

**(Tentative Translation)**

**Report from the Government of Japan  
on the EU-Japan Business Dialogue Round Table (the BDRT)  
Recommendations**

**April 2009**

(The contents of this report are based on the situation in Japan as of 31 January 2009.)

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## **Working Party 1: Trade and Investment**

### **1 . Dialogue on the formation of a common economic institutional environment(1-EJ-1)**

#### **BDRT Recommendation**

The current bilateral framework to promote two-way trade and investment has not delivered satisfactory results. The EU-Japan Regulatory Reform dialogue has been instrumental in identifying and defining barriers hampering trade and investment, but not efficient enough in finding solutions. Similarly, the 10-year Action Plan for EU-Japan Cooperation, which started in 2001, has promoted political interaction and people-to-people exchange, but is not addressing trade related issues in a straight forward manner. Given this background in 2007, the EJBDRT recommended the study of the feasibility of an EU-Japan Economic Integration Agreement.

The Working Party is recommending continued discussion on an ambitious bilateral framework to set new standards for global trade. Such a framework initiated and pushed through respective administrations from the highest political level is the most feasible way to deliver real solutions for business. The Authorities should not surrender to endless discussions but establish a mechanism that can take the EU- Japan relationship to a new level.

Any future EU- Japan framework should not undermine, but be complementary to the WTO and DDA negotiations underway. It should include harmonisation of regulatory processes, mutual acceptance of product standards and certifications, building as much as possible on existing international standards. Moreover, short-, medium-, and long-term trade issues of importance to both sides should be addressed.

#### **Efforts implemented to date**

With regard to the World Trade Organization (WTO), on the basis of the BDRT recommendations among others, vigorous efforts are underway towards an early conclusion to the Doha Development Agenda (DDA) round negotiations. Also, with regard to a common economic institutional environment, based on the BDRT recommendation, serious consideration is being given at the government level to what measures should be put in place to create a foundation for promoting the further development of Japan-EU economic relations. In addition, at the private sector level, following the conclusions of the “Japan-EU EIA Task Force,” the Government of Japan is aware that in January 2009 the “Japan-EU EIA Study Group” was launched, comprised mainly of Japanese companies and related business organizations involved in the BRT, with a secretariat based at the Japan External Trade Organization (JETRO), as a means of continuing to consider the feasibility of an EIA.

#### **Future outlook**

Moving forward, the GOJ will continue to engage actively in negotiations, towards the early conclusion of the WTO Doha round of negotiations.

In addition, with regard to an EIA, the position of the GOJ is as laid out in the “(Annex) EPA Schedule Towards 2010” of the “Basic Policies for Economic and Fiscal Reform 2008” (Approved by the Cabinet June 27, 2008), and [(TBC) based on opinions in industry circles in Japan and the EU, we continue to work with EU on considering what measures should be put in place to create a foundation for prompting the further development of Japan-EU economic relations.

## 2. Supporting timely development of business (Joint recommendation)(1-EJ-2)

### BDRT Recommendation

#### 1. Social security contributions (avoiding double contributions):

Japan and the Member States of the EU should make further efforts to expand the network of Social Security Agreements. In addition, they should introduce an interim measure, by which a host country should either exempt contribution to pension funds unilaterally or should refund in full when expatriates return to a home country.

#### 2. Smoother and swifter application procedures for obtaining work and residence permits:

The two authorities should conclude an agreement to simplify and accelerate the procedures to obtain work and residence permits for intra-corporate transferees between the EU and Japan. The procedures should include the possibility of submitting an application for work and residence permits after entering the assigned country as well as automatic granting of the same rights to spouses of the permit holders. Regarding the Commission proposal for a directive setting out common procedures to regulate the entry into, temporary stay and residence in the EU of intra-corporate transferees, which has been anticipated to fall of 2008, it should include the aforementioned measures.

The Government of Japan should abolish the system requiring foreigners with a visa additionally to obtain a re-entry permit, such that permission to leave and re-enter the country freely is automatically granted when the visa is issued.

#### 3. Personal data protection regime;

The two authorities should work together to ensure an internationally equal, transparent and secure data protection regime between the EU and Japan. The European Commission should consider launching a detailed study to assess the adequacy of the level of protection afforded by the Japanese Data Protection Act and its implementation measures.

### Efforts implemented to date

#### (1) Social security contributions

- (a) The GOJ has devoted efforts to concluding Social Security Agreements with countries of the EU, and agreements with Germany, the United Kingdom, Belgium and France have already been concluded, with agreements also being signed with the Netherlands, Czech Republic, Spain and Italy. In addition, vigorous efforts are continuing to share information and opinions with Ireland,

Hungary and Sweden, towards the conclusion of Social Security Agreements with those countries.

- (b) In order to accelerate the conclusion of such agreements, the “Act on Special Provisions of the Employee’s Pension Insurance Act, etc. Attendant upon the Enforcement of the Social Security Agreements” was formulated (enacted March 2008), with the aim of establishing domestic legislation able to respond to any agreement that may be concluded with other countries in the future.
- (c) With regard to interim measures, in the pension system of Japan, in the event that a foreigner returns to his or her own country after a short period of residency in Japan, a system is already in place that allows for the payment of a “lump-sum withdrawal payment” in consideration of the social security contributions that the person in question has made while resident in Japan.

(2) Smoother and swifter application procedures for obtaining work and residence permits

- (a) The Government of Japan has taken various measures designed to simplify and accelerate procedures for deciding status of residence of “Intra-company Transferee” (For details of these measures, refer to previous progress reports).

Persons seeking to engage in activities in Japan (work-related activities permitted) under the status of residence of “Intra-company Transferee” are approved to engage in work-related activities in Japan from the point at which landing permission is granted, provided that they conform to conditions for landing in Japan at the examination for landing, such as possessing a valid visa, and are granted “Intra-company Transferee” status by the immigration inspector at that point. For example, in the case that a person with a status of residence of “Temporary Visitor” (work-related activities not permitted) makes another application to engage in work in Japan after entering the country ultimately, when considering the procedures that are required to acquire permission to work (bearing in mind that work is not permitted with the status of residence of “Temporary Visitor”), the quickest and most expeditious route to gaining approval is therefore to apply and acquire the appropriate visa before entering the country and before seeking landing permission.

With regard to the employment activities of the spouses of intra-corporate transferees, please refer to the content of previous progress reports.

- (b) The re-entry permission system of Japan is designed to simplify landing procedures, so that if a foreign national in Japan leaves the country temporarily with intention to return, and that person has acquired re-entry permission, there is no necessity to reapply for a visa with is fundamentally required upon each entry to Japan. This system is therefore designed to contribute convenience for the foreign national. Accordingly, it is a system that is both necessary and rational, being of use in the facilitation of smooth entry procedures.

With regard to the review of the re-entry permission system in the Three-Year Plan for Promotion of Regulatory Reform (Revised) (decided by the Cabinet on March 25, 2008), it is stated that measures will be taken based on the premise that a new residence management system for foreign nationals will be built, taking into account the modalities for treatment of highly-skilled foreign workers from other

countries and the characteristics of each status of residence. The content of this review is currently under consideration.

### (3) Personal data protection regime

In Japan, the Act on the Protection of Personal Information was enacted in May 2003, entering into full force in April 2005. The provisions of this Act pertaining to obligations placed on businesses handling personal information were made with reference to the actual situation in Japan and by embodying the eight principles outlined in the 1980 OECD Guidelines on the Protection of Privacy and Trans-border Flows of Personal Data. To date, based on international efforts advanced in various fora, including the Organisation for Economic Co-operation and Development (OECD), and also Asia-Pacific Economic Cooperation (APEC) and the EU, the GOJ has promoted measures to protect personal information. In addition, in April 2008 the GOJ made some revisions to the Basic Policy on the Protection of Personal Information concerning such elements as a response to international efforts to protect personal information, and provision of further protection for rights and interests of consumers. Furthermore, in July 2008 the GOJ began to put in efforts to integrate guidelines on personal information protection set out in respective areas by relevant ministries and agencies.

## Future outlook

### (1) Social security contributions

For the conclusion of Social Security Agreements, the GOJ intends to proceed with the exchange of information with a view to commencing negotiations in accordance with priority, taking into account scale of contributions to the social security systems of the country concerned, number of people of Japanese nationality as well as number of Japanese companies, requests from business sector, status of bilateral relations, differences between the social security system of Japan and the social security system of the country in question in a comprehensive manner.

### (2) Smoother and swifter application procedures for obtaining work and residence permits

(a) With regard to the facilitation of acceptance of foreign workers, and the acceleration of procedures, the GOJ will continue to conduct timely reviews, based on Japan's immigration control system.

(b) Relevant bills are scheduled to be submitted to the regular session of the Diet in 2009, including a revision to the re-entry permission system.

### (3) Personal data protection regime

The GOJ views that an internationally adequate level of protection for personal information will continue to be ensured through efforts made by relevant authorities and legal effectiveness secured thereby, based on the abovementioned Act, the revised Basic Policy on the Protection of Personal Information (partially April 25, 2008), respective ministerial guidelines and others. In addition, based on the OECD Recommendation on Cross-border Co-operation in the Enforcement of Laws Protecting Privacy of 2007, the GOJ will engage in international cooperation and continue to promote efforts to protect personal information for maintaining an internationally adequate level of protection thereof.

### 3. Enhanced co-operation in the promotion of new global standards (1-EJ-3)

#### BDRT Recommendation

1. The EJBDRT recognizes the importance of global patent harmonization and streamlining of the patent system, as a way to promote innovation. The Authorities of the EU and Japan should take the lead in the creation of a harmonised international patent system.
2. We also believe that the two authorities should step up efforts against global counterfeiting and piracy and cooperate closely to establish a new common international legal framework for IPR enforcement. In this regard, we support the ongoing negotiation of an international anti-counterfeiting trade agreement (ACTA) and urge the two authorities to exercise active leadership in order to reach agreement as soon as possible..
3. Given the nature of the issue and the importance for business, the two governments should make an effort to harmonise the regulations for energy conservation and relevant labelling rules.

#### Efforts implemented to date

##### (1) The creation of a harmonised international patent system

In Japan-EU intergovernmental meetings (including Japan-EU Regulatory Reform Dialogue, Japan-EU Dialogue on Intellectual Property Rights), the GOJ has made active calls on Europe towards international harmonization of the patent systems. In addition, in the G8 Hokkaido Toyako Summit Leaders Declaration, the leaders of the G8 confirmed the importance of harmonizing the patent systems. The GOJ has also participated in meetings of industrialized countries and the Standing Committee on the Law of Patents (SCP) of the World Intellectual Property Organization (WIPO) on patent system harmonization.

At the same time, not only in terms of systemic harmonization, but also from the perspective of efforts to harmonize practical aspects, in the forum of the Japan-EU Regulatory Reform Dialogue, the GOJ has requested Europe's to make an active involvement in the trial implementation of the Patent Prosecution Highway (PPH), on such occasions as Japan-EU Dialogue on IPR. In practice, the GOJ has continued a trial implementation of the PPH with the United Kingdom, and in March and July 2008 respectively trials were launched with Germany and Denmark. Furthermore, a trial implementation of the PPH with the European Patent Office (EPO) is currently under consideration.

##### (2) Anti-cCounterfeiting Trade Agreement (ACTA)

Since the 2005 G8 Gleneagles Summit, where then-Prime Minister Junichiro Koizumi raised the necessity for the establishment of a legal framework to combat counterfeiting and piracy, the GOJ has actively engaged in discussions with other countries that are highly concerned about the protection of intellectual property rights, towards the realization of the Anti-Counterfeiting Trade Agreement (ACTA) framework. Since June 2008 negotiations based on a draft agreement text have been launched and four meetings have been held , including one in Tokyo and another in Paris. Japan and the

EU have showed firm leadership in the ACTA negotiations by chairing those two negotiations in October and December 2008 respectively. The December meeting was attended by the United States, Switzerland, Canada, Republic of Korea, Mexico, Singapore, Australia, New Zealand and Morocco, in addition to Japan and the EU.

(3) The regulations for energy conservation and relevant labelling rules

Based on the Law Concerning the Rational Use of Energy, the GOJ has set energy efficiency standards through the top runner approach that targets 21 items of machinery or equipment, including household appliances and motor vehicles, and is currently engaged in efforts to expand the number of items applicable under this system, as well as a review of the numerical target standards.

Additionally, for 16 of the 21 items mentioned above an energy efficiency labelling system has been introduced, with manufacturers and other business being required to implement this labelling system. Also, a system has been launched targeting television sets, air-conditioners, and refrigerators, whereby a unified energy efficiency labelling system has been introduced for retailers, which shows the efficiency standards achievement rate through multistep evaluation. A review of the evaluation criteria and the possibility of expanding this system to other items are currently being considered. With regard to office automation (OA) equipment, international harmonization is being promoted in the scheme of the International ENERGY STAR Program. Japan and the EU are among seven countries and regions implementing the Program.

#### Future outlook

(1) The creation of a harmonised international patent system

The GOJ will lead discussions in an international meeting to be hosted by the Japan Patent Office on global patent system harmonisation (a working-level meeting to be held in March 2009, with commissioner-level meeting to be held in November 2009). Additionally, through Japan-EU intergovernmental meetings the GOJ will continue to call on Europe towards harmonization of the patent system.

The GOJ will also expand the number of partner countries for the Patent Prosecution Highway. In the meantime, with a view to transforming the current bilateral arrangements into a multilateral framework, in February 2009 the Japan Patent Office and the Danish Patent and Trademark Office co-hosted a commissioner-level meeting of major countries, including countries from Europe.

(2) Anti-Counterfeiting Trade Agreement (ACTA)

The GOJ will continue to play an active role in advancing the ACTA negotiations with related countries, through demonstrating policies and opinions in a prompt and clear manner, thereby further accelerating works from an early realisation of the ACTA.

(3) The regulations for energy conservation and relevant labelling rules

The GOJ will continue to expand the number of items applicable under energy efficiency standards system and review the numerical target standards, as well as expanding the number of items applicable under the labelling system and unified energy efficiency labelling system. It is also planned to enhance the standards pertaining to the International ENERGY STAR Program.

In the international arena, in addition to participating in discussions at the International Energy Agency (IEA), the International Organization for Standardization (ISO), and others about unifying measurement methods, etc., the GOJ is also making active efforts

to introduce its top runner system at international meetings and other fora, providing information on its effectiveness and merits.

#### 4. Recognizing and applying international standards (1-J-1)

The Working Party recommends the Japanese Government to place particular emphasis on:

1. Food Additives The Ministry of Health, Labour and Welfare submitted a list in December 2002 of, in its own words, “unauthorized food additives whose safety is globally confirmed and are widely used outside Japan.” Out of this list of 46 “priority additives”, only 13 have been approved in five and a half years. The government of Japan should seek to immediately approve the remaining 33 food additives on this list and then prepare a new list, in close consultation with the EU Authority, on any remaining additives that are officially recognized as safe and widely used, and seek to have these approved as soon as possible, and certainly by the end of 2009.
2. Construction Products The Government of Japan should work together with the EU Authorities towards mutual recognition of all JAS/JIS and EN standards for all building materials, and streamlining of accreditation procedures for foreign testing institutes.
3. Organic Products With the implementation of the new organic JAS law in April 2006, the mutual recognition agreement between EU and Japan on organic product certification and labelling ceased to be valid. The Government of Japan should work together with the EU Authorities to achieve mutual recognition of Organic Food Products labelling.
4. Labelling rules The Household Product Quality Law and accompanying voluntary labelling guidelines “hyojikitei” prescribe in extreme detail how household products should be labelled when sold in Japan. The Government of Japan should issue clarifying orders to provide retailers with flexible alternatives for providing Japanese consumers with globally sourced products while taking full responsibility for the quality and safety of the products.
5. Cosmetics The Government of Japan should establish a mechanism enabling swift acceptance of ingredients widely used or recently recognised in Europe and the U.S.
6. Medical Equipment The Government of Japan should intensify the work to simplify and harmonise the regulatory processes in the field of Medical Devices with that of the EU. In particular, mutual acceptance of regulatory practices and standards concerning principles of safety and performance, marketing authorisation, clinical trials and on-site audits of manufacturing facilities should be promoted.

#### Efforts implemented to date

##### (1) Food Additives

In Japan, food additives are permitted for use only when they are designated by the Minister of Health, Labour and Welfare under the Food Sanitation Law as substances that are unlikely to cause health hazards. Also, the Food Safety Basic Law requires that

the opinions of the Food Safety Commission be heard when the Minister permits the use of new substances as food additives. It is understood that a similar process applies also in the EU when dealing with food additives.

With regard to the 45 food additives (excluding one item that is considered to be equivalent to an already designated additive) that have been proven safe internationally and are widely used, the GOJ, on its own initiative, is proceeding with the considerations on the designation of these items, including those raised by the EU. To date the Minister has already asked for the opinions of the Food Safety Commission on 36 food additives, and of these an Assessment of the Effect of Food on Health has been completed for 29 items. Additional documentation has been requested for the remaining seven items by the Food Safety Commission.

In addition, 25 of the items for which an Assessment of the Effect of Food on Health has been completed have also been submitted to the Pharmaceutical Affairs and Food Sanitation Council for consideration and these considerations have been also completed. These 25 items have therefore been designated as food additives in Japan and are approved for use.

#### (2) Construction Products

The JAS/JIS system allows even foreign institutes to be registered as registered overseas certifying bodies (JAS) or to be accredited as foreign accredited certification bodies (JIS) by conducting the required document examination and on-site inspection.

These registration/accreditation procedures are based on ISO/IEC Guide 65, which is the internationally accepted standard for bodies operating product certification systems.

#### (3) Organic Products

To date no mutual recognition agreement has been concluded, but in March 2001 the GOJ recognized that the European Council Regulation No. 2092/91 (hereafter “the EC Regulation”) was equivalent to the Japanese Agricultural Standards for Organic Plants and Organic Processed Foods (hereafter “the organic JAS Standards”).

However, the EU has to date not recognized that the organic JAS Standards are equivalent to the EC Regulation. In August 2000 the GOJ requested that the European Commission implement examination to establish the equivalence between organic JAS Standards and the EC Regulation, and in February 2006 the necessary documents were prepared and response to questions were completed. After discussions in an expert meeting in March 2008, and further responses to items for confirmation that were provided in July 2008, notification has been received from the European Commission that an on-site visit will be conducted in June 2009, with members of the Commission visiting Japan.

#### (4) Labelling rules

The labelling regulations prescribed by the Household Product Quality Law currently apply to a total of 90 items in the categories of textile products, electrical equipment and machinery, plastic products, and miscellaneous industrial products. The regulations stipulate the minimum information that should be displayed and the items that should be complied with, to ensure that the information provided is beneficial to consumers. In 1997 uniform methods for labelling were revised and flexible labelling is possible.

#### (5) Cosmetics

Among cosmetic ingredients, with regard to preservatives and ultraviolet absorbing agents, regulations are being implemented under a positive list method. For such items, in the event that there is an application for a new listing, the items is added to the list as

needed after receiving the application. With regard to cosmetic ingredients that are not preservatives or ultraviolet absorbing agents, regulations are in place using a negative list method. It is possible for new substances to be used, when the company takes responsibility for assuring its safety.

On the other hand, some items that are designated as cosmetics in the EU are regulated in Japan as quasi-drugs, and with regard to these quasi-drugs, an individual review is required. Therefore, it is possible to apply for an approval of a new quasi-drug containing new substances with scientific data.

#### (6) Medical Equipment

Discussions have been held since 1992 on harmonizing regulations within the medical device sector by the Global Harmonization Task Force (GHTF), which is composed of the regulatory authorities of Japan, the EU, the United States, Australia, and Canada as well as the industrial sector. In the revised Pharmaceutical Affairs Law that came into force in 2005, regulations were introduced that conform to internationally harmonised regulations in terms of Essential Principles and classification of devices among others. In addition, on the occasion of settling on standards pertaining to Approval Standards, Certification Standards and Quality Management Systems, they are basically formulated in accordance with the international standards of the ISO and the IEC.

Japan has accepted foreign clinical data as a part of application dossier when: i) standards for conducting medical device clinical trials are set by the regulations of the country or the region where the trial was performed, ii) the standards are equivalent or surpass the Japanese medical device GCP, and iii) the clinical trial was conducted in accordance with the standards or considered to have equivalent level of quality.

### Future outlook

#### (1) Food Additives

Looking towards the designation of the remaining food additives in the future, the Ministry of Health, Labour and Welfare will continue to prepare the necessary documents and request Assessments of the Effect of Food on Health by the Food Safety Commission, and proceed with examinations by the Pharmaceutical Affairs and Food Sanitation Council.

In addition, with regard to the four items for which an Assessment of the Effect of Food on Health has been completed by the Food Safety Commission, but which have not yet been designated as food additives, once consideration and examination has been implemented by the Pharmaceutical Affairs and Food Sanitation Council it is planned to begin work on the designation of these items.

The GOJ continues to expect the EU to provide information including documents used as a basis for scientific assessment in the EU, in order to expedite assessment in Japan.

#### (2) Construction Products

The GOJ will provide the relevant institutions with explanations as necessary in continuing to work for proper system operations.

#### (3) Organic Products

The GOJ requests that following the on-site visit in June 2009, the European Commission should promptly engage in procedures to establish equivalence between the organic JAS Standards and the EC Regulation.

#### (4) Labelling rules

Given the increasing importance of protecting consumers, the importance is likewise increasing of labeling that is stipulated under the Household Product Quality Law. To this end labeling content is being reviewed where necessary and efforts are being promoted to boost understanding among home and foreign businesses about the Household Product Quality Law. This includes measures to boost information provision, such as the creation of an easy-to-understand pamphlet and an English language handbook that is scheduled to be uploaded on the website (in April 2009).

#### (5) Cosmetics

The GOJ will continue to approve the addition of ingredients to the list, or approve a new substance as a part of a new quasi-drug after reviewing application that is submitted with scientific data..

In March 2009 the cosmetic standards are scheduled to be revised, with one ingredient being newly added to the positive list.

#### (6) Medical Equipment

The GOJ will continue to seek to engage appropriately in discussions on international harmonization of regulations for medical devices in the GHTF.

The GOJ encourages active use of consultation service on individual medical device applications provided by the Pharmaceuticals and Medical Devices Agency (PMDA).

## 5. Improving regulatory transparency and accountability (1-J-2)

### BDRT Recommendation

The Government of Japan should reinvigorate its efforts to improve transparency and consistency in all areas of regulation and the accountability of regulators, including as regards the development of new regulations, in order to facilitate business in Japan for both foreign and domestic firms. The Government of Japan should ensure that:

1. All Ministry-proposed laws, regulations, guidelines and agency recommendations are made available for public comment, by enforcing and monitoring compliance with existing public comment requirements.
2. Complete draft laws are made available for public comment, rather than mere summaries, before bills are submitted to the Diet for deliberation.
3. A 30-day waiting period is implemented between the expiration of the public comment period and the submission or release of the final law, regulation, guideline or agency recommendation, in order to give officials time to consider the comments received.

### Efforts implemented to date

Based on the result of the survey on the implementation of the Public Comment Procedure, the Ministry of Internal Affairs and Communications (MIC) addressed some points for better Public Comment Procedure and requested ministries following points: (i) Set more than 30 days for the period for submission of comments as much as possible; (ii) Consider to set more than 30 days for the period for submission of comments in the case contents of Administrative Orders, etc. are difficult or the volume of these are enormous; (iii) Set period enough to consider submitted comments in ministries as much as possible. The Administrative Procedure Act does not require implementation of the Public Comment Procedure on bills because they should be carefully deliberated upon by the Diet members in the legislature.

### Future outlook

MIC will conduct and publish the annual survey on the implementation of the Public Comment Procedure under the Administrative Procedure Act as well as the next fiscal year, and as necessary, request relevant administrative organ to improve implementation of the Public Comment Procedure.

6. Creating a more efficient product approval process in the human and animal health sectors (1-J-3)

**BDRT Recommendation**

Japan needs to reduce the time and costs associated with introducing innovative new treatments in the human and animal healthcare markets in Japan and to bring Japanese rules in line with global standards. The Government of Japan is therefore urged to create more efficient product approval processes, in particular by:

1. Shortening the medical equipment certification process: accepting clinical trial data generated overseas; harmonising Good Clinical Practice (GCP) and Quality Management System (QMS) requirements with international standards. Foremost, GCP-related requirements need to be modified, since they currently impose an unsustainable burden on applicants in terms of work and application fees.
2. Eliminating differences between Japanese GCP and the GCP established by the International Conference on Harmonisation; and increasing the number and quality of staff working on consultation and approval review in the Pharmaceutical and Medical Devices Agency (PMDA).
3. Improving the product approval process for animal health products by adhering to the standard administrative review period of one year. This could be achieved by streamlining and accelerating administrative procedures and eliminating unnecessary and scientifically unjustified requirements.

**Efforts implemented to date**

(1) The medical equipment certification process

With regard to acceptance of foreign clinical trial data, Japan has accepted foreign clinical data as a part of application dossier when: i) standards for conducting medical device clinical trials are set by the regulations of the country or region where the trial was performed, ii) the standards are equivalent or surpass the Japanese medical device GCP, and iii) the clinical trial was conducted in accordance with the standards or considered to have equivalent level of quality.

In the regulation of Quality Management Systems (QMS) Ministerial Order, which is based on Japanese Pharmaceutical Affairs Law, Japan has introduced an international standard, ISO13485.

The GOJ is making efforts to clarify GCP operations through various notices and Q&A. In November 2008, exemplars of documents and others regarding medical device clinical trials were synthesized and compiled, for the purpose of reducing the burden.

(2) Pharmaceutical and Medical Devices Agency (PMDA)

a. With regard to GCP, following the Report of the Study Group on Clinical Trials in September 2007, a notification was issued in October 2007 concerning the rationalization of required documents. Then in February 2008, the ministerial ordinances relating to clinical trials such as the ministerial ordinance on GCP were revised, in which the clinical review board, notification of clinical trials, the ADRs in clinical trials and others are regulated, to make them consistent with the ICH-GCP.

b. With regard to the number of personnel working at the Pharmaceuticals and Medical Devices Agency (PMDA), there is a three-year plan in place, running from fiscal 2007, to increase the number of reviewers by 236. Over a one year period from April 2007 to April 2008, the number of reviewers rose by approximately 70, from 206 to 277.

With regard to the quality of reviewing staff, in addition to the implementation of systematic training accordingly to their work-based purposes, efforts are being made to promote active participation in academic societies, both in Japan and overseas.

(3) The product approval process for animal health products

The work for approval and examination of such products in the past used to be shared by the Ministry of Agriculture, Forestry and Fisheries and the National Veterinary Assay Laboratory (NVAL). However, in order to boost the speed and efficiency of approval and examination process, work in this area has come to be executed solely by the NVAL since April 2007.

Additionally, in order to further boost the speed and accuracy of approval and examination work, the procedures for approval and examination were made public in March 2008.

#### Future outlook

(1) The medical equipment certification process

Regarding acceleration of medical device review, the GOJ publicized the Action Programme for Acceleration of Medical Device Review in December 2008. The GOJ will make efforts to steadily implement the Action Programme in cooperation with interested parties.

The GOJ plans to amend ministerial ordinances pertaining to the Institutional Review Board, the handling of safety information during clinical studies, and the delivery of investigative devices within this fiscal year based on the Five-Year Strategy for Creation of Innovative Pharmaceuticals and Medical Devices for a better operation of GCP.

The GOJ encourages active use of consultation service on individual medical device applications in advance provided by the Pharmaceuticals and Medical Devices Agency (PMDA) to address use of foreign clinical trial data for application of the device.

Japan is planning to ensure further international consistency of medical devices regulations such as QMS based on the activities in the GHTF and others.

(2) Pharmaceutical and Medical Devices Agency (PMDA)

a. The GOJ will work to boost awareness among a wide range of persons involved in clinical trials, to ensure that the revised GCP ministerial ordinance and other related rules can be executed smoothly.

b. The GOJ will continue to systematically secure capable human resources in the required fields of specialty, mainly through public recruitment drives.

(3) The product approval process for animal health products

With regard to improvement in the approval process, the GOJ will continue to make efforts for swift approval and examination in accordance with the publicized procedures, and seek to realize further efficient approval and examination process.

## 7. Ensuring free and open competition in services (1-J-4)

### BDRT Recommendation

The Working Party urges the Government of Japan to tackle the lack of free and open competition in Japan's services markets, in particular to:

1. Remove obstacles to integrating the operations of financial groups. In particular, the initiated reforms of firewall restrictions should be implemented fully to allow financial groups to structure their organisations in Japan in the same way as they do in the rest of the world.
2. Implement the privatisation of Japan Post so as to ensure a level playing field. This means that the *Kampo* insurance business should be subject to the same capital, solvency margin, tax and policyholder protection funding requirements as private sector insurers. Limits are needed on its expansion until competitive safeguards have been established to prevent cross-subsidies from its existing dominant position. Similarly, the insurance business of cooperative societies (*kyosai*) should be subject to the same requirements as private sector insurers.

### Efforts implemented to date

#### (1) Firewall restrictions

With regard to firewall regulations between securities companies, banks and insurance companies, the regulations have been revised from the perspective of improving convenience for customers and responding to requests from financial groups concerning integration of internal controls through growing synergy arising from mutually complementary work patterns and efficiency within financial groups.

Specifically, in the Law Partially Revising the Financial Instruments and Exchange Act and other Acts, and related ministerial ordinances and Cabinet Office regulations, which were enacted in June 2008, in addition to adding an obligation for financial institutions and financial groups to develop a system for managing conflicts of interest, and prohibiting solicitation by banking groups through abuse of their dominant bargaining positions, the regulations on executives and employees in financial groups holding multiple positions were abolished, and the restrictions on the sharing of non-public information about customers within group companies were eased. These laws and ordinances will go into force from June 2009.

#### (2) The privatisation of Japan Post

With regard to the *Kampo* insurance business following privatization of postal businesses, as an insurance company as stipulated under the Insurance Business Act, it is dealt with in the same way as and is subject to the same laws and ordinances as any other life insurance company in terms of stipulations concerning capitalization, solvency margins, taxation, and protection of life insurance policyholders through the Life Insurance Policyholders Protection Corporation of Japan. In addition, during its transitional period the *Kampo* insurance business is also subject to the stipulations of the Laws related to the Privatization of the Postal Services (PPS) (including limitations on the scope of work, etc.).

In terms of the relationship between new contracts concluded by the *Kampo* insurance business and old contracts taken on from the Management Organization for Postal Savings and Postal Life Insurance, stipulations are detailed in the implementation plan for the succession of work from Japan Post, which will prevent the inappropriate transfer of profits between new and old contracts.

(3) The insurance business of cooperative societies (*kyosai*)

The insurance businesses of cooperative societies (Kyosai) are run as organizations to assist persons linked to certain regions or engaged in certain jobs, and the system works by the members of the cooperative society making payments themselves and using the services provided. Kyosai are run as a part of broad-based mutual aid activities among society members (including joint projects, loan programs and benefit programs). Given the characteristics of these societies, a separate set of regulations is therefore required, and Kyosai programs and businesses are monitored individually by the ministry or agency under whose jurisdiction they fall and are operated within the scope of the law. Accordingly, similarly to private insurers, it is not appropriate to place Kyosai business under the purview of the Insurance Business Act.

#### Future outlook

(1) Firewall restrictions

With regard to the banks and other financial institutions engaging in the securities business in addition to their main business, considering that Article 33 of the Financial Instruments and Exchange Act was established from the perspective of preventing harmful effects arising from conflicts of interest, and preventing banks from abusing their dominant bargaining positions, it would be difficult to implement a revision of this law.

(2) The privatisation of Japan Post

The GOJ will continue to monitor the *Kampo* insurance business appropriately and in the same manner as other life insurance companies, in accordance with the Insurance Business Act.

When considering an expansion of the scope of work, in due consideration of the stipulations of the Laws related to the Privatization of the Postal Services and taking note of the opinions of the Postal Services Privatization Committee, the Prime Minister (who entrusts his authority to the Minister for Financial Services) and the Minister of Internal Affairs and Communications give their approval when they have considered the impact such an expansion would have on competitive relations with other life insurance companies and the management status of the *Kampo* insurance business itself, and are satisfied that the expansion does not obstruct appropriate competition or the provision of appropriate services to users.

## 8. Eliminating unnecessary bureaucracy for foreign residents (1-J-5)

### BDRT Recommendation

The Government of Japan should abolish the system requiring foreigners with a visa additionally to obtain a re-entry permit, such that permission to leave and re-enter the country freely is automatically granted when the visa is issued.

### Efforts implemented to date

Refer to “Efforts implemented to date” in “1-EJ-2 Supporting timely development of business, (2) Smoother and swifter application procedures for obtaining work and residence permits”.

### Future outlook

Refer to “Future outlook” in “1-EJ-2 Supporting timely development of business, (2) Smoother and swifter application procedures for obtaining work and residence permits”.

## 9. Promoting foreign direct investment (1-J-6)

### BDRT Recommendation

The Government of Japan should promote growth through further participation of Japanese firms in the global economy and of foreign firms in the domestic economy. To this end, and in line with the treatment applied to stock swaps involving purely domestic companies, it should consider allowing tax deferrals for capital gains stemming from direct cross-border mergers and re-organisations.

The Government should also ensure that rules of fundamental importance to foreign companies are not altered without prior notice and consultation. In this context, the Working Party calls on the Government to use all means available, including revision of Article 821 of the Corporation Law, to ensure legal certainty for foreign companies established as branches in Japan.

### Efforts implemented to date

#### (1) Tax deferrals for capital gains stemming from stock swaps

With regard to the so-called forward triangular merger, etc., that became possible from May 1, 2007, measures have been constructed to allow tax deferrals, etc.

#### (2) Revision of Article 821 of the Corporation Law

With regard to Article 821 of the Corporation Law, the GOJ has paid close attention to the impact of the Article on foreign companies, and to date the GOJ is not aware of any cases in which specific problems have arisen due to the provisions of the Article. Article 821 targets “A Foreign Company that has its head office in Japan or whose main purpose is to conduct business in Japan” (so-called pseudo foreign company), and this stipulation is for the purpose of preventing legal circumvention, whereby a company is established under foreign laws for the express purpose of avoiding the application of the law of Japan. In the case that a foreign company engaged in valid and legal business overseas seeks to establish a branch in Japan, there is no reason for Article 821 to present an obstacle to such an establishment.

### Future outlook

#### (1) Tax deferrals for capital gains stemming from stock swaps

With regard to the position regarding revision to the tax system overall, please refer to the attachment at the end of this report.

#### (2) Revision of Article 821 of the Corporation Law

The GOJ intends to continue to pay close attention to the impact of Article 821 on foreign companies.

## **Working Party 2: Tax and Accounting Issues**

### 10. ACCOUNTING and Tax ISSUES

#### (1) The convergence of accounting standards (2 - EJ – 1)

##### BDRT Recommendation

We ask the public authorities to ensure continuing wide-ranging dialogue among IASB, FASB and ASBJ with respect to the convergence of accounting standards.

In addition, we call for cooperation of regulatory authorities such as security regulators in EU and Japan for the international competitiveness of financial and capital markets.

##### Efforts implemented to date

The Accounting Standards Board of Japan (ASBJ) has held twice-yearly joint meetings with the International Accounting Standards Board (IASB) since March 2005, and in September 2008 the eighth such meeting was held. In addition, in August 2007 the ASBJ announced the “Tokyo Agreement” that it had concluded with the IASB. This agreement aims to eliminate the differences for the items which were pointed out in July 2005 by the Committee of European Securities Regulators (CESR) by the end of 2008, and bring about convergence on the remaining differences by the middle of 2011. The ASBJ has held twice-yearly consultations with the Financial Accounting Standards Board (FASB) since May 2006 to discuss convergence, and the sixth such meeting was held in November 2008.

In addition, in response to the G20 Action Plan from November 2008, which requested that, “The key global accounting standards bodies should work intensively toward the objective of creating a single high-quality global standard,” the IASB announced in December 2008 that it is working with Japan and the United States on convergence activities.

With regard to cooperation among regulatory authorities, the Financial Services Agency (FSA) is working with European security regulators on exchanging opinions in multilateral fora such as the International Organization of Securities Commissions (IOSCO), and is also engaged in dialogue through formal and informal consultations on a bilateral basis with organizations such as the European Commission (EC) and the U.S. Securities and Exchange Commission (SEC).

##### Future outlook

The FSA will continue to support active efforts towards convergence undertaken by the ASBJ and will continue to engage in exchange of information with other security regulators through fora such as IOSCO, and will advance active dialogue on various accounting issues with bodies such as the EC and SEC.

(2) The option to prepare financial statements in accordance with IFRS (2 – J– 1)

BDRT Recommendation

Increased consistency and transparency brought by the move to IFRS would be beneficial for all market participants. Although situations in some countries (notably the US) might affect the decision of Japan in some degree, we ask Japanese regulators to, at least, allow the option to prepare financial statements in accordance with IFRS in the future.

Efforts implemented to date

The point of whether to recognize the general use of International Financial Reporting Standards (IFRS) for Japanese companies requires a broad discussion among domestic parties concerned about a variety of points at issue. The Planning and Coordination Committee of the Business Accounting Council (BAC) of the Financial Services Agency (FSA) launched consideration of this issue from October 2008.

Future outlook

On February 4, 2009, the Planning and Coordination Committee of the Business Accounting Council issued a draft interim report entitled “Application of International Financial Reporting Standards (IFRS) in Japan,” and sought public consultation on the issue. The draft interim report includes, the possibility that after detailed consideration of various issues, for example, optional application of IFRS could be allowed from the fiscal year ending March 2010 for the consolidated financial statements of certain listed companies.

(3) Developing accounting standards (2 – EJ – 2)

BDRT Recommendation

We ask IASB, under enhanced governance framework, to pay more attention to the practical needs of market participants, including preparers, users and regulators, in order not to develop standards that are too theoretical. In this respect, IASB should not focus only on publication of comprehensive income (should not eliminate net income) and, in addition, should ensure wide consultation on further application of fair value accounting.

Efforts implemented to date

The further enhancement of the governance of the international accounting standard setting body was stipulated in the Action Plan of the G20 Leaders Summit held in November 2008, with immediate action to be taken by the end of March 2009. The Financial Services Agency (FSA), is cooperating with the European Commission (EC) and United States Securities and Exchange Commission (SEC) and other bodies on enhancing IASB governance, and has issued two joint press releases, in November 2007

and June 2008. Preparations are proceeding towards the establishment of a monitoring board at the International Accounting Standards Committee Foundation (IASCF).

In January 2009 the IASCF announced the review of its Constitution, which includes the establishment of the Monitoring Board.

#### Future outlook

The FSA will continue to monitor progress at the IASCF and, through the Monitoring Board will continue to make efforts towards enhancement of IASB governance. In addition, the FSA will continue to monitor the process of standards development at the IASB and will make recommendations through the fora such as the Monitoring Board.

#### (4) Agreements on tax issues (2 – EJ – 3)

##### BDRT Recommendation

The Governments of Japan and Europe should ensure that dividend payments from subsidiaries to parent companies and royalty and interest payments between related parties are, to the greatest possible extent, exempted from withholding taxes. We hope that the EU Member States and Japan will enter into common agreements on tax issues in order to fully enjoy the benefits of the single market.

##### Efforts implemented to date

With regard to the prevention of double taxation, from the perspective of promoting active investment exchange that is reflective of the close economic relations between Japan and Europe, revisions to the tax treaties in place with European countries are being implemented sequentially, based on current economic relations.

In the Convention between the Governments of Japan and the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital Gains (entered into force 2006), and the Protocol Amending the Convention between the Government of Japan and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (entered into force 2007), measures that have been newly introduced include tax exemption at source for certain dividends, interest and royalties, as well as the relaxation of tax exemption requirements, etc.

##### Future outlook

Currently negotiations on the revision of tax treaties are being conducted with the Netherlands and Switzerland, and the GOJ will engage in efforts where necessary to conclude new treaties or revise existing ones with European countries.

(5) Reform of the consolidated tax system (2 – J – 2)

BDRT Recommendation

We repeatedly ask the Government of Japan to reform the consolidated tax system as quickly as possible to allow carrying forward tax losses in subsidiaries which incurred before the system came into effect, to exempt revaluation of subsidiaries at fair value at the initiation, and to allow including donation between consolidated corporations in expenses.

Efforts implemented to date

For all aspects of the tax reform, see the attached appendix.

Future outlook

For all aspects of the tax reform, see the attached appendix.

(6) Improving transfer-price taxation (2 – EJ – 4)

BDRT Recommendation

We ask the tax administration of Japan to secure transparency in executing transfer-price taxation in order for companies to carry out international business expansion smoothly. From a viewpoint of international common understanding, we request that the tax administration of Japan revert to an international common model such as the OECD model.

In addition, we recommend the establishment of a joint forum between EU Member states and Japan to harmonise and simplify interpretation and documentation requirements, and to make the conclusion of bilateral and multilateral APAs (advance price agreements) easier and cheaper by improving procedures.

Efforts implemented to date

(1) The National Tax Agency of Japan (NTA) makes it its own practice to publicly release, on its website, not only the laws and regulations on the transfer pricing taxation, but the Administrative Guidelines on its interpretation and on its operations. In order to further clarify its operations, the NTA also has updated these Administrative Guidelines after public consultations. In June 2007, the NTA revised and published its Administrative Guideline, and it includes even case studies. Furthermore, in October 2008, the NTA further updated its Administrative Guideline to clarify the treatment of “provision of services” and of “lump-sum payments to adjust prices,” etc..

(2) The Administrative Guidelines prescribe that examinations and APA reviews shall be conducted with due reference to the OECD Transfer Pricing Guidelines (TPG), and Japan has been making efforts to administer the transfer pricing taxation system based on such international rules.

(3) With regard to the harmonization and simplification of interpretation and documentation requirements, we have involved ourselves in discussions during the course of work to revise the TPG at the OECD.

(4) In addition, with regard to APAs, Japan the first country to introduce them, has implemented them free of charge. Our procedures for APAs are also prescribed in the Administrative Guideline and are publicly available. Bilateral and multilateral APAs are being smoothly implemented with EU member countries based on the provisions of tax treaties, and no special conflicts are recognized.

#### Future outlook

Japan finds little necessity for the establishment of a joint Japan-EU forum on this issue. With regard to the harmonization and simplification of interpretation and documentation requirements, we will continue to work through discussions on the revision of the TPG. Furthermore, for bilateral and multilateral APAs, in accordance with international practices, we endeavour to reach appropriate and prompt resolutions based on tax treaties, through mutual agreement procedures with treaty partners.

(7) Corporate accounting and tax practice (2 – J – 3)

#### BDRT Recommendation

With the progress of convergence of Accounting Standards, new deviations arise between corporate accounting and tax practice. We ask that the Government of Japan respond flexibly to the deviations.

#### Efforts implemented to date

For all aspects of the tax reform, see the attached appendix.

#### Future outlook

For all aspects of the tax reform, see the attached appendix.

(8) tax haven regulations (2 – J – 4)

#### BDRT Recommendation

We suggest the Japanese tax authority review the criteria rate for tax haven regulation, or expand the exemptions, such that companies in countries with tax treaties with Japan can be exempted from tax haven regulations.

#### Efforts implemented to date

For all aspects of the tax reform, see the attached appendix.

Future outlook

For all aspects of the tax reform, see the attached appendix.

(9) A new tax regime in which foreign dividends paid to Japanese corporations (2 – J – 5)

BDRT Recommendation

To increase cash return from foreign subsidiaries, we suggest the Japanese tax authority establish a new tax regime in which foreign dividends paid to Japanese corporations would be exempt from Japanese tax.

Efforts implemented to date

In order to prepare the environment towards the domestic return of profits acquired in overseas markets by Japanese companies, the GOJ has submitted a draft tax reform bill to the Diet, which includes the introduction a measure to treat the dividends received from overseas subsidiaries as non-taxable income in place of indirect foreign tax credit system.

Future outlook

For all aspects of the tax reform, see the attached appendix.

(10) Reducing corporate tax rates (2 – J – 6)

BDRT Recommendation

We request the tax administration of Japan to consider reducing corporate tax rates.

Efforts implemented to date

For all aspects of the tax reform, see the attached appendix.

Future outlook

For all aspects of the tax reform, see the attached appendix.

(11) a specific tax-advantaged scheme to encourage the development of individual preparation for retirement (2 – J – 7)

#### BDRT Recommendation

We ask the Japanese tax authority to establish a specific tax-advantaged scheme to encourage the development of individual preparation for retirement.

#### Efforts implemented to date

With regard to premiums for individual contributions (matching contributions) introduced into corporate-type defined contribution pension schemes, in addition to these contributions being tax deductible, the GOJ has decided to raise the contribution limit on corporate-type and individual-type defined contribution pensions, and plans to submit bills relating to this change to the Diet.

#### Future outlook

For all aspects of the tax reform, see the attached appendix.

### **Working Party 3: Information & Communication Technologies (ICT)**

#### **11. Governments' Support towards Development of a Low-Carbon Society ( 3-EJ-1 )**

##### **BDRT Recommendation**

ICT has a tremendous potential to mitigate the challenges of climate change, and to develop a low-carbon society. ICT services and solutions are fundamental to tackle climate change and can enable other sectors to reduce their own carbon footprint.

ICT applications can deliver energy savings and carbon emission reductions, and do so in a way that drives even greater economic growth and productivity. In the short term, ICT will be a key enabler to global energy use accounting, whilst in the long term, it will play a critical role in process management and optimization in increasingly complex systems. Technologies to facilitate human to human communication are the traditional domain of ICT applications, but machine to machine communication used to optimize and automate processes and human to machine communication to measure, monitor processes and improve decision making, will be at the heart of ICT's role. Collaborative technologies as e.g. videoconferencing, telecommunications applications can help offset emissions through avoided travel and building space savings.

Another strength of ICT has been "Streamlining" and "Power Saving" by promoting introduction of e-government/municipality, e-carte, ITS, telework and others, which enable us to enhance existing operating efficiencies and processes, optimize the performance of energy-using, and transform everyday activities to reduce overall CO<sub>2</sub> emissions and energy consumption. European Digital Industry has been active and communicated widely the opportunities ICT can provide to reduce environmental impact (EICTA Report: High Tech/Low Carbon, 2008)

In order to expedite the introduction of the solutions, both governments are requested to develop measures and processes for the measurement of GHG reduction by ICT, which visualize the reduction effects to environmental burden, and thus improve persuasiveness to a market.

On the other hand, it is recognized that consumption of energy by ICT equipments such as network equipments, servers, and storages will be increased along with expanded use of ICT. This aspect encompasses a large cost for additional energy and other mechanisms to deal with misuse of the Internet including Internet spam, which is invested by communication carriers, Internet Service Providers, and other network operators. We should pay more attention to assessing how best to combat misuse of the Internet in order to reduce the energy cost factors and help the environment, and thus replace the cost with more meaningful investment. In addition, the materials and design choices of equipment have an impact on their overall environmental impact and, therefore, both industry and government should continue to strive to promote innovative technology development toward next generation environment conscious ICT products, as well as to continue to promote social system that recycling of secondhand ICT equipments is practiced to reduce their environmental burden.

In this regard, both industry and government should support the initiative "Dynamic Coalition on Internet and Climate Change (I &CC) in the framework of the Internet Governance Forum" just launched by the ITU and supported by the Ministry of Internal Affairs and Communications (Japan), The Energy Resource Institute (TERI, India), and the Global e-Sustainability Initiative (GeSI) with the aim to moderating

the environmental impact of the Internet and to seeking new ways to embrace the power of the Internet for reducing greenhouse gas emissions worldwide.

The climate change is a complex issue for mankind in that it requires us of achieving a good balance between environment stewardship and social/economic sustainable growth. We must unite our wisdom, pursue innovation that inspires us to change technologies, institutions and behavioural patterns. ICT is a platform for promoting innovation. Both governments are recommended not only to promote R&D and field trials for the innovation, but also to share the results to enlighten others among developed countries and developing countries where we foresee that the use of ICT applications will be expanded in the future, for contribution to the development of a low-carbon society.

Both governments are recommended to establish an evaluation method of assessing contributive factors of ICT solutions to the climate change, to assess the multiple barriers (behavioural, needed upfront investments, lack of capabilities and skills and awareness) which need to be overcome if we are going to realize the opportunities ICT can deliver through concrete policy action, as well as play a key role for facilitating reduction of environmental burdens of ICT equipments, and speeding up innovation to address the issue. As an immediate next step, we expect that the G8 ministers raise and discuss the issue of ICT and sustainable development at the July 2008 G8 Hokkaido Toyako Summit, for the purpose of better understanding the relationship between ICT and the environment and this topic's future impact on sustainable development.

#### Efforts implemented to date

As pointed out by the BDRT, the GOJ believes that it is important to establish common international measures that visualize the reduction effects to environmental burden of IT.

Firstly, from fiscal 2008, as an effort towards innovative technology development the "Green IT Project" was launched, and the development of technology that will realize radical energy saving in IT equipment such as servers has been initiated.

In addition, in the forum of the OECD the efforts of those persons and bodies aiming to realize green IT have been highly evaluated, and given the economic benefits that would be gained from green IT, the GOJ has proposed the creation of a new mechanism that would encourage independent efforts to realize green IT to be accelerated.

The International Telecommunication Union (ITU) is engaged in active efforts to deal with information and communications technology (ICT) and climate change, and the GOJ has proposed an assessment method to measure the reduction in CO2 emitted through social activities that could be achieved through the use and application of ICT. It is planned to accelerate moves to realize standardization in this field.

In its approaches to developing countries, in the forum of the Japan-ASEAN Finance Ministers Meeting, the GOJ proposed an "Asian Knowledge Economy Initiative" as a future-oriented project to be developed in Asia on the basis of green IT, and in February

2009 international symposia on green IT were held in Singapore and Malaysia. A Green IT Diagnostic Mission is planned to be dispatched to the Asian region between summer and autumn of 2009.

#### Future outlook

In addition to promoting technology development through industry-academia-government cooperation, it is necessary to develop methods of evaluating the degree to which IT can make an environmental contribution.

Measurement and evaluation methods are required not only at the production stage, but also for the usage stage and in all aspects of product life-cycle, that will make clear the environmental contribution of IT.

It is also important to continue to spread the concept of green IT to developing countries, including those in Asia, and approaches to green IT. The GOJ will continue to highlight this issue in the international arena.

## 12. Fundamental Review of the Copyright Levy System / the Compensation System for Audio and Video Private Copying / Improvement of the Current Levy System (3-EJ-2)

### BDRT Recommendation

In order to promote further lawful dissemination of digital content, it is necessary to implement dialogue/cooperation between Japan and EU concerning preparation for a thorough stakeholders' discussion on the compensation system for private copying. Currently the compensation is paid by means of copyright levies, a system which still dates back from the analogue era (at least in Europe). Copyright levies are a way to compensate the revenue loss caused by private copying, but they are not intended to fight piracy.

This move is based on already common business models utilizing DRM, as well as other emerging business models, including the on-line distribution of content on the basis of contracts with individual users, which also is expanding. In these cases copyright levies may impose a double payment for consumers. In reviewing the systems, we should take into consideration in a comprehensive manner the methods available to secure compensation for right holders and creators while respecting the current system of exclusive rights. Furthermore new distribution practices, where the collection of payments for economic benefit is more directly related to the use of copyrighted work, are feasible with the support of advanced technology and appropriate contracts. The goal should be to enable the establishment of a system which is transparent, fair and equitable to such interested parties as consumers, right holders and equipment providers.

The current system should be improved to be more fair, transparent and equitable with due consideration to technological progress, actual use of content and also competition in the market. The method to calculate levies based solely on memory capacity without taking into account the actual usage of the product for private copying and so the harm to the right holders resulting from the act of private copying, should not be maintained, as it is not in line with the EU copyright directive and would deter the introduction of advanced recording media technology that meets user's need. The calculation method should be replaced with one that more closely reflects the actual damage to the copyright owner by private copying and will not disturb technological progress and the developments towards an Information Society for all.

### Efforts implemented to date

When engaging in a fundamental review of the Compensation System for Private Recording the formation of a consensus among related parties is important. The GOJ continued examination during fiscal 2008 in the Commission on Private Recording, Subdivision on Copyright, Council for Cultural Affairs, which consists of members who are rights holders, manufacturers, consumers and academic experts. In particular, in order to reach consensus overcoming differences regarding copyright protection technology and the necessity for compensation, a proposal was tabled that sought to review systemic structure reflecting changes in circumstances, while gradually reducing the compensation system, based on the premise that in the future copyright protection technology would be developed and disseminated. However, there were still

considerable differences of opinion among the related parties and no definite agreement was reached.

#### Future outlook

Given the urgency of the issues regarding private recording, and the identification of the issues through discussion in the Council for Cultural Affairs, the GOJ will continue to aim for the formation of consensus among stakeholders on a revision to the compensation system. For example, the GOJ views that it may be necessary for the Agency for Cultural Affairs to establish a forum outside the Council for Cultural Affairs, in which stakeholders, including rights holders, manufacturers and consumers, can engage in frank exchanges of opinions.

### 13. Maintenance of the WTO's Information Technology Agreement (ITA) (3-EJ-3)

#### BDRT Recommendation

We express strong support for maintaining the Information Technology Agreement (ITA), one of the most successful trade agreements of our time. The increased access to IT products generated by the ITA has led to greater innovation, consumer welfare, productivity, trade, investment, and economic growth worldwide. ITA signatories are obligated to bind and eliminate customs duties on covered IT products. However, it is noted that there are concerns around the world over ITA-covered products being taxed as dutiable and new convergence-technology devices are under threat of losing their zero-tariff status.

We strongly believe that ITA signatories should be providing more, not less, market access opportunities for IT products. The letter and spirit of this market-opening agreement must be maintained and the ITA commitment to "bind and eliminate" duties on covered products must be respected. As a priority, both governments should do their best to ensure that the maintenance of the current ITA is achieved. In addition, we encourage governments to work towards a wider global adoption of the ITA.

#### Efforts implemented to date

Technology innovation not only enhances convenience, it also contributes to the development of industry and society, as witnessed for example by the effect digital multi-function devices has had on promoting efficiency and achieving space saving in offices. The Information Technology Agreement (ITA) has greatly contributed to the global spread of IT products by lowering trade barriers, and in order that it can continue to play a role in the future, it goes without saying that it is of the utmost importance to respond flexibly to technology innovation and ensure there are no obstacles to technology dissemination.

However, the EU has been moving against these trends in that it has stipulated that products with additional new functions and products with multiple functions that have come on to the market through technological innovation after the signing of the ITA are exempt from the agreement and therefore subject to customs tariffs. The GOJ has pointed out this issue in the ITA Committee of the World Trade Organization (WTO), and in the Japan-EU Regulatory Reform Dialogue it has also expressed its concerns to the European Commission. However, as the EU did not demonstrate a solution to this issue, in May 2008 the GOJ together with the United States and Taiwan submitted a request to the WTO that dispute settlement measures be initiated with regard to the EU's tariff treatment of multifunctional digital machines, LCD monitors for PCs and set-top boxes. In July the three countries jointly submitted a request for the establishment of a dispute settlement panel (the panel was established in September). Currently the EU has applied temporary measures to halt the imposition of tariffs on the LCD monitors for PCs and the LCD modules.

#### Future outlook

A dispute settlement panel meeting for the abovementioned three products is expected to be convened from spring 2009.

The GOJ will continue to make strong requests to the European Commission in various fora, including the ITA Committee, about its concerns over the ITA, and seek a resolution that is in accordance with the purpose and objectives of the ITA. With regard to LCD monitors, although there is a high possibility that the temporary measures to halt the imposition of tariffs will be continued, it is necessary to closely monitor the scope of the measures and their term. Furthermore, in addition to moves to stop the temporary measures relating to the imposition of tariffs on LCD modules, there are other protectionist moves currently underway, including new considerations from last year of measures that would result in the substantive raising of tariffs through a revision to the tariff category relating to multi-function mobile telephones, including those fitted with GPS. It is necessary to continue to monitor the situation.

#### 14. Development of a Dynamic Society with Next Generation Network (NGN) (3-EJ-4)

##### BDRT Recommendation

G8 countries including EU and Japan are faced with the prospect of decline or slighter increase of their population, and are predicted to be at the time of softening GDP growth, in contrast with developing countries. By deployment and utilization of NGN with advanced technologies allowing more QoS and security, it is expected that social issues, such as aging society, nursing/medical care, unemployment, crime/disaster prevention, and energy/environmental issues will be addressed. It is also expected that NGN contributes to promote economic growth in EU and Japan inter alia by accelerating partnerships with developing countries to share economic wealth and to create a dynamic society.

Therefore, both governments should have a wide cooperation to promote the deployment and the utilization of NGN. Specifically, collaboration on international standardization of the NGN related technologies is recommended. Supportive policies and institutional reform are also recommended to promote utilization of various broadband services with NGN, such services as healthcare including remote medical care, telework, home security, human resources training and lifelong education using e-learning, entertainment such as video delivery, and SNS for regional and international cohesion. A framework should be developed, in which open collaboration will be facilitated among various industries.

It is necessary to accelerate the utilization of NGN through those governments' supports, and as the result, we think that competitiveness of both industries will be reinforced and national wealth of both EU and Japan will be enriched. Both governments are recommended to extend best practice sharing of network usage in each country and region, and analyze and share success factors and barriers, in order to expedite the network usage and to promote the development of a dynamic society.

##### Efforts implemented to date

The New IT Reform Strategy formulated in January 2006 sets out priorities for the promotion of ICT research and development that forms the basis for Japan's lead in ICT and other sectors, with a view to promoting and enhancing Japan's international competitiveness. The Strategy also states that the Ministry of Internal Affairs and Communications (MIC) will establish the necessary basic infrastructure by 2010 for the creation of a next generation network (NGN). In addition, the New Generation Network Promotion Forum was established in November 2007 for the purpose of engaging in research and development of the future basic network infrastructure. This forum is based on industry-academia-government cooperation and those involved gather to compile strategies and visions and widen the boundaries of research activities.

The Telecommunication Technology Committee (TTC), a private sector standardization body, and the European Telecommunications Standards Institute (ETSI) have concluded a Memorandum of Understanding (MOU) and are working cooperatively on international standardization for a next generation network. The GOJ supports these moves to boost cooperation among standardization bodies in Japan and Europe and on the basis of these moves it is actively promoting standardization activities in the

International Telecommunication Union Telecommunication Standardization Sector (ITU-T).

In addition, in accordance with the u-Japan Policy (formulated in December 2004), which envisages a ubiquitous society by 2010, as part of this policy package MIC is working on ICT measures including those for a next generation network, as well as on measures to advance ICT utilization in a way that would enhance daily life for people living in Japan, for example telework and e-learning.

#### Future outlook

All relevant bodies will continue to engage in cooperation with a view to steadily implement measures towards the near-term realization of a next generation network.

With regard to internationalization standardization in order to ensure interconnectivity, in the ITU-T concrete achievements have been realized in standardization since Release 2, which enables maximum utilization of NGN functions, such as Internet Protocol TV (IPTV) and Fixed-mobile Convergence (FMC). Building on these achievements it is necessary for Japanese and European standardization bodies to continue to cooperate. For such efforts the GOJ is ready to actively utilize the results of R&D on NGN being implemented in Japan.

## 15. Key Role of Regulations for Investment in Network (3-EJ-5)

### BDRT Recommendation

Against the background of the telecommunications industry's rapid technological innovation including the shift to Internet Protocol based services, and in response to developments in the sector as entrance of new types of competitors and new business models and user expectations for innovative services regulation, should be adapted to this changing environment on a regular basis. By promoting various broadband technologies, consumers will be able to enjoy additional benefits, and prospects for sustainable competition can significantly be enhanced.

In order to achieve such a condition, it is necessary to ensure that there are appropriate conditions for investment and that further infrastructure-based competition is stimulated. The substantial investment needed in network deployment and update carries high economic risks due to uncertain future demand, as well as high regulatory uncertainty including the wholesale access price regulation, retail price regulation and interconnection regulation that impact on the return on investment. Therefore, we repeat that the regulatory environment should provide incentives for network investment, allowing proper return on ICT investment. Policy-makers play a key role in determining the future of ICT investments and innovations.

Thus governments are recommended to create a regulatory environment for favourable business and investment climate.

### Efforts implemented to date

The New Competition Promotion Program 2010 that compiles a list of measures that should be constructed by the beginning of 2010 includes "Promotion of facility-based competition" as one of its important items. The Ministry of Internal Affairs and Communications (MIC) is constructing policies to promote facility-based competition, including the development of a system to provide 2.5GHz Broadband Wireless Access (BWA) service from 2009.

With regard to interconnection charges for Category I (land line) designated telecommunications facilities that require approval from the minister, conditions are stipulated that charges should be fair and valid in appropriate proportion to cost price, with fixed profits being permitted. Under such a system the telecommunications carriers that establish a Category I designated telecommunications facility are actually investing in the construction and upgrading of the network.

### Future outlook

MIC will continue to engage actively in the construction of a competitive environment, including promotion of facility competition, based on the revised New Competition Promotion Program 2010.

## 16. Accelerating Innovation by Convergence / Federation of Communication and Broadcasting (3-EJ-6)

### BDRT Recommendation

Along with the rapid innovation of ICT technologies, new services are arising beyond the existing framework of communication and broadcasting. We recognized that both governments are addressing fundamental review of legal frameworks at this moment in response to the demands of this era of convergence / federation of communication and broadcasting. We hope an institutional environment in which flexible business operations are allowed, in view of reinforcement of international competitiveness of ICT industry through emergence of new market with technological progress and innovation that we pursue.

Therefore, both governments are recommended to create the institutional framework in each country, and have dialogues and collaboration to ensure international consistency. Specifically, we suggest having discussions on promotion of international distribution of digital content, and a principle of nondiscrimination about content regulation regardless of countries.

### Efforts implemented to date

With regard to a comprehensive legal framework for communication and broadcasting that responds to convergence/federation in these media, based on the Process Program for the Reform of the Communications and Broadcasting Field (September 2006), in February 2008 the Telecommunications Council was consulted on the issue, and currently under the umbrella of the Council, a Study Group on a Comprehensive Legal System for Communications and Broadcasting has been established. This Study Group is proceeding with examination of the various forms for a specific system, and in December 2008 an “examination agenda” was publicized containing items that must be examined with priority in the future.

With regard to efforts for the promotion of international distribution of digital content, according to the fifth mid-term report of the Telecommunications Council (June 27, 2008) and others, it is necessary to boost the international competitiveness overseas of Japan’s broadcasting contents, and to date the International Drama Festival (Broadcasting contents market) has been held to provide a sample of broadcasting contents and as an effort toward the deployment overseas of Japanese broadcasting contents.

In addition, the Intellectual Promotion Plan notes the necessity to develop and secure new distribution networks, including overseas channels, and measures towards this goal are currently being considered.

### Future outlook

With regard to the comprehensive legal framework for communication and broadcasting that responds to convergence/federation in these media, following a report from the

Telecommunications Council in December 2009, the target is to submit a draft bill to the Diet in 2010.

The GOJ plans to continue efforts seeking to further expand the functions of the broadcasting contents market (International Drama Festival).

The GOJ will also continue to engage in international dialogue and cooperation as it continues to consider measures to promote international distribution of digital contents, including the securing of time slots on overseas channels.

## 17. Enhanced Cooperation for Security of Critical ICT Infrastructures (3-EJ-7)

### BDRT Recommendation

Troubles of Information Security in a cyberspace arise regardless of national borders. Impacts of malfunctions of ICT are also not limited to only one country. In light of the borderless impacts that the troubles of Information Security have, it is a global challenge for us to ensure reliability and robustness of ICT infrastructure, including systems for public use. We recognize that both regions of EU and Japan have started to address the challenge within their regions, but we recommend that both governments collaborate more to enhance international cooperation. Since the network can easily cross national borders, effects of the national policies can be enhanced through international policy coordination.

Therefore, as well as close communication, including sharing their latest policies, at periodic conferences between EU and Japan for enhancement of international cooperation, both governments are recommended to raise this topic to assure reliability and robustness of the critical ICT infrastructures such as transportation system and financial system, which is a prerequisite for smooth business operations, and intensify dialogues between authorities of EU and Japan.

### Efforts implemented to date

In Japan the National Information Security Center (NISC) has been established under the Cabinet Secretariat, and has formulated an Action Plan on information security measures for critical infrastructure (ten sectors including telecommunications, transport and finance) on the basis of which it is proceeding with measures. These measures have been actively announced in such fora as the Meridian Conference, which EU countries and the European Network and Information Security Agency (ENISA) attend.

In addition, efforts have been made to improve reliability and resilience of information system software which forms the “infrastructure for infrastructure” that supports all social systems. Such efforts include the establishment of the Software Engineering Center in the Information-Technology Promotion Agency (2004), the establishment of a computer virus notification system (1990), and the formulation of guidelines for improving the reliability of information systems (2006).

Since the end of 2008 a study group on reliability and security of information system software in an advanced information society has been established within the Ministry of Economy, Trade and Industry, as a forum where representatives from user industries (e.g. power generation, automobiles, finance, etc.), can come together with vendor industries to examine reliability and security issues for an advanced information society. The study group has launched efforts to engage in quantitative assessment of its reliability and security and the setting of management targets.

These efforts by the GOJ have been referred to in the draft report of a project for software innovation by the OECD.

Additionally, in order to contribute to ensuring safety and reliability in telecommunications networks, the GOJ is engaged in the promotion of cooperation in the telecommunications sector, including support for the activities of Telecom-ISAC Japan and JPCERT/CC.

In 2008 the Study Group on Next-Generation Information Security Policies convened to analyze the anticipated changes in the ICT use environment over the next three to five years, as well as the trend of threats arising from these changes, including increased complexity and sophistication in threats. The Study Group considered information security policies that would be required in the future to combat such changes. The GOJ also promotes research and development into information security technology by various research institutes, and has implemented a public-private collaborative project on measures to counter bots, which are one of the major threats to the internet. These efforts were also introduced in guidelines for combating malware compiled by the OECD.

#### Future outlook

The abovementioned study group on reliability and security of information system software in an advanced information society deals with a wide range of issues in addition to quantitative assessment and the setting of management targets with regard to reliability and security, including strengthening IT management among information system users, the ideal format for transactions using information systems, improving operation and maintenance of information systems, advancement of software engineering, and an LSI security evaluation system. The group will continue to engage in concrete activities towards a resolution of the issues identified above.

These efforts have been noted in conference proceedings and a draft report of the abovementioned OECD project. Many countries have expressed great interest in them and the GOJ is also engaging in exchange of opinions with the Information Society and Media Directorate-General of the European Commission. The GOJ will continue to strengthen cooperation with Europe on common issues that require an international solution.

In addition, based on the Japan-EU Cooperation on Consumer Safety and Protection document adopted at the Japan-EU Summit held in April 2008, the GOJ strengthen dialogue, utilizing the form of the Japan-EU consultations to share information on the latest developments with regard to measures.

## 18. Protection of Intellectual Property through ACTA

### BDRT Recommendation

ICT industry includes actors all along the content distribution value chain, therefore ICT industry is strongly committed to protecting intellectual property rights, including copyrights and trademarks. Consequently ICT industry supports the involvement of the Japanese and the European Authorities in the negotiations of an Anti-Counterfeiting Trade Agreement (ACTA) that would provide for a high-level international framework strengthening the global enforcement of intellectual property rights. The ACTA could lead to better international cooperation harmonised standards and better communication between authorities. As contemplated, ACTA can enable governments to make important progress toward protecting consumers and rights holders against counterfeit and pirated goods, from pharmaceuticals, to branded products, to online music or films.

ICT industry urges the Japanese and the European authorities to consult with ICT industry on the best way forward regarding the protection of goods and services of relevance for the ICT industry included within the scope of ACTA.

### Efforts implemented to date

As replied in 3-EJ-8, Japan and the EU have showed firm leadership in the ACTA negotiations by taking initiatives such as chairing two meetings in October and December 2008 respectively. As regards ICT, the discussions are ongoing, for example, through information exchanges on IPR infringement cases in participating countries on the occasion of the December meeting.

### Future outlook

As replied in 3-EJ-8, Japan will continue to play an active role in advancing the ACTA negotiations with related countries, thereby further accelerating works for the early realisation of the ACTA. The GOJ wishes to continue its efforts by taking into consideration views expressed by stakeholders including concern of ICT industries as expressed in this year's BDRD Recommendations.

## 19. Initiate a Dialogue on e-Government and Public Private Partnership (3-EJ-9)

### BDRT Recommendation

E-Government is one of the key objectives laid out in the European Commission's i2010 Action plan - and aims to bring administrations closer to citizens and businesses by providing online public services. Well developed e-Government services are also strategic for the international competitiveness of a country. E-Government enables public organisations to transform their service delivery by dismantling inefficient and costly organisational structures and focusing on the needs of the customers. The developments of e-Government services require a favourable legal environment and access to technology know-how and process management expertise. This implies considerable financial investments for the government sector.

The private sector has a crucial role to play in e-Government development and expansion. Globally the private sector invests as much as three times more than the government sector in information, communication and service technologies. Private sector participation increases competition and R&D investment, all the while allowing the public sector to reap the benefits of a well-developed e-Government sector without absorbing significant costs. Japan and EU should initiate a dialogue on e-Government and the role of the private sector in e-Government development, how partnerships between the public and private sector can be promoted in order to stimulate the e-Government development. Best practices at both EU and Japanese level should be exchanged and the establishment of joint initiatives and measures with the aim to eliminate trade barriers should be considered.

### Efforts implemented to date

The New IT Reform Strategy that was approved in January 2006 sets out a target that at least 50% of government-related applications and filings should be implemented online by fiscal 2010, with the aim of providing the world's most convenient and efficient e-government services. With regard to applications and filings for central government bodies, the Action Plan for Expanding Online Use was formulated in September 2008, targeting the applications and filings that have the greatest annual volume, and specific measures to promote utilization are being implemented, including the simplification of electronic signatures, reduced requirements for attached documents, reductions in commissions and charges and tax system incentives. Steady efforts are being made to achieve the targets, and in order to demonstrate a future vision beyond 2010 and set out a schedule for realizing this vision, the IT Strategic Headquarters compiled an IT Policy Roadmap in June 2008 and a Priority Policy Program in August 2008.

### Future outlook

Based on the New IT Reform Strategy and the Priority Policy Program, the GOJ will continue to make efforts to drastically improve online utilization and realize simple and efficient e-government.

## **Working Party 4: Joint Statement on World Trade Organization Recommendations**

### BDRT Recommendation

1.

The EJBRT has been a strong supporter of the WTO Doha Development Agenda (DDA) negotiations and calls upon political leaders in the European Union and Japan to continue their efforts for an ambitious and successful outcome of the Round. A successful Doha Round would strengthen the multilateral trading system which is crucial in a globalised world. The negotiations have entered now in a very critical phase. Due to the international agenda, this year's latter half will likely provide the last opportunity to conclude final agreement on the negotiation.

2.

A successful Doha Round would also give the necessary answer to any protectionist tendencies. The EJBRT members, who are leading global traders and investors, are strong supporters of further expanding free trade within the WTO system. A successful Doha outcome must lay the ground for sustainable and powerful growth of the world economy in the 21st century. Therefore the final outcome must be balanced and include commitments by all the major players in a globalised world.

3.

In particular, the EJBRT calls upon highly competitive emerging countries to shoulder their responsibilities as growing economic powers. The opening of the developed countries' markets have to be matched by significant trade liberalisation efforts from these emerging countries, providing real new market access for both developed and developing countries. The EJBRT is also concerned about the substantial increase in implementation periods for recently acceded members. We do agree that implementation periods can provide necessary flexibility for emerging economies, but these should not be so long as to negate the benefits of tariff liberalisation.

4.

The EJBRT recalls that a successful conclusion of the Doha Round must include ambitious tariff liberalisation and trade facilitation results in several areas. This contains reduction or elimination of industrial tariffs, improved market access for agriculture products with reductions of trade distorting subsidies, and dismantling of non-tariff barriers and creation of a new horizontal NTB mechanism, vastly improved market access in the services area, and much better harmonised WTO rules on trade facilitation, anti-dumping and subsidies.

The EJBRT notably calls for progress in the following key areas:

#### (1) Non agricultural market access (NAMA)

The EJBRT urges the Japanese and European authorities to strive for a substantial and real market opening for industrial goods. In particular, the EJBRT urges emerging economies to adopt ambitious coefficients based on the Swiss formula. The EJBRT is concerned that real liberalisation

commitments by highly competitive emerging countries will be thin on the ground because there are far too many loopholes for exceptions to trade liberalisation. European and Japanese businesses are in particular concerned about the increased flexibilities provided in the current negotiating text, which would give emerging countries the possibility to shield almost whole sectors from tariff cuts. In this light, European and Japanese businesses call for the inclusion of an ‘anti-concentration’ clause which would guarantee that countries cannot shield entire sectors from liberalisation.

The EJBDRT believes that industry-specific tariff elimination or reduction agreements among key willing sectors are essential to provide the significant market access improvements needed to spur trade growth and contribute to global economic development. However, the EU and Japan must also make clear that, in addition to OECD-countries, highly competitive emerging countries must participate fully in the sectoral process if it is to proceed.

On NTBs, the EJBDRT urges the European and Japanese authorities to strive for serious and comprehensive efforts to eliminate non-tariff barriers. Companies in the European Union and Japan attach particular importance to new rules tackling export taxes and restrictions and the creation of the enhanced and accelerated NTB mediation mechanism.

## (2) Services

The Doha negotiations must give services negotiations their due place alongside the agriculture and non agricultural market access (NAMA) negotiations. Services negotiations are also one of the three pillars of market opening negotiation and should be given a higher priority in the WTO. The EJBDRT calls upon the European Commission and the Government of Japan to press for an ambitious result in the final outcome of the DDA negotiations. The EJBDRT urges the European Commission and the Government of Japan to make substantial progress during the Signalling Conference at ministerial level. WTO members are urged to agree upon providing new market access opportunities and binding current levels of market access for further liberalisation.

## (3) Agriculture

Agricultural liberalisation is a further key component of the Doha Round. European and Japanese businesses consider that the prospects for liberalising farm trade and reducing trade distorting subsidies could not be better than they are today. The EJBDRT calls upon the European Union and Japan to use this ample opportunity to move boldly towards market-driven agricultural policies.

## (4) Rules and trade facilitation

The EJBDRT emphasises the need to improve and clarify rules on trade remedy measures. Abuse of trade remedy measures such as zeroing is obstructing free trade. The EJBDRT urges the European and Japanese authorities to take leadership in developing predictable rules, to avoid undermining the effects of

improving market access. On subsidies, we support stronger disciplines in areas such as dual pricing and below cost financing. Moreover, European and Japanese businesses recommend the successful conclusion of ambitious and binding trade facilitation agreement (TFA).

5.

The EJBDRT underlines that after seven years of negotiations it is now time to conclude the Round. However, European and Japanese businesses insist that support is conditional on negotiation of an agreement that truly liberalises trade among the major trading nations in a fair manner. A balanced deal means that both developed and emerging countries have to shoulder their responsibilities and commit to real trade liberalisation.

6.

The EJBDRT reaffirms its strong support to an ambitious and balanced outcome of the WTO DDA negotiations with real new market access for business. The EJBDRT offers the support of its members and calls upon the European Commission and the Government of Japan to intensify their joint efforts in reaching a successful conclusion of the negotiations.

#### Efforts implemented to date

1. In July 2007 the modalities text on non-agricultural market access (NAMA) was issued by the chair, and further revised versions were issued in February, May and July 2008. In addition, in July 2008 the chair's report on services negotiations was issued, with a draft text on the rules negotiations being issued in May, thus setting out further areas for discussion.
2. At the Ministerial Conference held in July 2008, consultations progressed towards a rapid formation of consensus on a modalities agreement on agriculture and NAMA. (As for services, on the occasion of the Signalling Conference at ministerial level, progress was seen in that the General Council "took note" of the chair's report on services.) The GOJ has participated in the G7 as a forum for progressing intensive discussions, and has endeavored to serve as a bridge between developed and developing countries towards the conclusion of negotiations. With regard to the Special Safeguard Mechanism (SSM) for the agricultural sectors of developing countries, there are still some differences of opinion between the United States and developing countries including India, and although an agreement on modalities has not yet been reached, the GOJ announced that on the basis of negotiations accumulated to date, it would engage with all countries in tenacious efforts towards the completion of the round of negotiations.
3. Since September 2008 negotiations on agriculture, NAMA and trade facilitation have been gradually restarted.
4. Since the marked deceleration in the global economy, from the viewpoint of rejecting the emergence of protectionist tendencies, at the Summit on Financial Markets and the World Economy (November 2008), G20 leaders agreed to "strive to reach agreement this year on modalities...." The Lima APEC Leaders' Statement on the Global Economy (November 2008) also strongly supported this position,

- with APEC leaders directing their ministers to meet in Geneva in December.
5. Given this resolve by leaders, discussions were convened by the agriculture and NAMA chairs and implemented in a focused manner, resulting in the fourth revised text on modalities for agriculture and NAMA being announced by the chairs of the negotiations on December 6, 2008.
  6. However, no significant compromises were forthcoming from major countries, and on December 12, 2008, Secretary-General of the WTO Pascal Lamy recommended that “we do not convene ministers to finalize modalities by the end of the year.” The GOJ expressed regret that the opportunity to finalize the modalities by the end of the year had been lost, but affirmed its resolve to continue with dynamic efforts aimed at realizing a rapid conclusion to the round, noting that it would also continue efforts together with other countries to prevent protectionism.
  7. On December 19, 2008, the revised chair’s text on modalities for rules was issued.
  8. Moving into 2009, from the end of January through to February discussions have gradually been restarted at the working level in areas such as agriculture, NAMA, services and rules. In addition, the GOJ has supported efforts by the WTO to monitor protectionist trade measures, and is making an active contribution to efforts to provide information as a means of boosting transparency about trade-related measures.

Throughout 2008 the GOJ has advanced active efforts to ensure a comprehensive balanced outcome in the entire process, not only in agriculture and NAMA sectors, but also in services, rules and trade facilitation negotiations and others, so as to conclude the negotiation round in the near-term. The status of progress in each sector is as follows.

#### Agriculture

The revised chair’s text on modalities was issued in December 2008. Discussions continue, seeking to find points for compromise.

#### NAMA

The revised chair’s text on modalities was issued in December 2008. Discussions continue, seeking points of compromise on tariff abolition in each sector, and with the aim of reaching convergence on other outstanding issues (country-specific provisions (South Africa, Argentina, Venezuela)).

#### Services

The Signalling Conference at ministerial level that was held on the occasion of the ministerial meeting in July 2008 (a meeting for major countries and regions to give advance notice of the content of their upcoming offers) witnessed positive progress. Following the Signalling Conference, while progress in the agriculture and NAMA sectors has been monitored, a meeting of interested countries and the regular meeting have also been held. Meetings for all sectors are scheduled to be held from the end of March to the beginning of April.

#### Rules

The chair’s text was issued in November 2007. As the text was lacking balance, including such content as acceptance of zeroing with regard to anti-dumping, Japan

joined other members in requesting revisions to the text. The revised chair's text was issued in December 2008. Points of issue that still remain are either bracketed (anti-dumping and general subsidies) or stated in question format (fisheries subsidies). In future negotiations (restarted in February), it is expected that discussions will continue on the basis of the revised text issued in December.

#### Trade facilitation

Based on the revised document compiled by the WTO Secretariat on the basis of proposals from members, negotiations on drafting of language are continuing with the aim of formulating an agreement on trade facilitation.

#### Future outlook

1. At the Informal WTO Ministerial Meeting held on January 31 in Davos, Switzerland, the participating ministers expressed their concerns about protectionist moves in a number of countries in relation to the current state of the global economy and financial sector. It is necessary to reaffirm the resolve by leaders at the Summit on Financial Markets and the World Economy to reject protectionism, and support and cooperate in the monitoring of trade measures that is undertaken by the WTO.
2. The active participation of the new United States Administration is of particular importance in the negotiation round, and while noting trends in the major countries, including the United States, the GOJ will further step up its close cooperation with other countries, using various opportunities such as the London Summit in April and the OECD Ministerial Council Meeting in June.

## **Working Party 5: Life sciences and biotechnology (LS&BT)**

### 21. The BT strategies (5-EJ-1)

#### **BDRT Recommendation**

Continue to promote, review and revise the BT strategies of both governments. Implement with a sense of urgency revised/prioritized measures for BT promotion through cooperative actions by governments and industry.

#### **Efforts implemented to date**

In December 2008 the Public-Private Council on Promotion of Biotechnology (BT) Strategy (members include the following ministers: Science and Technology Policy; Education; Health, Labour and Welfare; Agriculture, Forestry and Fisheries; Economy, Trade and Industry; and Environment, and experts in the field of BT) formulated “Dream BT Japan” as a strategy that seeks to use BT to improve quality of life and strengthen industrial competitiveness in Japan. The strategy lists 11 policy measures to be promoted through public-private cooperation, which includes a policy for promotion of BT with a view to resolving global-scale “food and environmental issues” and “commercialization of outstanding basic research results”. In addition, a Follow-up Working Group to be established within the Council to follow-up on the implementation of the strategy.

#### **Future outlook**

In accordance with the strategy laid out in “Dream BT Japan” the GOJ will work to steadily promote policies to enhance BT. The Follow-up Working Group will be convened when required to monitor progress of the strategy and engage in follow-up.

## 22. Promotion of public understanding of LS/BT (5-EJ-2)

### BDRT Recommendation

Significantly increase budget for promotion of public understanding of LS/BT. Establish “National LS/BT Understanding Promotion Plans” through a strong governmental initiative in cooperation with industry and academic sectors for the accelerated and efficient promotion of public understanding of biotechnology, particularly its contribution to broader issues of sustainability such as the food crisis, the breakdown of the environment and global warming.

### Efforts implemented to date

In “Dream BT Japan,” which was formulated as a national biotechnology (BT) promotion strategy by the Public-Private Council on Promotion of Biotechnology (BT) Strategy in December 2008, priority is placed on the promotion of national understanding about BT, and the strategy to promote BT-related information sharing, education and communication concerning risks, etc. The Council is to hold a Working Group to Promote National Understanding, which leads efforts to promote national understanding about BT.

### Future outlook

The Working Group to Promote National Understanding is convened when required and in accordance with the strategy set out in “Dream BT Japan,” it works to steadily implement policies to promote national understanding about BT, through public-private cooperation.

## 23. Innovations in pharmaceuticals and other healthcare industries (5-EJ-3)

### BDRT Recommendation

Plan and implement measures to stimulate innovations in pharmaceuticals and other healthcare industries by addressing barriers throughout the whole value chain including R&D and product pricing systems. Establish priorities in order to focus on some specific innovation domains. The “Pharmaceutical Forum” in the EU and the “Government- Industry Dialogue for Innovative Drugs and Medical Devices” in Japan are expected to accelerate the progress of measures that are interrelated in complicated ways.

- Research on technologies to predict the efficacy and safety of drugs on an individual level by using bio- and genetic markers, and the establishment of an information platform that enables citizens around the world to utilize these results.
- Collaborative actions by the EU and Japan at international discussions, such as WHO intergovernmental working groups, to counter movements that aim to weaken the intellectual property rights for drugs.
- Realization of new drug pricing systems that can evaluate the innovations of new drugs and to give incentives for further efforts to improve patient QOL in Japan.
- Improvement of the infrastructures that support innovation in medical devices and promote the industry, and the urgent strengthening of the review function for approving medical devices in Japan.

### Efforts implemented to date

- In Japan the GOJ provides active support for research concerning the search for bio-markers and studies towards the practical use of diagnostic technologies and treatments utilizing genome-related knowledge.
- The GOJ made it practice to consult with the EU in delivering its position through the entire process leading to the adoption of a global strategy on public health, innovation and intellectual property the World Health Organization (WHO) Intergovernmental Working Group (IGWG) on Public Health, Innovation and Intellectual Property, which was convened from 2006 to 2008 and the 61<sup>st</sup> Session of the World Health Assembly in 2008.
- With regard to initial drug price for new drugs (price when listed in the reimbursement scheme for the first time), in the drug pricing system revision in fiscal year 2008, the evaluation for a technical innovativeness of a new drug has come to be further enhanced through measures such as increase of premium rates in the similar efficacy comparison method and introduction of evaluation for innovativeness, efficacy and safety level into cost accounting.

In addition, with regard to the system for maintaining drug prices for reimbursement while patent is valid as proposed by the pharmaceutical industry, considerations are being advanced in the Central Social Insurance Medical Council, with the opinion of concerned persons being sought. In the Drug Pricing Expert Subcommittee convened in

July, September and December last year, explanations were heard from expert members of pharmaceutical industry and discussions are ongoing.

- In September 2008 the Vision for New Medical Devices and Medical Technology Industry was publicized, which sets out a direction for medical equipment policies as a whole, research and development into medical equipment among others, and work continues to steadily implement the Five-Year Strategy for Creation of Innovative Drugs and Medical Devices.

Also, the Action Programme for Acceleration of Medical Device Review was formulated in December 2008 with the aim of reducing the period for approval of medical equipment, and it has been decided to boost numbers of reviewers and introduce a three-track review system.

#### Future outlook

- With regard to bio-markets the GOJ will continue to actively provide support for research and will also consider the appropriate utilization of the achievements of such research.
- As the protection of IP rights on pharmaceutical products is an important issue, if there are any developments in the WHO or other bodies, to weaken such IP rights, the GOJ will basically take actions in collaboration with the EU.
- With regard to the system maintaining drug prices for reimbursement while patent is valid, points of issue were elucidated in December last year and discussions on this issue will continue in the Drug Pricing Expert Subcommittee of the Central Social Insurance Medical Council.
- In order to steadily implement the Five-Year Strategy for Creation of Innovative Drugs and Medical Devices, the GOJ will continue to engage in follow-up and based on the Action Programme for Acceleration of Medical Device Review the GOJ will move to accelerate review of medical devices.

## 24. Bio-mass based and bio-fuel products (5-EJ-4)

### BDRT Recommendation

Cooperation between the EU and Japan to increase global competitiveness in bio-mass based and bio-fuel products:

- Communications such as a joint forum on bio-mass based products/bio-fuels in order to outline issues, study ways of cooperating in the area and exchange information about wider regional collaboration such as EU-Africa and Japan-Asia
- Unification of product standards through EU-Japan cooperation
- Collaborative development of technologies to produce bio-mass based products/bio-fuels efficiently, consistently and economically by using non-edible plants in order to avoid impacting foods for human consumption
- Development and/or modification of materials by using plant biotechnologies.

### Efforts implemented to date

- (1) Based on the Biomass Nippon Strategy that was approved by the Cabinet in March 2006, the GOJ is promoting the utilization of biomass based products.
- (2) The GOJ recognizes that the introduction of bio-fuels needs to be promoted while giving due consideration to the importance of ensuring that biofuels and food supply are compatible balanced. The GOJ is promoting research and development of biofuels and production methods that ensure a compatibility with food supply, inter alia, bioethanol that utilizes cellulose-based resources such as rice straw and lumber from forest thinning.
- (3) Using such fora as the Food and Agricultural Organization (FAO) High-Level Conference on World Food Security in June 2008 and the G8 Hokkaido Toyako Summit in July 2008, the GOJ has promoted its concepts with regard to balancing bio-fuel production and food supply. In the G8 Hokkaido Toyako Summit, on the initiative of Japan, the G8 Leaders Statement on Global Food Security specified a commitment to accelerate development and commercialization of sustainable second-generation biofuels.
- (4) With regard to the establishment of standards to ensure the sustainability of bio-fuel production, consideration is being given to this issue in the Global Bioenergy Partnership (GBEP), and the GOJ is participating in discussions with the EU and other countries in this forum.
- (5) The GOJ is striving to promote cooperation with other countries, particularly in the Asian region, on the utilization of biomass products. In February 2008, an international symposium on sustainable biofuels was held in Thailand for policy makers in Asian countries, and in November 2008, the Fifth Biomass-Asia Workshop was held in China with the invitation of researchers from Asia. This cooperation includes exchanges of information and opinions on the condition of biofuel production in each country and also on future challenges.  
In addition, towards the development of a system for sustainable utilization of biomass products in Asia, the GOJ is implementing awareness-raising activities, through the creation of a database containing information from each country, and the compilation of manuals on biomass.

- (6) Based on a cooperation initiative proposed by Japan at the 2<sup>nd</sup> East Asia Summit (EAS), the Asia Biomass Energy Research Core and the Asia Biomass Energy Cooperation Promotion Office have been established, a Seminar on Biofuels was held in Japan plans to receive 500 trainees over the next 5 years to train specialists in the biomass field (so far approximately 200 trainees have been received).

#### Future outlook

- (1) The GOJ will implement basic research and human resources development toward the creation of a system for the sustainable utilization of biomass in Asia, and towards the compilation of a Biomass Town Concept.
- (2) Utilizing multilateral frameworks such as the GBEP, the GOJ will actively continue to explain the status of efforts to promote biomass in Japan and the status of progress of cooperation in Asia, to share information and opinions with other countries.
- (3) Based on the recognition that the introduction of biofuels needs to be promoted while giving due consideration to the importance of ensuring the compatibility with food supply, from a mid- to long-term perspective the GOJ will continue to promote research and development of biofuels and production methods that ensure the compatibility with food supply, inter alia, bioethanol that utilizes cellulose-based resources such as rice straw and lumber from forest thinning.
- (4) The GOJ will steadily implement cooperation based on its cooperation initiative at the EAS.

## 25. Development and production of GMO Crops (5-J-6)

### BDRT Recommendation

Organize and lead a strong ALL-JAPAN collaboration consisting of the central and local governments, public and academic laboratories, and industry to develop GMO varieties that are useful for agriculture in Japan so that GMO crops will be commercially cultivated on a wide scale in Japan in the near future.

Production of GMO crops has been rapidly increasing, with GMO cultivation now exceeding 100 million hectares around the world. In addition to North and South America, GMO production has also been increasing in Asian countries. Although strong efforts are being made in Japan in the basic research of plant biotechnology, development of commercial GMO varieties has fallen far behind the leading countries. Unless effective measures are taken soon, Japan will lose its position as a leader in biotechnology and ultimately in the global economy as well.

### Efforts implemented to date

In January 2008 the final report of the Study Group on Advancing Research and Development of Genetically Modified Agricultural Products, etc., was issued, which set out a work schedule for priority challenges. From April 2008 the Genomics for Agricultural Innovation Project was launched (with a budget of 4 billion yen for fiscal 2008), in order to solve food, environment and energy issues utilizing the results from the rice genome research. As part of this project, research and development utilizing genetic modification technologies was launched, focusing on generating GM crops with resistance to disease, tolerance to adverse conditions, enhanced functional ingredient and for bioremediation as well as super-high yield GM crops for feed and for use as biomass materials. In addition, the GOJ has engaged in the development of technologies preventing outcross between GM and non GM crops and communication activities, as a means of gaining public understanding with regard to GMO.

### Future outlook

Under the Genomics for Agricultural Innovation Project the GOJ will continue to engage in research and development focusing on generating GM crops with resistance to disease, tolerance to adverse conditions, enhanced functional ingredient and for bioremediation as well as super-high yield GM crops for feed and for use as biomass materials. In addition, efforts will be stepped up to engage in the development of hybrid reduction technologies preventing outcross between GM and non GM crops and communication activities, as a means of gaining public understanding with regard to GMO.

## Working Party 6: Sustainable Development

### 26. Introducing a system for promoting energy-efficiency

#### BDRT Recommendation

- 6-EJ-1a: It is fundamentally necessary to promote the development and production of energy-efficient products, equipment, facilities, and fuel-efficient vehicles more widespread in the short term to reduce greenhouse gases (GHG) and lessen global warming.
- 6-EJ-1b: Industries in the EU and Japan have also been focusing on developing energy-efficient products, equipment, facilities, and fuel-efficient vehicles with the goal of improving competitiveness. To accelerate the spread of them, support for establishing social and economical systems is necessary.
- 6-EJ-1c: We ask the Commission and the Japanese government to introduce policies and measures that support and promote the dissemination of energy-efficient products and equipment in offices and homes and energy-efficient houses and buildings. The Japanese members ask the Japanese government to introduce subsidies and preferential tax treatment.

#### Efforts implemented to date

Based on the Law Concerning the Rational Use of Energy, the GOJ has set energy efficiency standards through the top runner approach that targets 21 items of machinery or equipment, including household appliances and motor vehicles. The energy efficiency of products reaching target fiscal years has been steadily improving.

In order to provide appropriate information to consumers about outstanding energy efficient products, an energy efficiency labeling system, multistep evaluation of energy efficient functions, and unified energy efficiency labeling system that displays the approximate annual electrical consumption of a certain product, etc., are all currently in operation.

In addition, based on cooperation between the Ministry of Economy, Trade and Industry (METI) and the Ministry of the Environment (MOE), the Energy-Efficient Household Appliance Promotion Forum was established in 2007 as a deliberative body through which appliance manufacturers, retailers and consumer groups cooperate to promote the spread of energy efficiency appliances, and in May 2008 the Energy-Efficient Lighting Forum was established as an organization to promote the conversion to compact fluorescent lamps, with the aim of moving totally from incandescent bulbs by 2012, and is engaged in efforts to promote bulbs and lamps with outstanding energy efficiency. Furthermore, in order to promote replacement purchases of energy efficient products, through the cooperation of manufacturers and industry bodies, a system (Shinkyusan) is being established to provide CO<sub>2</sub> reduction effect analysis in real time through mobile phones or the internet, enabling consumers to find out while they are shopping in stores the amount of CO<sub>2</sub> reduction they could achieve by replacing their current product for

an energy efficient one (the system went into full operation in February 2009). In this way efforts are being made to promote the spread of energy efficient appliances.

With regard to vehicles, preferential treatment is provided for vehicles with outstanding fuel efficiency as a part of efforts towards greening of vehicle-related taxes.

With regard to measures that support and promote the dissemination of energy-efficient houses and buildings, the GOJ is implementing an assistance scheme whereby when high efficiency energy systems, including high efficiency equipment for air conditioning, hot water supply and insulation materials, and Building Energy Management Systems (BEMS) are implemented in new or existing houses and buildings, a partial subsidy towards the cost of installation is provided.

In addition, with regard to the creation of a tax credit scheme targeting those who use their own funds to newly build a structure that can be classed as a long-term outstanding house or to engage in energy efficiency-related renovations, and also with regard to energy efficiency or new energy facilities, a revised tax law has been submitted to the Diet that includes the introduction of an investment tax credit, enabling a two-year immediate amortization for such investments.

#### Future outlook

For all aspects of the tax reform, see the attached appendix.

## 27. Reduction of reliance on fossil fuels

### BDRT Recommendation

- 6-EJ-2a: In the mid- to long-term period, promoting the diversification of energy sources and reducing the reliance on fossil fuels is needed.
- 6-EJ-2b: Spreading the use of nuclear energy as one of the alternatives in electricity generation is necessary also for the reasons of energy security and availability at reasonable costs. It is vital to strengthen efforts to ensure safety and restore citizens' trust for the use of nuclear energy.
- 6-EJ-2c: In addition, the spread of renewable energy, such as solar and wind energy is necessary. In this regard, lowering costs through technological development and introducing government policies are required. The Japanese members ask the Japanese Government to develop and introduce effective systems, such as, buyback programs for private companies and subsidies to enhance the use of energy. In promoting wind power energy system's security and grid balances has to be taken into account.
- 6-EJ-2d: In promoting biomass energy and bio-fuel, the food supply such as sugar and corn for consumers should not be affected nor the wood supply for related industries. Such valuable resources should be utilized for their primary end uses and only after that for energy.

### Efforts implemented to date

#### (6-EJ-2a)

In order to develop a sustainable economy, the GOJ recognizes the importance of not only a response to global environmental issues, but also the need to enhance energy security, and to this end the GOJ is engaged in active efforts to spread and promote nuclear power generation and new energy. (For specific information on efforts to expand new energy and nuclear energy, refer to "Efforts implemented to date" from 6-EJ-2b to 6-EJ-2d).

Also, in addition to utilizing existing technologies related to new energy and nuclear energy, in order to halve global emissions of greenhouse gases by 2050, it is necessary to engage in efforts to develop innovative technologies that will contribute to a significant reduction in greenhouse gases. To that end the GOJ has formulated the Environmental Energy Innovation Plan (May 2008) and the Cool Earth – Innovative Energy Technology Program (March 2008), which specified innovative technologies to be developed with high priority (For specific information on content refer to 6-EJ-3a to 6-EJ-3b).

#### (6-EJ-2b)

Nuclear energy offers excellent supply stability and no CO<sub>2</sub> is emitted in the generation process, making it an important energy source from the perspectives of energy security and global warming countermeasures. The Action Plan for Achieving a Low-carbon Society approved by the Cabinet in July 2008 sets out a goal of raising the proportion of

zero-emission energy sources (non CO<sub>2</sub> emitting) to over 50 percent. Nuclear energy is key to reaching this target and the GOJ is promoting research and development, utilization of existing reactor facilities and the creation of new facilities, while assuring safety as the major premise. In addition, the GOJ is at the forefront of various efforts, such as those to secure a stable supply of nuclear fuel, promote the nuclear fuel cycle including plutonium thermal use plans, and raise public awareness through public hearing and public relations activities to forward the disposal plan of high-level radioactive waste.

(6-EJ-2c)

Through the comprehensive framework composed of support for R&D and the application into renewables, regulatory measures implemented through the Renewable Portfolio Standard (RPS) Law, and the voluntary measures such as certification of green energy, the GOJ is working to expand the introduction of renewable energy.

In particular, the Action Plan for Achieving a Low-carbon Society approved by the Cabinet in July 2008 sets out an ambitious goal of “increasing the amount of solar power generation installations from current numbers 10-fold by 2020 and 40-fold by 2030.” In addition, the Action Plan for Promoting the Introduction of Solar Power Generation was formulated in November 2008, and the ministries and agencies concerned are accordingly proceeding with effort to expand the introduction of solar power generation installations in all sectors, beginning from public facilities such as schools, roads and railways.

(6-EJ-2d)

Although biomass has a low energy density it is characterized by its omnipresence, and accordingly is gaining attention as an energy source for location production and consumption, in cooperation with the agriculture, forestry and fisheries industries. Under such a condition, the GOJ is advancing efforts following a dual-track approach of regulatory and support measures, namely, assistance for introduction of biomass energy through subsidy and tax credit schemes, together with the stipulations of the Law Concerning the Promotion of Quality Assurance in Volatile Fuels and the Agricultural Bio-fuels Act.

At the same time, however, the GOJ considers it necessary to ensure sustainability when bio-fuels are introduced. In particular, with regard to the introduction of food-based bioethanol, it is necessary to proceed with caution giving due consideration to the impact on stable food supply.

Based on the Declaration of the High-Level Conference on World Food Security Summit and the G8 Leaders Statement on Global Food Security at the G8 Hokkaido Toyako Summit, the GOJ is advancing measures, from a mid- to long-term perspective, towards the introduction of sustainable bio-fuels, inter alia, promotion of, R&D into cellulose-based bioethanol produced from rice straw and lumber from forest thinning that are compatible with ensuring food supply.

**Future outlook**

(6-EJ-2a)

Aiming to achieve the targets detailed in the New National Energy Strategy and the Action Plan for Achieving a Low-carbon Society (Cabinet decision, July 2008), the GOJ will continue to strive to expand the introduction of non-fossil fuel energy through fundamental enhancement of policy on new energy such as solar energy generation and biofuels, and steady promotion of nuclear energy based on the major premise that safety can be assured.

In addition, against the backdrop of recent energy security issues and global warming issues, meetings of the Coordination Subcommittee of the Advisory Committee for Natural Resources and Energy were held from October 2008 to January 2009, in which policy for enhancing the energy supply infrastructure based on the results of the alternative energy policy was discussed. Based on the content of those meetings, the GOJ is examining the possibility for legislation that would oblige energy supply businesses (power generators, electricity, petroleum and gas companies, etc.) to utilize non-fossil fuel energy sources, such as nuclear, solar and biomass, as a means of drastically expanding the spread of non-fossil fuels.

The GOJ will continue to engage in drastic reform of the energy supply infrastructure through these and other measures.

(6-EJ-2b)

The GOJ will continue to make every effort to ensure safety of nuclear energy, and by ensuring its accountability to the public, particularly in local regions, it will work to steadily promote nuclear energy, all the time endeavouring to gain further public trust. In addition, the restart of the Kashiwazaki Kariwa Nuclear Power Plant is important from the perspectives of global warming and stable supply of energy, and the GOJ is making efforts to cooperate towards the plant's smooth resumption, based on the key prerequisite of ensuring safety.

(6-EJ-2c)

In order to further expand the introduction of renewable energy, the GOJ is enhancing its support for introduction through the provision of subsidies and others, and from April 2009 an introduction subsidy will start to be provided for facilities and products such as home-use fuel cells and electric vehicles that will be launched into the consumer market at length. In addition, in taxation terms it will be possible to gain immediate initial-year amortization tax credit for the acquisition of renewable energy facilities such as solar energy generation installations. Efforts will also be promoted to further expand the grid interconnectivity volume for wind power.

(6-EJ-2d)

In order to expand the introduction of biofuels the GOJ will enhance support for the introduction and continue to make efforts towards the introduction of sustainable biofuels, inter alia, cellulose-based bioethanol, which is compatible with stable food supply.

## 28. Development of innovative technologies

### BDRT Recommendation

6-EJ-3a: It is difficult to achieve a significant reduction in GHG emissions without the development and deployment of innovative technologies over the mid- to long-term period. With this in mind, the Japanese government announced “Cool Earth – Innovative Energy Technology Program” in March. The program addresses 21 energy technologies, including carbon capture and storage (CCS), fuel-cell vehicles, and power electronics. Needless to say, it will take a lot of money and time to put them to practical use.

6-EJ-3b: Therefore, global partnerships among industry, government, and academia are fundamental for developing such breakthrough technologies. Consequently, we ask for the Commission and the Japanese government to take the initiative in establishing mechanisms for technological development.

### Efforts implemented to date

The development of innovative technologies is essential in order to halve global greenhouse gas emissions by 2050. The GOJ has formulated a number of initiatives; the “Cool Earth – Innovative Energy Technology Program” in March 2008, “Low Carbon Technology Plan” in May 2008 and “Action Plan for Achieving a Low-carbon Society” in July 2008 and is promoting technology development as stipulated in these programs. In addition, towards the implementation of the technology roadmaps set out in the “Low Carbon Technology Plan”, around 30 billion dollars will be invested over the next five years. Of this figure, 62.9 billion yen has been procured in the fiscal 2008 budget for the 21 innovative energy technologies that are highlighted for prioritization in the “Cool Earth – Innovative Energy Technology Program”. Additionally, 78.9 billion yen has been requested in the fiscal 2009 budget, with an extra 9.8 billion being requested in the fiscal 2008 supplementary budget, making a total of 88.7 billion yen, which will be used to promote technology development.

In order to accelerate the global development of innovative technologies, international cooperation is essential. Utilizing the fora such as the G8 Hokkaido Toyako Summit, the GOJ called on developed countries to enhance R&D investment in environmental and green energy technologies, and is also cooperating in the formulation of an international technology development roadmap that is being led by the International Energy Agency (IEA). In addition, the GOJ is promoting international cooperation in such multilateral fora as the Global Nuclear Energy Partnership (GNEP), Generation IV International Forum (GIF), the International Partnership for the Hydrogen Economy (IPHE), and the Carbon Sequestration Leadership Forum (CSLF), and in June 2006 the Ministry of Economy, Trade and Industry (METI) and the Directorate General for Research of the European Commission shared the intention to strengthen bilateral international cooperation into R&D in the energy sector, and specific considerations are currently being made towards achieving this strengthened cooperation.

### Future outlook

Towards the steady implementation of the Technology Roadmap, etc., the GOJ will continue to promote innovative technology development whereas acquiring the necessary budget for R&D. The GOJ is also assisting the IEA in the formulation of a technology roadmap to be completed by 2010 that can be shared internationally. Additionally the GOJ will continue to promote international cooperation in bilateral and multilateral fora, such as International Workshop on Energy Research and Technological Development jointly hosted by the Ministry of Economy, Trade and Industry (METI) and the Directorate-General for Research of the European Commission in March 2009.

## 29. Technology transfer to emerging and developing countries

### BDRT Recommendation

6-EJ-4a: To promote reductions in GHG emissions on a global scale, initiating measures equally in emerging and developing countries is essential. Addressing global warming in China and India will be a particularly big challenge. Those countries have recently been experiencing rapid increases in GHG emissions, and continued increases are expected. Thus, the dissemination of environmental and energy-efficient technologies developed by European and Japanese companies to these countries is necessary so as to contribute to reductions in GHG emissions.

6-EJ-4b: The Commission and the Japanese government should work together to enhance effective mechanisms to expand the scale of these technology dissemination. In addition, protection of intellectual property rights should be included in the mechanisms.

### Efforts implemented to date

In order that energy-efficient technology can be developed in developing countries, as a prerequisite it is essential to prepare the groundwork, to enable such countries to engage independently in efforts towards promotion of energy efficiency. Japan has held public-private sector forums for energy efficiency with China and India, and in addition to support regular information sharing cooperation within the private sector, in the forum of the Asia-Pacific Partnership (APP) on Clean Development and Climate the GOJ and the Japanese private sector are promoting together various technical cooperation by sector, with the aim of reducing GHG emissions. In addition, e.g. through testing Japan's outstanding technologies in developing countries, energy efficiency model programs are being implemented to promote technology dissemination.

Furthermore, given the importance of maximizing the use of business-based efforts for technology dissemination, the GOJ established the Japan Business Alliance for Smart Energy Worldwide in October 2008.

### Future outlook

In addition to steady implementation of expert dispatch to developing countries, acceptance of trainees to Japan, and supporting efforts to promote energy efficiency through construction of systems, human resources development and improving awareness, the GOJ will continue to endeavor to overcome the challenge of appropriate protection of intellectual property rights in the business environment, etc. The GOJ will also engage in efforts to gain an understanding of the latest situation regarding technology dissemination, identify barriers to dissemination, consider promotion policies for dissemination, and review results of efforts to date. In order to accelerate

technical cooperation in a format through which both developing and developed countries engage in efforts together, in the fora such as United Nations negotiations, the GOJ will work to emphasize the establishment of an advisory group on technology by sector, comprised of members from the public and private sectors.

### 30. Promoting forestation (6-EJ-5)

#### BDRT Recommendation

6-EJ-5a: Forestation and plantations should be promoted by the European Commission and the Japanese Government in line with the plan of United Nations Environment Program UNEP, which supports the development and implementation of environmentally sound and socially equitable carbon sequestration projects. The UNEP plan for the Planet Billion Tree Campaign encourages the planting of trees in four key areas, namely; degraded natural forests and wilderness areas, farms and rural landscapes, sustainably managed plantations and urban environments. Forestation provides a renewable carbon sink and sustainable raw material source not only for the industry but also for biomass energy and bio-fuel. Acquiring and planting forests should be accepted as emission reduction effort as a true Carbon Sink.

6-EJ-5b: With advanced forest management practices both output and stock of CO<sub>2</sub> in forests can be optimized by keeping the sustainable biodiversity in balance. An international value chain based prioritization of wood raw material utilisation should be agreed upon without delay in order to ensure the most rational use of forests. Energy policies must ensure that competition of wood raw material will not be realized through illegal logging or similar phenomena.

#### Efforts implemented to date

Based on the forestry plan system, the GOJ is engaged in appropriate forest management including thinning, renewal of cleared areas and afforestation, in order that forest can serve as a sustainable carbon sink for CO<sub>2</sub> protect the reproduction functions of lumber resources and conserve biodiversity. Additionally, to expand demand for wood, which is a natural, environmentally friend resource, the GOJ is engaged in effort to promote various effective use of wood depending on purpose based on species of wood and their characteristics. Efforts are also being made to develop new demand for forest resources, including use as a resource for biomass energy.

The GOJ is also actively involved in bilateral and multilateral international cooperation to actively promote conservation of forests and afforestation, including measures against illegal logging in developing countries. Additionally, the GOJ has introduced measures for government procurement of paper products and public buildings, etc., where products, which have been certified as being sourced in a rational and sustainable manner, are subjects for the procurement.

#### Future outlook

In order to secure forest absorption volume of 13 million tons based on the Kyoto Protocol, the GOJ will continue to promote appropriate management and conservation of forests. To this end, through the development of a public-private national movement, it is intending to actively promote the expanded use of forestry resources arising from forestry development and thinning implemented by a diversity of organizations and

bodies. In addition, also in private sector procurement, the GOJ will promote the use of wood and wood products that have been certified as being sourced in a rational and sustainable manner.

Furthermore, the GOJ will continue to actively support conservation of forests and afforestation including measures against illegal logging in developing countries.

### 31. Post-Kyoto Protocol framework

#### BDRT Recommendation

We ask for the Commission and the Japanese government to take the lead together in establishing an international framework for the post-Kyoto Protocol that goes into effect in 2013. In doing so, we request that the points below be given due consideration.

6-EJ-6a: It is vital to have the participation of all major carbon-emitting developed countries including the United States and developing countries such as China and India. They should assume appropriate responsibilities under common rules.

6-EJ-6b: The ultimate goal of addressing global warming is to stabilize GHG concentration in the atmosphere at a level that would not endanger the climate system. Major carbon-emitting countries should agree on specified numerical value of GHG concentration and share reasonable and feasible mid-term (the year 2020-30) and long-term (the year 2050) targets of reducing and deterring GHG emissions to achieve the value of the concentration.

#### Efforts implemented to date

(6-EJ-6a)

Aiming for the construction of a fair and effective post-2013 international framework in which all major economies participate in a responsible manner, the GOJ is taking the lead internationally and it has been closely involved in making calls at various levels to major economies in particular such as the United States, China and India.

The GOJ has urged the United States in bilateral meetings, including those at summit level and in the forum of international meetings to strengthen measures to counter global warming and to participate actively in a post-Kyoto framework. The GOJ has also called on China and India, in addition to various meetings and consultations, including at the summit level, through the compilation of bilateral and multilateral joint documents.

At the G8 Hokkaido Toyako Summit in 2008, in its position as the presidency of the G8, the GOJ took the lead in discussions with the result that the G8 leaders agreed that they seek to share with all Parties to the UN Framework Convention on Climate Change (UNFCCC), and together with them consider and adopt in the UNFCCC negotiations, the long-term target of achieving at least 50% reduction of global emissions by 2050 and that they acknowledged their leadership role and implement ambitious mid-term quantitative target of their countries, in order to achieve absolute emissions reductions, reflecting comparable efforts among all developed economies.

In addition, at the Leaders Meeting of Major Economies on Energy Security and Climate Change held on the occasion of the G8 Hokkaido Toyako Summit, the Declaration of the Leaders of Major Economies was issued, which stating that they support sharing of a long-term global target for emission reductions aimed at achieving a low carbon society, that the developed major economies will implement mid-term targets of their countries and implement actions in order to achieve absolute emission

reductions, reflecting comparable efforts among them, whereas the developing major economies will pursue nationally appropriate mitigation actions with support, with a view to achieving a deviation from business as usual emissions.

(6-EJ-6b)

At the G8 Hokkaido Toyako Summit in 2008, in its position as the presidency of the G8, the GOJ took the lead in discussions with the result that the G8 leaders agreed that they seek to share with all Parties to the UN Framework Convention on Climate Change (UNFCCC), and together with them consider and adopt in the UNFCCC negotiations, the long-term target of achieving at least 50% reduction of global emissions by 2050 and that they acknowledged their leadership role and implement ambitious mid-term quantitative target of their countries, in order to achieve absolute emissions reductions, reflecting comparable efforts among all developed economies.

In addition, at the Leaders Meeting of Major Economies on Energy Security and Climate Change held on the occasion of the G8 Hokkaido Toyako Summit, the Declaration of the Leaders of Major Economies was issued, which stating that they support sharing a long-term global target for emission reductions aimed at achieving a low carbon society, that the developed major economies will implement mid-term targets of their countries and implement actions in order to achieve absolute emission reductions, reflecting comparable efforts among them, whereas the developing major economies will pursue nationally appropriate mitigation actions with support, with a view to achieving a deviation from business as usual emissions.

In order to realize the long-term target of reducing global emissions by half by 2050, the GOJ has set the target of reducing Japan's emissions by 60 to 80% by 2050, and ensuring that global emissions peak out over the next 10 to 20 years.

With regard to mid-term targets, as of February 2009, in order to indicate the public some options, the GOJ is implementing examination based on scientific analysis in an open forum that includes experts, which is comprehensively grasping the impact reductions emissions would have on the environment, economy and energy. Also based on the results of this examination, the mid-term target is due to be announced by June 2009.

At the 14<sup>th</sup> Conference of Parties of United Nations Conventions (COP) in December 2008, the GOJ explained the proposal announced at the G8 Hokkaido Toyako Summit on the sharing of a long-term target to reduce emissions by half by 2050, and participated actively in discussions.

#### Future outlook

(6-EJ-6a)

Aiming to reach agreement on an effective post-Kyoto framework at the 15<sup>th</sup> Conference of the Parties (COP) to be held in December 2009, the GOJ will continue to call strongly on major economies, including the United States, China and India, and, utilizing the fora of the 2009 G8 Summit and the Second Leaders Meeting of Major

Economies on Energy Security and Climate Change, will actively contribute to international negotiations.

(6-EJ-6b)

The GOJ will continue to call for all parties to the UNFCCC to share and adopt the long-term target of achieving at least 50% reduction of global emissions by 2050. In addition, in order to realize this long-term target the GOJ will aim to ensure that global emissions peak out over the next 10 to 20 years.

Furthermore, Japan's mid-term target for emissions reductions will be announced in June 2009.

## 32. Post-Kyoto Protocol framework

### BDRT Recommendation

- 6-EJ-6c: In setting mid-term targets, it is effective for major carbon-emitting countries to work together to calculate GHG reduction amounts based on energy efficiency indicators or Best Available Technology indicators and aggregate them by sector. In addition to the industry sector, the transportation and commercial/household sectors should be included in this sectoral approach. Also, this aggregation method should be used to set a quantified national GHG emission reduction target.
- 6-EJ-6d: A sectoral approach, as part of a global post-2012 agreement, ensures that countries can set equitable quantified national reduction targets and promote technological development and dissemination of technology to developing countries. It is an effective measure that enables the participation of many countries, including developing ones.
- 6-EJ-6e: It is difficult to set fair and equitable caps using a cap-and-trade emission trading scheme. We have to carefully assess whether the scheme contributes to effective reductions in emissions, enables companies to compete and develop on equitable terms in global markets, and promotes the development of innovative technology to prevent global warming in the long term. Effects of the scheme on global industrial competitiveness and a risk of carbon leakage should be considered.

### Efforts implemented to date

(6-EJ-6c, d)

The sectoral approach, under which the sectors are divided to industry, electric generation, household, office work and transport, etc., lead to considerations of appropriate measures taking into account the situations of each sector. The GOJ recognizes that the sectoral approach is extremely important towards the creation of an international framework for beyond 2013 that is fair and effective and will lead to a fair burden among developed countries and substantive emissions reductions in developing countries. To this end the GOJ has utilized various fora such as the international workshop in October and the industry ministers meetings on sectoral cooperation in November 2008 to promote understanding among countries on the effectiveness of the sectoral approach.

With a view to setting a mid-term target for Japan, the Mid-term Target Deliberation Council was established in October 2008, which is engaged in examination of options for setting of targets in a scientific and comprehensive manner and is making international comparisons and examining the potential for target achievement, focusing on reduction potential by sector..

In addition, in the Asia-Pacific Partnership (APP) on Clean Development and Climate, which is the forum for putting the sectoral approach into practice, efforts are being implemented jointly between the public and private sectors towards technology transfer

and dissemination. The APP reached achievements such as development of a handbook with collection of outstanding technologies and practices, the collection of data including indicators, independent introduction of technology in a steel plant in China, which was resulted from the energy efficiency and environmental analysis for China and India.

(6-EJ-6e)

With regard to domestic emissions trading schemes in Japan, the GOJ decided the launch of the “experimental introduction of an integrated domestic market for emissions trading” (Cabinet decision of July 29, 2008) under the Action Plan for Establishing a Low Carbon Society and following a decision by the Council on the Global Warming Issue on October 21, 2008, it has started to call for participants on the same day. As a result of active efforts to urge companies and other organizations to participate in the scheme, through the holding of explanatory meetings to all industries around the country, until December 12, 2008, which was the intensive application period, a total of 528 applications from companies and other organizations had been received. The breakdown is as follows:

- (1) “Target-setting participants” – companies setting their own energy targets, etc.: 455 companies
  - (2) “Trading participants” – trading companies, etc., dealing exclusively in trading transactions: 60 companies
  - (3) Businesses reducing emissions using the domestic credit system: 13 companies
- With major companies applying to participate from the major emitting industries such as power generation, steel and chemicals, the total emissions of companies participating in target setting is about 70% of the entire industrial sector, with many types of industries and companies stepping forward eagerly to participate.

#### Future outlook

(6-EJ-6c, d)

In March 2009 the GOJ will hold a workshop on the sectoral approach together with the European Commission and the Polish Government, with the aim of advancing understanding on specific methodologies. The GOJ will continue to make active efforts through United Nations process and the forum of the G8 Summit among others, to ensure that Japan’s proposals for utilization of a sectoral approach are reflected in a future framework.

The Japan’s mid-term target will be decided by the government at the latest by June 2009, based on scientific and comprehensive examination, and also with due reference to the status of international negotiations.

In addition, the GOJ continues to engage, through APP under which the public and private sector are cooperating, etc., in promoting technology transfer to developing countries and emission reductions by the technology transfer.

(6-EJ-6e)

In the future, based on the experiences of this experimental trading scheme, the GOJ will clarify the conditions and structural challenges that will need to be met for full implementation, create a scheme that is tailored to the characteristics of Japan, and also take the lead in fora dealing with the creation of international rules.

### 33. Industry efforts and raising public awareness

#### BDRT Recommendation

6-EJ-7a: To achieve a fair and cost efficient share of reduction efforts for all relevant stakeholders, a comprehensive integrated approach is necessary. The integrated approach identifies the cost efficient reduction potentials in each sector. European and Japanese industries have been developing technologies, such as those for energy-saving products and fuel-efficient vehicles, as mentioned above. They have also made efforts to reduce GHG emissions through the total product life cycle – from green procurement and production innovation to recycling – so as to reduce the burden on the environment. Moreover, both industries have been working hard on promoting energy-efficiency in factories and offices and reduced GHG emissions from 1990 levels. We will continue to work further to reduce GHG emissions.

6-EJ-7b: On the contrary, GHG emissions from the residential sector have been increasing. Therefore, it is vital to raise public awareness to reduce carbon dioxide emissions. In Japan, companies have been encouraging their employees' families to use "household eco-account books" to both raise awareness and monitor carbon dioxide usage. We ask the Japanese government to provide activities that enlighten all citizens, such as by having better environmental education in children's compulsory education and adopting daylight-saving time.

#### Efforts implemented to date

Since 2005 a nationwide initiative known as "Team Minus 6%" has been promoted, led by the Prime Minister and assisted by the Minister of the Environment, towards mitigation of global warming. Under this initiative, various activities have been widely undertaken, including promoting of "Cool Biz," with people encouraged to adopt a business wear style suitable for working in an environment where the air conditioning is set to 28 degrees Celsius, in order to facilitate changes of work and lifestyle. As of the end of February 2009, a total of approximately three million individuals and 28,000 companies and organizations are supporting these activities by participating in the initiative as team members.

In addition, as one measure towards reducing carbon dioxide emissions from the residential sector, the GOJ is promoting the dissemination of online "household eco-account books" under the title of "Eco Family."

The realization of a low carbon society requires a transformation in people's lifestyles, and a move to daylight-saving time would be one method of sharing a common consciousness among the entire public. To that end, the GOJ is following the status of deliberations on a daylight-saving bill that is being considered by lawmakers, engaging in basic research about the cost and effect of introducing a daylight-saving system and considering the working environment towards the introduction of the time, including revisions to various systems pertaining to administrative affairs.

As for strengthening curricula for the energy and environment in the compulsory

education, the GOJ, under cooperation by the relevant ministries and agencies, is implementing measures, which strengthen the environment education, and promoting the environment curricula in the compulsory education.

#### Future outlook

The GOJ will continue to implement “Team Minus 6%” and advance measures to reduce GHG emissions and to create a low carbon society in the longer term.

In addition, the GOJ will work to disseminate “household eco-account books,” make efforts to support household efforts and boost public awareness about emissions reductions in the home.

With regard to the introduction of a daylight-saving time system, the GOJ hope that deliberations by lawmakers will come to a speedy conclusion.

As for strengthening curricula for the energy and environment in the compulsory education, the GOJ continues to make efforts, under cooperation by the relevant ministries and agencies, to promote the environment curricula in the compulsory education, through implementing measures, which strengthen the environment education.

(Appendix)

### Tax System-related Proposals

In the annual tax reform process, decisions are made on requests and opinions submitted to the tax authorities by each ministry and agency, bearing in mind factors including economic circumstances, financial situation and discussions held by the Government Tax Commission and the Tax Commission of the ruling parties. Each ministry and agency refers to the opinions gathered at various levels, including proposals raised by the BDRT, when compiling its tax reform requests. These opinions have been reflected in the tax reforms that are made every year.

Tax system-related proposals have been made for the following items in the recommendations from the 10<sup>th</sup> Japan-EU BDRT meeting.

- WP 1: Trade and Investment

9. Promoting foreign direct investment

(1) Tax deferrals for capital gains stemming from stock swaps

- WP 2: Tax and Accounting Issues

10. Tax and Accounting Issues

(5) Reform of the consolidated tax system

(7) Corporate accounting and tax practice

(8) tax heaven regulations

(9) A new tax regime in which foreign dividends paid to Japanese corporations

(10) Reducing corporate tax rates

(11) a specific tax-advantaged scheme to encourage the development of individual preparation for retirement

WP6: Sustainable Development

26. Introducing a system for promoting energy-efficiency

GOJ will refer to these proposals when they seem appropriate from the standpoint of improving the business environment.