japan, including guidelines, standardisation, audits, and regulations, conducive to the competitiveness of Japanese industry and increased social acceptance, for the purpose of social implementation of the AI Social Principles, taking domestic and international AI trends into account. To this end, Japan will actively participate in discussions on the implementation of AI principles at the Council for Social Principles of Human-Centric AI and at meetings of international organizations such as the Global Partnership on Artificial Intelligence (GPAI) and the OECD.

**WP-3 / #05\* / EJ to EJ: Updating Connectivity for Digital Transformation for All**

METI and the Ministry of Internal Affairs and Communications (MIC) have adopted several measures, including tax breaks under the 5G Promotion Act, for 5G networks equipped with a sufficient level of cybersecurity and openness, not only to accelerate the integrated development of nationwide 5G networks in urban and rural areas, but also to help construct local 5G networks for the purposes of solving social issues and promoting business innovation.

To promote the spread and deployment of open standard-based base stations, the Open RAN Promotion Committee was established under the Beyond 5G Promotion Consortium in March 2022. On March 17, 2023, a report was released summarizing the

Committee's discussions on promoting international collaboration and attracting corporations with excellent technologies to participate in Open RAN activities.

In parallel with the activities of the Committee, MIC will strongly promote support for the deployment of Open RAN and other technologies.

In terms of future collaboration in the field of Beyond 5G/6G, Japan and the EU exchanged views at the Japan-EU ICT Policy Dialogue on February 24, 2023. At the G7 Digital and Tech Ministers' Meeting in April 2023, the Ministers shared G7 Vision for future networks in the Beyond5G/6G era. Going forward, Japan and the EU will use their policy dialogue and other forums to materialize their R&D collaboration toward the realization of Beyond 5G/6G.

### **WP-3 / #07\* / EJ to EJ: Skill Development for Digital Economy**

The Government of Japan is operating a system for certifying excellent educational programs in mathematics, data science, and AI (literacy and advanced literacy levels) at universities and Colleges of technology (KOSEN). In addition, the Government of Japan will support various initiatives that include research and development programs undertaken by SMEs in cooperation with universities and public research institutes to enhance core manufacturing technologies and provide advanced services using IoT (Internet of Things), AI, and other cutting-edge technologies; projects for creating new added value and improving productivity by sharing data with multiple SMEs and other entities as a collaborative body; and programs for supporting the digital transformation and IT utilisation of SMEs.

### **WP-3 / #09\* / EJ to EJ: R&D cooperation**

The Government of Japan and the European Commission discussed researcher exchanges and ways to strengthen strategic research and development. Japan will continue to deepen the understanding of Horizon Europe and explore opportunities for collaboration with the EU side through various channels, including Horizon Europe.

Startup businesses are key players in the transformation of social issues into growth engines and the achievement of a sustainable economy and society. Japan is now providing support for the construction and development of a startup ecosystem while promoting international cooperation to attract domestic and foreign businesses and help startups enter the global market.

## **Working Party 4: Environment and Sustainable Development**

### **WP-4 / #01 / EJ to EJ: Measures and policies of both authorities against climate change**

In February 2023, Japan's Cabinet approved the "the Basic Policy for the Realization Green Transformation (GX)" to simultaneously attain the three targets of decarbonization, stable energy supply, and economic growth under the long-term goal of achieving net-zero by 2050 and the mid-term goal consistent with the long-term one. On the basis of this policy, Japan will promote thorough energy efficiency improvement and transition to renewables, nuclear, and other power sources that are highly effective for decarbonization, to mitigate excessive dependence on fossil fuels. At the same time, under the "Pro-Growth Carbon Pricing Concept", Japanese authorities will use GX Economy Transition Bonds to provide advance investment support of 20 trillion yen to realize public and private GX investments exceeding 150 trillion yen over next 10 years.

### **WP-4 / #02 / EJ to J: Japanese Government's development of policies toward the realization carbon neutrality**

Japan will support the utilization of distributed energy resources, including storage batteries, to improve efficient energy use, adjust the supply and demand by virtual power plants (VPP), and spread and promote resource aggregation services. Japanese authorities will also continue deliberations to encourage companies with low-voltage distributed power resources to enter the supply and demand adjustment market. Japan has been working to unify the application system for self-consignment through setting guidelines and other measures. In addition, with respect to Green Innovation Fund support, authorities will decide whether to set up a project in light of the criteria for policy support when a relevant government agency makes a specific proposal related to innovative technology development.

### **WP-4 / #03 / EJ to EJ: Promotion of resource efficiency and the circular economy**

Japan will collaborate with the EU and other governments as well as business communities such as the representative business federations of the G7 (B7) to spread and promote the "Circular Economy and Resource Efficiency Principles (CEREP)." In addition to the "Basic Policy for Achieving Green Transformation (GX)," METI developed and published the "Strategy for a Growth-Oriented Resource-Autonomous Circular Economy" in March 2023, and is currently working on the three policies of "developing regulations and rules," including enhanced international collaboration with ISO and other organizations; "improving policy support" for R&D, proof of concept, and capital investment; and "launching of an industry-government-academia collaboration mechanism," together with the construction of a platform to ensure information traceability related to resource circulation.

#### **WP-4/#04/EJ to EJ: Natural Capital and Biodiversity**

Japan will lead the implementation of the “Kunming-Montreal Global Biodiversity Framework,” including the achievement of the 30by30 goals, through promoting Other Effective Area-based Conservation Measures (OECM). Japan will also share its knowledge on the nature-positive economy through the “G7 Nature-Positive Economic Alliance.”

Forests play an extremely important role in the conservation of biodiversity. Japanese authorities conserve forest biodiversity by promoting variety of forest management such as conversion to mixed forests of conifers and broadleaf trees and long-term management. In national forests, authorities also designate and manage “Protected Forests” and “Green Corridors”, which connects Protected Forests and form networks, to conserve forest biodiversity.

The Government of Japan established the “Strategy for Sustainable Food Systems, MIDORI (strategy MIDORI)” that aims to enhance both productivity potential and sustainability in the agriculture, forestry and fisheries industries with innovation. Under the MIDORI Act, which facilitates the implementation of the strategy MIDORI, the Government promotes the efforts to reduce the environment burden, including R&D and capital investment.

#### **WP-4 / #05 / E.J to E.J: Realisation of a resilient and comfortable life**

METI will make steady efforts to support the construction of regional microgrids and build an independent and distributed energy system that will contribute to efficient energy use through local production for local consumption, enhanced resilience, and other local community goals.

With respect to the development of such policies as accelerating local production for local consumption, METI will promote complete resource circulation in each region to encourage the transition to a circular economy. Japan attaches importance to realising carbon neutrality in local communities from the perspective of achieving both regional revitalisation and decarbonization, and will support local governments’ ambitious decarbonization initiatives, including the introduction of renewable energy that will brings benefits to local communities.

To expand urban greening, which is easily accessible carbon-sink measure for Japanese people, MLIT is developing urban parks and promoting the creation of green spaces on building rooftops and elsewhere, and deliberating on a certification system for greenery areas.

#### **WP-4 / #06 / EJ to EJ: Promoting optimization of city management**

METI and MIC are accelerating the rollout of 5G networks in both urban and rural areas to cover the entire nation. METI and MIC also provide tax incentives and other support

measures for 5G systems that ensure cybersecurity and transparency based on the “5G Promotion Act” (Act on Promotion of Developing/Supplying and Introducing Systems Making Use of Specified Advanced Information Communication Technologies), thereby encouraging the introduction of local 5G systems for addressing social challenges and generating business innovations.

In terms of the introduction and accelerated utilization of “City OS (Operating System),” MIC is providing subsidies to local governments and private organizations to cover part of the rollout and improvement costs of City OS, which is the foundation of “smart city” services, and facilitating the use of digital technologies and data to effectively and efficiently solve various issues facing local communities, including their revitalization.

In addition, MIC has contributed to international discussions by formulating AI R&D Guidelines in 2017 and AI Utilization Guidelines in 2019 with a soft-law approach in mind. After the formulation of these guidelines, MIC has been holding internal discussions toward social implementation of secure, safe and reliable AI, and will review the current guidelines by conducting hearings with various stakeholders, including developers and users, while studying other guidelines formulated by domestic and overseas government agencies, businesses, organizations and other entities.

Mainly to promote the development and utilization of AI technology by business operators, METI formulated the “Contract Guidelines on Utilization of AI and Data” in 2018 and the “Governance Guidelines for Implementation of AI Principles” in 2021. Japanese authorities will proceed with discussions on how to integrate the AI-related guidelines created by respective government agencies, including the MIC-developed guidelines described above.

#### **WP-4/#07/E to EJ. Increase the rollout of EVs and the necessary infrastructure**

As one measure to reduce CO2 emissions from cars and vans, efforts have been made to significantly improve fuel efficiency in line with the fuel economy standards under the Top-Runner System based on “the Act on the Rationalizing Energy Use and Shifting to Non-fossil Energy”. For cars, the standards for EV and plug-in hybrid vehicles are in place with fiscal 2030 as the target year, and authorities have reinforced the implementation to comply with these standards.

In addition, METI and MLIT developed the “Packaged Policy to Accelerate the Rollout of Electrification Infrastructure on Highways” to push for a significant increase in the number of EV multi-bank battery chargers with increased output on highways in order to create an environment where users can comfortably recharge their EVs at any time.

Japanese authorities also provide support for developing recharging infrastructure in buildings, establishing a subsidy system for the installation of EV rechargers in apartment compounds, and providing tax breaks and financing for housing construction

that takes measures for decarbonization, including the installation of EV rechargers. Japan will continue deliberations on adopting the most appropriate methods among a wide range of possible measures.