

December 2001

Current Status and Future Prospects on the EU-Japan Business Dialogue Round Table Recommendations

Government of Japan

(TENTATIVE TRANSLATION)

Table of Contents

First Working Party(Trade and Investment)

1. Advanced ruling process
2. Independent regulatory supervision
3. Product approval methodology
4. Product approval harmonization
5. Deregulation to promote competition
6. Regulating dominant positions
7. Tax implications of corporate restructuring
8. Consolidated taxation
9. Corporate governance
10. Cross-border share-for-share transfers
11. Provision of legal services
12. Pension reform
13. Visas and work Permit

Second Working Party (Accounting and Tax issues)

14. International Accounting Standards(IAS)
15. Consolidated tax system
16. Transfer pricing
17. Electronic commerce taxation

Third Working Party (Standard)

18. Standardization activities of IMT-2000 (next-generation mobile communication system)
19. Global Telecommunications Standards

- 20. The harmonization of standards
- 21. First file system and first invention system of patents

Fourth Working Party (MRA)

- 22. MRA (four sectors)
- 23. MRA (medical device)

Fifth Working Party (E-commerce)

- 24. GBDe (Global Business Dialogue on e-commerce)
- 25. eEurope, e-Japan

Sixth Working Party

- 26. WTO

Note: This report explains the current status of Japanese government initiatives and the future prospects with respect to the recommendations submitted at the EJBDR meeting held in Brussels on July 9 and 10, 2001.

First Working Party (Trade and Investment)

1. Advanced ruling process

(1) Summary of recommendation made by the BDRT

- Each ministry and agency should develop and implement guidelines for an advanced clearance process based on the March 27 Cabinet Decision as soon as possible.
- Guidelines should also be developed for areas such as taxation, which are not explicitly mentioned in the Cabinet Decision.
- All replies should be legally binding.
- The implementation of this reform should be closely monitored.

Questions

- Why will replies not be legally binding?
- What is the current status in the development of individual ministry and agency guidelines?

- Has the GOJ made budget allocations to ensure adequate staffing levels?
- When will these guidelines be released for public comment?

(2) Actions taken and current status

- In accordance with the decision at the Cabinet meeting on March 27, 2001, in which the Ministry of Public Management, Home Affairs, Posts and Telecommunications (MPHPT) played the role of coordinator, the Ministry of Economy, Trade and Industry (June 1), the Financial Services Agency (July 16) and MPHPT (August 31) have already started using the prior confirmation procedure for the application of laws and ordinances.

- The reply letter merely shows the opinion as of the time when the reply is given, based only on that the facts submitted by the referee, therefore, where there exists any rational reason along with the revision of laws and ordinances or a change in the situation after the reply is given, it is imaginable that the administrative agencies would make a new judgment that is different from the contents of the replies.

Therefore, it is not appropriate to apply legally binding force to the reply letter.

- Furthermore, it is understood that the "no action letter" of the Securities and Exchange Commission (SEC) a major example of "no action letter", does not have legally binding force.

(3) Future prospects

- "With respect to the introduction of the prior confirmation procedure for the application of laws and ordinances by the administrative agencies (the decision at the Cabinet meeting on March 27, 2001)," sets out that "the MPHPT shall follow-up and publish the status of implementation by relevant ministries and agencies, to ensure that this procedure is carried out appropriately." Based on how the procedure is introduced being by each ministry and agency, follow-up is to be carried out in an appropriate manner.

2. Independent regulatory supervision

(1) Summary of recommendations made by the BDRT

- An independent regulator with a pro-competitive mandate should be established to supervise the telecommunications, energy, and transport sectors in Japan.

Questions

- What does the GOJ mean by the phrase "neutrality and fairness of the regulating authorities will be secured over the years to come." (p.5 of the GOJ reply) How will this be accomplished?

- How does the GOJ intend to do this without increasing independence in regulatory supervision?

(2) Actions taken and current status

(a) Telecommunications Sector

- "Neutrality" means that a regulatory body is neutral from any regulated bodies (telecommunications business carriers), and "fairness" denotes that a regulatory bodies is fair to any regulated bodies (telecommunications carriers).

- The MPHPT is independent of all of the telecommunications business carriers including NTT, and, further, the ministry has been implementing the regulations in

accordance with fair and transparent rules. Therefore, the regulation and supervision are independent, and neutrality and fairness of the regulating bodies are ensured.

(b) Energy Sector

- The Ministry of Economy, Trade and Industry is independent from any energy suppliers and energy service providers.
- The regulations on the relationship between the officials of Ministry of Economy, Trade and Industry and the energy industry have been strengthened by the introduction of Government Officials Ethical Act in April 2000, which has contributed on the improvement of transparency.

(c) Transport Sector

- The Ministry of Land, Infrastructure and Transport has secured its neutrality and fairness of regulation and supervision, as the supervisory authority independent from all the transport business undertakers.

3. Product approval methodology

(1) Summary of recommendation made by the BDRT

- "File and use" notification procedures should replace the current pre-approval needed for products in sectors such as insurance, animal health, and medical diagnostics.

(a) Insurance

- All remaining requests for prior product approval and pricing involvement by FSA should be abolished.

(b) Animal Health

1. Minor modifications to already-approved products should be allowed on a notification basis, without the need to navigate the time and energy consuming partial amendment procedure.
2. The acute toxicity study employing animals for mycelial (feed grade) products, a test unique to Japan, required for each batch to detect toxic substances should be eliminated.
3. The current mandatory assay for biological products should be replaced with a non-compulsory official batch release, as is common practice in Europe. For in-vitro diagnostic products this requirement should be eliminated all together.
4. Reports prepared for New Animal Drug Application should be accepted in their original language with a summary in Japanese, as is currently the practice for pharmaceutical products intended for human use.
5. Maximum Residue Levels and required withdrawal period should be established at the time of New Animal Drug Application, with all residue studies based on accepted international MRL standard, instead of the current zero-tolerance stance the GOJ takes regarding these products.

(c) In-vitro Diagnostics(IVDs)

- The GOJ should develop a clear and detailed strategy for meeting its own goal of processing approvals for in-vitro diagnostic products within six months. This strategy

should include provisions for the following:

1. Allocation of sufficient human resources to deal with new product approval applications.
2. Elimination (or refocusing) all application requirements that are unique to Japan and/or have no basis in science, such as the 3 lot/ 3 time test data requirement.
3. The quick establishment of a product approval process based on risk classification, with lower risk products subject to a simple notification procedure.

(2) Actions taken and current status

(a) Insurance

- Drastic deregulation is underway in non-life insurance products for businesses and the notification system was introduced in principle in August 1999, which was expanded to cover most of the products in July 2001. On the other hand, when it comes to insurance for house holds, the viewpoint to protect consumers is important. Therefore, the application of the notification system is limited to certain products, and it is considered that a certain level of regulation is indispensable on the premium rate for products

(b) Veterinary Drugs

1. The items to confirm the quality, effectiveness, and safety of the ingredients and doses of veterinary drugs are set out in the Drugs, Cosmetics and Medical Instruments Act as requiring approval. However, the items which need frequent addition or revision, such as directions are treated as the matter for notification.
2. On 19 October, 2000, the European Business Community and the Ministry of Agriculture, Forestry and Fisheries exchanged views on this matter and decided to hold another officials meeting after sorting out issues and collecting information.
3. The partial abolishment and simplification of the national official test for biological pharmaceuticals for animals have been undertaken gradually since 1985, taking into consideration the results of the tests. Major measures are as follows:

FY 1985 Abolishment of the quantity test for antiseptics, and the quantity test for concentration agents

FY 1986 Abolishment of the tests for a part of IVD (measurement of antibodies)

FY 1992 Abolishment of the characteristic test and the test on humidity content

FY 1995 Abolishment of the pH factor test and a part of the abnormal toxicity negation test

FY 1996 Ease of the sealing unit of the inspection stamps, indicating that the test has been passed

From FY 1999 Abolishment of the potency test for a portion of the pharmaceuticals

4. Required documents to apply for approval of medical supplies for animals are to be with Japanese translation if the original texts are in foreign language. However, figures and tables can be left as they are.

5. In Japan, zero-tolerance principle is applied for the withdrawal period of veterinary drugs. However, the elements which MRL has been set by the Ministry of Health, Labor and Welfare under the Food Sanitation Law, the Ministry of Agriculture, Forestry and Fisheries set out the withdrawal period in accordance with MRL on behalf of zero-tolerance.

(c) IVDs

- The application procedure for IVDs has already been separated and simplified from that for regular drugs. The classification method of the application changed at the end

of March 2001, it used to be classified according to the newness of an item or a

measurement method, now it is classified according to the risk level to health and hygiene except for new items. Data required for the approval application was also revised.

-Furthermore, with respect to the period for administrative processing, the administrative process at the Organization for Pharmaceutical Safety and Research and

Pharmaceuticals and Medical Devices Evaluation Center was reviewed and streamlined in January 2001.

(3) Future Prospects

(a) Insurance

- The report recently issued by the Financial Council, suggested to start studying the possibility of shortening the period required for the examination of products and the introduction of a "file and use" system concerning products which have little issues with protection of consumers. The shortening of the period for the examination of products is currently under consideration, following the interim report mentioned above. In studying the introduction of the "file and use" system, it is necessary to pay sufficient attention to a framework for the examination of products, such as correction measures for problems that might arise after the sale of products.

(b) Veterinary Drugs

1. Of the items requiring approval, measures have already been taken for those that can be handled by notification. The examination will continue taking into consideration international measures.

2. After sorting out the issues and collecting materials, an examination will be conducted, including the review of the simple acute toxicity test concerning antibiotics, which are mainly used for feed.

3. The national tests for biological pharmaceuticals for animals are conducted in accordance with the Drugs, Cosmetics and Medical Instruments Act on vaccines which require a high-level testing method in order to secure a high-level production technology and safety, as they use pathogens for production. In order to allow the distribution of only those drugs the safety and effectiveness of which have been confirmed, it is necessary to maintain this system given the recent results of the tests. (every year, about 1% fails in the tests)

4. Various attached materials are required for the application for approval of veterinary drugs. Most of the materials attached to applications for the approval of imports, which have been rapidly increasing recently, are written in a foreign language. In order to understand and proceed with an inspection of such materials quickly as well as accurately, attachment of translation in Japanese indispensable.

5. The elements to which the Ministry of Health, Labor and Welfare applied MRL, it is planned that the withdrawal period in accordance with MRL will be set one after another.

(c) IVDs

- The GOJ will seek further to shorten the period for administrative processing by introducing measures such as the establishment of an "approval exemption standard" for IVDs that are of low hygienic risks and with an established framework of supplying standard products.

4. Product approval harmonization

(1) Summary of the recommendations made by the BDRT

(a) In cooperation with the regulatory authorities in the world, the GOJ should take action towards recognition process which does not require approval in individual states.

(b) The MRA should be ratified and implemented as early as possible. Both EU and Japan should monitor this agreement, so that it is implemented in an efficient manner. They should work to expand the subject of this agreement to medical devices, professional duties, natural foods, certificates, cosmetics and eco labels.

(c) Through application of the regulatory practices that have been already accepted in the international society (e.g. the permitted residue set by the CODEX Alimentarius Commission, and risk-based assessment of harmful and non-harmful organisms in the import of phytosanitary products) the GOJ should be vigilant in reducing the time and energy needed for companies to bring their products to market by applying regulatory practices already accepted by international community.

(2) Actions taken and current status

(b) After the Agreement on Mutual Recognition between Japan and European Community (MRA) was signed on 4th April 2001, followed by formalities in Japan and the EC respectively, the diplomatic notes required for the enforcement of the agreement were exchanged on 28 November. In accordance with the provisions set out in this Agreement, it came into effect on 1st January 2002.

(c) When setting the maximum residue limits (MRLs) for pesticides, and the specifications and standards for use for food additives in Japan, the codex standards and the standards in other foreign countries are considered as references. However because of the difference in diets in each country, we sometimes found the difficulties in accepting the Codex standards and the standards in other foreign countries.

(3) Future Prospects

(a) Giving the consideration to safety of products and working together with the regulatory authorities of other countries, Japanese government will continue to be involved in the approval process which does not require the approval in each country.

(b) For the smooth implementation of the MRA, it is essential to build up mutual trust and understanding between the EC and Japan. Seminars for people concerned will be held in this regard. The first seminar will be held in December 2001 in Tokyo, for conformity assessment bodies and industries (in the telecommunications terminal equipment and electrical products sector) both in the EC and Japan.

- The Joint Committee (composed of representatives of both the EC and Japan) established in accordance with the provisions of the MRA will make efforts to implement the agreement smoothly and efficiently.

- With regard to the expansion of the sectors of the agreement, the equivalence between the EC system and the Japanese system should be closely studied first, and then economic benefits and the effect of trade promotion and other factors will be considered as a whole.

- For medical devices, see 23. (3).

(c) With respect to MRLs for pesticides, the GOJ would like to continue to set MRLs for pesticides referring to the Codex standards and the standards in other foreign countries.

- With regard to food additives, the GOJ would also like to continue to set the

specifications and standards for the use of food additives, referring to the Codex standards and the standards in other countries, in order to coordinate internationally the way of handling the matter.

5. Deregulation to promote competition

(1) Summary of recommendations made by the BDRT

- The scope of deregulations needs to be increased in order to counter the inefficiency of managed competition in sectors such as shipping, civil aviation and construction.

(2) Actions taken and current status

(a) In the transport sector, through the recent revision of the Law for Railway Business Enterprise, the Marine Transportation Law, The Civil Aeronautics Law, the Road Transportation Law and the Port Transportation Business Law, the regulations concerning supply and demand adjustment of the flow of people and goods have been abolished in almost every field.

- In terms of the port transportation business, in order to reinforce the international competitiveness of Japan's ports by streamlining the harbor loading and unloading while improving of services, the amended Port Transport Business Act, which sets out abolishment of the regulation on adjustment of supply and demand at major nine ports (note) among other things, came into effect on 1 November, 2000. The revision has already resulted in new entries.

- Following the above deregulation, in the annual spring labor offensive this year, the following agreements were reached between labor and management.

-Loading and unloading on Sundays are to be carried out permanently, and

-Loading and unloading during nighttime on holidays are to be carried out in the same way as that of weekdays,

-The gate at the container terminal is to be open during the lunch break, and its business hours to be extended,

-The year-end and new-year vacations are to be shortened.

- These measures indicate dramatic progress towards the achievement of a 24 hour/day port terminal.

- In addition, as a result of consultations between labor and management, it was agreed that loading is to be carried out 24 hours a day, 364 days in a year (except new year's day), and that the gate open/close hours will be from 8:30 to 20:00 on Saturdays and Sundays as well as on weekdays.

(b) In the construction sector with the purpose of drastically improving transparency, objectivity and competitiveness, the reform including the full-scale introduction of an open bid method was introduced in 1994 for the first time in 90 years. In accordance with the proposal made by the Central Construction Industry Council in 1998 and the three-year plan for the promotion of deregulation, the introduction of varied bidding/contract methods to accept technical proposal from the private sector is underway.

-Further, "the Law concerning promotion of adequacy of bidding and contracts for public works" came into force in April 2001. This law aims to bolster the adequacy of bidding and contracts, covering all clients, including the government, special corporations, and local public institutions, through the improvement of transparency by promoting the publishing of the outlook of orders and various information related

to bidding and contracts.

-In addition, in terms of the public works ordered by the Ministry of Land, Infrastructure and Transport, which are priced at less than 750 million yen, it has been decided that the bidding method would be introduced as an experimental measure rather than the conventional nominative tender method.

Note: The major nine ports are the Keihin Port (Tokyo, Yokohama and Kawasaki), Chiba Port, Shimizu Port, Nagoya Port, Yokkaichi Port, Osaka Port, Kobe Port, Kanmon Port (Shimonoseki and Kitakyushu) and Hakata Port, where about 95% of the total container cargoes in Japan are handled.

(3) Future Prospects

(a) In the transport sector, the review of the regulations including the abolishment of the regulations on supply and demand adjustment, and the related measures to engender such environment will bolster competition. It is also expected that users' convenience will be enhanced by the improvement and diversification of services through streaming and activation of business activities

-With respect to the port sector field, the deregulation introduced in the year 2000 will continue to be implemented.

(b) In the construction sector, in accordance with "the Law concerning the promotion of the adequacy of bidding and contracts for public works," measures such as the public release of information concerning bidding and contracts, thorough elimination of unfair act, and the measures to secure appropriate construction were made obligatory as a rule to ensure appropriate bidding and contracting among all clients including national and local governments and special corporations. Matters specified in the guideline to ensure appropriateness also require obligations of implementation affairs.

-The implementation status of the above measures will be followed and the results will be publicly announced.

6. Regulating dominant positions

(1) Summary of recommendations made by the BDRT

- Dominant market positions in sectors such as telecommunications need to be adequately monitored and effectively regulated to prevent possible anti-competitive practices such as predatory pricing, cross subsidies from monopolies to market based activities, and misuse of customer information

Questions

- What is the timeline for the release of administrative guidelines needed for the implementation of this legislation?
- Will all of such guidelines be subject to public comment?
- How will the dispute resolution committee work? What will its power be?
- Will decisions handed down by this committee be enforceable by law?
- The Economic and Fiscal Policy Council's blueprint for structural reform calls for more measures to ensure adequate competition in the telecommunications sector. Is this over and above recent changes to the TBL? What will this "drastic review" entail?

(2) Actions taken and current status

-The Telecommunications Business Law has already been amended in order to promote fair competition in the telecommunications business field. Specifically, introduction of new asymmetrical regulations, introduction of wholesale telecommunications service system, establishment of Telecommunications Business Dispute Settlement Commission and the system concerning provision of universal service have been prepared. In addition, required measures such as expansion of the business scope of NTT East and West have been taken.

(Replies to Questions)

(a) Schedule on the public announcement of the guideline

Along with the enforcement of the amended law of The Telecommunications Business Law this time, the following guidelines have been prepared and publicly announced.

1. "Guideline for Promotion of Competition in the Telecommunications Business Field"

The guideline was arranged and publicly announced on November 30, 2001.

2. "Guideline on fair competition regarding the expansion of business scope of NTT East and West." The draft was announced on October 30, 2001 and

the deadline for public comment was November 29, 2001.

(b) Will the entire guidelines be open to public comment?

The decision of the Cabinet meeting in 1999 renders that public comment is required in principle for expression of intentions by national administrative organizations which are applied widely and related to introduction revision and abolishment of regulations.

(c) Matters related to Telecommunications Business Dispute Settlement Commission
3. How does it function?

Following an application given by a telecommunications carrier, the Commission has a function to conduct mediation (assen) and arbitration (chusai).

4. What kind of authority does it have?

For example, in arbitration (chusai), the Commissioner in charge of arbitration (chusai), designated from the members of the Commission through the selection made by the parties to the dispute, will have the exclusive right.

5. Can decisions made by the Commission be forcefully executed by the law?

The result of the judgment of arbitration (chusai) will be the subject for execution, with the judgment of the court.

(d) Matters related to the Council on Economic and Fiscal Policy

With regards to the early implementation of "the asymmetrical regulation" in Competitive Policy in (3)-(ii), Economic Rebirth in Article 1-3 of "the basic policy concerning the structural reform of economic and financial management and economic society in the future" in the Council on Economic and Fiscal Policy, the following measure has been taken under the amendment of The Telecommunications Business Law.

(Introduction of new asymmetric regulations)

While the regulations to prevent and eliminate anti-competitive behavior of a dominant telecommunications business carrier in the market have been introduced and the profit share of the users is secured, measures against telecommunications business carrier without significant market power has been introduced including the

easing of the provision concerning authorization for the tariff and the interconnection agreement, to a notification under the certain conditions.

(3) Future Prospects

- Through the steady implementation of new competitive policy, such as the new asymmetric regulation introduced by the amendment of The Telecommunications Business Law, fair competition in the telecommunications business will be further promoted, with the aim of realizing further low-priced and various services.
- In the telecommunications business sector, corresponding to rapid technological innovation and high-level and diversified users' needs, the network has become much more advanced, and business models have been diversified.
- Therefore, taking account of the changes in the network structure and utilization form of network expected in the future and the progress in competition, we are currently examining the new business models and the grand design of the competitive environment for the information and communication era.

-

7. Tax implications of corporate restructuring

(1) Summary of recommendations made by the BDRT

- Taxpayers should be able to obtain formal advance clearance on whether or not an intended reorganization meets certain material conditions, such as the absence of tax avoidance and clearance regarding the application of the continuity requirement (see also "formal rulings process")
- Foreign shares and assets should be treated the same as domestic Japanese shares and assets with regards to "tax-free" share-for-share transfers.(See also "Commercial Code: Global share-for-share transfers")

(Question)

- Does the NTA have any intention of expanding its advance ruling process for transfer pricing into other areas such as corporate restructuring?

(2) Actions taken and current status

- With the revision of the tax system in fiscal year 2001, the tax system related to the split of a company, merger, and investment in kind and reorganization of corporations established retroactively has been provided.
- The prior permission system is not set put in the law. However, the national tax authority is making efforts to give appropriate responses as a part of the service for taxpayers under current system. For example, to specific prior consultation given by taxpayers concerning the application of this tax system for the reorganization of corporations, consultation counters have been opened in the corporate taxation section and the examination and inspection section of the Regional Tax Bureau nationwide, in order to secure the predictability of taxpayers as well as to conduct integrated processing for individual cases promptly and smoothly.
- Where a company transfers its assets by M&A or restructuring, profit or loss on transfer should be appropriated as the transaction of the transferred assets at the market price in principle. However, tax payment can be postponed as a special measure, if an exchange of shares or transfer of shares which are conducted in accordance with the Commercial Code in Japan fulfills the certain requirements.

Replies to Questions

- Advance Pricing Arrangement (hereinafter referred to as "APA") of transfer pricing taxation in Japan is the process whereby, in terms of the transaction between a taxpayer and their foreign-related party (foreign-related transaction), where the national tax authority verifies the methodology of to calculate the price between independent firms, as reported by the taxpayer, and concludes that the methodology is reasonable, the authority will give confirmation to the taxpayer. The purpose of this system is to ensure the predictability for taxpayers concerning the transfer pricing taxation, as well as to realize proper and smooth enforcement of transfer pricing taxation.

- Apart from APA mentioned above, where the national tax authority receives an inquiry from a taxpayer concerning interpretation and application of the tax laws to a specific transaction, prior to a report (prior inquiry), if such an inquiry falls under the fixed requirements such as that the inquiry concerned is recognized to be useful for many other taxpayers engaged in similar transactions, the authority gives a reply in a written document and releases its contents.

(3) Future Prospects

- As is mentioned in (2) above, appropriate measure will continue to be taken.

- Although it is not clear whether or not "the official prior permission" in the summary of recommendations means a position in the legal aspect, the GOJ considers that predictability in taxation is secured through the measures taken by the national tax authority.

- The Corporate Tax Law is based on legislations including the Commercial Code. Therefore, application of the Commercial Code of Japan is the precondition with regard to the rescheduling of taxation in the exchange of shares and the transfer of shares.

- As the provision of the exchange and transference of shares in the Commercial Code of Japan is not applied to foreign companies, they do not fall under special subsidiaries or special parent companies. Therefore, such special taxation measures do not apply to them.

8. Consolidated Taxation (1) Summary of recommendations made by the BDRT

- A consolidated tax system should be implemented no later than 2002, taking into consideration the following points:

(1) The common ownership requirement under the proposed consolidated tax system should be significantly less than 100% in order to accommodate situations where it is impossible for fully integrated companies to achieve complete ownership.

(2) Companies should be allowed to set off the cost of acquisition financing costs against the profits of acquisition targets.

(3) Losses in joint ventures should be transferable to substantive shareholders. (Questions)

- What sort of consolidated tax system is the GOJ currently considering?

- Will stakeholders be given adequate time to make comments on any draft legislation that is developed? (2) Actions taken and current status

- At the Tax Commission on 16 October, 2001 "the basic concept on the consolidated taxation system" was produced and publicly released.
- (3) Future Prospects
- The Reform Work Schedule of the Council on Economic and Fiscal Policy (September 21) provides that, "under the policy that issuance of government bonds under 30 trillion yen in the budget of fiscal 2002, while securing necessary financial sources, a consolidated taxation system will be considered with the target for setting up the system in fiscal 2002." In accordance with "the basic concept for the consolidated taxation system," establishment of the system including the measures for financial sources is currently under considerations.

9. Corporate governance

(1) Summary of recommendations made by the BDRT

- We encourage the GOJ to work towards the quick implementation of Commercial Code reforms designed to improve corporate governance practices in Japan especially those related to improving board oversight capacities, independence, and accountability to shareholders.

(2) Actions taken and current status

- A draft summary of the bill to amend a part of the Commercial Code was publicly released, and opinions were invited with regard to issues, including an introduction of an audit committee, a designation committee, a reward committee system and the executive officer system by large-scale companies in accordance with the exception law of the Commercial Code (No.19).

(3) Future Prospects

- At present, the GOJ is preparing for submission of the bill to the next Diet session.

10. Cross-border share-for-share transfers

(1) Summary of recommendations given by the BDRT

- The Commercial Code should be completely neutral, treating foreign and local firms alike. For example share-swapping arrangements that apply only to Japanese companies should extend to all investors, regardless of nation origin.

(Question)

- We would like the GOJ to clarify its opposition to this recommendation and clearly explain why it is unwilling to extend to foreign firms the same privileges it affords domestic ones.

(2) Actions taken and current status

- The application of the Commercial Code of Japan to companies, which were founded under the Japanese Commercial Code, is completely neutral. The same is applied to foreign capital companies. However, the law does not apply to companies which were founded under foreign laws (foreign companies). If the above accepted, the shareholders of one company are forced to be shareholders of the company in the

foreign country, which may bring up a lot of issues from the aspect of the protection of shareholders.

(3) Future Prospects

- The exchange of shares is not allowed in all States of the US, and many states do not clarify their handling of foreign companies. Also in Europe, in Germany, for instance we recognize that it is impossible to undertake merger and other organizational acts with a foreign company, as in the case of Japan. The GOJ believes that it is important to conduct adequate surveys to check whether it is possible to take an action set out in the organizational act with companies outside of the EU, under the legislation of other Member States of the EU.

11. Provision of legal services

(1) Summary of recommendations made by the BDRT

- Barriers within the legal profession, such as prohibitions on foreign-domestic partnerships and requirements for written advice for foreign lawyers advising on third country law should be removed to ensure access to comprehensive, integrated legal advice in Japan.

(Questions)

- Will the Japanese government implement all of the JRC's recommendations?
- When and how will the proposals be implemented ?

(2) Actions taken and current status

- So-called partnership does not exist in Japanese legal system. However, given the fact that such a system is extremely similar to "specific joint enterprises between Gaikokuho-Jimu-Bengoshi (foreign lawyers qualified under Japanese law) and Bengoshi (lawyers)" provided for by the "Special Measures Law Concerning the Handling of Legal Business by Foreign Lawyers" and the fact that the regulation concerning the objective of "specific joint enterprises between Gaikokuho-Jimu-Bengoshi and Bengoshi" was relaxed through the revision of the "Special Measures Law Concerning the Handling of Legal Business by Foreign Lawyers" in 1998, the GOJ considers that "specific joint enterprises between Gaikokuho-Jimu Bengoshi and Bengoshi" have become almost equal to foreign-domestic lawyer partnerships.

- Further, in terms of handling of the third-country law in the "Special Measures Law Concerning the Handling of Legal Business by Foreign Lawyers", with the amendment mentioned above legal administrative operations concerning the third-country law were made possible on the condition that the said operations are based on the advice in a written document given by formally qualified and authorized persons.

(3) Future Prospects

- In terms of the deregulation of "specific joint enterprises between Gaikokuho-Jimu-Bengoshi and Bengoshi", the Justice System Reform Council pointed out, as submitted in its view to the Cabinet on June 12, 2001, "From the standpoint of promoting collaborations and cooperation between Japanese lawyers (Bengoshi) and foreign law solicitors (Gaikokuho-Jimu-Bengoshi and Bengoshi)", etc., the requisites for specific joint enterprises, for example, should be relaxed."

- After that, on 15 June, a decision was taken at the Cabinet meeting that it would address the reform, giving maximum respect to the view given by the council. On November 9, to promote the reform of the judicial system which is to be implemented fully in accordance with the view of the council in a comprehensive and intensive manner, the Judicial System Reform Promotion Act was approved in the Diet, and consequently a Judicial System Reform Promotion Headquarters consisting of all cabinet members was established within the Cabinet on December 1, 2001. Henceforth the headquarters will take a leading part in reform of the judicial system with careful consideration being paid to the views expressed by the Justice System Reform Council.
- On the other hand, with regard to the implementation of legal administrative operations concerning the third-country law, it is considered necessary to put advice in a written document as a precondition considering the aspect of the protection of a client. Therefore, there is no plan to abolish this provision.

12. Pension reform

(1) Summary of the recommendations made by the BDRT

- New legislation reforming the corporate pension system in Japan should be implemented as soon as possible.
- The implementation should take into consideration the concerns mentioned below:
 - (a) Defined benefit fund related:
 - There has been no ministerial ordinances released yet concerning the detailed implementation of this reform, so it is difficult to predict the potential benefits/pitfalls of the new system.
 - No details, for example, have been released regarding the new "minimum funding" requirement, an area of keen interest to companies with this type of plan.
 - (b) Defined contribution related:
 - Most of our recommendations have been ignored: tax exempt limits are much too low, there is no corporate matching, and participants are not allowed to borrow from their pension reserves.
 - It is still unclear what the status of the special corporate tax on DC plan contributions will be after the moratorium on this tax enacted by the Cabinet expires after FY 2004.
 - The effects of these reforms should be monitored to make sure that they meet the needs of all the stakeholders involved.

(2) Actions taken and current status

(a) Defined benefit fund related:

The Defined-benefit Corporate Pension Law will come into effect on April 1, 2002, and the governmental and ministerial ordinance based on this law is under consideration.

(b) Defined contribution related:

The Defined-contribution Pension Law just came into effect as of October 2001.

(3) Future Prospects

(a) Defined benefit fund related:

The ministerial ordinance based on the Defined-benefit Corporate Pension Law is under consideration amid at completion at an early stage.

(b) Defined contribution related:

The Defined-contribution Pension Scheme has just implemented in October 2001. The implementation will be closely observed. With regard to the Defined contribution

Pension Scheme, only companies make contribution and employees cannot make any

contribution. Therefore, matching contribution between companies does not exist. Loans by policyholders from their pension reserve are difficult to realize because the defined-contribution pension becomes similar to savings and it will be difficult to differentiate between pension and savings if it is allowed.

13. Visas and work permits

(1) Summary of recommendations made by the BDRT

- The Japanese Immigration Law should make it easier for companies to efficiently allocate human resources on a global basis. Specific proposals include the following:

(a) The re-entry permit system should be abolished. Foreign workers should freely come and go as they please within the period specified by the original visa.

(b) Companies should be able to decide independently who is eligible as a transferee, and not be limited by time of employment.

(c) The ten-year experience requirement for engineers, skilled labor, and humanities specialists should be cut in half.

- We urge the GOJ to take action on liberalizing requirements for specialist workers as soon as possible.

(2) Actions taken and current status

(a) The Immigration Control and Refugee Recognition Law (hereinafter referred to as "Immigration Control Law") was revised in 1999 to extend the maximum period, during which re-entry is permitted, from one year to three years, and came into force on Feb.18, 2000.

Under the current law, it is provided that the maximum period for staying in Japan is three years. By this revision the final day of the period of stay and that of re-entry have become the same, allowing those who hold a multiple re-entry visa to freely come and go.

(b) As the requirement to enter Japan with the status of "Intra-company Transferee", it is necessary for a foreign national to comply with the criteria for landing permission that "the applicant must have been employed at the main office, or branch office or other office abroad for at least 1 year immediately prior to the transfer to Japan, while engaging in a job of "Engineer" or "Specialists in Humanities/International Services" categories.

(c) The criteria for landing permission to enter and stay in Japan as foreign IT engineers is currently under review. Currently, academic background equal to university graduate or business experience over ten years is required. The review aims to enable those who do not fulfill the above requirement to enter and stay in Japan if they pass the examination or hold the license concerning IT that is recognized as appropriate by the Minister of Justice. The measures mentioned above were implemented on December 28, 2001.

(3) Future Prospects

(a) If a foreigner staying in Japan leaves the country, he or she loses the resident status and other qualifications granted to him or her under the Immigration Control Law. If the foreigner re-enters Japan, he or she must obtain a visa and the government must determine his or her status in advance. The present re-entry permit system, provided for by Article 26 of the Immigration Control Law, is aimed at simplifying the entry procedure that foreigners staying in Japan must go through when they re-enter Japan after temporarily leaving the country, improving their convenience and allowing them to retain their residence status even after their re-entry. Therefore, the GOJ considers that this system is necessary and reasonable.

(b) In the criteria for landing permission of the status of "Intra-company Transferee", "continuous working experiences at the main office, or branch office or other office abroad for at least one year" is required to prevent the transfer of a newly hired and unskilled employee, who has not been engaged in a job of "Engineer" or "Specialists in Humanities/International Services" categories at the company, only for the purpose of securing labor force in Japan. Therefore, this requirement is considered rational and at the same time is considered necessary as the criteria to permit a foreign national to enter Japan with the status of "Intra-company Transferee".

(c) The GOJ is considering expanding the scope of the measures mentioned at (2) (c)

- The GOJ is considering accepting foreign specialists while examining the impact that the acceptance of such workers will have on the domestic industry and people's livelihood.
- Specifically the GOJ is poised to review the requirements for relevant residence status, such as the period of employment experiences and types of jobs if needed, in order to actively accept foreign specialists. It will consider the matter while gathering information from the ministries and agencies concerned on the necessity to accept foreign specialists.

-

Second Working Party "Accounting and Tax issues"

14. International Accounting Standard (IAS)

(1) Summary of recommendations made by the BDRT

- The GOJ and the European Commission are further expected to promote to adopt IAS to their own standards.
- Implementation of market valuation accounting in full scale without taking into account each country's situation should be carefully discussed at the new IASB and necessary changes should be undertaken.
- More adequate IAS should be established after open discussion where opinions are actively exchanged partly among Trustees, Board Members, Council Members of International Accounting Standard Board (IASB) and business people from Japan and EU at the EJBDRT.

(2) Actions taken and current status

- As one of the key members of the International Organization for Securities Commissions (IOSCO), Japan supports the recommendation of the IOSCO President Committee in May 2000 which allows incoming multinational issuers to use the IAS (the 30 IAS 2000 standards) for cross-border offerings and listings. As recommended by the IOSCO President Committee, each member country including Japan is considering the necessity of such measures as reconciliation, additional disclosure, interpretation, and coordination in approving financial statements prepared based on IAS.

- We are watching the activities of the new IAS (IASB) through the activities of IOSCO in cooperation with the major securities regulators around the world, including in Europe.

- Japan has been requested to attend as an observer to the meeting of the Standard Advisory Council (SAC) which provides International Accounting Standard Board (IASB) with important advice on the priority of the examination of standards and on the contents of standards. The representatives of European corporations and the European Union and the members of IASB attend the meeting and hold discussions in a public forum.

(3) Future Prospects

- In case where foreign companies raise funds in Japanese capital market by using the GAAP adopted at countries other than Japan, the chief of the Financial Services Agency examines individual cases in giving approval to see if they run counter to the public welfare or lack in the protection of investors, on the condition that the companies clearly indicate the differences with the Japanese principles and procedure of accounting. In any case, the appropriate measures will be taken against the issues from the viewpoint of the protection of investors.

- The GOJ wish to continue to monitoring the activities of IASB through the activities of IOSCO and in cooperation with the major securities regulators around the world, including Europe.

- The GOJ wish to request that the members of IASB and the members of SAC develop a proper IAS (IFRS: International Financial Reporting Standard) by attaching importance to dialogues with those related to financial statements in other countries, using the opportunity of the SAC meeting to which Japan is requested to attend.

15. Consolidated tax system

(1) Summary of recommendations made by the BDRT

- We request that the GOJ should study the system in cooperation with the business world take sure actions to introduce an appropriate Japanese consolidated tax system fully in April 2002.

(2) Actions taken and current status

- "Basic thought on the consolidated tax return system" has been developed by the Tax Commission and published on October 16, 2001.

(3) Future prospects

- The reform work schedule (on September 21, 2001) of the Council on Economic

and Fiscal Policy provides that "under the policy that issuance of government bonds under 30 trillion yen in the budget of fiscal 2002, while securing necessary financial sources, a consolidated taxation system will be considered with the target for setting up the system in fiscal 2002." In accordance with "the basic concept for the consolidated taxation system", establishment of the system including the measures for financial sources is currently under considerations.

16. Transfer pricing

(1) Summary of recommendations made by the BDRT

- OECD should establish guidelines for APA to enable easy calculations with objective information such as the CPM method, so that it could help countries to implement it uniformly.
- The Government of Japan and European Commission should be engaged in the above-mentioned activities at OECD and should take positive actions to promote an APA agreement between Japan and the EU.

(2) Actions taken and current status

- With regard to transfer pricing taxation, the GOJ has been actively participating in the discussions in the OECD to minimize the risk of double taxation and the compliance cost for corporations, while taking into account the differences in the tax system of each country. It has also been making efforts to resolve disputes through mutual agreement procedures under tax treaty, when taxation disputes occur.
- In particular, OECD published the main part of the OECD Transfer Pricing Guidelines (totally revised version) as an international agreement in 1995, and is currently working to supplement the Guidelines. In addition, the Working Party No.6 of the committee on Fiscal Affairs of the OECD monitors whether the laws, ordinances, regulations and enforcement of the OECD Member countries are following the OECD Transfer Pricing Guidelines. In 1999, Guidelines for Conducting Advance Pricing Agreements under the Mutual Agreement Procedure ("MAP APAs") was established, and it also recommended that an APA be concluded on a bilateral or multilateral basis rather than a unilateral basis.
- The GOJ introduced APA in 1987 ahead of other major countries, to solve transfer-pricing disputes more swiftly and increase the predictability of taxpayers. Thereafter, the GOJ issued the guidelines on the administration and application of taxpayers. Thereafter, the GOJ issued the guidelines on the administration and application of APA to make it more convenient in 1999, and recently issued the gist of the administration and application of transfer pricing in June 2001. As is stated in the guidelines, the GOJ encourages bilateral or multilateral APAs rather than unilateral APAs.

(3) Future prospects

- As stated above, with respect to transfer pricing taxation and APA, Japan has been making efforts to enhance the mutual understanding with foreign tax authorities and to establish common rules through the OECD and bilateral consultations. The GOJ continues to make efforts to resolve international taxation disputes smoothly, based on mutual understanding and mutual cooperation with foreign tax authorities.
- It is hoped that many corporations will make the most of bilateral and multilateral APAs to swiftly reconcile the differences in their opinions.

17. Electronic commerce taxation

(1) Summary of recommendations made by the BDRT
- Discussion at OECD should be further advanced and fair taxation introduced internationally, including in Japan, the EU and the US.

(2) Actions taken and current status
- With respect to the taxation on electronic commerce, fair, neutral and simple taxation principles are applied internationally, same as the existing commercial transactions. Based on the above viewpoint, OECD is examining the issues in recognizing the transactions necessary for taxation from professional and technological standpoints. An interim report on the examination was published in February 2001.

(3) Future Prospects
- Japan will actively participate in discussions in the OECD and examine taxation problems related to electronic commerce, by watching carefully the direction and results of international discussions.

Third Working Party (Standards)

18. Standardization activities of IMT-2000 (next-generation mobile communication system)

(1) Summary of recommendations made by the BDRT
- From the viewpoint of early realization of the international roaming system, it is extremely important that the 3G services will start by 2002 both in Europe and Japan. Therefore, it is expected that both European and Japanese governments take necessary steps to make this happen.
- And possible cooperation among the private sector in the field of international roaming is also expected.
- Furthermore, confirmation of basic common principles for the development of fourth generation mobile network by Europe and Japan is deemed important.

(2) Actions taken and current status
- From October 2001, NTT DoCoMo commenced its commercial service for third-generation mobile communication system in Japan. J-Phone and KDDI plan to commence the service from June and September 2002 respectively. These services will bring about a full-scale shift to the age of third-generation mobile communication system.
- In the area of international roaming, the private sectors' standardization activities such as 3GPP have greatly contributed to the development of international standards by International Telecommunication Union (ITU).
- With respect to the fourth-generation mobile communication system, Japan,

Europe and others have been energetically discussing the ways to tackle international standardization in ITU.

(3) Future prospects

- Japan and Europe will continue to actively cooperate for the early diffusion and promotion of the third-generation mobile communication system, and the research and development of the fourth-generation mobile communication system.
- In addition, international roaming is one of the important factors for the coming generation network; therefore, the Japanese government will actively support to promotion of cooperation among the private sectors.

19. Global Telecommunications Standards

(1) Summary of recommendations made by the BDRT

- One of the most significant tools to boost e-commerce and Information Society at global level is broadband access technologies for use both in fixed and mobile domains. This must be a priority area for developing and implementing global standards.
- Furthermore, in the context of ITU Reform, alternatives must be considered for developing globally applicable technical standards.

(2) Actions taken and current status

- Based on the "e-Japan strategy," the Japanese government has been working on building network infrastructure for the construction of a low-cost, high-speed and large-capacity Internet network. GOJ has also carried out the reform of regulations that hamper electronic commerce, and has been trying to globally establish information and communication standards.

(The establishment of global information and communication standards)

ITU has been developing global information and communication standards with the participation of experts from Japan and Europe and others. Japan has actively participated in the work for standardization in ITU, and will continue to contribute in this regard.

(Cooperation between Japan and Europe)

The Telecommunication Technology Committee (TTC: the organization for domestic standardization in Japan) and European Telecommunications Standard Institute (ETSI) in Europe entered into a memorandum concerning cooperative activities in December 1999. Steady results have been obtained with respect to the cooperation for the development of Information and Communication standards and the joint conduct of a confirmation test on interconnection. The Japanese government will actively support the promotion of such cooperation.

(Domestic standards in the area of broadband access technology)

The recommendation pointed out that the standards of each country for broadband access technology should be consistent with the ITU recommendations. In Japan, TTC is in charge of the establishment of domestic standards. The domestic standards for xDSL technology and access technologies, such as optical access technology (PON), have been set up, or expected to be set up, based on the ITU

recommendations.

xDSL services based on the ITU recommendations started in November 1999, and acquired more than 900,000 users by the end of October 2001. In addition, optical access services with a maximum transmission speed of 10Mbps started in December 2000, and those with a maximum transmission speed of 100Mbps started in March 2001.

(ITU reform)

Since 1999, the ITU has been examining the reform of its standardization system, to continue to play a core role as a global standardization organization, and to be an attractive place for industrial circles to conduct work for standardization. The Japanese government has actively participated in the examination of ITU reform, based on the recognition that the reform will make it possible to set up standards quickly and effectively to meet the market demand, and it is indispensable to improve the visibility and transparency of standardization activities.

20. Harmonization of Standards

(1) Summary of the recommendations made by the BDRT

- Now that detailed principles and procedures have been established, it might be interesting for the EU-J BDRT to address some international standards bodies, for example those recognized as observers within the WTO/TBT Committee, in order to ask them how they comply with the principles and procedures decided upon by the TBT Committee.

- As for the second important issue in this field, which is the alignment of national standards on international standards, the EU-J BDRT could encourage the study carried out within the framework of the EU-ASEM trade facilitation action programme, and when these results are available, use them, if possible.

(2) Actions taken up until today

- Based on the BDRT recommendations, the GOJ is following up how the observers in the WTO/TBT Committee such as ISO and IEC are putting the principles for the development of international standards into practice, by having them make presentations on their relevant activities. At the same time the GOJ is also encouraging similar information provision by other organizations.

- Steady efforts are being made under the ASEM Trade Facilitation Action Plan (TFAP) toward progress in the international alignment work. Also at the Sixth Standards and Conformity Assessment Meeting held in Brussels at the end of November, discussions were held aimed at further progress, including information exchange on the state of alignment work in each partner.

(3) Future Prospects

- To ensure that the principles for the development of international standards are appropriately reflected in the international standards development process of the international standardizing bodies, Japan, in cooperation with Europe will follow up and encourage the implementation of the recommendations through such forums as the WTO/TBT Committee.

- Furthermore, to ensure that international alignment work in ASEM progresses

steadily, the Japanese government will continue to cooperate with the discussions and to encourage each partner.

- Moreover, in Japan also, in accordance with the TBT Agreement and based on the Action Plan for Economic Structural Reform and Action (approved by the Cabinet on December 1, 2000), the Three-Year Plan Promoting Regulatory Reform (approved by the Cabinet on March 30, 2001) and domestic and foreign views and requests, etc., the Japanese government will continue to promote the international alignment of standards, adoption of performance-based regulations, acceptance of foreign data and international mutual recognition.

21. First to file system and first to invent system of patents

(1) Summary of recommendations made by the BDRT

- It is strongly expected that both Japanese and EU governments continuously appeal its necessity of international harmonization of patent system at international level.

(2) Actions taken and current status

- At the World Intellectual Property Organization (WIPO) Standing Committee on the Law of Patents (SCP) held in November 2000, it was agreed to re-commence the work for the substantial harmonization of patent laws which had been discontinued since 1994.

- The Japanese government considers discussion at the SCP as a chance to encourage the United States to shift to the first to file system, and attaches importance to the establishment of the substantive patent law treaty (SPLT).

- With respect to the issue of the first to file system and first to invent system, at the fourth SCP meeting in November 2000, the United States said that it would clarify its position at the sixth SCP meeting in November 2001, and reported at the sixth meeting on the summary of public comments on the problems concerning SPLT, including the first invent system. According to the report, 45 comments were provided from within the United States and abroad, responding to the invitation for comments, and the opinions were greatly divided with respect to many items, including the issue of the first to file system and first invent system. This divergence in opinions has not yet been reconciled. The United States said it expected that the new commissioner, who was nominated and would be appointed soon, would demonstrate strong political leadership.

- The United States did not show any definitive position with respect to the issue of the first to file system and first to invent system in the sixth SCP meeting in November 2001.

(3) Future prospects

- There is little possibility that the United States will shift to the first file system quickly. However, the shift to the first file system by the US is an indispensable condition for the successful establishment of SPLT.

- The United States supports the modality to actively promote SPLT, based on its position that the deep harmonization through SPLT meets the interest of the US patent applicants, and it continues with its domestic coordination, using the interest of the US patent applicants as leverage.

- The Japanese government considers it important to continue to request the United States to accept SPLT with a provision of the first to file system, in cooperation with

European governments, as well as to watch the movements of the United States carefully.

Fourth Working Party (MRA)

22.MRA (four areas)

(1) Summary of the recommendation made by the BDRT

- We expect that the Agreement on Mutual Recognition between Japan and the European Community (MRA) regarding four areas that was signed in April 2001, will come into effect as soon as possible.

(2) The current status

- The MRA between Japan and the European Community was signed on 4th April 2001, and thereafter its conclusion was approved by the Japanese Diet on 6th June 2001. The implementation bill of this Agreement (the Law for Implementation of the Mutual Recognition between Japan and the European Community of Specified Equipment) was approved by the Japanese Diet and enacted on 29th June 2001.

- Thereafter, the exchange of notes to put the Agreement into effect took place on 28th November 2001, after necessary preparatory works on both sides.

- This Agreement will come into effect on 1st January 2002.

- This Agreement is not only a milestone for cooperation between Japan and the EU as the first full-scale agreement between them, but also the possible vanguard of similar agreements in the future.

(3) Future prospects

- It is essential to build up trust between Japan and the European Communities for the smooth implementation of the Agreement: The GOJ plans to hold seminars for interested parties. The First one was held in Tokyo in December 2001, on the areas of telecommunications terminal equipment and radio equipment and electrical products, with conformity assessment bodies and industries from both sides.

- The GOJ is working together with the EC to start actual mutual recognition as soon as the Agreement comes into force.

- With respect to the area of pharmaceuticals GMP, it is necessary for the authorities of Japan and the EC to determine the details of the procedures, before starting mutual recognition. This work is targeted for completion within one year and a half after the agreement comes into effect. The GOJ continues its efforts to start mutual recognition as soon as possible.

23. MRA (medical devices)

(1) Summary of recommendations made by the BDRT

- The experience obtained through MRA between the United States and the European

Community should be utilized, to push forward efficiently MRA for medical devices.
- The result of GHTF should be to make the best use of MRA for medical devices.

(2) The current status

- Japan and the EC placed the priority on the above mentioned four sectors in concluding the MRA, as some issues remained after examining each other's systems on medical devices. In April 2001, Japan and the EC signed a joint declaration which states that they would commence the discussions on whether to include the area of medical devices to the Agreement around two years after the entry into force of the Agreement.

(3) Future prospects

- The GOJ will appropriately deal with the issue based on the above-mentioned joint declaration.

Fifth Working Party(E-commerce)

24. GBDe (Global Business Dialogue on e-commerce)

(1) Summary of recommendations made by the BDRT

- BDRT will encourage efforts by GBDe and WEF, and support the role of the task force on information communication technology recently established by Economic and Social Council of the United Nation (ECOSOC).
- The governments of Japan and the European Union should encourage and respect the contributions of the private sector, based on GBDe.
- The EUBJRT urge the GOJ and the EU to take the lead in targeting more efficiently and substantially public funding to ICT-based projects and study together with the private sector new financing mechanisms.

(2) Actions taken and current status

- The GOJ has promoted dialogues between members of GBDe and international organizations, and has contributed to the establishment of new standards for electronic commerce through suggestions on policy issues. With a notion that these activities will promote the improvement of national life the GOJ also has actively participated in discussions with attendance at ministerial level to the meetings since the first conference held in Paris in 1999. It highly respects the recommendations of the Paris communiqué, etc.
- With respect to the digital divide, the GOJ cooperates with GBDe and WEF and is taking comprehensive cooperative measures to bridge the international digital divide respecting their recommendations.
- Japan announced the "Japan's Comprehensive Co-operation Package to Address the International Digital Divide " previous to the Kyushu-Okinawa summit meeting in July 2000, and has been actively supporting the developing countries in the IT area.
- Based on the above cooperation package, Japan plans to cooperate through public funding consisting of Official Development Assistance (ODA) and non-ODA (OOF) with a view to extending a total of US\$15.0 billion over five years.
- Since IT is an area spearheaded by the private sector's activities, the proportion of

cooperation by non-ODA such as overseas investment loans and export credit by Japan Bank for International Cooperation (JBIC) will become larger than that of ODA in this cooperation package. .

- The Japanese government has dispatched government missions to ASEAN and Africa since the end of 2000 up to now. Based on the policy dialogues by the missions , the GOJ has been promoting cooperation with these countries based on the following four pillars:

- (a) Intellectual support for the development of policies and systems
- (b) Developing and training human resource
- (c) Building IT infrastructure and providing assistance for network establishment
- (d) Promotion of the use of IT in development assistance

(3) Future prospects

- While the details of the next conference of GBDe (to be held in Brussels in October 2002) have not yet been decided (as of the middle of November 2001), the Japanese government will continue to actively contribute to it in the same way as in the past, viewing that the viewpoint on GBDe is useful in that it tackles with the tasks of the information age and promotes the expansion of electronic commerce transactions.

- The Japanese government will also continue to implement the Comprehensive Co-operative Package to bridge international digital divide through the diffusion of IT in the developing countries.

- In addition, the Japanese government will actively contribute to the success of the "World Summit on the Information Society: WSIS" (to be held in Geneva, Switzerland, in December 2003, and Tunisia in 2005) that is the event of the United Nation to tackle problems such as the digital divide in the age of IT in the 21st century.

- The Japanese government continues to allocate ODA to good programmes in the IT area, including the development of an information and communication base.

25. e-Europe, e-Japan

(1) Summary of recommendation made by the BDRT

- The two ongoing initiatives, eEurope and e-Japan, by two Governments are to foster the development of the new emerging knowledge society. It is important to accelerate the implementation of eEurope and e-Japan.

- Both initiatives would be benefited by sharing best practices by conducting comparative progress assessments through benchmarking analysis.

- The agenda of eEurope and of e-Japan should be reviewed respectively.

(2) Actions taken and current status

- In January 2001, the Japanese government, at the IT Strategic Headquarters based on the IT Basic Law, decided on the "e-Japan Strategy" with the ambitious objective that "our country aims to become the most advanced IT country in the world within five years". It also developed the "e-Japan Priority Policy Program," which is a specific action plan for the above purpose in March 2001, and developed the "e-Japan 2002 program" in which the medium-term objective for IT reform and promotion is determined at the end of June, 2001.

- In addition, the IT Strategic Headquarters decided the acceleration and early

implementation of the e-Japan Priority Policy Program and the e-Japan 2002 Program" from the viewpoint of actively developing them in November 2001.

- The IT Strategic Headquarters will research on the progress of these measures, twice a year. According to the report from the IT Strategy Headquarters meeting held on November 7, 2001, 103 measures that had been planned to be implemented within 2001 have all been carried out smoothly as planned.

- As a result, for example, the diffusion rate concerning the use of the Internet in terms of the population increased to 37.1% for 2000 from 21.4% for 1999. The rate of connection to the Internet among public schools increased to 81.1% for 2000 from 57.4% for 1999. Therefore, we recognize that good results are being produced steadily.

(3) Future prospects

- The GOJ will continue to work for realization of electronic government intensively, based on the e-Japan priority program. It will also work to accelerate the development of the communication infrastructure to enhance the computerization of education and human resource development, to promote electronic commerce transactions in consideration of the protection of consumers and to ensure information security.

Sixth Working Party (WTO)

26. WTO

(1) Summary of recommendations made by the BDRT

- This New Round should include not only built-in agenda (agriculture and services), but also market access, investment, trade facilitation, government procurement (broader coverage of the agreement and improved transparency), trade and competition policy, trade and environment, clarifying, improving and strengthening trade rules, including those on anti-dumping measures

- The New Round must clearly benefit all WTO Members to secure the support of its members.

- We call for greater transparency, internal and external in the WTO.

(2) Actions taken and current status

- A ministerial declaration to launch a new multilateral trade negotiations was adopted at the WTO fourth ministerial conference held in Qatar in November 9 to 14, 2001.

- The ministerial declaration renders the negotiations to cover from a broad agenda, such as agriculture, services, market access for non-agricultural products, the Singapore agenda (investment, competition, trade facilitation, and the transparency in government procurement), WTO rules including anti-dumping, dispute settlement understanding, a part of the TRIPs agreement, implementation issues and trade and environment.

- The new multilateral trade negotiations give much consideration on the interests of developing countries in the broad agenda, and are beneficial to all members.

- The arrangements of this conference were more transparent, internally and

externally, than the previous conference held in Seattle.

- The accession of China and Taiwan to WTO was approved, and WTO has become a more global organization.

(3) Future prospects

- The GOJ intends to actively participate in the multilateral trade negotiations based on the ministerial declaration adopted at the conference in November 2001 in order to further liberalize world trade and to strengthen WTO rules, while taking into account the interests and concerns expressed by developing countries.

- Japan has a strong interest in strengthening the disciplines on anti-dumping measure and it will endeavor to improve, clarify and strengthen WTO rules through negotiations.

- Japan is also very much interested in establishing investment rules, and it will consider this issue more actively, aiming at deciding on the modality of negotiations at the 5th Ministerial Conference.