

(Tentative Translation)

Report from the Government of Japan

Concerning the Recommendations

from the Japan-EU Business Round Table (BRT)

April 2018

Note: The content of this report is based on the situation as of December 31, 2017.

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Working Party 1 : Trade Relations, Investment and Regulatory Cooperation

1. Strengthening the EU-Japan Economic Relationship (WP-1/#01/EJ to EJ)

BRT Recommendation

The BRT urges the EU and Japan to begin looking beyond the EPA agreement and towards establishing a new high-level cooperation framework, which befits this innovation and digital age.

Firstly, industry seeks a voice in any post-agreement monitoring mechanism to enable industry to identify potential issues that may arise during implementation of the Agreement. To ensure transparency and an effective implementation of the agreement, the BRT calls on both Authorities to make public items as they are implemented and assess their impact on business, showing how the implementation addresses the particular issue raised in the EPA and how it might address other related issues including those not discussed in the EPA. We recommend that the respective lists be updated regularly.

Secondly, the BRT reiterates its view that the upgrading of global value chains and securing the fruits of innovation require not only the adoption of global rules to eliminate non-tariff measures which may obstruct trade, but also forward-looking creative regulatory cooperation including a convergence of standards.

Thirdly, in the realm of data security and data flow, the BRT emphasises the need for resolute action and measures in order to ensure the coherence of data privacy and the free flow of data between the EU and Japan.

Finally, the BRT calls on the Authorities of the EU and Japan to continue their efforts to conclude an EPA in the near future, by building on last week's agreement in principle and maintaining the momentum that both sides have worked hard to achieve.

< Background >

As major advanced economies and major global traders and investors, the EU and Japan can do more to unlock the enormous growth potential which their bilateral economic relations can offer. They are now working on enhancing bilateral trade, investment and cooperation and building a closer relationship. As both strive to overcome global financial instability and economic uncertainties, it is crucial that they join forces in tackling common challenges in order to attain a long-term, sound and stronger growth. The EU-Japan relationship should not be left behind.

Actions taken so far

Regarding the Economic Partnership Agreement between Japan and the European Union (hereinafter referred to as “the Japan-EU EPA”), Mr. Shinzo Abe, Prime Minister of Japan, H. E. Mr. Donald Tusk, President of the European Council, and H. E. Mr. Jean-Claude Juncker, President of the European Commission, confirmed that the agreement in principle of the negotiations of the EPA had been reached at the 24th Japan-European Union (EU) Summit on 6 July 2017. After the Summit, Japan and the EU worked together energetically and, consequently, the finalisation of negotiations of the EPA was confirmed between Mr. Shinzo Abe, Prime Minister of Japan and H.E. Mr. Jean-Claude Juncker, President of the European Commission, at their telephone talk on 8 December 2017.

In the Japan-EU EPA, as for non-tariff measures, provisions relating to automobiles, wine and food additives were set out. As for regulatory cooperation, the regulatory cooperation chapter provided the high standard rules including such as publication in advance of the draft regulatory measures, offering opportunities to provide comments, impact assessment, retrospective evaluation, exchange of information on good regulatory practices, regulatory cooperation activities and exchange of information on planned or existing regulatory measures. As for the security of data and data flow, the reassessment by Japan and the EU, within three years after the entry into force of the EPA, of the need for inclusion of provisions on the free flow of data into the EPA was set out.

Furthermore, in light of the Joint Declaration by Mr. Shinzo Abe, Prime Minister of Japan and Mr. Jean-Claude Juncker, President of the European Commission announced at the 24th Japan-EU Summit on 6 July 2017, outside the framework of the EPA, Japan and the EU have advanced their discussions about establishing the framework for realising mutual and smooth transfer of personal data.

Future outlook

Japan and the EU will continue to make their utmost efforts for the realisation of an early signing and entry into force of the Japan-EU EPA. At the same time, Japan will provide appropriate explanations and information on the EPA for Japanese nationals, businesses and other relevant actors for promoting the utilisation of the EPA and obtaining best possible benefits from it.

They will appropriately implement the provisions of the Japan-EU EPA after it comes into force and will take appropriate measures as necessary.

Regarding personal data transfer between Japan and the EU, Japan and the EU will continue to work together with a view to finalising discussions in the first quarter of 2018, for the establishment of a new framework by the time the General Data Protection Regulation (GDPR) will enter into force in the EU.

2. Call for an ambitious WTO Ministerial Conference in Buenos Aires (WP-1 / # 02 / EJ to EJ)

BRT Recommendation

Under the growing pressure of protectionism in the world, including the new US Administration's approach to emphasize bilateral negotiations over multilateral trade, the EU and Japan must share with other WTO members the value of WTO agreements as a basis of fair rules to maintain order in global trade and to promote liberalization. The negotiating pillar of the WTO must be reinforced to better disseminate the benefits of global value chains, while the EU and Japan shall play a central role in this regard.

It is evident that the WTO is to maintain its core role as the forum to create multilateral trade rules. In this context, the EU and Japan should lead the member countries of the WTO and adapt the organisation to the changing global trade environment better, for instance, by re-evaluating its negotiating processes to make them more efficient, by facilitating the delivery on the remaining DDA mandate and by agreeing to create new sets of rules on issues beyond the DDA.

The BRT welcomes the entering into force of the Trade Facilitation Agreement, which can serve as a boost to global trade by reducing costs of trade by 10-15% and adding \$ 1 trillion. Its objectives are to speed up customs procedures, make trade easier, faster and cheaper, provide clarity, efficiency and transparency, reduce bureaucracy and corruption, and use technological advances.

Additionally, the BRT suggests that the authorities of the EU and Japan should, together with other WTO members, explore further topics that are essential for the smooth functioning of global value chains. These could include, for example, digital trade and e-commerce, subsidies, the reduction of export restrictions, investment (facilitation) and competition. Exploring these topics could reinforce the interest in the multilateral trading system and underline the central role of the WTO in rule making.

Actions taken so far

At the Eleventh WTO Ministerial Conference (MC11) held in Buenos Aires on 10-13 December 2017, Japan contributed constructively to the discussions. In particular, with

regard to e-commerce, Japan co-hosted like-minded ministerial meeting with Australia and Singapore and took initiative in issuing a Joint Statement with the participation of 70 WTO Members including the U.S., the EU and developing countries that states that they will initiate exploratory work toward future WTO negotiations on trade-related aspects of e-commerce. In addition, at MC11, like-minded members issued ministerial statements that support future discussions at the WTO on today's challenges such as micro, small and medium-sized enterprises (MSMEs) and investment facilitation. Other outcomes include a work programme on e-commerce that provides, among others, the extension of the current practice of not imposing customs duties on electronic transmissions, a work programme on fisheries subsidies, and a decision to extend the moratorium on not initiating TRIPs non-violation complaints.

With regard to Environmental Goods Agreement (EGA), Japan held EGA symposium in Beijing on 29 August, 2017 with speakers from industries, academics and government officials to give an impetus towards early resumption of the negotiation.

Future outlook

In accordance with the guidance indicated in the MC11 Chair's Statement, WTO Members will continue their works including the work programmes on e-commerce and fisheries subsidies. In addition, like-minded members will promote the discussion on today's challenges in trade that are addressed in Ministerial Statements issued at MC11, such as e-commerce, MSMEs and investment facilitation. Moreover, WTO Members will push forward the discussion toward further implementation of the Agreement on Trade Facilitation, which entered into force in 2017.

3. Applying international standards and enhancing regulatory cooperation (WP-1 / # 03 / EJ to EJ)

BRT Recommendation

(1) General recommendations

The BRT strongly supports the joint development and application of internationally harmonised technical requirements and procedures for the testing and approval of products that are traded internationally.

The BRT recommends the authorities of the EU and Japan to enhance their regulatory cooperation and to increase communication between the two economies. The aim is to eliminate barriers to trade and investment in order to promote business and to disseminate the experience of the EU and Japan to the rest of the world.

To this end, the BRT encourages the authorities of the EU and Japan to work together in the relevant fora to develop international product standards and certification procedures. The BRT recommends that the authorities of the EU and Japan should apply such standards in as many sectors as possible.

Where international standards have not yet been developed, the BRT urges the authorities of the EU and Japan, when possible, and appropriate, to accept the mutual approval of the import, sale or use of products that have been approved on the basis of functionally equivalent requirements.

Taking into account the benefit of common regulatory environment, the BRT recommends that the EU-Japan EPA should include a framework to promote regulatory cooperation and to ensure that the authorities of the EU and Japan not take unnecessary measures which act as an impediment to trade and investment.

The BRT recommends that the policy-makers of the EU and Japan should increase their understanding of existing and upcoming regulations of the other side. Where a harmonised regulatory framework between the EU and Japan has not yet been developed, the regulatory authorities of the EU and Japan should review their domestic technical regulations and conformity assessment procedures at regular intervals to determine the scope for further regulatory harmonisation. The outcome of these reviews, including scientific and technical evidence used, shall be exchanged between the regulatory authorities and provided to industry upon request.

The BRT recommends that the regulators of the EU and Japan should study the possible impact of new regulatory developments on domestic and foreign business to avoid taking initiatives that might unwittingly create barriers to trade and investment. They should exchange annual legislative work programmes at the earliest stage to prevent regulatory divergence and the creation of new trade barriers. In addition, they should agree to an early warning system for draft legislation to facilitate an effective bilateral dialogue.

The policy-makers of the EU and Japan should develop a joint strategy to promote better regulation by learning from each other's experience and adopting a common system of good governance. Throughout the process, the two authorities should have close dialogue with businesses.

The BRT calls on the Leaders of the EU-Japan Summit to ensure that the EPA will be a living agreement and will provide a solid and comprehensive framework for regulatory cooperation to address the sector-specific concerns of the business community. In the recommendations of last year, the BRT welcomed the adoption of a Joint Document for Regulatory Cooperation at the EU-Japan Industrial Policy Dialogue between METI and

DG GROW on 17 March 2015. As a long-standing advocate of regulatory cooperation, and recognising that this is a key issue for the future, the BRT hopes that this joint initiative will reinforce and complement the upcoming EPA and set the frame for a solid, forward-looking and long-lasting regulatory cooperation. The BRT is willing to support the EU and Japanese Authorities on regulatory cooperation matters.

Finally, the BRT would like to see a modernisation and updating of the MRAs that were signed at the beginning of the last decade for them to become truly Mutual Recognition Agreements so that the products covered under these schemes do not have to be tested and approved in accordance with both EU and Japan regulations.

<Background>

The BRT believes that regulatory cooperation will be a key to the economic prosperity of the two economies. Once an EPA is concluded, it will be important not only to ensure that new regulations do not nullify or impair the market access benefits accruing to either party under the agreement or create new barriers to bilateral trade, but also to expand and strengthen the relations between the two economies so that the benefits of their cooperation will further increase and so that they will eventually be able to expand such regulatory cooperation to other bilateral and multilateral relations.

In the meetings of the BRT on 8-9 April 2014, the Japanese side proposed that the authorities of the EU and Japan together with key players such as the BRT should look at future issues coming out of a long-range vision for the relationship for, say, the next three decades.

Actions taken so far

The Ministry of Economy, Trade and Industry (METI) and the European Commission (EC) DG for Internal Market, Industry, Entrepreneurship and SMEs (DG Growth) have been propelling regulatory cooperation from an early stage in order to avoid future misalignments of regulations between Japan and the EU and facilitate the commodification of new technologies. (The METI and the EC DG Growth decided to enhance regulatory cooperation at the Japan-EU Industrial Policy Dialogue in Brussels in June 2017.)

In addition, the Council for Promotion of Regulatory Reform was established as an organ investigating on and discussing regulatory reforms in September 2016 in order to remove impediments to the revitalisation of Japanese economy and to realise private-sector-demand-led growth. The Council individually researched and deliberated

the necessity and rationality of regulations and compiled the items for regulatory reform into reports in May 2017. In order to realize steadily progress in regulatory reform items, “Implementation Plan for Regulatory Reform” was endorsed by the Cabinet in June 2017.

Future outlook

The METI and the EC DG Growth will continue to promote discussions on regulatory cooperation.

At the Council for Promotion of Regulatory Reform, items for regulatory reform are expected to be compiled into report by around June 2018.

(2) Create a common chemicals regulation

BRT Recommendation

Policies on the control of chemicals such as the EU’s REACH and RoHS and Japan’s Chemical Control Law have a significant impact on global supply chains. The two Authorities should not only implement effective regulations, but also establish a common list of restricted substances and a common approach to evaluation of risks and sharing of data. Such a common regulatory environment will not only benefit industries through cost mitigation but also benefit users and consumers through lower prices and consistent protection.

Furthermore, the two Authorities should develop a common policy on emerging issues such as endocrine disruptor and nanomaterials. The two authorities should also support supply chain management in developing countries in cooperation with businesses.

Actions taken so far

The regulatory authorities of Japan and the EU have shared information on the current situation of their regulations and have exchanged views on regulatory cooperations through the Chemical WG of Japan-EU Industrial Policy Dialogue.

Japan has shared its information and has exchanged views on the issues such as endocrine disruptors and nanomaterials with the regulatory authorities of the OECD members and the EU on the occasions of the OECD Joint Meeting of the Chemicals Committee and Working Party on Chemicals, Pesticides and Biotechnology, etc.

Furthermore, Japan has dialogues with ASEAN countries and has shared the achievements with the regulatory authorities of the EU.

Future outlook

The EU and Japan are going to exchange information continuously with regards to chemical management. Japan will continue discussion on emerging issues with regulatory authorities including the EU, utilising appropriate fora such as the OECD.

(3) Create a common resource efficiency policy

BRT Recommendation

The authorities of the EU and Japan should promote the concept of energy efficiency including resource efficiency, using the right incentives, standardised methodology, criteria and the format of environmental product declaration between the EU and Japan and cooperate with each other so that such a policy will be internationally shared.

The two authorities should work together at the multilateral level to promote international harmonisation of energy conservation regulations, relevant labelling rules, and environmental and carbon footprint schemes.

Actions taken so far

To thoroughly promote energy conservation in the residential and commercial sectors, and in accordance with the Top Runner Program under the Act on the Rational Use of Energy, the Government of Japan sets energy consumption efficiency standards for automobiles, home appliances, building materials, and other products. In the Program, the manufactures and importers of these products are requested to meet the energy consumption efficiency standards. In October 2016, the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) was introduced in Japan to check that passenger car and other vehicle meet their fuel efficiency standards. Effective in July 2017, it was mandated to indicate the fuel efficiency obtained from the WLTP by each driving condition in catalogs or vehicles for exhibitions. In March 2017, showcases were added to the Government's list of energy consumption efficiency standards. In accordance with the WTO Agreement on Technical Barriers to Trade (TBT), Japan provides WTO Members beforehand with an outline of these performance target schemes.

Following the Government-sponsored experimental research project on Type III Environmental Labels, a private organisation has taken over it and has been implementing since 2002 known as the EcoLeaf Environmental Label Program.

Separately, following the Government-sponsored pilot program for the Carbon Footprint of Products (CFP), a private organisation has taken over it and has been implementing since 2012. In April 2017, these two programs were integrated into a single program, called the Environmental Label Program.

Future outlook

In accordance with the Top Runner Program under the Act on the Rational Use of Energy, the Government of Japan will continue to improve the energy consumption efficiency of automobiles, home appliances, building materials, and other products. Regarding showcases recently added to the list, the Government of Japan will provide consumers with information about the highly efficient products by utilising "energy-saving labels." In the process of reviewing the energy efficiency standards for computers (including servers) and magnetic disk units, the Government of Japan will study on international harmonisation measurement methods for energy consumption. Through regular communication with the private-sector organisation operating the Environmental Label Program, the Government of Japan will encourage to make the program consistent with relevant international guidelines such as ISO as before.

(4) Expand the benefits of AEOs

BRT Recommendation

The authorities of the EU and Japan should aim at introducing further regulatory cooperation in order to give more concrete benefits to AEOs. The BRT is aware that the two authorities are engaged in regular discussion following the agreement on the mutual recognition of the AEOs in June 2010 between the EU and Japan, but that no concrete benefits have emerged for operators. According to the progress report of the EU in 2015, the scope of this agreement is restricted to 'security and safety' only. The BRT would like in this regard to put emphasis on the simplification of import procedures where companies are given greater freedom while taking greater responsibility for their imports without an excessive administrative burden. The BRT recommends that the two authorities should consider expanding the legal base if it is necessary to realise the simplification of import procedures.

Actions taken so far

The mutual recognition of the AEOs between Japan and the EU has been steadily implemented since May 2011. Based on the mutual recognition, the AEOs in Japan and the EU have received benefits in customs procedures of the other side. With a view to enhancing cooperation on the AEOs between Japan and the EU, our Customs Authorities held the Japan-EU Joint Customs Cooperation Committee in January 2017 and exchanged views on various issues, including the measures to promote the utilisation of the mutual recognition of the AEOs.

The Government of Japan has been giving consideration on possible measures to further

simplify customs procedures for the AEOs, taking into account the particular issues of the private sector received through exchanging views and information with them.

As a tangible result of such process, as from 8 October 2017, the Government of Japan initiated “broadening the choice of customs office for declaration”, which allows Japan’s AEOs to lodge import/export declarations to any customs office of their choice, this being an exceptional case to a general principle that importers/exporters should make import/export declaration to the customs office where their goods are located. Along with the measure, restriction on the area of service of customs brokers was removed.

Future outlook

With respect to the mutual recognition of the AEOs between Japan and the EU, the Customs Authorities of Japan and the EU will continue to monitor its implementation and to discuss various matters, including the measures to promote its utilisation.

The Government of Japan will continue to give consideration on possible measures to further simplify customs procedures for the AEOs, taking into account the particular issues of the operators raised through exchanging views and information with them.

(5) Fight against counterfeited, pirated and contraband goods

BRT Recommendation

The BRT would like to see the EU and Japan step up efforts to fight against counterfeited, pirated and contraband goods, both inside and outside the EU and Japan. For example, they should better cooperate with each other and with the third country authorities to secure the closure of sites trading in fake goods.

The BRT requests that the authorities of Japan should make all trade with fake goods illegal by closing the loophole by which individuals are allowed to bring in or import counterfeits for personal consumption.

The BRT reiterates its support of Regulation (EU) 608/2013 of the EP and Council of 12 June 2013 on Customs enforcement of Intellectual Property rights which reflects to some extent the BRT’s key recommendations such as simplifying the procedure. However, the BRT requests the authorities of the EU that they should seek ways to mitigate the financial burden of the importers of the authentic goods.

The BRT would like to see an enhanced role of the Observatory on Counterfeiting and Piracy in line with the Regulation adopted by the European Parliament and Council on 19 April 2012.

The BRT suggests that with increased cooperation by the manufacturers and importers

of authentic goods, including the provision of more information on their products, on-site training of officials and training of officials on more effective use of the WCO's IPM (Interface Public Members), the customs authorities should make inspection more efficient and raise the rate of its coverage.

Actions taken so far

The Government of Japan has made efforts, including various training programs, in order to develop human resources of local authorities such as customs agents of the countries where any infringements of intellectual property rights have occurred. As countermeasures against websites where counterfeited and pirated goods have been traded, Japan has provided information on such websites for the governments of other countries, including China, and has requested them to delete those websites. In addition, Japan has continuously implemented measures for prevention of consumer damage by collaborating with internet service providers, intellectual property rights owners and others.

Japan has also reinforced countermeasures against any infringements of intellectual property rights on the internet, including the deletion of pirated contents in video streaming websites and the provision of supports to establish a scheme in which users of those websites are guided to authorised contents.

In order to prevent import and domestic distribution of goods that violate intellectual property rights, nationwide customs agencies and the police strengthen control through such activities as intensive crackdowns. Moreover, Japan Patent Office has conducted anti-counterfeit annual campaign to raise the public awareness of matters related to intellectual property rights.

Future outlook

The Government of Japan will continuously discuss and share information with foreign governments and relevant organisations regarding the situation of damage, including those damages caused by counterfeited and pirated goods on the internet, and will request those governments to take strict measures against any infringements of intellectual property rights on the internet.

Furthermore, in order to advance countermeasures to combat counterfeited and pirated goods on the internet, the Government of Japan will enhance cooperation with relevant actors engaging in the internet trading, such as internet service providers and intellectual property rights owners, and will actively take necessary and appropriate measures collaborating with related Ministries and Agencies of the Government of Japan.

(6) Adoption of UN Regulations

BRT Recommendation

In the automobile sector, the EU and Japanese Authorities should accelerate their adoption of UN Regulations to lower the cost of regulatory compliance for both European and Japanese automobile exporters by extending the benefits of mutual recognition. Also the EU and Japanese Authorities should work together to establish internationally harmonised technical requirements and testing procedures that will encourage the smooth market adoption of new environmentally friendly power-train technologies – clean diesel, electric vehicles, hybrid vehicles and fuel-cell vehicles.

<Background>

In 1998, Japan became the first country in Asia to accede to the UN-ECE 1958 Agreement on the Mutual Recognition of Type Approval for Vehicles etc, which provides that vehicle components which have received type approval according to UN Regulations in one contracting country are exempt from testing in any other signatory country where those regulations have been adopted. Japan has now adopted UN-ECE Regulations in 41 of the 47 areas included in Japanese type approval for passenger cars. Implementation of these recommendations will lead to a significant improvement in the business environments of both the EU and Japan.

Actions taken so far

The Government of Japan applies UN Regulations, having made relevant revisions to them taking into consideration of the ensuring of safety and environmental protection in Japan, as a part of its efforts toward the realisation of an International Whole Vehicle Type Approval (IWVTA), which is adopted at the UN/ECE/WP.29 in November 2017. The Government of Japan, in cooperation with the European Commission, has been actively contributing to promoting IWVTA, *inter alia*, through acting as a co-Chair of an expert meeting on IWVTA at the WP.29.

Future outlook

The Government of Japan will continue to make efforts in promoting IWVTA and international harmonisation of motor vehicle regulations at the UN/ECE/WP.29, taking into consideration of the ensuring of safety and environmental protection of automobiles in Japan.

4. Recommendation on BEPS Action Plan and Other Tax Issues (WP-1 / # 06 / EJ to EJ)

(1) General recommendations

BRT Recommendation

The BRT supports the creation of an internationally fair taxation framework and level playing field.

At the same time, the BRT urges that authorities of the EU and Japan to ensure that the implementation of the BEPS Actions should not create additional administrative burden on businesses.

Actions taken so far

Japan has played a central role with the EU in the BEPS (Base Erosion and Profit Shifting) Project to promote a level playing field and improve tax certainty, where the OECD had public consultations several times to reflect opinions of business sectors in international tax rules. Japan has contributed to expanding participation in the Inclusive Framework (currently more than 100 countries and areas participate in the Framework), which is critical as measures to prevent BEPS need to be implemented in a internationally consistent manner.

The Government of Japan takes into account the potential compliance costs of companies and predictability for compliant taxpayers based on discussions with business sectors and relevant authorities in designing its tax systems and relevant procedures in accordance with the recommendations of the Project.

Future outlook

Now that the BEPS Project is in its implementation phase, the Government of Japan will steadily continue to implement the agreed measures, including through possible amendments of relevant laws. We will continue to consider designing tax systems that can prevent aggressive tax planning by multinational enterprises, while taking into account opinions from business sectors.

Japan will also continue to work with international counterparts, including the EU, for each country to act in a concerted manner to secure the timely, consistent and widespread implementation of the BEPS package and address the remaining challenges.

(2) CBCR

BRT Recommendation

The BRT welcomes the agreement by OECD/G20 countries to implement the master file-local files system in the transfer pricing documentation in BEPS Action 13.

The BRT eagerly awaits coherent and successful implementation in the bilateral and multilateral relations between the EU Member States and Japan in a way that will reduce the compliance costs and uncertainty significantly. In this respect, there are some countries who appear to be seeking the master file-CbCR report directly from MNE's subsidiaries situated therein, as opposed to the OECD suggested protocol where the master file-CbCR report should only be filed by the MNE's top parent company with the tax authorities of the ultimate parent company's jurisdiction, and any subsequent sharing of the between various countries where the MNE's subsidiaries are located shall be done under the exchange of information clause of respective tax treaties.

The BRT recommends that the OECD suggested protocol should be adhered to by the countries where MNE's subsidiaries are situated.

Actions taken so far

Regarding CbCR, the final report of BEPS Action plan 13 recommends that local filing is used as an exceptional method when the CbCR can not be exchanged by automatic exchange of information, and the Japanese CbCR rules take measures based on the recommendation. As application of the local filing is limited to cases where (1) submitting CbCR is not required in a jurisdiction where the ultimate parent entity of such multinational enterprise groups resides, (2) competent authority agreement needed for the exchange of the CbCRs does not exist or (3) it has been established that a jurisdiction fails to exchange the information in practice even though it has agreed to do so, CbCR rules take into account the burden on companies. Also, under the Japanese CbCR rules, even if the above case (1) or (2) applies, the local filing for the ultimate parent entity's fiscal year that runs between April 1, 2016 and March 31, 2017, is not required. Furthermore, the guidance of the implementation of the CbCR, which many countries including Japan have engaged in and the OECD has published and updated, contributes to clarifying the application scope of local filing so as to ensure company's predictability and not to cause excessive burden on companies.

Future outlook

A peer review is now being conducted on the consistency between the framework for CbCR in each country including Japan and the recommendation of the BEPS final report regarding the following three areas; (1) the domestic legislation, (2) the exchange of information framework, and (3) confidentiality and appropriate use. The

OECD will recommend improvement if a country does not fully follow the terms of reference for the conduct of peer review. Japan actively and cooperatively responds to the peer review of the OECD so as to demonstrate domestically and internationally that the Japan's CbCR legislation is consistent with the recommendations of the final report. Also, Japan will properly participate in reviews against other countries so that local filing will not be applied beyond the scope of the recommendations of the final report.

(3) APA

BRT Recommendation

The BRT recommends that the authorities of the EU, its Member States and Japan to also aim at facilitating the conclusion of bilateral and multilateral APAs.

Actions taken so far

The Government of Japan has vigorously been engaged in bilateral and multilateral negotiations with the EU Member States, through the mutual agreement procedures (MAP) based on tax treaties, to provide Advance Pricing Arrangements (APAs) for the purposes of avoiding international double taxation. Japan's National Tax Agency (NTA) has made every effort to effectively and efficiently resolve APA cases through MAP, including by deploying the appropriate number of officials and strengthening communication with the tax authorities of each of the EU Member States.

Future outlook

The Government of Japan will continue to make every effort to resolve APA cases effectively and efficiently through bilateral and multilateral MAP negotiations, so as to avoid double taxation between Japan and each of the EU Member States.

(4) Confidentiality of taxpayer's information

BRT Recommendation

The BRT emphasises that it is important that the scope of information required for disclosure to tax authorities of each country through Country-by-Country Reporting be internationally coherent and in accordance with BEPS Action 13 in order to realize a level playing field.

The BRT opposes to the European Commission's Proposal for Public CbCR as it breaches confidentiality of information on taxpayers.

The BRT also would like to point out that information concerning a tax payer should be kept confidential by the tax authorities as BEPS Action 13 demands.

Action taken so far

Japan's CbCR legislation is consistent with the model legislation presented in the final report of the BEPS Action 13. Also, we recognise that securing the confidentiality of taxpayer's information is an important issue.

In this regard, the Government of Japan is concerned that the public CbCR in the EU could harm international cooperation efforts. The Government of Japan has expressed its concerns at various occasions so far, including at Ministerial level. The Government of Japan will continue to work together with other countries to ensure international cooperation efforts on this issue.

In sharing CbCR, it is important to ensure confidentiality, consistency and appropriate use. At present, the peer review of CbCR is conducted on whether the domestic legal system of each country is in line with the recommendation of the final report of the BEPS Action 13, including from the perspective of confidentiality. The peer review is carried out gradually for three years from 2017 to 2019, and examination has been made in the above three fields from the viewpoint of legal system as the first phase in 2017.

Future outlook

Since the public CbCR in the EU intends to publish information which is agreed to be undisclosed in the BEPS Project, there is a risk of making it difficult to "ensure fair competition conditions through the concerted implementation of the BEPS agreement". Therefore, the Government of Japan will continue to approach other countries at various opportunities.

Also, the peer review on CbCR in the second phase and after will review not only legal aspects but also operational aspects. The Government of Japan will carefully examine the results of future peer review, and would discuss appropriate actions if problems would be recognised on the CbCR system in each country.

(5) Generalisation

BRT Recommendation

As was agreed by OECD/G20 countries in 2013, introduction of the measures developed by the BEPS Action Plan should not lead to unnecessary uncertainty for compliant taxpayers and to unintended double taxation.

Actions taken so far

Refer to the response to (1) General recommendations in WP-1/#06

Future outlook

Refer to the response to general statement in WP-1/#06

(6) Tax treaties

BRT Recommendation

- The BRT welcomes the commitment made by 20 countries including Japan and 13 EU member States (Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Poland, Slovenia, Spain, Sweden and the UK) to provide for mandatory binding MAP arbitration in their bilateral tax treaties as a mechanism to guarantee the resolution of treaty-related disputes within a specified timeframe.
- The BRT recommends that this mechanism should be extended to include all the EU Member States and Japan.

Actions taken so far

The BEPS Action 14 minimum standard requires that countries should provide transparency with respect to their positions on MAP arbitration. Japan's policy is to introduce arbitration provisions in as many tax treaties of ours as possible. Based on this policy, as of 31 December 2017, Japan has already introduced arbitration provisions in 15 tax treaties, including treaties with 11 EU Member States: Austria, Belgium, Estonia, Germany, Latvia, Lithuania, Netherlands, Portugal, Slovenia, Sweden and the United Kingdom.

In addition, Japan signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting on 7 June 2017, and plans to apply the mandatory binding arbitration provision, aiming at extending arbitration provisions to existing tax treaties that have not yet contained such provisions.

Future outlook

The Government of Japan believes introducing arbitration provisions in a bilateral tax treaty helps ensure legal certainty for taxpayers and promote further sound mutual investments and economic exchanges between the two signatories. The Government of Japan will continue to work on introducing arbitration provisions through bilateral negotiations and the Multilateral Convention.

【1. Lead to growth and innovation】

BRT Recommendation

Pursue simpler, lighter and sensible tax systems that will lead to growth and innovation. A simple, light and sensible tax system will reduce the incentive to avoid or reduce taxation. It should include participation exemptions that will exempt dividends and capital gains received from business investment above a certain holding threshold from further corporate taxation.

Actions taken so far

Corporate tax reform in the FY2015 and FY2016 Tax Reforms aimed to reform the structure so that the burdens of corporate tax will be shared more broadly by ‘expanding the tax base while reducing the tax rate’, through revision of special tax measures, etc, and has realized the reduction of the percentage level of the effective corporate tax rate down to the twenties in FY2016 Tax Reform.

In the FY2017 Tax Reforms, the Government of Japan has implemented tax reforms that incentivize corporates to increase R&D investments and to increase salaries, from the viewpoint of promoting the virtuous economic cycle such as active investments by companies and proactive wage hikes.

Future outlook

The Government of Japan expects corporates’ proactive initiatives such as to enhance investments and to increase salaries, and will consider such corporate initiatives hereafter.

【2. Reduce administrative burden.】

BRT Recommendation

Furthermore, the BRT would like to recommend the authorities of the EU and Japan to

2. Reduce administrative burden. The more complex a tax system and the heavier the tax burden, the more time and money both businesses and tax authorities spend merely to comply or enforce.

Actions taken so far

Refer to the response to generalization in WP-1/#06 above

Future outlook

Refer to the response to generalization in WP-1/#06 above

【3.Promote healthy competition in attracting investments.】

BRT Recommendation

Promote healthy competition in attracting investments. In the majority of investment decisions, a combination of tax, human resources and infrastructure plays the decisive role. The authorities of the EU and Japan should promote and compete on the three factors in a healthy way in order to attract investments.

Actions taken so far

The Government of Japan aims to double the amount of inward foreign direct investment (FDI) stock to ¥ 35 trillion by 2020. The actions taken so far have improved business and living environment, the issues of which foreign businesses had requested, and Japan's reputation as an investment destination by foreign companies has been steadily improving.

In addition to this improvement, the Council for Promotion of Foreign Direct Investment in Japan adopted the "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" to promote more FDI to make Japan a global hub for trade and investment. In accordance with the policy package, the Government of Japan established, "Working Group for Revising Regulations and Administrative Procedures" to discuss simplifying regulations and administrative procedures relevant to investments by foreign companies, and others. The Working Group adopted "Working Group for Revising Regulations and Administrative Procedures Final Report".

Future outlook

For the purpose of increasing the amount of inward foreign direct investment (FDI) stock to ¥ 35 trillion by 2020, in accordance with the "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" and "Working Group for Revising Regulations and Administrative Procedures Final Report", the Government of Japan will continue to simplify the regulations and administrative procedures relevant to investments by foreign companies, and others, and will work on the improvement actively Japan's business environment to attract foreign investments.

【4. To avoid double taxation】

BRT Recommendation

The BRT would like to recommend the authorities of the EU and Japan to eliminate

double taxation. Double taxation still weighs heavily on cross-border business activities. The EU member States and Japan should modernize the tax treaties between them and ensure, to the greatest possible extent, that dividend, royalty and interest payments are exempted from withholding taxes.

Actions taken so far

From the viewpoint of further promoting investment and economic exchanges between Japan and the EU Member States by eliminating double taxation through reducing the source country taxation on investment income and introducing arbitration proceedings, the Government of Japan has been actively expanding its tax treaty network between Japan and the EU Member States. In 2017, six new or wholly amended tax treaties were signed or entered into force with the EU Member States as follows:

- (1) Austria (revision, signed in January)
- (2) Latvia (new, entered into force in July)
- (3) Lithuania (new, signed in July)
- (4) Slovenia (new, entered into force in August)
- (5) Estonia (new, signed in August)
- (6) Denmark (revision, signed in October)

Future outlook

The Government of Japan will actively continue to expand its tax treaty network with the EU Member States, for further promoting investments and economic ties between Japan and the EU.

5. Harmonisation & mutual recognition of standards and product certifications; acceptance of international standards where applicable (WP-1 / # 08 / E to J)

(1)Automobiles

BRT Recommendation

Reluctance of the Government of Japan to accept imported products approved in accordance with EN and ISO standards or CE marking delays the introduction of innovative new products to the market and increases import costs. While accepting the need to safeguard consumer health and safety, the BRT urges Japan to promote the harmonisation of standards and certification procedures, the mutual recognition of product certification and, in areas where harmonised standards do not exist, the mutual approval of the import, sale or use of products that have been approved on the basis of

functionally equivalent requirements, so that products certified for one market are automatically accepted in the other market. The BRT recommends the Japanese Government to place particular emphasis on:

The Government of Japan should adopt the relevant UN Regulations in all areas where Japan requires certification for passenger cars but does not currently accept a UN approval as demonstrating compliance with Japan's national requirements, so that a vehicle certificated in the EU can be sold in Japan without modification or further testing. The Government of Japan should also work towards the international harmonisation of Japan's technical requirements for commercial vehicles which should be included within the scope of the provision of any EPA.

Moreover, the EU-Japan ETA should include a meaningful Automotive Annex covering all kinds of vehicles (i.e. passenger vehicles and commercial vehicles) to avoid the appearance of any future market access barriers.

< Recent progress >

- Resolved: 8 items

76 GHz Radar; Closed Crankcase Ventilation; DRL; TNS and PHP Variants; Ultra-Small Mobility, Rim Marking of Light Alloy Disc Wheels, Definition of Vehicle Type; Seating Space and Head Clearance.

- Resolved - Subject to confirmation: 4 items

Tag Axle GCW; Tyre/Wheel Protrusion; Angle of Exhaust Tailpipe; Whole Vehicle Inspection.

- Outstanding: 4 items

Stamping/Embossment – VIN items- combustible engine and electric motor; Endurance Testing

Actions taken so far

Refer to the response to WP-1 / # 03 / EJ to EJ, 6. above.

Future outlook

Refer to the response to WP-1 / # 03 / EJ to EJ, 6. above.

(2) Construction Products

BRT Recommendation

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. This is unfortunately still rather common with non-recognition of standards in the flooring sector as well as for roofing sheets. Mere reference to ISO standards within JAS/JIS, has not proved to be adequately helpful in facilitating the process.

The Government of Japan should, furthermore, better support local and regional authorities to ensure that transparent and consequent interpretations are made in regards to technical regulations and guidelines.

< Recent progress >

There has been some progress, however much work still remains. We furthermore note that the Japanese government did not respond to the issue of discrepancy between ISO and JIS/JAS in its progress reports of April 2013, April 2014 and April 2015 and also in 2016, but rather chose to focus on the possibility for overseas test facilities to carry out testing in accordance with JAS/JIS. .

< Background >

The Japanese construction sector has long been a very “domestic” market. Even in the aftermath of the 2011 Tohoku earthquake and tsunami, there is little evidence that this situation is changing.

Actions taken so far

Japan has been developing JAS/JIS complying with the WTO/TBT Agreement, while JAS/JIS and its marking system are not mandatory.

Foreign institutes can be registered as a Registered Overseas Certifying Body (JAS) or a Foreign Accredited Certification Body (JIS) following a review of the required documentation and an on-site inspection under the law of JAS/JIS marking system. Some certifying bodies of the EU are indeed registered as the Registered Overseas Certifying Body (JAS).

Moreover, the registration is based on ISO/IEC 17065, an internationally recognised accreditation standard. In other words, the Government of Japan does not believe that it is imposing particularly complicated requirements for registration.

Therefore, conformity assessment bodies in Europe can operate, with necessary resistance, as conformity assessment bodies of JAS and JIS without an intergovernmental mutual recognition agreement in these fields.

Future outlook

The Government of Japan will continue to ensure the appropriate management of the accreditation system, while explaining its system to relevant institutes it necessary.

(3)Railways

BRT Recommendation

Though standards are not so different and data generated at European research facilities are relevant for Japan, duplicate testing in Japan is required for the Japanese market. This has repeatedly been communicated by one operator. Duplicate testing raises the costs of imports, making them less competitive than domestic products. The Government of Japan and the EU authorities should work toward establishing a mechanism through which test data and certification of railway equipment provided by European organisations is accepted in Japan, and vice versa.

The BRT furthermore recommends Japan to establish a system whereby standards and requirements are available openly so that European companies will have a better understanding of what is needed in order to offer goods and services that meet or exceed the safety measures in the Japanese market. While the BRT understands that operators might have different performance requirements, the same safety requirements and standards should preferably be used by all operators in Japan, which currently is not the case as each individual operator can choose its own standards and requirements. As a first step, test results and approvals by one operator should be accepted by other domestic operators.

The BRT, however, recognizes the latest development and positively views the first call for tender by a Japanese operator. The BRT recommends Japan to make better use of the tendering system as this leads to more competition and better transparency, while not negatively affecting safety.

< Recent progress >

While some progress has been made, the core issue still remains that there is no common conformity assessment scheme in Japan to which all operators adhere. The BRT takes note of the efforts of some operators in publishing a list of potential future procurements, and views this as a good first step to improved market access.

< Background >

Japanese safety standards and regulations are not publically available. There is, therefore, no possibility for foreign manufacturers to know exactly what requirements must be fulfilled. Furthermore each operator can in principle have their own testing

requirements as there is no legislation on exactly what safety requirements need to be fulfilled.

Actions taken so far

1) Railway safety standards have been developed in each country, reflecting its own specific situations relating to transportation and past experiences of rail accidents as well as other considerations. Accordingly, measures to be taken to ensure conformity with safety standards are different between Japan and the EU.

In Japan, the Government of Japan conducts conformity assessment with respect to Technical Regulatory Standards, and thus, unlike the EU, Japan has not established any particular regulations with respect to compliance for product safety based on third-party certification systems.

Besides, even when Japanese suppliers' goods have conformed to the technical standards in Japan, the conformity assessment procedure of the EU is applied to those goods exported from Japan to the EU. In addition, the Government of Japan recognises that, both in Japan and in the EU, railway operators have rights to test whether the goods conform to their requirement.

2) The Government of Japan establishes a legally-binding ministerial ordinance on "Technical Regulatory Standards" and also sets out a non-binding guideline on "Approved Model Specifications", which stipulates definitive and interpretative standards with indication of precise figures, in a manner consistent with the above "Technical Regulatory Standards". These standards are published in English at the following website.

http://www.mlit.go.jp/english/2006/h_railway_bureau/Laws_concerning/index.html

3) Japan proactively engages in its standardisation activities, with the Japanese Railway International Standards Center (J-RISC) playing its central role, as exemplified in information exchange sessions held on a regular basis with the EU, including JISC-CEN/CENELEC meetings. Japan also promotes harmonisation between JIS and such international standards as ISO/IEC, with respect to those relating to testing methods, based on its active cooperation extended to development of international standards.

4) It is recognised that Japanese railways operators continue to seek safe and reliable products and that they are ready to continue to proactively procure qualified and

conforming products including those from the EU.

- 5) The Government of Japan recently composed the comparing list between TSI (Technical Specification for Interoperability) in the EU and Technical Regulatory Standards in Japan, and instructed related railway operators to apply testing and demonstrating obligations on a non-discriminatory basis. The Government of Japan understands that such railway operators take concrete measures. The Government of Japan expects the EU suppliers to take concrete approach to Japanese operators.

Future outlook

The Government of Japan intends to promote cooperation in the field of standardisation activities as well as to foster dialogues between Japanese and the EU railways-related experts and industries with a view to deepening their mutual understandings. Furthermore, the Government of Japan will work for the enforcement of the Japan-EU EPA, which will contribute to further enhancing market access.

(4) Processed foods

BRT Recommendation

For processed food, the combination of differences between EU and Japanese standards and technical requirements as well as cumbersome border procedures results in high costs for EU exporters. High conformity costs are incurred because Japanese authorities do not accept evaluations made by the EU or international bodies, and the FSC is constantly asking for tests to be carried out in Japan. The market potential for European exporters would be greatly enhanced by:

- a) Substantially increasing the list of permitted additives and enzymes, in addition to speeding up and fundamentally revising the approval process
- b) Introducing mutual recognition of conformity assessment procedures to eliminate the duplicate costs of evaluations.
- c) Introduce deadlines for all parts of the application process. While there are guidelines on timelines these only cover part of the application process. Accordingly, it is difficult for an applicant to know how long the application will take.

< Recent progress >

There has been no concrete progress, although the issue is under discussion in the EU-Japan FTA/EPA negotiations. We note that the progress report of 2014 mentioned that the GOJ was considering setting “a standard time frame” for approval procedure

upon establishment of the Food Additive Design Consultation Center. We are looking forward to learning more about this, although three years later, no specific information is available.

< Background >

The limited number of permitted food additives in Japan and unaligned standards between the EU and Japan increases costs and prevent EU exporters from utilising scale effects.

Actions taken so far

a, b) In Japan, the use of food additives are prohibited except when they are designated under the Food Sanitation Act by the Minister of Health, Labour and Welfare (hereinafter referred to as MHLW) as substances that are unlikely to pose a risk to people's health. The procedure of designation of food additives, as described above, is initiated based on an application filed by an applicant such as a business operator. The Government of Japan understands that the EU adopts a similar system for the authorisation of food additives.

The MHLW has made its utmost efforts to streamline the designation process for food additives, which the EU has concerns. Specifically, the MHLW has worked closely together with the Food Safety Commission (FSC), which is a risk assessment body in Japan, aiming at speeding up the preparations of the MHLW for submitting request to the FSC to carry out safety assessment and the process of safety assessment of the FSC. As from June 2014, in the same context, the MHLW also established the Food Additive Designation Consultation Center (FADCC) in the National Institute of Health Sciences to give advices on the designation procedure of food additives.

Since 2002, regarding the fourty five food additives (excluding flavorings) which are confirmed as safe and used internationally, including substances requested by the EU, the Government of Japan has advanced the designation processes on its own initiative. Regarding the fifteen substances, which were not designated in Japan, the Government of Japan made the Cabinet Decision in July 2012 to designate them within around one year excluding the period for collecting additional information requested by the FSC. Furthermore, based on the decision, in September 2012, the Government of Japan drafted and published the roadmap for the designation of such substances.

Consequently, eleven substances have been designated by the Government of Japan by December 2015. The remaining four substances have been under review by the Experts Committee of the FSC. However these substances are aluminum-containing additives

and the GOJ recognises that the EU also restricts the use of them.

c) In June 2016, the MHLW notified that the standard period for legal formalities by the MHLW after the assessment by the FSC is one year. To enhance the support for foreign applicants, the FADCC newly hired two advisers who provide advice in English, from May 2017.

Future outlook

For the remaining four substances, which are under review by the FSC's Experts Committee, the MHLW will initiate formalities for designation as soon as the assessment by the FSC will be completed. The MHLW will continue the swift designation processes that have been carried out until now.

The forty five food additives (excluding flavourings) which the Government of Japan has advanced the designation processes on its own initiatives were listed in 2002 by the MHLW. At that time, these substances were already proven safe by the JECFA and being widely used as food additives in many countries including the EU Member States and the United States. The MHLW took the views of the EU and the US into consideration in its work on listing those substances. The Government of Japan believes that by designating those 45 substances, the food additives whose needs are globally recognised will be mostly covered.

Japan's efforts above are exceptional measures taken to ensure consistency between Japan and the international society regarding the use of food additives. On the other hand, regarding the substances such as those certified by JECFA or those approved by the EU or the US etc. since 2002, the Government of Japan follows the ordinary processes of designation, which is the same as in other major countries including the EU and the US, based on applications from businesses.

(5)LED lamps and luminaries

LED lamps and luminaries

Lack of harmonisation of international electrical safety standards, such as IEC, and Japanese standards and technical requirements, such as PSE/JIS/JET results in high costs and effectively prohibits entry to the Japanese market for EU companies.

- The current standard issued by the Japanese ministry (i.e. METI) is not compatible with standards used by manufacturers of other countries

The BRT requests Japan without delay to harmonise with international standards and safety/technical requirements in order for Japan to avoid being left behind in the global market. The market for LED lamps and luminaries is rapidly expanding and these

products are expected to play an important role in saving energy on a global basis.

< Recent progress >

While the Japanese Government has agreed to harmonise JIS with IEC, the authorities have also said that this will take more than five years. Needless to say this is not acceptable. Japan has issued a list of products where an IEC test report can be used (“appendix 12”). However, updating of the list is slow and does not cover all LED lamps and luminaries.

< Background >

Japan has its own standards and technical requirements, such as PSE and JIS, and delays in setting standards such as J-deviation increases costs and prohibits EU companies and exporters from entering the Japanese market. In addition, lack of harmonisation of standards of remote control prohibits EU companies from entering the Japanese market.

Actions taken so far

The Electrical Appliances and Materials Safety Act (DENAN law) has two technical requirements: the Japanese original technical requirements (Requirements in Appendix Tables 1 to 11) and the requirements harmonised with international standards (Requirements in Appendix Table 12). Manufactures and importers in Japan shall comply with either (Requirements in Appendix Tables 1 to 11) or (Requirements in Appendix Table 12).

Already the eleven JIS standards in line with the IEC standards have been incorporated into the DENAN law, as a technical standard for lamps and luminaries including LED with a few additional requirements. Moreover, the 7 JIS standards are planned to be incorporated into the DENAN law.

There is no international standard (ISO, IEC) for the remote control devices of LED lamps and luminaries. Therefore, they are defined in Requirements in Appendix Table 8 of Interpretation of the Ministerial Ordinance Specifying Technical Standards for Electrical Appliances and Materials in Japan.

Future outlook

With regard to the standards and technical requirements, Japan will cooperate with the European industry in the context of the IEC.

(6) Labelling rules

BRT Recommendation

The Japanese Household Product Quality Labelling Law prescribes in detail the information that labels must contain for a number of products. While several improvements were made in the latest revision of the law, some issues still remain for a number of products, such as teacups. In these cases, there is still a requirement to affix the label on the actual product, and not merely to label the box if this includes several identical items. Japan should introduce further flexibilities to the labelling law.

< Recent progress >

This issue was brought up in the Regulatory Reform Council where both representatives for European companies as well as domestic companies argued for a revision of the Household Labelling Law. The CAA has produced a draft which was published calling for comments, and it is our understanding that the new law will be passed in 2017.

< Background >

The Household Product Quality Labelling Law and accompanying voluntary labelling guidelines, “hyojikitei”, prescribe in extreme detail how household products should be labelled when sold in Japan.

Actions taken so far

The labelling rules prescribed in the Household Goods Quality Labeling Act currently cover the following categories: textile products, plastic goods, electrical appliances and apparatuses, and miscellaneous manufactured goods. In light of the Cabinet Decision in 2014, from the viewpoint of responding to social changes, requiring minimally necessary and comprehensible information for consumers and coping with international harmonisation, the Government of Japan amended 4 Quality Labeling Regulations in March 2017. The Government of Japan understands that all issues have been resolved by the amendments. Therefore, there is no need to introduce further flexibilities to the labelling law.

Future outlook

With growing importance of consumer protection as well as diversification, complication and globalisation of products, the importance of the labelling as provided for in the Household Goods Quality Labeling Act is also increasing. The Government of Japan will also continue to facilitate understanding of the Household Goods Quality

Labeling Act among business operators including overseas business operators by publishing information on the web and other media.

6. Self-verification and risk assessment (WP-1 / # 09 / E to J)

BRT Recommendation

The Japanese Government should expand the allowed use of self-verification. Currently, in many cases, Japan requires approval to be obtained from either a Governmental body or a third party. This puts both a cost and a time premium on the process when the relevant company trying to put the goods or services onto the market. The latter aspect is of particular importance for sectors with short product cycles.

While it is understandable that Japan wants to protect the safety of human life, as well as animals and plants, a proper risk assessment should be undertaken so that those products or services with controllable risk can use a self-verification procedure.

<Background>

While Japan has introduced the concept of self-verification, third party or government approval is often the norm. This means that the time to put the products onto the market increases as well as the cost. This problem is particularly evident when test methods are not harmonised.

Actions taken so far

An insurance company shall obtain the prior authorisation from the FSA in terms of protecting policyholders and ensuring financial soundness of the company when it intends to create new products or to revise existing products. However, regarding almost all corporate products, only notification to the FSA is required. In addition, the FSA has already introduced the Flexible Provision System.

Furthermore, when the FSA examines insurance products, the FSA makes much of dialogue with an insurance company, etc. and shares recognised issues in order to shorten the examination period, and the FSA also recommends it to use internal materials as the application to the FSA and takes the reduction of its cost into account.

Future outlook

Regarding personal products for which the protection of policyholders is highly necessary, authorisation should be required for the time being. On the other hand,

regarding other products which have few problems from the viewpoint of the protection of the policyholders, etc., the FSA will make efforts to introduce more flexibility into the examination process, including the expansion of products which are subject to the requirement for notification. Furthermore, the FSA tries to more quickly and efficiently examine products and to shorten the examination period, by enhancing mutual understanding and sharing information through dialogue with an insurance company, etc.

7. Automobiles (WP-1 / # 10 / E to J)

BRT recommendation

The Government of Japan should put kei cars and other motor vehicles on the same fiscal and regulatory footing.

< Recent progress >

The change in the taxation of kei-cars from FY2015 is a welcome first step towards reducing the discrepancy in the burden of taxation on compact cars and kei cars, but it does not go far enough. In the FTA negotiations, the GOJ should commit to further fiscal and regulatory changes so that European compact cars can compete on equal terms with kei-cars in the Japanese market. Recently, both METI and JAMA have suggested to reduce the level of discrepancy to the order of 1:2.

Nevertheless, for the time being, the discrepancy in the base level of taxation of kei-cars and subcompact cars at 1:3.3 remains unacceptably wide.

< Background >

“Kei” or mini-cars are those vehicles legally restricted to a maximum length of 3.4m, a width of 1.48m, a height of 2m, and to an engine displacement of 660cc and below. Kei cars benefit from lower automobile related taxes, automobile liability insurance and motorway tolls and are subject to less stringent overnight garaging requirements. The continued existence of the privileges enjoyed by kei cars is an anachronism which distorts the competition with compact and subcompact cars, which do not enjoy the same prerogatives, even though their performance and specifications are similar

Actions taken so far

In the Outline of the Tax Revision for FY2017 compiled by the ruling parties in December 2016, it was specified “[i]t is necessary to make every efforts on taking

relevant measures against rush demand and decreasing of demand caused by back action before and after raising the consumption tax to 10%, and, by the tax revision in FY2019, the Government of Japan will secure stable financial resources, take care not to affect the local finances, conduct the comprehensive review of reduction of the tax burden on car ownership and take necessary measures, in the light of the global environment surrounding automobiles and administrative services related to automobiles, etc., from the viewpoint of simplifying, reducing automobile users' burdens, greening and balancing taxation between registered vehicles and kei-cars.”

Future outlook

In light of the above described Outline of the Tax Revision for FY2017 compiled by the ruling parties, it is understood to be discussed.

8. Fuel Cell Vehicles (WP-1 / # 011/ EJ to EJ)

BRT Recommendation

Pending agreement and implementation of Phase II of the UN Regulation for HFCV's concerning the material requirements for hydrogen storage systems, the Japanese and EU Authorities should introduce flexible arrangements to allow manufacturers/importers to demonstrate that HFCV's meet each other's requirements and approval procedures

<Background>

UNR 134: Hydrogen and Fuel Cell Vehicles, Phase I of the UN Regulation for HFCVs, entered into force in June 2015 and has been adopted by the EU and Japan. However, despite Japan having implemented Phase I, HFCV tanks imported into Japan would still need to meet Japanese unique national requirements concerning metal materials. Whereas the EU uses a performance-based approach to approve hydrogen compatible materials, Japan's approach is more prescriptive, in effect limiting the choice of materials to very few specific types of stainless steel and aluminium.

Actions taken so far

As the UNR 134 Phase I entered into force in 2015, the Government of Japan took necessary legal procedures in June 2016 in order to introduce the UNR 134 into the domestic regulation and international mutual recognition system of HFCVs was started in Japan.

On the other hand, in the UNR 134 Phase 1, the regulation for hydrogen embrittlement is under the member countries' discretion so that the member countries are discussing container's material in the UNR 134 Phase 2. Currently, containers consisted of equal metal materials to Japanese qualified materials are able to be used in Japan after being evaluated by the regulation authority of Japan.

Regarding the metal materials used in the EU, experts in Japan and the EU have discussed the use conditions ensuring the adequate safety.

Future outlook

The experts in Japan and the EU have reached an agreement on the safety condition of the containers used in the EU that the safety can be ensured by limiting the number of refilling times and by limiting the period for using the containers. Based on such an agreement, the Government of Japan is now undertaking its domestic procedures for formulating the notice to local governments of Japan, in order to offer the special permit to refill the containers consisted of the EU's materials under the safety condition above. (Such notices will be issued by the end of February 2018.)

9. Ensuring free and open competition in services (WP-1 / # 12 / E to J)

BRT Recommendation

Japan Post and private postal delivery operators should be subject to the same customs procedures and formalities. A level playing field for both Japan Post and private postal operators should be ensured in the requirements for dedicated airway bills, obligatory customs, quarantine and security clearance and the funding of these services, as well as in the issuance of parking tickets for delivery vehicle parking infringements.

The BRT requests that the same benefits given to EMS are also given to equivalent private alternatives to achieve a level playing field as is the case in Europe and the US.

< Recent progress >

While the issue is being discussed in the EPA negotiations, the WP 1 is not aware of any concrete improvements. Furthermore, on issues directly related to Japan Post very little change in either direction has been seen during the last year.

< Background >

Japan Post and EMS receive preferential treatment not awarded to private logistics operators. While universal service is a concept present in both Europe and the USA, EMS is

not part of this, but rather a service provided on equal terms with private express alternatives.

Actions taken so far

(Japan Post and private delivery operators)

The BRT's recommendation is not necessarily correct since Japan's services market is extremely open and it is believed that European companies also enjoy benefits therein.

The international postal services of Japan Post Co., Ltd. are responsible for the exchanging of postal items among the postal operators which are designated by each member country of the Universal Postal Union based on the Universal Postal Convention. On the other hand, the international delivery services of private operators are provided by each operator with its own global-wide network. There is naturally a difference in characteristics between these two services, and therefore, the rules for Japan Post and those for private delivery operators need not to be the same.

As for customs procedures, international postal items whose assessment value exceeds 200,000 yen have been subject to the self-assessment system since February 16th, 2009 as a result of the revision of the Customs Act in 2007. Currently, general import items are subject to the self-assessment system, and only international postal items with an assessment value of 200,000 yen or less are subject to the official assessment system under which customs officials assess and specify the amount of duty.

Since a recipient does not necessarily know the content of a postal item beforehand, the self-assessment system is necessarily not suitable to postal item. We understand that other countries including the U.S. also apply the official assessment system to, at least, a part of postal items.

Future outlook

N/A.

10. Freight and logistics WP-A / # 13 / E to J

BRT Recommendation

Further to the WP-A / # 03 / EJ to EJ, the BRT recommends that Japan revise its AEO system to provide real benefits for operators regardless of whether they are forwarders, customs brokers or importers. Furthermore, the administrative burden needs to be lessened in order for the companies to be truly attracted to the AEO status.

The AEO concept should focus more on offering simplifications if the operator meets

the agreed criteria for traceability and adheres to the agreed process flow. Examples of this could be:

- Deregulating customs clearance beyond the local customs jurisdiction territories
- Reducing the physical examination of shipments
- Being able to use alternative documentation for showing “direct shipment” under free trade arrangements
- Using a bonded warehouse as a port of first entry in regards to products covered by quarantine related regulations.

We are, furthermore, particularly interested in obtaining more specific information on the information gathering that Government of Japan is carrying out in cooperation with the private sector as mentioned in the progress report.

< Recent progress >

Japan Customs have announced the plan to deregulate customs clearance beyond the local customs jurisdiction territory by October 2017. The BRT looks forward to this change which will be perceived by industry as a significant improvement.

< Background >

The current system of AEO has unfortunately not led to the simplifications that many operators had hoped for. On the contrary, in many cases the administrative burden has increased.

Actions taken so far

The Government of Japan has been giving consideration on possible measures to further simplify customs procedures for the AEOs, taking into account the particular issues of the private sector raised through exchanging views and information with them. This process has been carried out several times a year in various regions of Japan.

As a tangible result of such process, as from 8 October 2017, the Government of Japan initiated “broadening the choice of customs office for declaration”, a measure which allows Japan’s AEOs to lodge import/export declarations to any customs office of their choice, this being an exceptional case to a general principle that importers/exporters should make import/export declaration to the customs office where their goods are located. Along with the measure, restriction on the area of service of customs brokers was removed.

Future outlook

Japan will continue to give consideration on possible measures to further simplify customs procedures for the AEOs, taking into account the particular issues of the operators raised through exchanging views and information with them.

11. Aviation (WP-1 / #14 / E to J)

BRT Recommendation

Haneda D runway weight restrictions are an obstacle to the use of European-made aeroplanes and an obstacle to further development of international traffic at Haneda. These weight restrictions should be re-examined to allow the operations of new and larger airplanes such as Airbus-made A380 and A350. We request the relevant Authorities of both sides to cooperate in making the necessary verifications. Additionally, for the newest mid-size A350 aircraft, operation could be possible with the re-verification of the withstand load in regards to part of the construction.

No progress has been seen on this recommendation. However, the recent approval of the 747-8i (Code F aircraft) for day-time operations at Haneda offers hope that the A380 (also a Code F aircraft) also will be approved soon for day-time operation as there are some airlines looking at operating the A380 via Haneda.

<Background>

With the purpose of expanding airport capacity in response to the increase in air travel demand as well as to reduce congestion, a fourth runway (D runway) and an international terminal were opened in Haneda in October 2010. So far. The focus has been on flights to and from Asian countries, but its use for long-haul international routes is expected increase in the future. The number of flights will grow together with the demand but will be limited in the end by the capacity in terms of slots. The recent dramatic increase in the number of foreign visitors to Japan, just under 20 million in 2015, has caused the GoJ to revise the target upwards to 40 million for 2020. The average size of aircraft (230 seats) departing Haneda is now lower than it was in 1980 (240 seats) when 747s were used domestically. To see traffic grow at Tokyo's airports and more specifically Haneda, work needs to be done to ensure that larger aircraft can be used at Haneda. In this regard, the use of new and larger aircraft will be an important part of the airlines' strategies. Under such circumstances, aircraft weight restrictions on the D runway could impede the conversion of Haneda Airport to the use of larger and newer aircraft. New aircraft such as the A350 and A380 are significantly quieter and more environmentally friendly than older aircraft now in use at Haneda airport and, with

plans to overfly the city to increase flights to and from Haneda, it is essential that quiet aircraft are used as much as possible. In order to avoid disturbing the flow of the Tama River, the D runway was overhauled using a pier-like structure instead of a conventional landfill. Due to this, weight restrictions have been placed upon the aircraft in use, and with the entire lineup of Airbus' newest A380 and A350 series exceeding the weight limit, these aircraft could no longer be used as they currently are (cf. chart below).

Unit: tons	Weight limit	A380	A350-1000	A350-900	B747-400	B777-200ER
Total weight	400	571	308.9	268.9	396.0	286.9
Main gear load, t/gear	139.5	161.6	146.9	126.0	92.8	134.9
Wheel load	26.2	26.9	24.5	31.5	23.2	22.5

Actions taken so far

Weight restrictions at Runway D were placed for the purpose of safe operations; hence, it is extremely difficult to ease the restrictions which are based on the computation of the durability of structures. This is why Runway D, which is only 2,500 meters long, has weight restrictions. Meanwhile, Haneda Airport never rejects larger airplanes including A380 and A350, and they are allowed to make landings if being operated within the acceptable weight (by, for instance, reducing fuel or cargo within a scope which does not affect its operation, meeting the weight requirements).

Runway C in Haneda Airport has been extended in December 2014. With the permission from Japan Civil Aviation Bureau (JCAB), larger aircrafts including A380 are able to use the runway C which is 3,000 meters in length from 11:00PM to 06:00AM.

Future outlook

JCAB has no specific plans over the next year.

12. Procurement (WP-1 #16 E to J)

< General Recommendations >

The Government of Japan should increase its efforts to facilitate better access to the procurement market in Japan. This could be achieved by lowering the threshold for

public tenders and removing the “operational safety clause” within the transport sector. Japan should also include more cities in the GPA as currently only nineteen are included.

Japan should, furthermore, make more information available in English. The BRT is aware of the recent initiatives by JETRO, but complete information is rarely available in English. In addition the BRT requests that the use of English when submitting tender proposals to allowed or at least partially allowed, especially for the technical specifications.

In addition the BRT asks that Japan streamlines the requirements on pre-registration and also recognises overseas experience and qualifications when setting up requirements for the bidders.

< Specific Recommendations >

In the bidding process in public tenders for helicopters>

- a. More balanced competition should be ensured by comprehensive evaluation systems that also take aircraft performance into account.
- b. Single year budget procurement constraints should be relaxed.

Procurement of integrated systems of space ground equipment should be encouraged.

The share of open tendering as a means for procurement by the Japanese utilities should be increased substantially.

The recent changes to the Operation Safety Clause should indeed lead to more open calls for tenders in accordance with the WTO agreement on government procurement. The BRT would be interested in knowing if the Japanese authorities have any data on the increase of open calls for tenders due to the changes in the definition of the OSC.

< Recent progress >

The BRT has seen some changes in particular for the three JR Honshu companies and is therefore looking forward to see what impact the changes in the OSC will have. While the Japanese authorities has defined the Operational Safety Clause the BRT views this definition as too all-encompassing.

< Background >

Studies have shown that over 80% of the total procurement market in Japan is not covered by the GPA.1 Currently some sectors are exempted from the threshold of 5

million SDR. Some changes have been seen, such as the establishment of a national data base on calls for tenders, and the first ever open call for tender in the railway sector. However, significant improvements are required to bring Japanese procurement closer to the levels of the EU.

Actions taken so far

As Members of the GPA, the Chapter on Government Procurement of the Japan-EU EPA will realise the improvement of market access building upon the commitments under the GPA, in order to promote the participation by both of the suppliers to the procurement markets. For example, in the railways sector, while Japan will eliminate so-called “the operational safety clause” under the GPA, the EU will open a part of its railway market including rolling-stocks.

The sixth Japan-EU Railway Industrial Dialogue was held in Tokyo in February 2017, with the participation of railway operators and suppliers from Japan and the EU, for the purpose of further deepening the mutual understandings between them.

Furthermore, the statement, referred to in the above < Background >, “Studies have shown that over 80% of the total procurement market in Japan is not covered by the GPA.” is not officially recognised by the Government of Japan.

Future outlook

The Government of Japan will continue to undertake works necessary for the signature and the entry into force of the Japan-EUEPA.

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

1. Mutual Recognition Agreement for Pharmaceuticals GM should be extended(WP-2 / #01 / EJ to EJ)

BRT Recommendation

The EU and Japan should expand their Mutual Recognition Agreement (MRA) on Good Manufacturing Practice (GMP) to various pharmaceutical dosage forms such as ointments, injectables, sterile forms and API, as well as biological products, in order to avoid redundant inspections and testing.

<Recent Progress>

Good progress has been seen. In April 2016, EU and Japan agreed to expand countries

subjected by the MRA of the GMP certifications from 15 to 28 EU countries. The EU and Japan also announced that they are considering expanding the MRA subjects, which currently cover only no-sterile oral tablets and capsules, to other medical products.

<Background>

In 2002, the EU and Japan introduced the MRA on the GMP of medical products, but it covered only the then 15 EU countries and its subjects were only non-sterile oral tablets and capsules. In April 2016, the MRA was expanded to cover all the now 28 EU countries, and both the EU and Japan are considering expansion of subjects to other formulations of medical products.

In March 2017, the EU and the US announced they have agreed on MRA of the GMP. Oral tablets, capsules, ointments, injectables, API, and biological products are included in this agreement. Human blood, human plasma, human tissues and organs and veterinary immunologicals are excluded.

Despite Japan being a member of PIC/S, currently only oral solid dosage forms are included within the MRA between Japan and the EU and there are therefore still much redundant inspection and testing of manufacturing facilities. This is not only a costly process but it also slows down the launching of new drugs in Japan, creating a significant disadvantage for Japanese patients. In order to eliminate this problem and integrate the EU and Japan economies more efficiently, standards and guidelines should be harmonised and the MRA expanded. This MRA issue is one of the items of the EPA negotiation between EU and Japan.

Prioritised items for harmonisation between Japan and the EU in line with international standards are as follows:

- Safety measures
- Clinical development guidelines and biological preparation standards for vaccines
- Minimum requirements for biological products

Actions taken so far

The current scope of mutual recognition on the pharmaceutical GMP covers non-sterile products of chemical pharmaceuticals, including ointments as well as tablets/capsules. The MHLW has already expedited market authorisation process of new drugs, the GMP conformity assessment during the authorisation process does not “slow down” the marketing of new drugs in Japan. In addition, most GMP conformity assessments on manufacturing sites in the EU have been done based not on the on-site inspections but

on submitted dossiers.

Regarding the agreement in principle of the negotiations of the Japan-EU EPA in July 2017, Japan and the EU have finalised the preparatory work to expand the coverage of the mutual recognition on the GMP for medicinal products for human use. This expansion would also include APIs, sterile products and biological pharmaceuticals, including immunologicals and vaccines. Japan and the EU aim at completing the formal procedures as provided for in the MRA, at the earliest possible time, which will allow the entry into force of the expanded product scope.

Future outlook

The Government of Japan will continue dialogues with the EU side for the expansion of the product scope of mutual recognition on pharmaceutical GMP, with a view to completing it at the earliest possible time.

2. Acceleration and dissemination of scientific knowledge on new plant technologies by both the governments and the private sector (WP-2 / # 03 / EJ to EJ)

BRT Recommendation

The governments and the private sector should implement concrete actions in order to increase public awareness and societal acceptance on the benefit and contribution of new technologies in the Plant Protection & Biotechnology area, including GMOs, to the sustainable supply of safety foods. To achieve these objectives the Japanese and European biotechnology and bio-industry associations should work closely with other sectorial organisations and their respective authorities. Specifically:

- Both the EU and Japan should advance and adhere to global harmonization on GMO risk assessments, and support the Global Low Level Presence Initiative.
- Both the EU and Japan should provide legal clarity on the status of new plant breeding techniques such as genome editing, preferably in a harmonized manner.

<Background>

While Plant Protection & Biotechnology significantly contribute to the sustainable food production for an ever growing population, the contribution of new technologies has never been well recognized. Moreover, the benefit of improved quality traits on imported seeds has not been fully addressed. Considering the possible limitation of future access on foods and feeds as a consequence of limited arable land and global competition on limited foods, new technologies bringing higher productivity are required.

It is therefore necessary to increase the societal acceptance of new technologies in Plant Protection & Biotechnology, including GMOs, as an option to increase and sustain the agricultural productivity in the world through awareness-building on the benefit of this technology to better life.

Actions taken so far

The Government of Japan has advanced its co-operation with the EU administrative authorities for the harmonisation of GMO regulation and new techniques involving genome editing at the OECD Working Group on the Harmonisation of Regulatory Oversight in Biotechnology. The Government of Japan also held an international symposium on biotechnology and exchanged information with researchers from Europe at the symposium. In addition, the Government of Japan has conducted various activities, such as science communication by officials and researchers, to inform consumers and consumer organisations about biotechnology including its benefits and contribution.

Future outlook

We will continue above action.

3. ANIMAL HEALTH There should be mutual recognition of GMP and marketing authorization for Animal Health products (WP-2/#04/EJ to EJ)

BRT Recommendation

Mutual recognition of EU and Japanese marketing authorizations and recognition of GMP certification for veterinary products is important to promote trade and investment. MAFF and the European agency should accept the GMP certification of the other party where the GMP requirements are similar or equivalent.

<Recent Progress> EU side will revise

MAFF revised regulations to issue accreditation licenses written in both Japanese and English in December 2014. However, since then there has been no further progress, and there remain no examples of mutual recognition at the product level.

<Background>

Overseas production facilities that are involved in manufacturing veterinary medicinal products imported into Japan have to be accredited by MAFF even though their GMP

status is authorized by European authorities. This process involves a large amount of administrative work.

The EU-Japan Economic Partnership Agreement should aim for mutual recognition of European and Japanese marketing authorizations for veterinary products, starting with mutual recognition of GMP certification of veterinary medicines where the GMP requirements are similar or equivalent.

Actions taken so far

Japan has already accepted technical data collected from the EU Member States and harmonised technical requirements for data necessary for the registration of a veterinary medicinal product between Japan and the EU.

Future outlook

Veterinary Medicinal Products (VMP) that are approved and distributed in Japan must comply with the GMP provided by the Japanese competent authority to ensure that those products are consistently produced and controlled under the quality standards appropriate to their intended use. The Government of Japan believes that the requirements of Japanese GMP (ex. name and address of manufacturing site, names of responsible person for GMP, outline of production process, self-inspection report for GMP and GMP certification issued by foreign CA/equivalent organisation) are similar to and not more stringent than those of the EU. The Government of Japan considers that it would be reasonable to discuss further harmonisation regarding the GMP certification as appropriate through the channel cultivated between the regulatory authorities of Japan and the EU.

4. HEALTHCARE Reform of the pharmaceutical pricing system should provide a stable, predictable environment that rewards innovation (WP-2/#07/EJ to EJ)

BRT Recommendation

Reform of the pharmaceutical pricing system should provide a stable, predictable environment that rewards innovation

The Basic Policy for “drastic” drug pricing system reform was issued by the government at the end of 2016, and the Central Social Insurance Medical Council (Chuikyo) is now discussing possible changes, with implementation of the revised system from April 2018.

The EU-Japan BRT members strongly call for this review to lead to a system which

appropriately values and rewards innovation, maintaining an incentive for companies to develop new drugs and bring them rapidly to Japan and thereby giving Japanese patients early access to the latest treatments.

Specifically, the price maintenance innovation premium should be expanded to allow all new innovative products to keep their initial price level for the duration of their period of exclusivity. This strengthened reward for innovation could be funded by savings made on non-innovative products, with annual price revision for long-listed products (LLPs) and generics that discount from the NHL list price beyond a certain percentage. In addition, repricing rules related to market expansion should not become deterrents to investment.

Some form of Health Technology Assessment (HTA) is likely to be introduced. To ensure that such a system does not become a barrier to access for patients, an open, transparent process is needed, where stakeholders such as the industry and patient groups can contribute and share experience of HTA from European countries. Any new system should be based on the following:

- Assessment based largely or entirely on cost per QALY (quality-adjusted life years) thresholds risks becoming a major barrier to access. Multi-criteria decision analysis has more flexibility and hence is more appropriate.
- The number of products assessed should be limited. Japan does not yet have a well-established HTA infrastructure, so cannot assess a large number of products. The focus should be on products with a large budget impact and in receipt of a significant price premium.
- Any assessment should be post-launch, e.g. two years after market entry. If the assessment will be conducted before launch, the system should not hinder patients' access to new drugs.

Actions taken so far

The Government of Japan has developed the outline of fundamental reform of drug pricing system including the following items from the perspective of balancing “sustainability of the universal healthcare system” and the “promotion of innovation” through hearing of opinions from relative associations in the Chuikyo.

- To promptly revise the drug price which market size exceeds 35 billion yen with labelling amendment (revise at the opportunities of listing, 4 times a year).
- To determine the coverage of annual drug price revision in view of the circumstance of all drug price revision from FY 2018 to FY 2020.
- To amend the new drug creation premium to focus on the innovativeness or usefulness

of each drug.

- To amend the cost calculation method to assess higher in the case that the transparency regarding manufacturing costs is high.
- To reduce the price of long-listed drug based on generic price.
- To introduce a mechanism to analyse cost-effectiveness for drugs and devices with large market scales, including products calculated with cost accounting method, and revise prices based on the results.

Future outlook

The Government of Japan will undertake the fundamental reform of drug pricing system and drug price revision based on the outline.

The Government of Japan will adjust the prices of 13 drugs and devices in April 2018 for which the cost effectiveness was evaluated and will organise measures for technical issues clarified by the introduction of HTA and examine specific details for HTA regularisation, in FY 2018.

5. PLANT PROTECTION & BIOTECHNOLOGY Review times for Plant Protection & Biotechnology products should be shortened. (WP-2 / # 10 / EJ to EJ)

BRT Recommendation

The introduction of parallel review by MAFF (Ministry of Agriculture, Forestry and Fisheries) and the FSC (Food Safety Commission) in 2016 offers the potential for a major improvement in the time taken to review and approve new products. The first priority should be to assess if the new process is working as intended in practice.

There may be other possible ways to shorten review times:

- Further harmonization of the dossier on human safety and acceptance of summaries in English.
- Opportunistic use of the evaluation results from foreign countries in order to reduce the resource burden on the Japanese authorities.
- Association and synchronization of review for domestic registration with that for import MRLs.
- Parallel review by MHLW.

<Background>

Delivering novel and safe Plant Protection products and seeds is very important if the needs of the growing world population for high quality foods and feeds are to be met. While

R&D-intensive companies are continuously and heavily investing in new technologies, the innovation will not contribute to the food production without governmental approval. Therefore, early market access of novel Plant Protection products is crucially important not only for R&D companies but also for farmers who have to be competitive on their agricultural production, as well as consumers whose living is dependent on the sustainability of food production. The delay of market access of novel products will cause technology gaps, resulting in unnecessary disadvantage to farmers due to the limited access to innovative products which are safer and more effective.

If it works as planned, the new approval system should bring Japan much closer to international best practice, with an expected average approval time of 21 to 27 months (versus 27 to 36 months before the 2016 change). However, in the US and Korea the time taken for review is 18 to 24 months, so it may be possible to make further progress.

Actions taken so far

The related Ministries (the MAFF, the MHLW and the FSC) started parallel review to shorten the period of time for reviewing new applications/product registrations in plant protection in 2015.

In Japan, genetically modified plants are required to be evaluated scientifically on their food safety, feed safety and biosafety in accordance with the following 3 Acts; Food Sanitation Act, Law concerning Safety Assurance and Quality Improvement of Feed (“Feed Safety Act”) and Act on the Conservation and Sustainable Use of Biological Diversity through Regulations on the Use of Living Modified Organisms (“Cartagena Act”) respectively. These evaluation processes are streamlined appropriately based on scientific basis.

Future outlook

The Government of Japan continues the current practice and makes efforts to shorten the review period as much as possible.

3. Working Party 3 Digital Innovation and Mobility

1. Cooperation for Global Digital Trade Rule Making (WP-3 / # 01 / EJ to EJ)

BRT Recommendation

With rising protectionist sentiment and a growing undercurrent of distrust surrounding trade, the EU and Japan are required to demonstrate that improved trade relations can bring great

value to the mutual benefit of economy and society.

The BRT has serious concerns that some countries are implementing Forced Localization Measures (FLMs). Those measures could become a real threat to the digital trade.

Maintaining the business environment to realize adequate “cross-border data flows” is imperative for multinational companies and for citizens who consume services offered by global players. The BRT thinks that the principles of free flow of data and the restriction of a mandatory requirement of data localization will be one of the foundations of the digital economy.

The BRT supports the introduction of rules for e-commerce and cross-border data flows in trade Agreements. This will allow tackling new forms of digital protectionism while respecting data protection rules.

The BRT requests both sides’ Authorities to lead global rule making by incorporating provisions to restrict digital protectionism such as FLMs into EPA negotiations respective parties are engaged in or the TiSA negotiation, and jointly approach the abolishment of such regulations.

The BRT welcomes the efforts of the EU and Japan, as historic partners with a shared commitment to open, fair and free trade, including in digital goods and services, to strengthen their cooperation by completing an ambitious EU-Japan EPA/FTA. We believe the agreement offers a valuable chance to demonstrate the mutual benefit of open and fair trade—including digital agendas aspects—and set an example for future cooperation with and between other regions.

The BRT welcomes that the EU and Japan finished the necessary domestic procedure to implement the expanded ITA, and also welcomes efforts to increase its membership countries.

< Recent Progress >

In May 2015, the 23rd Japan EU Summit was held in Tokyo. The EU and Japan emphasized their determination to combat all forms of protectionism.

In October 2015, the European Commission released a trade strategy “Trade for All”, where it addressed digital protectionism and sought to use FTA and the TiSA to set rules on e-commerce and cross-border data flows.

At the G7 Ise-Shima Leaders’ Declaration, leaders endorsed G7 Principles and Actions on Cyber and commit to take actions.

At the G7 Summit in Taormina, Italy on 27 May 2017, important progress has been made to avoid protectionist measures. During the high level meeting, a generic but important declaration was decided to prevent negative consequences on digital trade.

< Background >

Thanks to the digital economy, today's business environment is evolving at exceptional speed. Information, goods, and services are more global than ever before. In the trade environment, digital trade - intended as for example cross-border data flows and e-commerce - is growing exponentially around the world. It is important to emphasize though that digital trade does not only positively impact the digital technology sector, but also has a positive spin-off effect on the entire value chain and across all industries and players, including consumers and employees. Digital trade has a positive effect on the quality of goods and services and productivity levels thanks to new technologies, processes, business models, and services. Thus digital trade has great potential to bring new growth and prosperity to Europe and Japan. However, the true potential of digital trade to drive innovation, job creation, and economic growth has yet to be fully realized. Indeed, barriers persist, and protectionist trends and policies are on the rise.

Several countries are trying to implement digital protectionist policies. To spread the fruit of digital technology all over the world, modernized and harmonized rules are indispensable so that business can offer innovative solutions without unnecessary burdens to meet specific local requirements.

Actions taken so far

The Japan-EU EPA includes the provisions on the prohibition on disclosure of source code requirements. At the Japan-EU Dialogue on Data Economy held in July and in October 2017, Japan and the EU reaffirmed their cooperation on dealing with restrictions on digital trade in third countries. As for international fora, the importance of free flow of information was acknowledged in the G20 Summit meeting in July 2017. In addition, the importance of free flow of information, prohibiting on data localisation requirements and requirements to access to or to transfer of source code was reaffirmed in the G7 ICT-Industry Ministerial Meeting in September.

The Government of Japan implemented its tariff elimination based on the ITA Expansion in May 2017. Also, the importance of outreach to expand participants of the ITA/ITA Expansion was recognised at the Symposium on the 20th Anniversary of ITA held in June 2017.

Future outlook

The Government of Japan will continue to work to form a common position and to promote cooperation through international fora such as the G20, the G7, the OECD,

APEC, the WTO, and the FTA/EPAs in order to develop digital trade and to prevent the expansion of digital protectionism. At the same time, the Government of Japan will exercise its leadership to form rules on digital trade through the WTO and the FTA/EPAs.

Regarding the ITA/ITA Expansion, the Government of Japan will continue to work toward the expansion of participants and will positively commit to discuss issues around NTMs and ITA3.

2. Privacy Protection and Innovation towards Digital Economy (WP3/#02* /EJ to EJ)

BRT Recommendation

The BRT requests the EU and Japan that implementation of regulations create a trusted, harmonized and future-proof set of data protection environments both for the EU and Japan as we believe that modern and flexible regulation has the potential to act as a catalyst for growth, jobs and innovation both in the EU and Japan.

GDPR implementation

The BRT welcomes the work and the approach of WP29 allowing all stakeholders to contribute through public consultations in preparing the Guidelines for the implementation of the GDPR.

It is crucial that the GDPR is implemented in a harmonised manner across EU Member States. This is important in order to fully take advantage of the cross border business opportunities. In this sense the BRT encourages the European Commission and WP29 to monitor the implementation acts where Member States can interpret the new Regulation based on the Guidelines from WP29 in order to assure as much harmonisation as possible and avoid to create different market conditions in different Member States.

The BRT supports the notion that one of the important steps in data protection is to conclude international data transfer agreements.

Rulemaking for the facilitation of cross border transfer of personal data

The BRT requests the establishment of a cross border personal data mechanism between the EU and Japan as soon as possible to complement the EU-Japan FTA/EPA negotiation.

While the BRT understands the importance of an Adequacy Decision as a mechanism for transferring Personal Data, we encourage the European Commission to keep on

working on the direction of its recent Communication by considering alternative mechanisms such as a certification mechanism and a code of conduct, and adopting flexible negotiations tailored to the different legislative environments and sectorial needs.

The BRT welcomes the European Commission's communication "Exchanging and Protecting Personal Data in a Globalised World" to the European Parliament and Council on the 10 January 2017. The communication clearly defines the strategy of the Commission to achieve as soon as possible International Data Transfer Agreements with key countries in both Asia (Japan & Korea) and Latin America. As there is a clear link between International Data Transfer and the General Data Protection Regulation (GDPR), there is a solid basis for reaching an agreement that works for each country.

With GDPR considered as a basis, we have now a 'toolkit' of mechanisms to transfer personal data from the EU to third countries (e.g. adequacy decisions, standard contractual clauses, binding corporate rules, certification mechanisms and codes of conduct). While adequacy decisions remain the Commission's preferred option, other mechanisms will also be considered. This will provide more flexibility during the negotiations in particular with countries that do not consider adequacy as the only way forward. For example, the GDPR provides the possibility to extend Standard Contractual Clauses (SCCs), especially in the case of processor-to processor services (e.g. Cloud service providers). In addition it allows for the use of Binding corporate rules (BCRs) not only within a Corporate Group but between different Companies as well.

The BRT welcomes the EU-Japan joint Statement released on the 20 March 2017 confirming the strong political commitment in finding the best solution to allow Free Flow of personal Data between the EU and Japan.

The BRT also expects that it will take into account during the negotiations between the UK and the EU that there will be no hinder to the smooth transfer of data between the EU and the UK.

Furthermore, both sides' Authorities should strengthen their dialogue to realize consistent personal data protection regimes around the world, to assure interoperability and to address digital protectionism through enhanced cooperation with third countries and international organizations.

ePrivacy Regulation

Regarding the potential ePrivacy regulation (ePR), it is essential that there is no duplication of the GDPR and that no undue restrictions are placed on businesses.

While to the respect of private life remains at the core of the ePR, this right must be effectively balanced with the other rights within the Charter of Fundamental Rights as underlined by the Court of Justice of the EU and in line with international human rights law.

Broadly including M2M communications into the scope of the ePR could mean that various products and services that contain built-in M2M communication features like automated supply chains, remote control or operation of machines might be covered by the legislation. This does not seem to be consistent with the purpose and objective of the ePR. We see the risk that the inclusion of M2M communications and applying provisions as currently worded would lead to unworkable situations in practice and render standard processes and developments of Industry 4.0 impossible. We suggest a clarification that products and services containing an M2M platform do not fall within the scope of the ePR.

< Recent Progress >

There has been good progress on this recommendation.

The General Data Protection Regulation will be effective on 25 May 2018. Several guidelines for implementation were released by the Article 29 Working Party.

Japan's revised Act on the Protection of Personal Information was effective on May 30 2017.

On 10 January 2017, the European Commission issued communication "Exchanging and Protecting Personal Data in a Globalised World".

On 20 March 2017, the European Commission and the Government of Japan released Japan-EU Joint Press Statement on Facilitating the Free Flow of Data.

At Japan-EU Leaders Meeting on 26 May 2017 in Taormina, Italy, both leaders confirmed that free flow of data is important for EU-Japan economy relations and agree to continue discussion for reciprocal smooth data transfer mechanism while protecting appropriate personal data protection.

< Background >

The original personal data protection laws were adopted before the technical advancement of internet and cloud computing. Since then, citizens have become more concerned about privacy protection, and the differences in regulations by countries in various jurisdictions have caused an increase in compliance costs. Those differences have become obstacles to efficient global operation and innovation utilising data. Reviewing the regulations is thus needed.

Actions taken so far

Regarding the personal data transfer between Japan and the EU, the Personal Information Protection Commission (PPC) and the EU Directorate-General for Justice and Consumers have had engaged in dialogues strenuously since 2016, aiming at building a framework which would allow smooth and mutual transfer of personal data, and held commissioner-level meetings in March, July and December 2017.

At their commission meeting in December 2017, they confirmed solutions to address relevant differences between the two systems in Japan and the EU without amending their laws and regulations, and agreed to move to the work on the details of the solutions as well as to hold a next meeting with a view to finalising discussions in the first quarter of 2018. In December 2017, as one of the procedures for building this framework, the PPC started a public comment process on amending the Commission Rules, which prescribes judgmental standards for, under Article 24 of the Act on the Protection of Personal Information, designating a specific foreign country in which personal data can be transferred to a third party in the same way as in Japan.

Regarding the personal data transfer between Japan and the UK after the Brexit, The PPC shared review with its counterpart of the UK to continue dialogues aimed at building a framework to ensure smooth and mutual transfer of personal data.

Furthermore, to realise international consistency of personal data protection regimes and to assure interoperability, the PPC has participated actively in international meetings and cooperated with other relevant authorities.

Future outlook

Regarding the personal data transfer between Japan and the EU, the PPC will proceed work with a view to finalising discussions in the first quarter of 2018, and realise the establishment of the framework by the time the GDPR will have taken effect. Simultaneously, to prepare the designation of the EU Member States, the PPC will continue to conduct collection of information and research on the EU Member States regarding their respective systems and whether each Member State's authority has ensured necessary enforcement policies, procedures and systems.

Furthermore, the PPC will also promote activities for realising international consistency and interoperability of personal data protection regimes.

3. Cooperation Towards Digital Economy(WP-3 / # 05 / EJ to EJ)

BRT Recommendation

The framework for cooperation in the Digitising European Industry (DEI) should be expanded upon to allow for an exchange of ideas, best displayed in the Digital Innovation Hubs. Bottom up innovation is crucial here as it will allow the various stakeholders to play to their strengths.

The central goal of DEI is to ensure new technologies are integrated and expanded throughout the European economy. An essential condition for success rests in collaboration between various actors.

Taking note of the European Commission's 2017 Digital Transformation Scoreboard, we must ensure cybersecurity is central in our efforts regarding the DEI initiative. We must create a safe environment for both businesses and European citizens.

The BRT supports the priority actions identified by DEI: ICT Standards, eGovernment action plan and the Cloud Initiative which will hopefully make it easier to do business in Europe and spur entrepreneurship. The BRT shares the focus on Public Private Partnerships and Digital innovation Hubs as drivers for new investment in innovation and digital solutions.

The European Commission and the Government of Japan are encouraged to foster key collaborative projects under DEI and Connected Industries.

Finally, any policies related to the DEI and Connected Industries initiative should not place undue restrictions on innovation and its bottom up nature.

< Background >

In April 2016 the Digitising Europe Industry (DEI) initiative sought to offer concrete steps towards completing the DSM. Chief among the various initiatives stand the European Cloud Initiative, Industry 4.0, and the Digital Innovation Hubs.

The European Commission released its mid-term review of its Digital Single Market strategy on 10 May 2017 and identified to develop the European Data Economy to its full potential as one of major challenges.

In March 2017, METI of Japan introduced Connected Industries as a new vision for the future of Japanese Industries.

At the joint statement released on 20 March 2017, both authorities confirmed the importance of data and committed to a continuous exchange of views.

Actions taken so far

At CeBIT 2017 held in Hanover, Germany in March 2017, Ms. Sanae Takaichi, Minister for Internal Affairs and Communications, Mr. Hiroshige Seko, Minister of Economy, Trade and Industry and Ms. Brigitte Zypries, Federal Minister for Economic Affairs and Energy of Germany signed and released the “Hannover Declaration”. In this declaration, a policy concept titled "Connected Industries," in which humans, machines and technologies are connected with each other even across borders, was presented as a goal for involved industries. In order to realise this concept, we held a roundtable meeting between Mr. Hiroshige Seko, Minister of Economy, Trade and Industry and industry representatives. Based on the results of these discussions, the Government of Japan announced "Connected Industries Tokyo Initiative 2017" at the conference of Connected Industries in October 2017.

In addition, taking the opportunity granted by CeBIT 2017, Mr. Hiroshige Seko, Minister of Economy, Trade and Industry, Mr. Naoki Ota, Special Advisor to the Minister, Ministry of Internal Affairs and Communications, Mr. Haruhi Kumazawa, Commissioner of the Personal Information Protection Commission, Mr. Andrus Ansip, Vice President of the European Commission, and Ms. Věra Jourová, Commissioner for Justice, Consumers and Gender equality released the Joint Press Statement with a view to advancing cooperation on the data economy. Based on this Joint Press Statement, Japan and the EU held the Meeting on Data Economy in July 2017. Furthermore, Japan and the EU advanced the discussions of common interests such as IoT security through the existing common framework (Japan-EU ICT Policy Dialogue and Japan-EU ICT Strategy Workshop).

Future outlook

Aiming at the realisation of "Connected Industries", the Government of Japan will promote the identification of issues to be examined in the five priority fields: (1) Automated Driving and Mobility Service, (2) Manufacturing and Robotics, (3) Plant/Infrastructure Safety Management, (4) Smart Life, (5) Biotechnologies and Materials, and the developing cross-sectoral support measures that bolster these efforts. Through this process we will accelerate the implementation of projects for international collaboration.

Regarding the challenges shared by Japan and the EU on data economy such as 5G, Cybersecurity and free flow of information, Japan and the EU will continue to further their discussions through the Japan-EU ICT Policy Dialogue and the Japan-EU ICT Strategy Workshop based on the expectations of related industries.

4. Skill Development for Digital Economy (WP-3 / # 06 / EJ to EJ)

BRT Recommendation

The BRT welcomes the Digital Skills and Jobs Coalition Initiative that brings together Member States, companies, social partners, non-profit organisations and education providers, who take action to tackle the lack of digital skills in Europe.

In this sense the BRT encourages the European Commission and the Japanese Government to take common actions to guarantee innovative ways to create new skills for new jobs and prepare the young generation to meet the new challenges related to the Digital evolution. New technologies such as Robotics, and Artificial Intelligence should be perceived as new opportunities to create better jobs and economic growth. To keep all generations close to the new jobs market conditions it is crucial that all actors (Universities, Digital Clusters, Governments, Public Authorities, Unions, Industry and SMEs Associations) work together to find solutions to guarantee a harmonised match between offer and demand for new jobs and avoid resistance to change and innovation. Joint initiatives and cross border collaborations should be reinforced in order to find resources and new ways to create the right competences for new jobs. Gender equality should be guaranteed as equal opportunities for everybody, ensuring there is no discriminations.

< Recent Progress >

This is a new recommendation.

< Background >

Digital technologies represented by IoT, Big Data, AI and Robotics are changing business and society. It is expected some of the current jobs will be replaced by AI and Robots. Both Authorities have to address concerns of these disruptive changes represent for the working environment. Without taking certain actions, disparities may spread among our societies.

Actions taken so far

The emergence of AI and robots brings transformations to various scenes of daily life. This may largely influence the need of white-collar-workers with conventional mid-level skills which is the majority of employment in Japan, on the other hand, this may also create new employment needs including mid-level skills through the change of the business process.

Therefore, we are implementing efforts such as programming education for children or recurrent education for employed persons that will contribute to the development of human resources who can play an active role in the IoT/Big Data/AI-advanced society.

Future outlook

We will continue to make efforts that will contribute to the development of human resources who can play an active role in new economic and social systems.

5. Innovation in General Seamless Approach Towards Digital Society (WP-3/ # 08 / EJ to EJ)

BRT Recommendation

Innovative solutions and products can contribute to the realization of a prosperous digital society only after social implementation is completed. Therefore seamless and comprehensive approaches from innovation creation to social deployment are required.

Funding programmes such as Horizon 2020 and its Japanese counterpart Programmes for international cooperation on research and innovation should increase the efforts towards open collaboration between the EU and Japan.

The EU and Japan should reinforce initiatives regarding open innovation between large companies, universities and startups.

- The EU, its members, and Japan should share information regarding the main initiatives in this domain with a focus on initiatives respectively sponsored.

- The EU, its members, and Japan should reinforce cooperation.

The BRT hopes that initiatives under Horizon 2020 and Japan's 5th Science and Technology Basic Plan will lead to further EU-Japan strategic R&D cooperation.

Both sides' Authorities should specifically favour joint R&D programmes that are geared towards international standardisation such as standardisation in advanced manufacturing, the Internet of Things and Cybersecurity. Regulatory cooperation between the EU and Japan will facilitate digitalization of society by deployment of new services and products in both regions.

<Background>

The EU and Japan share common societal challenges such as an aging population, climate change, resources constraints, etc. Science, Technology and Innovation are engines for growth. Enhancing cooperation between the EU and Japan will increase possibilities to create new products and services addressing complex issues.

Countries can more effectively use their human resources and financial funds if their R&D programmes are coordinated and if mutual access to R&D programmes is easier for participants from both regions.

Start-ups, for their part, are at the leading edge of new market developments. Their agility allows them to develop innovative services on short notice. Developers, whether they work for major companies, IT service companies, digital agencies or start-ups, are keen to optimize their development cycles using APIs so they can generate usage value for their applications and services. The open innovation approach therefore makes it possible to rapidly develop novel solutions, which will draw on the best elements of the network and offer clients innovations that are simpler and more intuitive, which focus on usage and respond to their needs for experience and information in real time. It is a lever of change and an accelerator of innovation for the benefit of customers. Innovative solutions developed by start-ups anticipate changes in the digital world, especially in four areas that will turn business and personal life upside down: the Cloud and connected objects, augmented reality, big data and the ability to analyse and edit data rapidly. Cooperative innovation should also form part of a win-win relationship. Open innovation and collaboration with start-ups will be beneficial for both start-ups and large companies.

Actions taken so far

On 5 October 2017, the EU and Japan held a dialogue on data economy among their experts, and held a session on open innovation in this dialogue. In the session, the EU side introduced an activity which links the living lab in the EU and an effort for the Open Innovation 2.0., and from Japanese side, Japan Innovation Network (JIN), which was established as an accelerator for large and medium-sized companies to spur innovation, gave a presentation on their activities of Future Center Alliance Japan (FCAJ) utilising the environment to generate and accelerate innovation for industry, government and academia. As for this effort, the EU proposed to hold a workshop to visit the lab in the European region already having more than 350 bases, and exchange opinions in order to develop the living lab in Japan which creates “Ba” as a forum to promote innovation and accelerate the Japan-EU cooperation.

Future outlook

We will promote cooperation among industry, government and academia of both sides through holding workshops proposed by the EU side.

Working Party 4

1. Energy, Environment, Sustainable Growth (WP-4 / # 02 / EJ to EJ)

BRT Recommendation

• Harmonization of supply stability, economic efficiency, the environment, and safety standards:

Energy forms the foundation of economic activities. Efforts to reduce energy demand while at the same time ensuring the stable supply of energy and proper electricity rates are not only critical to business operations but also have a profound impact on the creation of new business opportunities. It is also important to give due consideration to environmental load. Based on this perspective, the governments of Japan and EU countries should carefully consider the future role of nuclear power generation.

• Cooperation with other countries from a global point of view:

In regard to the energy demand and supply structure of the world, changes in demand are occurring primarily in Asia, and the diversification of energy sources such as natural gas, renewable energy, and nuclear power is becoming more pronounced. Meanwhile, the impact on the global environment is being exacerbated, and energy issues are becoming even more complex.

Amid these circumstances, Japan and the EU must promote a framework for a more comprehensive collaborate alliance from the viewpoints of energy and the environment. As such, it will be imperative to not only deepen our relationship with the IEA and IAEA but also strengthen cooperation by exchanging information with our European counterparts in various international committees.

• Short-, medium-, and long-term energy strategies:

All of the countries participating in COP21 have affirmed their commitment to controlling carbon dioxide emissions as a countermeasure against global warming.

The key to this will be to balance economic growth with the reduction of CO₂ emissions. And while the decision to engage in global efforts to cut CO₂ emissions was made at COP21, it will be essential to ensure that these efforts are paired with economic growth to make it possible to move forward with them in a sustainable manner. Carbon pricing, as suggested by Policy Paper 2017 of B20 Taskforce – Energy, Climate and Resource Efficiency, might help to do so, although its pros and cons need to be carefully studied before implementation

Going forward, it will be important for governments, industries, and citizens to develop a solid understanding of the current energy situation and consider which changes are temporary or cyclical, and which are permanent. In addition, it will be necessary to determine what kinds of risks and chances are conceivable for the future, identify what can be done to make our energy systems more secure, reliable, and sustainable, and consider short-, medium-, and long-term energy strategies.

▪ Achieving a stable supply of energy through a multi-layered energy supply structure:

There are invariably advantages and disadvantages to the adoption of energy source, and there is no form of energy that provides complete satisfaction from both a stability and economic standpoint. In view of this, a multi-layered energy supply structure capable of functioning not only during times of peace but also in emergencies should be established.

▪ Maintenance and upgrading of energy infrastructure:

To ensure the stable and adequate supply of energy, Japan and the EU must share best practices for the construction of an energy value chain capable of achieving the prescribed energy mix and consider the upgrading of old equipment and facilities to improve their safety.

Actions taken so far

We set an energy target for FY2030 in Long-term Energy Supply and Demand Outlook approved in July 2015. This target aims at achieving the stable supply, reduction of electricity cost, and suppression of CO2 emission on the premise of ensuring safety. In the energy mix, nuclear power is planned to account for about 20 to 22% of the total power supply. The Government of Japan gives top priority to safety for nuclear power generation under any circumstance. For this reason, only when the Nuclear Regulation Authority confirms that a nuclear power plant meets the new regulatory requirements, such a power plant will be allowed to restart, respecting the judgment made by the Authority. We started the discussion to realise this target for FY2030 in August 2017.

On the other hand, the goal set out in the Paris Agreement can not be achieved by the prolonged and conventional efforts as before. In order to discuss the long-term energy future from the 2050 viewpoint in a multifaceted manner, an expert opinion committee was set up and it started its discussions in August 2017.

We will deepen insight on various factors such as trends in geopolitical risks and measures against global warming, business strategies that change accordingly and

changes in the background of innovation and, we will determine the long-term stance on Japan's energy policy. As for nuclear power, multi-faced discussion has been made in the committee.

With regard to cooperation with other countries from the international point of view, we organised a study tour that comprised a site visit to the Nakoso Power Station in Iwaki City, Fukushima Prefecture and other facilities related to the reconstruction of Fukushima as well as a workshop on Clean Coal Technology for diplomatic corps. Participants from 14 countries including European countries inspected the power station having the world's top commercial Integrated coal Gasification Combined Cycle (IGCC) power plant and deepened their understandings in the most advanced technologies in Japan.

Future outlook

In order to realise the target for FY2030, we will make efforts such as thorough energy conservation, the maximum introduction of renewable energy, the high efficiency of thermal power generation, securing resources, restarting nuclear power which was confirmed safety. As for restarting nuclear power generation, the Takahama Nuclear Power Plant's No. 4 reactor started operation on 17 May 2017 and started generating electricity from 22 May. The Takahama Nuclear Power Plant's No. 3 reactor started operation on 6 June 2017 and had started generating electricity from 9 June. The Nuclear Regulation Authority will continue to examine whether the other nuclear plants meet the new regulatory requirements.

Regarding discussions on medium- and long-term energy policies, we will continue to examine appropriate measures while taking into account various opinions including experts.

We are going to continue to actively contribute to international and regional fora such as the IEA, IRENA, the IAEA, the G8 / G7, G20 and APEC.

2. Renewable Energy (WP-4/#5 //EJ to EJ)

BRT Recommendation

Renewable energy is expected to play a major role in countermeasures against global warming, and there have been recent signs of improvement in the cost aspect, which had been considered an issue against the use of renewable energy. At the same time, thorough discussions regarding the economic, environmental, efficiency, safety and stability aspects must also be continued.

Advantages of renewable energy:

Although the role of renewable energy in the reduction of CO₂ emissions and achievement of energy security cannot be denied, integration into the grid and stability of supply remain major issues to address. Despite its potential to complement traditional energy, it will require a smart and integrated power distribution network.

Currently there are various options for renewable energy, including wind, solar, hydro, geothermal, tidal, and biomass. However, other than hydroelectric power, which can provide a certain level of base power, these power sources are affected by regional appropriations. Thus, there are remaining economic, efficiency, environmental, safety and stability issues that need to be addressed, pointing to the need for further discussions while their uptake is being realized.

To overcome these instability factors, it is imperative to:

- Comprehensively develop the adoption of highly distributed renewable energy sources.
- Evaluate the total costs for renewable energy in comparison with other traditional energy sources, including all indirect costs of CO₂ emission.
 - **Keep the existing level of subsidies or incentive schemes for renewable energy technologies while phasing out subsidies for fossil fuels.**
 - **Promote research on immature renewable energy technologies towards their commercialization.**

Standards in Photovoltaics

The G8 countries, in particular from the EU and the USA experience a large growth of micro photovoltaic installations with a simple connection via conventional home electric plugs. Japan is a trendsetter in residential photovoltaic installations.

Both the EU and Japan industries and consumers would benefit immensely from harmonised technical requirements, standards and solutions for Plug and Play Photovoltaic Micro-inverter Systems.

Feed-in tariff system in Japan

There have been many cases wherein permits have been secured under the renewable energy feed-in tariff system (FIT) in Japan but the project did not actually become operational for some application programs, leading to concerns regarding the high burden on citizens and the prevention of entry of latecomer energy producers that offer lower costs and higher performance. In particular, in regard to the FIT for solar power systems, which are being introduced at a rapidly increasing rate, there is a need to formulate schemes to encourage producers to find ways to lower costs from the perspective of lowering the

burden on citizens. And also, hydro, geothermal, and wind power, which are cheaper to generate but have longer lead times for commercialization, and biomass power, which contributes to “local production for local consumption” initiatives should be more encouraged to be adopted.

Furthermore, governments should evaluate examples of good practice of feed-in tariff systems in Japan and EU states to stimulate green energy.

Actions taken so far

The Government of Japan's basic policy on renewable energy is to maximise the introduction of renewable energy while reducing public burden.

Under the revised Feed-in Tariff (FIT) Act put in force in April 2017, the authorisation system has been reformed to eliminate uncommissioned projects and prevent the occurrence of new uncommissioned projects. This Act also encourages the cost-effective introduction of renewable energy through introducing a tendering system for large-scale solar power projects. At the same time, to help the introduction of long lead-time power sources, multi-year FIT tariffs for wind, geothermal, biomass, small & mid-scale of hydro, which secure longer foreseeability.

Regarding photovoltaic installation, though microinverter related subject was introduced into the Grid-interconnection Code and the interior wiring code in Japan.

Future outlook

In order to achieve the energy mix goal of renewable energy (22% to 24% of the total power generation in 2030, formulated in July 2015), the Government of Japan will properly operate the revised Feed-in Tariff (FIT) Act and make full use of various methods such as regulatory reform and R&D.

In addition, standardisations of technical specifications of photovoltaics will also be proceeded.

3. Smart Grid and convergence of Electric distribution networks with ICT (WP-4/ # 06 / EJ to EJ)

BRT Recommendation

The growth of Renewable Energy Systems on the grids in the future will to a substantial degree occur in dispersed energy production. This will in turn favour local balancing of energy flows on the grid as opposed to centralized transmission system operators (TSOs) controlled balancing.

The trends to achieve this are through automatic trading of energy flexibility by prosumers, dynamic pricing of energy based on local conditions, and maximisation of adaptability potential by harnessing virtual energy reservoirs in processes.

Local sustainability and uninterrupted energy supply to remote areas in case of natural disasters drives grid planning towards possibilities for island operation of electric micro grids.

The growing role of prosumers, smart grids, micro grids, energy storage and e-mobility requires a different distribution of roles and responsibilities in the value chain of electricity production, transmission, distribution and retail.

All these trends will have to ultimately result in a multitude of load balanced smart micro grids, which are in turn connected to the main grid, supported by state-of-the-art ICT such as internet of things, big data, etc.

Energy storage batteries:

Along with the spread and expansion of renewable energy, grid stability, peak shift of power consumption, stable power supply need to be dealt with.

Since it is expected that the demand for storage batteries will be greatly expanded in the future, harmonization of safety standards for storage batteries, standardization and unification of test protocols, and/or introduction of mutual certification system should be promoted between Japan and EU.

Storage batteries contribute to the stabilization of the energy supply-and-demand structure through the storage of convenient power and the ability to use it anytime, anywhere. As a technology for long-term and large-scale storage of power, the hydrogen energy storage system should be more widely utilized for the efficient utilization of power.

Due to the development of the smart grid, storage battery applications are expected to expand further to include vehicles, residences, buildings, and commercial establishments. Japan and the EU must continue to work together toward lowering costs and increasing efficiency through technological development and standardization.

On the other hand, the uptake of renewable energy has led to instability of the power grid due to the increase in distributed power sources. Systems for maintaining stability, however, are prohibitively expensive. Recently, the use of cloud and ICT has made it possible to intensively gather data and carry out control at lower costs. Also, in regard to storage batteries, technologies to prevent imbalances that prevent further charging due to having one battery depleted and another fully charged are being developed. It is imperative to proactively make use of the micro-grid and ICT that enable handling efficient power sources, such as solar power generation.

Measures to be taken are:

- 1) Strengthening the positive role of highly distributed residential and small commercial photovoltaic (PV) installations for self-consumption to reduce costly investments in power distribution network and new big power generators. This will also reduce the need in harmful environmental interventions.
- 2) Promote smart functionality of PV inverters through regulatory requirements
- 3) Improvement of power quality and stability through smart grids and micro grids with battery storages.
- 4) Unify EU/JAPAN technical standards for highly distributed residential and small commercial PV installations and make them comparable to the high standards set by the newest USA rule 21/2017 regarding power quality and fire safety (such as rapid-shutdown regulation).
- 5) Prepare concrete action plan for financial stimulation and promotion of high distributed on-site smart grid green power generation in connection with e-mobility penetration.

Actions taken so far

Regarding storage batteries for balancing electric power supply and demand, the Government of Japan has supported demonstration projects to develop reliable virtual power industrial plants because the batteries have been expected as hopeful energy resource. In addition to this, they have developed research and development project to reduce the cost of batteries technologies, and have demonstrated large-scale storage batteries.

Future outlook

Regarding storage batteries for balancing electric power supply and demand, the Government of Japan will continue the research and development, and demonstration projects for enhancement of various uses, such as virtual power industrial plants, and cost reductions and early installations.

4. Energy conservation & energy efficiency (WP-4 / #08 / EJ to EJ)

BRT Recommendation

Strengthening of energy conservation in each field:

One area in which energy conservation effects are foreseen in the residential and business fields is the use of insulation materials and high-performance windows as energy conservation measures in houses and buildings.

Energy conservation technology for electric appliances and equipment, such as

refrigerators, air conditioners, servers, and LED lighting, is also evolving. In the transportation field, advancements are being made in the energy efficiency and reduced environment footprint of automobiles through the development of EV, PHEV, clean diesel, and hydrogen fuel cell vehicles (FCV). Japan and the EU should collaborate on standards to take the lead in promoting market introduction of these technologies, and alignment and simplification of related standards and regulations.

One commonality among all fields is that the introduction of energy management is also an effective means to increase energy efficiency.

To increase the efficiency of energy, Japan and the EU must revise and align laws and regulations, develop advanced technologies that boost energy efficiency through best practices, and implement stimulus measures such as investment in methodologies. At the same time, these actions should be complemented by aggressive measures that will have an impact on technologies for soundproofing of buildings and stabilization of room temperature.

Prompt implementation of regulations for building standards and insulation of houses will make it possible for the resulting highly energy efficient buildings and homes to contribute to the lowering of energy consumption and expenditures, the reduction of CO₂ emissions, and the maintenance of good health at both a household and national level.

Harmonization of standards and mutual accreditation of testing protocols to verify the energy saving effect of components and materials should be implemented.

Actions taken so far

To thoroughly promote energy conservation in the residential and commercial sectors, and in accordance with the Top Runner Program under the Act on the Rational Use of Energy, the Government of Japan sets energy consumption efficiency standards for automobiles, home appliances, building materials, and other products. In the Program, the manufactures and importers of these products are requested to meet the energy consumption efficiency standards. In October 2016, the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) was introduced in Japan to check that passenger car and other vehicle meet their fuel efficiency standards. Effective in July 2017, it was mandated to indicate the fuel efficiency obtained from the WLTP by each driving condition in catalogues or vehicles for exhibitions. In March 2017, showcases were added to the Government's list of energy consumption efficiency standards. In accordance with the WTO Agreement on Technical Barriers to Trade (TBT), the Government of Japan notified other WTO Members of an outline of these performance

target schemes at an early stage.

To drive energy conservation measures for houses and buildings, in accordance with Act on the Improvement of Energy Consumption Performance of Buildings, the Government of Japan mandated that new, large non-residential buildings must be constructed to meet the energy efficiency standards effective in April 2017. In addition to this, the Government of Japan is working toward the popularisation of zero-energy houses and buildings.

Future outlook

To thoroughly promote energy conservation in the residential and commercial sectors, the Government of Japan will continue to strengthen its energy conservation measures for both sectors through regulatory measures in accordance with Act on the Rational Use of Energy and Act on the Improvement of Energy Consumption Performance of Buildings and through assistance measures such as subsidies. In the process of reviewing the energy efficiency standards for computers (including servers) and magnetic disk units, the Government of Japan will study on international harmonisation in energy saving measurements.

5. Promotion of resource efficiency and the circular economy (WP-4/#11/EJ to EJ)

BRT Recommendation

Although resource prices are declining in the short term, resource constraints are likely to inhibit economic growth over the medium to long term. This is why it is imperative to improve the efficiency of resource use. In this light, Japan and the EU welcome the progress being made through international-level discussions on resource efficiency and the circular economy, including the establishment of the G7 Alliance on Resource Efficiency at the G7 Summit at Schloss Elmau held in 2015. The announcement of the EU's adoption of a Circular Economy Package and the promotion of efforts to improve resource efficiency are also welcomed.

Discussions on resource efficiency and the circular economy go beyond recycling and other aspects of the venous industry to cover a wide range of concepts impacting manufacturers, service providers, and other companies to be recognized as arterial industry, including the extension of product life, the sharing of services, and the goods and services through operational billing. The discussion holds the potential to create business opportunities that will lead to additional economic growth and the job creation in the future. The truth of the matter is that business is already doing a lot in both

Europe and Japan: For example, the European Circular Economy Industry Platform (www.circular.eu) showcases what business is already doing on circular economy and what challenges it faces to become even more circular.

On the other hand, the pursuit of resource efficiency through exceedingly regulatory approaches could inhibit economic growth. Therefore, it is desirable to choose an approach that will lead to economic growth, such as promotion through voluntary efforts by stakeholders with associated incentives. It will also be imperative to pursue resource efficiency from the viewpoint of international circulation system based on the fact that movement of secondary raw materials across borders is now the norm.

In view of the above, Japan and the EU should not only move forward with efforts aimed at improving resource efficiency but also work together to formulate consistent rules. In addition, Japan and the EU are expected to take advantage of the advanced innovation and competitive edge in international market, which they possess in regard to the institutional and technical aspects of resource efficiency and the circular economy, deepen their cooperation and collaboration, and take the lead in international discussions on the future direction of the circular economy and resource recycling, as well as on the creation of institutions and systems. In this regard, we are looking forward to active discussions on resource efficiency and the circular economy during coming G7 Summits.

Actions taken so far

Under the framework of Japan-EU Industrial Policy Dialogue, the discussion of regulatory cooperation on the resource efficiency has taken place.

Specifically, the Government of Japan shared information about international resource circulation and exchanged views on the latest policy trends related to resource efficiency at the Standards and Certification WG and the Climate Change and Environment WG held in February and April 2017.

At the G7, the “5-year Bologna Roadmap”, which aims at advancing common activities on resource efficiency, was adopted at the Bologna Environment Ministers’ Meeting.

In November, at the G20 Resource Efficiency Dialogue which was launched at the G20 Hamburg Summit in July 2017, best practices and experiences of each country related to improving the efficiency and sustainability of natural resource use across the entire life cycle was exchanged, including promotion of sustainable consumption and production patterns.

Future outlook

Japan and the EU continue to discuss regulatory cooperations under the framework of Japan-EU Industrial Policy Dialogue, and cooperate towards developing the harmonised rules to improve resource efficiency. The Government of Japan further promotes discussion and information sharing with industry and other stakeholders through holding seminars, etc.