

**(Tentative Translation)**

**Report from the Government of Japan**

**Concerning the Recommendations of**

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

June 2022

Note: The content of this report is based on the situation as of May 31, 2022.

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

## Contents

<b>Working Party 1: Trade Relations; Investment and Regulatory Cooperation; Financial Services, Accounting and Taxation.....</b>	<b>3</b>
1. WP-1 / #01* / EJ to EJ: Strengthening the EU-Japan Economic Relationship Post-EPA .....	3
2. WP-1 / #02* / EJ to EJ: Recommendations for an ambitious multilateral trade agenda toward the next WTO Ministerial Conference in Geneva.....	4
3. WP-1 / #03* / EJ to EJ: Applying international standards and enhancing regulatory cooperation .....	4
4. WP-1 / #05* / EJ to EJ: Recommendation on BEPS Action Plan, Financial Transaction Tax and Other Tax Issues .....	6
5. WP-1 / # 06* / EJ to EJ: Commence negotiations on bilateral/regional agreements on personal movement under the COVID-19 pandemic .....	7
6. WP-1 / #13* / E to J: Travel restrictions and quarantine under COVID-19 .....	7
7. WP-1 / #07* / E to J: Harmonisation & mutual recognition of standards and product certifications; acceptance of international standards where applicable .....	8
8. WP-1 / #08* / E to J: Self-verification and risk assessment.....	10
9. WP-1 / #09* / E to J: Automobiles.....	10
10. WP-1 / #10* / E to J: Freight and logistics.....	10
11. WP-1 / #11* / E to J: Retrospective application of the EPA.....	11
<b>Working Party 2: Life Sciences and Biotechnologies, and Healthcare and Well-being .....</b>	<b>12</b>
1. WP-2 / #07* / EJ to J: Careful application of Health Technology Assessment (HTA) .....	12
2. WP-2 / #08* / EJ to J: A harmonized approach for integration of health-related data and construction of data health infrastructures .....	12
3. WP-2 / #10* / EJ to J: Fostering bio-economy by encouraging small-to-mid-sized enterprises, such as start-up companies .....	12
4. WP-2 / #11* / EJ to J: The review period for Biotechnology products should be shortened .....	13
<b>Working Party 3: Digital Innovation and Mobility .....</b>	<b>14</b>
1. WP-3 / #01* / EJ to EJ: Cooperation for Global Digital Trade Rule Making.....	14
2. WP-3 / #02* / EJ to EJ: Deployment of AI .....	15

3. WP-3 / #08\* / EJ to EJ: Skill Development for Digital Economy .....15
4. WP-3 / #09\* / EJ to EJ: R&D cooperation.....15

**Working Party 4: Environment and Sustainable Development .....16**

1. WP-4 / #01 / EJ to EJ: Measures and policies of both authorities against climate change.....16
2. WP-4 / #02 / EJ to J: Promotion of resource efficiency and the circular economy16
3. WP-4 / #03 / EJ to EJ: Realization of a resilient and comfortable life.....16
4. WP-4 / #04 / EJ to EJ: Promoting optimization of city management .....17

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

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

#### **Post-EPA**

##### **Enhancing Regulatory cooperation**

Japan and the EU will continue discussions on regulatory cooperation through the Specialised Committee on Regulatory Cooperation as stipulated in the Japan-EU Economic Partnership Agreement (EPA). In the third meeting of the Committee held in December 2021, both sides shared information on the impact assessment mechanism for the major regulatory measures being drafted, among other items.

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

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

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

Industry groups are also taking the initiative in developing systems related to origin certification to facilitate relevant procedures and coordinate with suppliers. METI features and recommends their examples in its “Guidelines for Proper Trading in the Automotive Industry”.

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

Japan values the EU’s Global Gateway. At the 28th Japan-EU Summit in 2022, both sides recognized the importance of jointly improving connectivity through Quality Infrastructure, and confirmed to continue cooperation based on the Japan-EU

Connectivity Partnership. Japan continues to support the efforts to enhance cooperation among institutions under the respective memorandums of understanding between the Japan Bank for International Cooperation (JBIC), the Japan International Cooperation Agency (JICA), or the Nippon Export and Investment Insurance (NEXI), and the European Investment Bank (EIB), and such initiatives as investment promotion in developing countries that meet funding demand from the private sector. Japan will also follow up with the EU-Japan Centre for Industrial Cooperation, JETRO, and other organizations to promote joint investments in third countries.

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

Through the Japan-UK Summit meeting on May 5, 2022 and other occasions, the Government of Japan has called for an early resolution, through talks between the UK and the EU on the issues concerning the Northern Ireland Protocol as part of the EU-UK Withdrawal Agreement to ensure that Japanese companies operating in the UK and the EU would not be affected. Japan's overseas missions are also working to assess the impact of Brexit on Japanese businesses in the region. The Government of Japan will continue to offer them appropriate support as necessary.

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

The World Trade Organization (WTO) is the cornerstone of the rules-based multilateral trading system, but the organization continues to face a variety of issues due to its inability to fully address new challenges that include protectionist movements and digitalisation amid the novel coronavirus pandemic. In light of this situation, the Government of Japan is actively participating in discussions at various WTO meetings, including meetings for exploratory work and other such gatherings as the G7 Trade Ministers' Meeting hosted by Germany and the Japan-US-EU Trilateral Trade Ministerial Meeting, recommenced in the late November 2021; it is also engaged in preparatory work for the 12th WTO Ministerial Conference scheduled for June 2022. The Government of Japan will continue its active contribution to discussions on the modernization of the multilateral trading system and WTO reform that includes the reform of the Appellate Body, allowing the WTO to fully address the ongoing challenges.

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

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

The EU and Japanese regulatory authorities share information and exchange views

on regulatory cooperation at meetings of the Japan-EU Industrial Policy Dialogue Working Group on Chemicals. Specifically, the two sides shared information on developments in chemicals management regulations and exchanged opinions on the risk assessment of chemical substances and its methods at the sixth Chemicals WG meeting held in September 2021.

Both sides will continue sharing information and exchanging opinions on chemicals management. Japan also seeks to boost cooperation with the EU based on international schemes such as the OECD Test Guidelines, OECD Principles of Good Laboratory Practice (GLP), Mutual Acceptance of Data (MAD), UN's Globally Harmonized System of Classification and Labelling of Chemicals (GHS), and the Stockholm Convention on Persistent Organic Pollutants.

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

Japan will continuously contribute to international cooperation on energy efficiency through organizations that include working groups introducing best practices in energy efficiency policies and regulations under the framework of the Energy Efficiency Hub initiated by the International Energy Agency (IEA), and other programs.

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

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

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

The Government of Japan has cooperated in formulating international regulations for automated vehicles and environmental regulations by participating in the World Forum for Harmonization of Vehicle Regulations (WP.29) under the United Nations Economic Commission for Europe as well as holding regular bilateral meetings with the European Commission to mutually recognize the various challenges presented at WP.29.

Recently, an amendment to the UN Regulation on Automated Lane Keeping Systems (ALKS) was adopted at WP.29 with the cooperation of Japan, EU, and other members.

In addition, the Government of Japan and the European Commission have actively contributed to ensuring the safety of automated vehicles by, for example, co-chairing a working group on Advanced Emergency Braking System set up at WP.29. With the international community expected to step up its efforts to achieve carbon neutrality, the

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

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

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

Japan and the EU confirmed their continued cooperation regarding sanitary and phytosanitary measures at the third meeting of the Joint Committee of the Japan-EU EPA in March 2022 in addition to the third meeting of the Specialised Committee on Sanitary and Phytosanitary Measures in December 2021. Both sides will continue science-based discussions to achieve the objective of expanding food and beverage exports.

#### **6. Achieve carbon neutrality**

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

### **WP-1 / #05\* / E.J to E.J: Recommendation on BEPS Action Plan. Financial Transaction Tax and Other Tax Issues**

#### **BEPS Action Plan**

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

In response to the project's recommendations, the Government of Japan has given due consideration to the potential compliance costs for businesses as well as predictability for compliant taxpayers through hearings with the business community and relevant

authorities when designing its domestic tax systems and relevant procedures.

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

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

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

### **Other Tax Issues**

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

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

To address the tax challenges arising from the digitalisation of the economy, more than 130 countries and jurisdictions of the OECD/G20 “Inclusive Framework on BEPS” reached an agreement on a two-pillar solution in October 2021. The Government of Japan will continue to contribute to the ongoing international discussions as well as to carry out necessary considerations towards the amendment of domestic laws.

### **WP-1 / #06 / EJ to EJ Commence negotiations on bilateral/regional agreements on personal movement under the COVID-19 pandemic**

### **WP-1 / #13\* / E to J: Travel restrictions and quarantine under COVID-19**

From March 1, 2022, the Government of Japan no longer requires returnees and entrants from non-designated countries and regions who have already had a third dose of a COVID-19 vaccine approved for use in Japan to quarantine at home or other accommodations after entering Japan if they have received negative result after the test



for the coronavirus upon arrival.

**WP-1 / #07\* / E to J: Harmonisation & mutual recognition of standards and product certifications: acceptance of international standards where applicable**

**Automobiles**

A transitional period up to seven years was agreed upon after years of Japan-EU EPA negotiations. Japan currently does not recognize the need to revise the content, but four UN regulations listed in the Japan-EU EPA Annex 2-C (Motor Vehicles and Parts) have made steady progress, with two regulations adopted as domestic regulations early into the seven-year period.

In the fields of emissions and fuel consumption, a new regulation (UNR 154) of the Worldwide harmonized Light vehicles Test Procedure (WLTP) was established in June 2020, and the Government of Japan grants mutual recognition of approval, including emissions limits, under the 1958 agreement from the date of entry into force.

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

Japan and the EU plan to hold a third meeting of the Japan-EU EPA working group on motor vehicles and parts in June 2022 and exchange views on industrial policies and regulations. The Government of Japan hopes to continue its activities to promote the harmonization of international regulations, through dialogues with the EU including the working group.

**Railways**

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

The Government of Japan has established a ministerial ordinance on "Technical Regulatory Standards" and the nonbinding "Approved Model Specifications," with specific and numerical interpretations provided. The English translation of these standards is available on the following website: ([http://www.mlit.go.jp/english/2006/h\\_railway\\_bureau/Laws\\_concerning/index.html](http://www.mlit.go.jp/english/2006/h_railway_bureau/Laws_concerning/index.html))

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

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

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

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

### **Processed food**

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

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

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

### **WP-1 / #08\* / E to J: Self-verification and risk assessment**

Japan framework for RF technical standards conformity certification now permits the self-verification of the conformity to technical standards by manufacturers and other entities with regard to the wireless devices less likely to disrupt other radio stations.

Authorities continue ramping up the categories of wireless devices that can be self-verified as far as not disrupting other radio stations or adversely affecting human health.

Careful consideration must be given to the concerns that non-conforming base station equipment with high antenna power could cause disruption/interference in other radio stations and excess over safety limits for human exposure.

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

Under Japan's current system, medical devices including non-invasive medical devices are classified based on their risk level in a way that conforms to international standards, and undergo different procedures for each classification. Devices considered extremely low risk to the human body even if defects are found, are classified as general medical devices (Class I), and are permitted to be marketed by submitting notification (i.e., self-confirmation of conformity) to the Pharmaceuticals and Medical Devices Agency (PMDA).

### **WP-1 / #09\* / E to J: Automobiles**

Tax incentives for Kei cars have been introduced as a social policy, taking into consideration Japan's specific circumstances such as its higher population density relative to land mass. These incentives also make vehicle purchase easier for people living in rural areas who depend on cars to support their daily life. The rationale behind such incentives remains valid.

Japan is of the view that the taxation system is an issue to be discussed through domestic tax reform process in each country. As regards the Mini-Vehicle Tax Ownership Tax on Kei cars, the tax gap between passenger cars and Kei cars narrowed after the tax on Kei cars was raised in April 2015 and the tax on passenger cars was lowered in October 2019.

### **WP-1 / #10\* / E to J: Freight and logistics**

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

**WP-1 / #11\* / E to J: Retrospective application of the EPA**

Under the Japan-EU EPA provisions, Japanese authorities request importers to provide explanations (materials) proving that their shipments meet the EPA requirements when submitting an import declaration, but importers who use the exporter self-assessment system are not obligated to provide explanations (materials) that are not available other than the exporter self-assessment text. Japanese authorities have informed operators of this treatment on the Japan Customs website and at seminars, and will make further efforts to disseminate this information. Importers unable to prepare the necessary documents to apply for EPA tariff rates due to time constraints can use the Before Permit (BP) system that allows importers to receive goods before paying customs duties on the condition of providing a certain amount of collateral.

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

### **WP-2 / #07\* / EJ to J: Careful application of Health Technology Assessment (HTA)**

The assessment results of the Health Technology Assessment (HTA) system are not used for making decisions on health insurance reimbursement but for adjusting prices after reimbursement. So far, 31 drugs have been selected for the assessment, with the prices of 11 items adjusted.

Regarding the revision of medical fees in fiscal 2022, Japanese authorities have recently reviewed the operation and assessment guidelines with the current framework maintained. Authorities will continue discussions at the Central Social Insurance Medical Council after gathering the assessment cases and seeking views from the relevant parties.

### **WP-2 / #08\* / EJ to J: A harmonized approach for integration of health-related data and construction of data health infrastructures**

Japan has started to accelerate “Data-based Health Management Initiatives” to help extend each Japanese citizen’s healthy life expectancy and provide more effective and efficient medical and long-term care services. Examples include the promotion of genomic medicine and AI technology, promotion of personal health records (PHR) to help improve daily life habits, promotion of utilising medical records in medical institutions and long-term care institutions, and promotion of effective utilisation of databases.

### **WP-2 / #10\* / EJ to J: Fostering bio-economy by encouraging small-to-mid-sized enterprises, such as start-up companies**

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

Japan will strengthen measures to support venture businesses and promote startup companies by disseminating information through one-stop service centers and providing consultation and network assistance with support organizations. Japan will also coordinate with the bio-community as a regional industry-academia-government biotechnology network to attract investments from home and abroad through seminars, pitch events, and other activities.

**WP-2 / #11\* / EJ to J: The review period for Biotechnology products should be shortened**

Japan is working to harmonize data requirements and dossiers with the OECD. However, review reports published in Japan must be prepared in Japanese, and the submission of dossiers required for the review in English may prolong the review period.

In Japan, the registration of pesticides requires safety assessments based on domestic applications and amounts in food, which means the assessment results in other countries cannot be used as they are.

Japanese authorities require applicants to conduct confined field testing for the purpose of identifying the characteristics of crops growing under natural conditions in Japan. Abolishing confined field testing is inappropriate because data obtained solely from other countries with different natural conditions cannot determine the impact on Japan's biodiversity. Corn and cotton, however, do not require confined field testing as long as they meet certain conditions based on scientific findings, such as the absence of wild species capable of cross-breeding in Japan and the alternation of generations not occurring in the domestic environment. Authorities will consider reviewing the testing as necessary based on their experience and scientific knowledge of biodiversity impact assessments.

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

#### **WP-3 / #01\* / EJ to EJ: Cooperation for Global Digital Trade Rule Making**

The Government of Japan intends to launch a negotiation with the EU to include data flows into the Japan-EU EPA taking into account inter-alia exceptions for legitimate public policy objectives, based on appropriate mandates.

Moreover, the Japan-EU Digital Partnership was launched at the Japan-EU Summit held in May 2022. Under this partnership, Japan and the EU will promote comprehensive cooperation in the digital field, including digital trade and Data Free Flow with Trust (DFFT).

Japan has held multiple rounds of talks with Europe and the United States with the aim of developing international environment for the safe and smooth cross-border transfer of personal information based on the initiative of DFFT. In addition, Japan has worked with Europe and the United States in leading the OECD discussions aimed at developing high-level principles on trusted government access and other discussions on data localisation. Furthermore, Japan and the EU are in the process of reviewing the mutual data adequacy arrangement.

As for collaborations with Japan and its partners, the G7 Digital Ministers' meeting was held in Germany in May 2022 at which the Ministers reaffirmed the following points:

- (1) Confirmed the importance of DFFT among G7 countries.
- (2) Reaffirmed democratic values and the determination to address measures limiting the benefits of DFFT, and opposed digital protectionism.
- (3) Recognized G7 countries' varied approaches to data governance, and agreed to continue cooperation in addressing the challenges raised particularly in regard to security, privacy, data protection, and protection of intellectual property rights.
- (4) Reaffirmed to strengthen efforts to further common understanding among G7 countries and work toward identifying commonalities, complementarities, and elements of convergence between existing regulatory approaches and instruments enabling dataflow with trust in order to foster future interoperability.
- (5) Adopted a G7 Action Plan for promoting DFFT.
- (6) Expressed commitment with the adoption of the above G7 Action Plan toward building on commonalities to foster future interoperability, continuing regulatory cooperation, strengthening the evidence base for DFFT, and promoting DFFT in the context of digital trade.

Regarding ITA (Information Technology Agreement)/ITA expansion, Japan will continue discussions with the relevant parties to increase the number of participants and expand the range of product coverage, and appropriately respond to any trade concerns over the target items.

### **WP-3 / #02\* / EJ to EJ: Deployment of AI**

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

### **WP-3 / #08\* / EJ to EJ: Skill Development for Digital Economy**

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

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

At the meeting of the Japan-EU Joint Committee on Cooperation in Science and Technology held online in November 2021, the Government of Japan and the European Commission discussed researcher exchanges and ways to strengthen strategic research and development. Japan will continue to deepen the understanding of Horizon Europe and explore opportunities for collaboration through discussions with the EU side.



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

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

Japan has announced its aim to reduce greenhouse gas emissions by 46 percent by fiscal 2030 from fiscal 2013 levels as an ambitious target aligned with its long-term goal of achieving net-zero by 2050, and will continue strenuous efforts in its challenge to meet the lofty goal of cutting its emission by 50 percent. Japan also revised the Plan for Global Warming Countermeasures, Strategic Energy Plan, and other programs in October 2021. To transform Japan into a carbon-neutral economy and society, it is important not simply to reform the country's energy supply structure, but to bring about changes as well to all areas from the industrial structure to people's daily lives and the roles of local communities. Japan will present a path forward for economic and social changes in its "Clean Energy Strategy" currently under consideration.

### **WP-4 / #02 / E.J to J: Promotion of resource efficiency and the circular economy**

The circular economy and resource efficiency have been discussed internationally at the G7 Alliance on Resource Efficiency, G20 Resource Efficiency Dialogue, and Global Alliance on Circular Economy and Resource Efficiency (GACERE). As for international standards, discussions are underway at ISO/TC323 with a view to international standardization of the circular economy framework, business models, and measuring and assessing circularity. In March 2022, the United Nations Environment Assembly (UNEA) adopted a resolution calling for an intergovernmental negotiating committee to convene to develop an international legally binding instrument on plastic pollution, including in the marine environment. The committee is expected to hold discussions with the aim of completing its work by the end of 2024.

### **WP-4 / #03 / E.J to E.J: Realisation of a resilient and comfortable life**

METI will make steady efforts to support the construction of regional microgrids and promote the use of distributed energy resources, including renewable energy and cogeneration, in rural areas through accumulated knowledge and shared guidelines.

Japan attaches importance to realising carbon neutrality in local communities from the perspective of achieving both regional revitalisation and decarbonization, and promotes such policies as creating "Decarbonization Leading Areas" with the aim of achieving carbon neutrality by fiscal 2030, ahead of the nation's 2050 goal.

To expand urban greening, which is easily accessible carbon-sink measure for Japanese people, Japan is developing urban parks and promoting the creation of green

spaces on building rooftops and elsewhere.

#### **WP-4 / #04 / EJ to EJ: Promoting optimization of city management**

METI provides tax credits and other incentives for companies certified as business operators promoting companywide digital transformation (DX) to make digital-related investments using cloud computing technology. In addition, to encourage more active steps toward DX, METI has compiled the Digital Governance Code that requires business operators to formulate and publish their management visions based on social transformation through digital technology, and the Government of Japan has introduced a system for certifying companies that meet the basic requirements of the Digital Governance Code (DX certification).

In addition, METI and the Ministry of Internal Affairs and Communications (MIC) are accelerating the rollout of 5G networks in both urban and rural areas to cover the entire nation. METI and MIC also provide tax incentives and other support measures for 5G systems that ensure cybersecurity and transparency based on the “5G Promotion Act” (Act on Promotion of Developing/Supplying and Introducing Systems Making Use of Specified Advanced Information Communication Technologies), thereby encouraging the introduction of local 5G systems for addressing social challenges and generating business innovations.

As specific efforts to promote DFFT, Japan will support cooperation in GAIA-X and DATA-EX and lead discussions on the development of high-level principles on government access to personal data held by the private sector, with the aim of creating international data spaces as stated in the Ministerial Declaration of the G7 Digital Ministers’ meeting in 2022.

As for AI utilisation, METI published the flexible, legally nonbinding “Governance Guidelines for Implementation of AI Principles Ver. 1.0” on July 9, 2021, applying “Agile Governance” to avoid and mitigate negative social impacts without stifling innovation. The guidelines’ revised version 1.1 was issued on January 28, 2022. With AI technology constantly advancing, METI plans to update the guidelines with an awareness of the need for continuous discussions.

MIC has contributed to international discussions by formulating AI R&D Guidelines and AI Utilization Guidelines with a soft-law approach in mind. MIC will review the current guidelines by conducting hearings with various stakeholders, including developers and users, while studying other guidelines formulated by domestic and overseas government agencies, businesses, organizations and other entities. In the international arena, MIC will participate in discussions on AI principles at UNESCO and the Council of Europe, and an AI treaty to stress the importance of soft-law approaches and raise concerns about excessive regulations.