

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COMMUNICATION FROM JAPAN

The following communication, dated 2 December 1986, has been received from the delegation of Japan.

The Permanent Mission of Japan to the International Organizations in Geneva presents its compliments to the secretariat of GATT, and with reference to its Note No. KA/GA/287, dated 30 July 1985, concerning the Action Programme for Improved Market Access (hereunder referred to as A/P), has the honour to transmit herewith a copy of the Progress Report on the Implementation of A/P, which was announced by the Action Programme Promotion Committee on 27 November 1986.

The Japanese Mission wishes to inform the secretariat of GATT that the said report, which is a follow-up of the A/P decided on 30 July 1985, mainly contains the measures introduced since April 1986 for such sectors as tariffs, financial and capital markets, import promotion, etc.

The Japanese Mission further wishes to mention that, together with the A/P and the previous three progress reports which were reproduced and distributed to contracting parties as GATT documents L/5858, L/5858/Add.1-3 and L/6043, the enclosed report shows the strong determination and efforts of the Japanese Government towards the improvement of access to the Japanese market.

It would be appreciated if the secretariat of GATT could use its good offices to circulate this communication to the contracting parties as a GATT document.

The Permanent Mission of Japan avails itself of this opportunity to renew to the secretariat of GATT the assurances of its highest consideration.

THE ACTION PROGRAMME: THE STATE OF IMPLEMENTATION
(Summary)

27 November 1986
Action Programme Promotion Committee

1. Tariffs

In addition to the implementation of tariff reduction and elimination on 1,849 items as from 1 January 1986, tariff elimination on nine items such as computer parts was implemented as from 20 January 1986, based upon the agreement between Japan and the United States.

The implementation of the tariff reduction on four wine and the like items moved up one year, and carried out starting on 1 April 1986.

Also, with regard to the tariff escalation on industrial and mining products, the question was examined at the Planning Group of the Customs Tariff Council, and a medium- and long-term outlook was presented in the "Report on the Tariff Escalation on Industrial and Mining Products", which was made public on 16 September 1986. Suitable steps will be taken in line with the report.

As for the improvement of the Generalized System of Preferences, a fundamental improvement of the system will be made as part of the tariff revision in FY 1987, through which the Government will improve the ceiling system and expand the quotas, with due consideration to the equalization of the benefits of the system. Necessary procedures will be pushed forward.

2. Import restrictions

With regard to the issue of leather and leather footwear, the tariff quota systems were introduced and the quantitative import restrictions were eliminated as of 1 April 1986.

With regard to twelve agricultural products, the establishment of a panel was decided on at the meeting of the Council of Representatives of the GATT in October 1986. Co-operation will be given to the work of the panel and efforts will be made so as to arrive at realistic and fair solutions. In parallel with this, continued efforts will be made to reach realistic solutions through bilateral consultations.

3. Standards, certification and import procedures

(1) Follow-up work has been underway concerning all of the ninety-one items - eighty-eight items stipulated in the Outline of the Action Programme as well as three items added thereafter, sixty-six of which have already been implemented. Ministries and agencies concerned have been taking the necessary steps on the twenty-five items which are now in the

process of implementation, and they will make maximum efforts to implement them ahead of the initial schedule whenever possible.

With regard to the comments on standards and certification recently presented by the European Commission, they are under careful consideration and will be responded expeditiously with the help of expert meetings.

(2) With respect to the standards and certification systems by non-governmental organizations, the Action Programme Promotion Committee has conducted thorough check-ups and given them necessary guidance for improvement. Furthermore, from the viewpoint of improved market access, it has decided to provide further necessary guidance.

(3) Forty cases of revisions of the existing standards and certification systems were examined by the Cabinet secretariat and approved as having no adverse effects on the access to the Japanese market.

(4) With regard to the standards and certification systems that are based on "Kokuji" (notification) or "tsutatsu" (circular notice), they are scheduled to be abolished within the period of the Action Programme. In this context, the recommended standards with reference to emergency warning receiver equipment was abolished as of 1 September.

4. Government procurement

(1) Measures to improve the contract procedures for government procurement has been implemented steadily as indicated below and, as a result, it has become possible for foreign suppliers to participate in tendering on equal terms with domestic suppliers.

- (a) To reduce the proportion of single tendering. (It has reduced from 34.1 per cent in 1984 to 21.1 per cent in nine months after the establishment of the Action Programme.)
- (b) To extend the bid time to no less than forty days as designated in the Action Programme. (This is being observed in 98.9 per cent of all cases.)
- (c) To intensify internal inspections of procedures.
- (d) To improve qualification procedures and, in particular, to develop a single, unified criteria/rating system for qualification of suppliers for each ministry or agency, etc.

(2) For those government-related agencies and local governments that are subject to guidance and requests for co-operation, the Government issued guidance and made requests for co-operation to make further efforts in the area of contract procedures.

(3) The total amount of foreign products procured by the sixty-one agencies designated by the Action Programme in nine months since the establishment of the Action Programme was ¥ 27.6 billion. (The corresponding figure was over ¥ 40 billion in 1985.) As for the reasons why the procurement of foreign products has not increased as much as expected, despite the intense efforts made by the Government, further study is needed after obtaining sufficient information including a result of administrative inspection. On the other hand, one reason for the disappointing record of the procurement of foreign products could be sought in a limited number of registrations by foreign suppliers as qualified suppliers, which makes the proportion of foreign suppliers among the participants in bidding relatively small.

(4) The Government will further encourage foreign suppliers to make active use of the improved system and, at the same time, will further improve contract procedures to increase the procurement of foreign products.

5. Financial and capital market

(1) Steps have been taken, in succession, to deregulate the interest rate ceiling for large denomination time deposits and to ease the conditions for issuing Certificates of Deposit (CDs) and Money Market Certificates (MMCs).

(2) Public offering of short-term government bonds by bid has been started.

(3) Efforts have been made to improve the access of foreign financial institutions; permissions have been given to foreign banks which applied for trust banking and membership of the Tokyo Stock Exchange has been granted to foreign securities companies.

(4) The features of the Euro-yen bonds issued by Japanese residents have been diversified and the maximum maturity of Euro-yen CDs has been extended.

6. Services and import promotion measures

All the items in this part of the Action Programme have been implemented.

For example, with respect to the issues related to foreign lawyers, "Special Law on the Handling of Legal Matters by Foreign Lawyers" was promulgated on 23 May 1986, and the necessary preparations are being made for the implementation to start on the target date of 1 April 1987.

With regard to counterfeit products, steps to strengthen law enforcement such as assignment of anti-counterfeit officers by the National Police Agency have been taken, and public information activities directed toward consumers have been carried out. Examination and other measures in

relation to counterfeit products have been stepped up by assigning officials in charge of counterfeit products to all the customs offices throughout Japan.

With regard to promotion of imports, the Government has made requests to intensify efforts to expand imports to 134 companies in fiscal 1985 and to 302 companies in FY 1986. Other steps that have been taken include: holding import bazaars and expanding financing for import of manufactured goods.

Due to the effect of various types of measures to promote imports, the total amount of contracts for import of manufactured goods by these 134 major corporations showed an increase of \$5.2 billion in FY 1985 compared to the previous year. Up to this point, the total sales at import bazaars sponsored by the JETRO and others came to about ¥ 4.6 billion, and the total amount of financing agreed upon for imports of manufactured goods was about ¥ 281 billion (equivalent to contracts for imports of ¥ 393 billion).

With respect to the distribution, the Committee for Price Stabilization Policies has drawn up a report on this question. Based on the recommendations and proposals in this report, measures are being implemented such as: a more flexible stance on the period of sales at the temporary sales outlet, active collecting of information regarding possible violations of the Anti-Trust Law, and studies on parallel imports and on transactions within industrial enterprise groups. At the same time, by providing a wide variety of relevant information, further efforts will be made to facilitate the understanding of Japan's distribution system by foreign businessmen and others. Moreover, other measures have been implemented including the study on the effects of the yen appreciation on consumer prices and requests to major department stores and supermarkets to lay down plans to make best use of the benefits of the yen appreciation through such means as holding import fairs, lowering retail prices and seeking the possibility of the importation of new items.

THE ACTION PROGRAMME: THE STATE OF IMPLEMENTATION
(Four sectors including tariffs, etc.)

27 November 1986
Action Programme Promotion Committee

1. Tariffs

Tariff reduction and elimination of 1,849 items were implemented as from 1 January 1986. Furthermore, tariff elimination on nine items such as computer parts was implemented as from 20 January 1986, based upon the agreement between Japan and the United States as the result of the Japan-United States Sectoral Consultations on Electronics.

With regard to four wine and the like items, the tariff reduction on these items was implemented as from 1 April 1986, one year ahead of the original schedule of 1 April 1987.

With respect to tariffs on plywood and others, the depths and schedules of tariff cut were announced in the Japan-United States Joint Report on Sectoral Consultations by Foreign Minister Abe and State Secretary Schultz on 10 January 1986, in view of the Japan-United States Sectoral Consultations on Forest Products and the requests from the ASEAN and other countries.

The elimination or reduction of tariffs on eighty-eight items was implemented as from 1 April 1986, based on the agreement of the negotiations on leather and leather footwear with the United States and other countries.

Also, with regard to the tariff escalation on industrial and mining products, the question was examined at the Planning Group of the Customs Tariff Council, and a medium- and long-term outlook was presented in the "Report on the Tariff Escalation on Industrial and Mining Products" which was made public on 16 September 1986. In line with the report, suitable steps will be taken.

As for the improvement of the Generalized System of Preferences, a fundamental improvement of the system will be made as part of the tariff revision in FY 1987, through which the Government will improve the ceiling system and expand the quotas, with due consideration to the equalization of the benefits of the system. Necessary procedures will be taken to this end.

2. Import restrictions

With regard to the issue of leather and leather footwear, the tariff quota systems were introduced, while the quantitative import restrictions were eliminated as of 1 April 1986.

With regard to twelve agricultural products, the establishment of a panel was decided on at the meeting of the Council of Representatives of the GATT in October 1986. Co-operation will be given to the work of the panel and efforts will be made so as to arrive at realistic and fair solutions. In parallel with this, continued efforts will be made to reach realistic solutions through bilateral consultations.

3. Financial and capital market

(1) Liberalization of interest rate

On 1 October 1985 and on 1 April 1986, the interest rate ceiling for large denomination time deposits of one billion yen and over was removed and the conditions for issuing of the Money Market Certificate (MMC) and the Certificate of Deposit (CD) were relaxed.

In September 1986, the interest rate ceiling for large denomination time deposits of 300 million yen was removed and the minimum denomination of MMC was also lowered to 30 million yen.

Furthermore, the removal of the interest rate ceiling for large denomination time deposits of 100 million yen and over and the lowering of the minimum denomination of MMC to 20 million yen are scheduled to be implemented by spring 1987.

Regarding small denomination deposits, liberalization of interest rate ceilings will be promoted in line with the Action Programme, following liberalization of the interest rate ceiling on large ones.

(2) Improved financial and capital market

- (i) The public offering of short-term government bonds by bid started in February 1986. (The total amount issued is 3,009.8 billion yen, 2,076.2 billion yen outstanding).
- (ii) The Bond Futures Market was created on 19 October 1985.
- (iii) Handling of Yen-denominated Banker's Acceptance (BA), previously limited to banks, was also opened to securities companies in April 1986.
- (iv) In order to create a suitable environment for the further progress of financial liberalization, the amendments of the Deposit Insurance Law came into effect on 1 July 1986.
- (v) Furthermore, from the viewpoint of liberalizing the Tokyo financial and capital market and promoting the internationalization of the yen, the amendments to the Foreign Exchange and Foreign Trade Control Act, envisaging the creation of the Tokyo Off-Shore Market, were approved at the 104th session of the Diet. (The amendments will come into effect on 1 December this year).

(3) Improved Market Access

- (i) With regard to the decision to permit trust banking to nine foreign banks, operating licences were already issued to all of the banks and they have all started business.
- (ii) The Tokyo Stock Exchange decided to increase the current seat of the TSE by ten membership, six of which were provided to foreign securities companies. (24 December 1985)

(4) Development of Euro-yen market

As from 1 April 1986, the features of Euro-yen bonds issued by Japanese residents were diversified by issue of floating rate note etc. and the maximum maturity of Euro-yen CDs were extended from six months to one year.

4. Services and import promotion measures

(1) State of implementation and related measures

With regard to this part of the Action Programme, all items have been implemented.

The implementation schedule of the items in the Action Programme was moved up, and additional measures related to the Action Programme have also been taken.

(i) Foreign lawyers

On 23 May 1986, "Special Law on the Handling of Legal Matters by Foreign Lawyers" was promulgated, and the necessary preparations are being made for the implementation to start on the target date of 1 April 1987.

(ii) Transport service

Usage of small-size aircraft for commuter service has been expanded, and the standards for setting up heliports have been eased to promote the use of helicopters.

(iii) Counterfeit products

In April 1986, an anti-counterfeit officer post was created in the National Police Agency. From August 1985 to 1986, law enforcement has been strengthened through intensive apprehension of criminals handling counterfeit products. At the same time, industries were instructed to strictly abide by the laws, and public campaigns have been conducted to enhance public awareness of the issue. In addition, in July 1986,

officials in charge of counterfeit products were assigned to all the customs offices throughout Japan in order to intensify the examination regarding counterfeit products.

(iv) Promotion of imports

The government has made requests to 134 major companies in FY 1985 and to 302 companies including those 134 companies in FY 1986 to intensify their efforts to expand imports. The additional measures taken by the government in this area include: public campaign during "import promotion months", holding of import bazaars and import fairs, expanding financing for import of manufactured goods, expanding [the scope of] the plan to promote importing of specific foreign products, establishment of a programme of assisting small and medium enterprises to promote their sales of imported products, dispatching of "market access missions", establishment of parcel system to promote imports, and expansion of loans for improvement of the import system.

(v) Distribution

As a part of the overall efforts to expand imports, the government endeavoured to promote the sales of imported products by the distribution industry including small and medium businesses. The Committee for Price Stabilization Policies examined the distribution and business customs in Japan, and has drawn up a report. Based on the recommendations and proposals in this report, a number of steps have been taken: a more flexible period for sales at the temporary sales outlets; active collecting of information regarding possible violations of the Anti-Trust Act in relation to the entry of foreign products into the Japanese market; reviewing and clarifying the control on premiums, in relation to the entry of foreign businesses; and investigation on parallel imports and on transaction within industrial enterprise groups. In addition, through providing a wide variety of relevant information, the government will continue to make efforts to facilitate the understanding of Japan's distribution system by foreign businessmen and others. Also, since April 1986, the government twice requested the major department stores and supermarkets to lay down plans to make best use of the yen appreciation through such means as holding import fairs, lowering of retail prices and the seeking for the possibility of the import of new items, etc. Furthermore, by carrying out three rounds of studies on the effect of the yen appreciation on the consumer prices, it made efforts to reflect the effect of the yen appreciation on the domestic retail prices through the work of market mechanism.

(vi) Encouragement of overseas travel

In this area, an "overseas travel promotion mission" was dispatched to Australia at the beginning of February 1986, a preliminary study mission for the development of tourism was sent to Indonesia at the end of February and to Malaysia at the end of September. As for Indonesia, a full study has been conducted since July this year. At the same time, public relations activities are being carried out in order to promote overseas travel.

(vii) Exchange of investments

Loans for foreign direct investment regarding high technology products in Japan has been expanded, while greater efforts are being made to promote industrial co-operation and to improve financing for overseas investment. Furthermore, necessary preparations are being made for the utilization of overseas investment insurance and for the participation in the Multilateral Investment Guarantee Agency.

(2) Outcome

Since the start of its implementation, the Action Programme has brought about such tangible improvements in market access as listed below:

Examples:

- (i) Number of arrests on counterfeit products
About 1,980 cases
 - (ii) Increase in contracts for import of manufactured goods by 134 major companies
About \$5.2 billion
 - (iii) Import fairs at major department stores and supermarkets
About 20,300 locations
 - (iv) Sales at import bazaars sponsored by JETRO etc.
About ¥ 4.6 billion
 - (v) Sales of imported goods at temporary sales outlets
About ¥ 1.9 billion
 - (vi) Import liquor fair 1,536
 - (vii) Food Week Exhibition etc. 34 locations
 - (viii) Amount of financing agreed upon for imports of manufactured goods
About ¥ 281 billion
- (Amount of contracts under this system
About ¥ 393 billion)

- (ix) Agreed amount of loans for improvement of import system
About ¥ 5 billion
- (x) Amount of loans by the financing system to promote direct investment in Japan
About ¥ 1.6 billion

Reference:

The proportion of imports of manufactured goods to the total imports by Japan has been rising steadily:

First half of 1984	29 per cent
First half of 1985	31 per cent
First half of 1986	38 per cent

Table 1. Average Tariff Rates on 1,853 Product Items
Involved in the Action Programme

	Before reduction	After reduction	Reduction percentage
Average	5.0%	3.9%	22.9%

Note: 1. The above items consist only of product items that were subjects of the tariff reduction in the Action Programme.
2. Calculated with 1984's actual imports.

Table 2. (Tariff Revenue/Total Amount of Imports)
Ratio of Japan and Other Countries

Year	1980	1981	1982	1983	1984	(unit: %) 1985
Japan	2.5	2.5	2.6	2.5	2.5	2.6
United States of America	3.1	3.2	3.6	3.5	3.4	-
EC	2.6	2.5	2.7	2.7	2.8	-
Canada	4.5	4.5	4.3	4.2	4.0	-
Australia	9.5	9.0	9.3	9.7	11.1	-

Note: 1. As for EC, the ratio is calculated with the amount of imports from countries outside the community and the tariff revenue includes import surcharge on agricultural products.
2. As for 1985, necessary statistical information of countries other than Japan is not yet available.

Source: OECD "Monthly Statistics of Foreign Trade", "Revenue Statistics", IMF "IFS".

Table 3. Outstanding of Market Bearing Interest Instruments
(Large Denomination Time Deposits and Others)

	Large denomination time deposits	CD	MMC
December 1985	49,000	88,689	63,249
March 1986	50,000	93,293	56,299
June 1986	105,000	100,865	62,231
(end of month)			

Note: Round numbers, as for large denomination time deposits.

Table 4. Deregulation of Market Bearing Interest Instruments

		Spring 1985	October 1985	April 1986
Large denomi- nation time deposit	minimum denomination		¥ 1 billion (maximum maturity is two years)	¥ 500 million (maximum maturity is two years)
Money market certificate (MMC)	interest	average CD rate -0.75%		
	minimum denomination	¥ 50 million		
	maturity	1-6 months		1 month - 1 year
	issue ceiling (percentage of each bank's net worth)	75% (25% of issue amount ceiling of CD can be appropriated for MMC when it is undigested)	150%	200%
Negotiable certificate of deposit (CD)	minimum denomination	¥ 100 million		
	maturity	1-6 months		1 month - 1 year
	issue ceiling (percentage of each bank's net worth)	100% (25% of issue amount ceiling of MMC can be appropriated for CD when it is undigested)	150%	200%

September 1986	Spring 1987	to be done by spring 1987 (as announced in A.P., July 1985)
¥ 300 million (maximum maturity is two years)	¥ 100 million (maximum maturity is two years)	to be lowered
¥ 30 million 250%	¥ 20 million to be extended to two years to be enlarged step by step	to be determined more flexibly considering the maturity and the denomination to be lowered to be extended to two years to be enlarged step by step
250%		to be liberalized to be enlarged step by step

Table 5. The Improvement of Market Access in the Area of Service and Import Promotion

(1) Number of arrests with regard to counterfeit product crimes

1984	625 cases
1985	1,206 cases
1986 (January - September)	1,196 cases

(The total number after the formulation of the Action Programme - August 1985 - September 1986 approximately 1,980 cases)

(2) Amount of contracts for import of manufactured goods by the 134 major companies

FY 1984	\$19.6 billion
FY 1985	\$24.8 billion (an increase of approximately \$5.2 billion)

(3) Number of import fairs at major department stores and supermarkets (after the announcement of the Action Programme)

		(approximation)
October, November 1985	Import Promotion Months	2,000 locations
April 1986	The Initial Plan for the Utilization of Yen Appreciation	9,200 locations
October 1986	The Second Plan for the Utilization of Yen Appreciation	20,300 locations

(4) Import bazaars sponsored by JETRO etc. (after the announcement of the Action Programme)

	Number of bazaars	Number of participant companies	Sales (approximation)
FY1985	3	585	¥ 1.5 billion) ¥ 4.6 billion
January- October 1986	7	1,108	¥ 3.1 billion

(5) Sales of imported goods at temporary sales outlets (after the announcement of the Action Programme)

August 1985 - June 1986 approximately 1.9 billion

(6) Import liquor fairs, days, etc. (after the announcement of the Action Programme)

October 1985 - August 1986 1,536

(7) Food Week exhibitions, etc. (dealing with food imports after the announcement of the Action Programme)

	Food Week exhibition	Food Week miniature exhibition
1985	6 locations	13 locations
1986	6	9
Sum	12	22
		total: 34 locations

(8) Amount of financing agreed upon for imports of manufactured goods

1984	¥ 100 million	
(Amount of contracts for import)	(¥ 100 million)	
1985	¥ 183 billion	
(Amount of contracts for import)	(¥ 253 billion)	approximately ¥ 281 billion
1986 (January-September)	¥ 98.3 billion	(Amount of contract for import ¥ 393 billion)
(Amount of contracts	(¥ 140 billion)	

(9) Agreed amount of loans for improvement of import system

1984	¥ 650 million
1985	¥ 1.45 billion) approximately ¥ 3.8 billion
1986	¥ 2.31 billion (January-September)

(10) Amount of loans by the financing system to promote direct investment in Japan (after the announcement of the Action Programme)

1985	¥ 100 million) approximately ¥ 1.6 billion
1986	¥ 1.45 billion (January-September)

Reference: The proportion of imports of manufactured goods to the total imports by Japan has been rising steadily.

First half of 1984	29 per cent
First half of 1985	31 per cent
First half of 1986	38 per cent

THE ACTION PROGRAMME: THE STATE OF IMPLEMENTATION
(Standards, Certification and Import Procedures)

27 November 1986
Action Programme Promotion Committee

1. Progress report on the implementation of the eighty-eight items of the improvement measures and three supplemental items in the Action Programme

(1) The current status

All of the eighty-eight items of the improvement measures and the three supplemental items (a total of ninety-one) specified in Chapter III of Attachment I (titled "Standards and Certifications, and Import Procedures") of the Outline of the Action Programme for Improved Market Access have already been addressed and sixty-six items have already been implemented, including such measures which cover all the standards and certification systems as the establishment of the standard processing period and the measures to reflect the views of representatives of foreign interests in the process of formulating and revising the standards and certification. (See Chart 1. Since the last follow-up of 31 July 1986, three additional items were acted upon before the end of October.)

Currently twenty-five items are in the process of being implemented. Such actions as revising cabinet orders and ministerial ordinances, deliberations by advisory councils, consultations with interested foreign governments, investigations and tests are underway to implement them within the time schedule.

Chart 1: Current status of the implementation of ninety-one items

<u>Type of measures</u>	<u>Number of item</u>	<u>Number of items that have already been implemented</u>
(Standards, certification)		
A. Reducing government intervention	33	21
1. Reduction of the number of items to be subject to standards and certification	10	5
2. Transition from government certification to self-certification	15	10
3. Reducing or relaxing standards	5	4
4. Others	3	2

B.	Thorough application of the decision of the Liaison and Co-ordination Head- quarters on Standards and Certification Systems ("Gotoha Committee")	48	36
1.	Accepting foreign test data and making active use of foreign testing organizations	20	16
2.	Ensuring transparency	7	6
3.	Adjusting to international standards	11	5
4.	Simplifying and expediting certification procedures	10	9
(Import procedures)			
1.	Reducing the scope of import procedures	3	3
2.	Simplifying and expediting import procedures	7	6
Total		<u>91</u>	<u>66</u>

2. Concrete examples of measures and their results

(1) Standards and certification

- (i) Accepting foreign test data and making active use of foreign testing organizations
- With regard to pharmaceuticals, foreign clinical test data have been accepted as from 31 July 1985 - completely in the case of four items concerning pharmacological effects, etc., and on the condition that they are used together with Japanese data in the case of three items involving racial differences (absorption, distribution, metabolism and excretion tests; dose finding tests; comparative clinical tests).
 - As for the grading of foreign products covered by JAS (Japanese Agricultural Standards), data provided by foreign testing organizations designated by the Minister of Agriculture, Forestry and Fisheries have been accepted as from 27 March 1986.

- As for the approval of foreign companies' use of the JIS (Japanese Industrial Standards) mark, data provided by foreign organizations designated by the Minister of International Trade and Industry have been accepted as from 28 March 1986. As a result, Underwriters Laboratory, Inc. (UL) of the United States and Singapore Industrial Standards Research Institute (SISIR) were both designated as such in August 1986. On-site inspection by the MITI officials could be replaced with that by these organizations, thereby making it easier to obtain the JIS mark. Further applications are expected to be made from testing organizations in the United States as well as in other countries.
- As for the approval of electrical appliances, data provided by foreign testing organizations designated by the Minister of International Trade and Industry have been utilized as from 31 March 1986. An application for designation was received from UL and was approved in September 1986, which enables UL to conduct the products inspection needed for the type approval within the United States, thereby making it easier for United States suppliers to distribute electrical appliances in Japan. Further applications are expected to be made from Canada and the Federal Republic of Germany.

(ii) Ensuring transparency

- In order to ensure transparency in the process of drafting standards, opportunities to hear the opinions of the interested parties, including non-Japanese, are now provided. Representatives of foreign interests are always allowed to participate in appropriate advisory council meetings during the process of formulating standards. According to the investigation thus far conducted, a total of fifty-eight representatives of foreign interests have participated in twenty-two councils, etc., where they requested to be heard; a total of 392 representatives of foreign interests participated in forty-nine standards drafting committee meetings.

(iii) Adjusting to international standards

- With regard to the requests made at the Japan/United States MOSS discussions on forestry products concerning lodgepole and ponderosa pine structural laminated lumber, oriented strand board, and wafer board, work is underway to put these products among those to be covered by JAS standards by the end of the FY 1986. Information concerning newly enacted and revised JAS standards have already been notified to the GATT. Work is also in progress to put strand board and

wafer board to be covered by JIS standards by the end of the FY 1986 as a target. Notification to this effect has been made to the GATT.

- With regard to the manufacture and importation of fertilizers, official foreign standards will be incorporated into Japanese official standards when they meet Japan's natural conditions. Ammonium nitrate soda fertilizer was officially approved on 22 February 1986, and 455 metric tons of Swedish ammonium nitrate soda were imported from Sweden between January and October 1986.
- In order to make the safety standards for electrical appliances as designated in the "Electrical Appliance and Material Control Law" consistent with IEC (International Electrotechnical Commission) standards, sixteen standards including ballasts and lighting fixtures were modified in the FY 1985. Modifications to a total of fifty-six standards have been completed, including the forty modifications made before the announcement of the Action Programme. Steps are currently being taken to modify twenty standards in the FY 1986 and twenty-four standards in the FY 1987 which will complete this process. Two Swedish automatic dishwashers have already been given type approval according to IEC standards, and more requests for approval are expected in the future.
- With regard to food standards, etc., necessary revisions will be made in close consultation with foreign sanitation authorities taking their requests into account. Beverage standards have been revised so that, under certain conditions, non-pasturized mineral water may now be manufactured, imported and sold as from 31 May 1986.

(iv) Reduction of the number of items subject to the standards and certification system

- Formerly a licence was required for the manufacture, import and sale of each cosmetic product. But now a notification is made sufficient by giving a licence as one category of products if the products fall within such category in terms of product ingredients. The first such standards established were for seven items including perfume, and the new system was implemented on 30 July 1986. Standards for nine more products including lipstick will be established during the life of the Action Programme. Standards for the remaining product categories will be established within the four subsequent years. There have been 1,182 cases of granted licences for the seven product categories including perfumes between 30 July and 30 October 1986.

(v) Transition from government certification to self-certification

- With regard to the "Electrical Appliance and Materials Control Law", a review of category A items, for which the government checks safety standards compliance, will be made to transfer these items into category B, where manufacturers themselves are responsible for checking standards compliance. Such transfers have been implemented for seventy-one products including electric fans and sewing machines since 31 March 1986. The schedule for the remaining seventy products has been moved up, so that these transfers will be completed by the end of 1987. One hundred and sixteen advance notifications for newly-transferred products were received by 13 October 1986. Out of this total, twenty-eight were from abroad.
- The Consumer Product Safety Law was amended to introduce the self-certification system, which enables the industrialists to check the compliance with the safety standards and to put a safety mark on the products which they consider are in conformity with the standard if they make notification to the Minister in charge. In June 1986, bottled carbonated beverages and glass bottles for carbonated beverages were designated as the second specified products, products which would be subject to the self-certification system. Fifty industrialists made notification by 31 October 1986, one of which was an import distributor.

(vi) Reducing or relaxing standards

- Technical standards for telecommunications terminal equipment were reduced from fifty-three to thirty on 1 April 1985. In addition, in view of the results of the Japan/United States MOSS Talks, such standards, including voice quality which could be left to users choice, were relaxed, thereby making the number of standards reduced by nine, to twenty-one standards, as of 20 July 1985. At the same time, a clarification of standards was also made. These measures have increased the number of approvals for the foreign telecommunications terminal equipment from 25 in FY 1984 to 103 in FY 1986.

(vii) Simplifying and expediting certification procedures

- In order to promote the import of foreign motor vehicles, a type designation for popular models was further simplified. Such measures as (i) removing the requirement to submit safety and durability data, (ii) reducing the inspection period, and (iii) increasing on-site inspection by inspectors have been implemented. As a result, the number

of type designation cases has increased from eight to ten. The registered number of motor vehicle imports between January and October 1986 totalled some 55,000 (up 34.2 per cent from the previous year's period), of which 30 to 40 per cent were type-designated vehicles.

(viii) Others

- In order to promote the import of foreign motor vehicles, the "Preferential Handling Procedure for Imported Vehicles" for the import of small quantities of motor vehicles was established and has been implemented as from 1 January 1986. Former procedures were radically revised, and new measures such as (i) increasing the number of vehicles covered by the procedure from 500 to 1,000 units, (ii) abolishing the validity period, (iii) accepting manufacturer's pollution control test data under certain conditions, and (iv) eliminating the requirement to present motor vehicles for first inspections by introducing on-site preliminary inspections, were implemented. In addition, the requirement to present vehicles at the District Land Transport Bureau for first registrations was lifted on 1 July 1986.

(2) Import procedures

(i) Reducing the scope of import procedures

- Import notification as specified by the Food Sanitation Law was abolished on 1 April 1986 for certain processed food such as animal and vegetable oils and fats, malts and hops, whose safety are secured during the manufacture and processing of finished food. As a result, import notification for 5,000 annual cases became unnecessary.
- In the case of the continuous import of such foods as wheat, whisky and of metal tableware, which are qualitatively stable and present few sanitation problems, notification of each import became unnecessary and annual or triennial notification was made sufficient since 1 April 1986. As a result of this measure, notifications amounted to 102 by 30 September 1986.

(ii) Measures to simplify and expedite procedures

- Formerly importers of pharmaceuticals were required to obtain from the Ministry of Health and Welfare confirmation that they were approved and licensed importers under the Pharmaceutical Affairs Law before customs clearance. As from 1 August 1985, however, presenting copies of such approvals and licenses to customs has been made sufficient.

Incidentally, the value of pharmaceutical imports was US\$860 million between January and June 1986, up 28.8 per cent over the same period of the previous year.

- The process of lifting the ban on the import of plant and animal products, which was in effect to quarantine plants and prevent the transmission of contagious livestock diseases, was expedited. Such bans were lifted for New Zealand cherries on 21 August 1985 and for processed meats such as Federal Republic of Germany ham and sausage on 12 September 1985.

(3) Future steps

- (i) Necessary efforts are underway at various ministries and agencies concerning twenty-five items now under implementation, out of a total of ninety-one. Efforts will be made to implement them ahead of the initial schedule whenever possible.
- (ii) The European Commission aide-mémoire dated 21 October 1986, concerning Japan's standards and certification system, gives an appraisal of the Action Programme in terms of the five areas of electrical appliances, cosmetics, pharmaceuticals, motor vehicles and medical equipment, and lists EC requests as well. The various ministries concerned will continue their study to respond as soon as possible to the issues raised in the document with the help of expert meetings.
- (iii) Steady efforts will be made to proceed with follow-up work on improvement measures concerning standards, certification and import procedure in the four areas of telecommunications, electronics, pharmaceuticals and medical equipment, and forestry products as agreed during the Japan/United States MOSS Talks.

2. Thorough check-up and guidances for improvement in the standards and certifications by non-governmental organizations

Based on the "Guidelines for the Check-Up of Standards and Certifications by the Non-Governmental Organizations" published on 30 September 1985, various ministries have reviewed the standards and certifications of 134 non-governmental bodies (special corporations, authorized corporations, and non-profit foundations) under their respective supervision, and are in the process of providing guidance for making ameliorative changes. These government authorities will conduct further necessary guidance to improve market access pursuant to the guidelines mentioned above.

3. Examination of the establishment etc. of new standards and certifications

There were no new standards and certification systems established during the period ending October 1986.

There were, however, forty cases where existing standards and certification systems were revised. In examining these cases, the Cabinet Secretariat found that they did not affect access to the Japanese market.

4. Handling of standards and certification systems based on "kokuji" (public notification) or "tsutatsu" (notice or directive)

Out of twelve standards and certification systems based on "kokuji" or "tsutatsu" to be abolished (including transfers to non-governmental systems) during the life of the Action Programme, recommended standards for emergency alarm receivers (based on a Ministry of Posts and Telecommunications "kokuji") were abolished as of 1 September 1986.

THE ACTION PROGRAMME: THE STATE OF IMPLEMENTATION
(Government Procurement)

27 November 1986
Action Programme Promotion Committee

I. Drastic Improvement of Contract Procedures (The thoroughgoing implementation of the principles of competitive tendering and reduction of single tendering)

1. After the Action Programme was implemented in the area of government procurement in October last year, the proportion of competitive tendering to the total amount of government procurement for the designated agencies (see Note) increased up to 78.9 per cent vis-à-vis that of 65.9 per cent before the implementation of the Action Programme in 1984. Thus, the proportion of single tendering was reduced from 34.1 per cent to 21.1 per cent, and definite progress was recognized in this area. (See Figure 1.) This proportion of competitive tendering is quite high by international standards.

Figure 1

<u>Year</u>	<u>Competitive tendering</u>	<u>Single tendering</u>
1983	62.7%	37.3%
1984	65.9%	34.1%
1985	72.6%	27.4%

After the implementation
of the Action Programme
(October 1985 to June 1986) 78.9% 21.1%

Note: The figures for 1983, 1984 and 1985 cover forty-five agencies which are covered by the GATT Agreement on Government Procurement. The figures for the period after the implementation of the Action Programme cover the sixty-one agencies.