EXECUTIVE OFFICE OF THE PRESIDENT

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FOR IMMEDIATE RELEASE
Tuesday, November 4, 1997

97-94
Contact: Jay Ziegler
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USTR BARSHEFSKY ANNOUNCES ACTION TO ADDRESS HONDURAN FAILURE TO PROTECT INTELLECTUAL PROPERTY RIGHTS

United States Trade Representative Charlene Barshefsky announced today that she will take steps to suspend some of the benefits Honduras receives under the U.S. Generalized System of Preferences (GSP) and the Caribbean Basin Initiative (CBI) programs in view of its continued failure to provide adequate and effective intellectual property rights protection. She is requesting public comment on a list of products from Honduras from which she would select the final list of products that would no longer be eligible for duty-free status.

"Despite extensive consultations with the Government of Honduras since 1992, Honduras has not taken sufficient action to prevent continuing and blatant copyright piracy," said Barshefksy. "Recent reports indicate that three major television stations in Honduras continue to violate the rights of U.S. copyright owners. This continued failure to provide adequate and effective copyright protection and enforcement of rights of copyright owners is unacceptable. The Government of Honduras needs to address these problems immediately."

In 1992 the Motion Picture Association of America filed a petition under the Generalized System of Preferences (GSP) alleging wide-spread unauthorized broadcasting of pirated videos and the rebroadcasting of U.S. satellite carried programing. Since the receipt of the petition, the United States has held extensive consultations with the Government of Honduras regarding its failure to provide adequate and effective protection of intellectual property rights.

Background

Under applicable law, the USTR must solicit public comment on the proposed action. A public hearing on the proposed list will be held on December 4 and written comments are due by

December 10. The USTR will determine the final list of products that will no longer receive duty free treatment at the conclusion of the public comment period.

The Generalized System of Preferences (GSP) grants duty-free treatment to specified products that are imported from more than 140 designated developing countries and territories. The GSP program includes an eligibility requirement concerning the extent to which the foreign country provides adequate and effective protection of intellectual property rights.

The CBI program also includes eligibility requirements concerning the extent to which the foreign country provides under its laws adequate and effective means for foreign nationals to secure, exercise, and enforce exclusive rights in intellectual property, and the extent to which the foreign country prohibits its nationals from engaging in the broadcast of copyrighted material belonging to United States copyrights owners without their express consent.

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97- 95

FOR IMMEDIATE RELEASE
Thursday, November 6, 1997

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STATEMENT BY U.S. TRADE REPRESENTATIVE CHARLENE BARSHEFSKY

U.S. Trade Representative Charlene Barshefsky announced today that Taiwan has agreed to not implement an earlier decision to adopt capital reserve requirements that would have severely restricted operations of U.S. insurance companies in Taiwan.

"I welcome this decision by Taiwan which will allow U.S. insurance companies to participate in the rapid growth of the Taiwan market," said Barshefsky. "This is a good solution for our insurance companies and one that continues to ensure protection for those insured in Taiwan."

In May 1997, the Taiwan authorities determined that foreign insurance companies could count only assets held by their branches within Taiwan to meet reserve requirements. The American Council of Life Insurance estimated that these new regulations would have cost an average of $25 million for each existing insurance company branch office as well as for new entrants. On November 5, 1997 Taiwan Finance Minister Paul Chiu determined that branches of U.S. and other foreign insurance companies could continue to follow the practice of including the assets of the parent company in the U.S. or other home country in meeting the new capital requirements.

At least ten U.S. insurance companies have branches in Taiwan, and others are considering establishing branches in Taiwan.

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FOR IMMEDIATE RELEASE
Monday, November 10, 1997

97-96
Contact: Jay Ziegler
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UNITED STATES PRESSES JAPAN FOR PROGRESS ON JAPANESE DEREGULATION INITIATIVES

The United States today submitted a broad set of recommendations to the Government of Japan on deregulation, competition policy, and transparency and other government practices as part of the Enhanced Initiative on Deregulation and Competition Policy. The expansive deregulation initiative agreed to by President Clinton and Japanese Prime Minister Hashimoto at the "G-7" meeting in June strengthens and reinforces commitments under the U.S.-Japan Framework Agreement. This new "Enhanced Initiative on Deregulation and Competition Policy" is to address reform of laws, regulations and practices that impede market access for foreign goods and services.

"While Japan has made some progress in its deregulation efforts over the past three years, more substantial deregulation is essential," stated Ambassador Charlene Barshefsky. "Our proposals lay out in detail the actions we believe Japan should undertake if we are going to see meaningful and concrete deregulation. The test now before Japan is whether it is willing to fulfill the promise of Prime Minister Hashimoto's vision of carrying out fundamental deregulation so as to increase market access and allow market forces to determine market outcomes."

Today's 30-page submission addresses specific deregulatory items in the areas of telecommunications, housing, medical devices and pharmaceuticals, and financial services and addresses such structural issues as distribution and competition policy, and on transparency and other government practices. In addition, the United States has recommended that Japan establish a permanent administrative mechanism in the Prime Minister's Office with the authority to identify necessary deregulation measures and to require their implementation. Such a body is necessary to overcome the reluctance of the Japanese bureaucracy to undertake the necessary reforms.

Over the past months, extensive discussions of the substantive issues contained in today's submission have been undertaken by experts from the two countries at the working group level. Further discussions at the working-group level are scheduled for November 13 in Washington. These meetings will precede the first high-level meeting under the Enhanced Initiative on November 14. The high-level meeting will be chaired by Ambassador Jeffrey Lang, Deputy United States Trade Representative, and Koichi Haraguchi, Deputy Minister for Foreign Affairs, Ministry of Foreign Affairs, Ministry of Foreign Affairs. Numerous other departments, ministries and agencies will also be represented.

The United States deregulation submission is available on the USTR Home Page at www.ustr.gov.

Background and Highlights of the U.S. Submission on Deregulation and Competition Policy

This United States submission to Japan, which builds on and supplements previous recommendations, focuses on four sectors (financial services, housing, medical devices and pharmaceuticals, and telecommunications), as well as structural issues and government practices. The following highlights some of the key elements of that submission.

Financial Services -- The United States anticipates that Japan's proposed "Big Bang" reforms of its financial sector will create significant new opportunities for foreign firms in the Japanese market. In implementing these reforms, the United States urges Japan to:

- Liberalize restrictions on product innovation (allowing such financial derivatives as stock options, introduced this summer).
- Expand the scope of business for securities companies to include foreign exchange activities and new products, such as wrap accounts and over-the-counter equity derivatives.
- Further develop the asset-backed securities market.
- Create new opportunities to distribute investment trust products through banks.
- Improve transparency and disclosure.

Housing -- To ensure the full implementation of the Prime Minister's March 1996 Deregulation Action Program on Housing, which would improve the housing for Japanese consumers, as well as provide important market opportunities for foreign suppliers of building products, the United States has made a number of suggestions regarding housing that include:

- Endorse the APEC initiative for forest products trade liberalization and for regional cooperation towards performance-based building standards.

- Approve pending applications by the American Lumber Standards Committee and Western Wood Products Association for recognition of U.S.-grade marked machine stress-rated lumber and finger joint lumber, as well as other pending U.S. grademark recognition applications.

- Publish testing methods and procedures to implement the new performance based alternative for 2x4 wooden construction.

- Submit legislation to the Diet for changes in the Building Standards Law to make it performance-based.

Medical Devices and Pharmaceuticals -- As part of Japan's plans for substantial reforms of its medical care system, the United States has set out a number of specific reforms that are crucial to the success of its efforts. They include:

- Expediting the process for approval of new drugs to conform with international standards for drug introduction, and reducing substantially the serious time lag in Japan for launching new drugs.

- Improving the application and transparency of the premium pricing system for new and innovative pharmaceutical products.

- Greatly expanding the acceptance of foreign clinical data, which reduces the need for foreign firms to engage in additional costly clinical trials.

- Improving the implementation of the by-function pricing system for new medical devices by creating new functional categories in a timely fashion, and with appropriate reimbursement rates, to reflect improvements in treatment, efficiency, and long-term savings for the health care system.

- Implement fully the measures recommended by the Office of Trade and Investment Ombudsman to fully liberalize the nutritional supplements market (vitamins, herbs, minerals) in Japan.

Telecommunications -- The United States has welcomed measures that Japan has taken recently to foster a more pro-competitive regime in its telecommunications sector. However, given the dynamic nature of this sector, the United States believes that further reforms are necessary to foster competition, maximize opportunities for new entrants, lower prices for consumers and encourage innovative services. Specific telecommunications measures proposed by the United States include:

- Setting of rates paid by carriers to interconnect with the NTT network as close as possible to market prices to prevent NTT from imposing excessive costs on competitors and ensuring that new entrants will be able to fully compete with NTT.

- Removing a wide range of barriers to Direct-to-Home (DTH) Satellite Services to reflect technological and market advancements; in particular, DTH providers should be allowed to offer an unlimited number of channels.

- Limiting government regulation of International Simple Resale (Ko-sen-ko) to providing safeguards against competitive distortions.

- Establishing stronger safeguards to prevent NTT from using its monopoly position to cross-subsidize its competitive services after it is restructured.

- Permitting 100 percent foreign investment in cable TV services and facilitating infrastructure construction.

Structural Issues (Distribution and Competition Policy) -- Liberalization of the overregulated and highly inefficient distribution system coupled with vigorous competition law enforcement in Japan would improve market access for foreign goods, lower the costs of doing business for domestic as well as foreign companies and provide Japanese consumers with more choices at lower prices. Among the structural reforms called for by the United States are:

- Repeal the Large-Scale Retail Store Law and prevent local governments from adopting measures with similar effect.

- Liberalize the movie theater sector by ensuring that new entrants do not face restrictions on establishment and operation.

- Streamline customs procedures and import processing, including those for catalog and direct mail purchases.

- Eliminate entry restrictions and pricing regulations in the trucking and warehousing sectors.

- Require the Japan Fair Trade Commission to establish an Antimonopoly Act compliance initiative to review the antitrust law compliance programs of influential firms in structurally exclusionary markets such as flat glass, paper and film.

- Enact legislation to permit private parties to sue for injunctions in actions based upon violations of Japan's Antimonopoly Law.

- Require all entities covered by the WTO Agreement on Government Procurement to adopt a program to monitor and report unusual or suspicious bidding patterns to the Japan Fair Trade Commission.

- Allow foreign legal consultants to employ and to enter partnerships with Japanese lawyers.

Transparency and Other Government Practices -- Improvements in the transparency of the public policy process and increased opportunities for public participation in the administrative system are necessary counterparts of sectoral deregulation in Japan. Such improvements could play an important role in reducing market access problems of foreign firms and their need to seek the assistance of the USG in addressing them. Included in U.S. recommendations in this area are:

- Increase the transparency of the administrative system by enactment of an Information Disclosure Law, like the U.S. Freedom of Information Act.

- Require ministries and agencies to publish advance notice of proposed regulations and to provide opportunities for the public to comment on the proposed rules.

- Reform its burdensome and unpredictable application process, which often requires potential applicants to engage in extensive prior consultations with governmental entities before the entities will accept their applications.

SUBMISSION BY THE GOVERNMENT OF THE UNITED STATES TO THE GOVERNMENT OF JAPAN REGARDING DEREGULATION, COMPETITION POLICY, AND TRANSPARENCY AND OTHER GOVERNMENT PRACTICES IN JAPAN

November 7, 1997

The Government of the United States of America (USG) is pleased to present to the Government of Japan (GOJ) this submission which addresses specific matters of deregulation, competition policy, and transparency and other government practices in Japan. The proposals it contains are presented in the context of the Enhanced Initiative on Deregulation and Competition Policy ("Enhanced Initiative") under the U.S.-Japan Framework for a New Economic Partnership, and are keyed to the working groups which meet under the Enhanced Initiative.

The USG recognizes the commitment made by the GOJ to deregulation. We are encouraged by the strong statements of support for deregulation by Prime Minister Hashimoto and members of his administration. This submission was prepared recognizing that the GOJ is currently engaged in its own deregulatory process and is now completing work under the three-year Deregulation Action Plan initiated on March 31, 1995.

This submission is intended as a list of requests and recommendations by the USG, building on and supplementing previous lists submitted to the GOJ in November 1994, April 1995, November 1995, and November 1996, and taking into consideration specific comments from interested domestic and foreign parties. Many of the deregulation, competition policy and administrative reform recommendations made by the USG in 1994, 1995, and 1996 remain valid. This submission is not intended to be an exhaustive list of issues in Japan of concern and interest to the USG. The fact that an item from earlier submissions does not appear in this document should not be taken to indicate that the USG is no longer interested in that item, particularly in the case of issues which do not fall under one of the Enhanced Initiative working groups. Rather, this submission reflects the interest of the USG in focusing the current discussion on issues of primary concern under the Initiative. The USG and GOJ will also continue to pursue deregulation in other sectors through separate fora.

The USG looks forward to continuing its dialogue with the GOJ on deregulation, competition policy, and transparency and other government practices under the Enhanced Initiative. As confirmed by President Clinton and Prime Minister Hashimoto in June 1997, deregulation should proceed with a view to meeting consumers' interests and to improving market access for foreign companies and foreign goods and services. This submission is presented with those goals in mind.

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BASIC PRINCIPLES

The USG reaffirms the basic principles laid out in its submissions to the GOJ of November 1994, and November 1995, and November 1996. The United States continues to believe that effective deregulation in Japan will enhance competition; provide greater market access for foreign goods, services and investment; provide greater benefits to Japanese consumers, producers and service providers through enhanced efficiency, lower prices and greater product and service choice and availability in the marketplace.

The USG urges the GOJ to extend its commitment to deregulation by adopting fully the following principles:

A. BROAD AND CONTINUOUS REVIEW

All regulations in Japan, whether formal or informal, or whether characterized as social or economic in nature, should be reviewed on a continuous basis as an integral part of the GOJ's efforts to open Japan's economy to competition.

B. FREEDOM FROM REGULATION IN PRINCIPLE, WITH REGULATION THE EXCEPTION

Although the GOJ has enunciated this principle, it has yet to fully carry it out. Regulations should be closely and directly linked to recognized public policy interests such as protection of health, safety or the environment; protection of national security; or protection of consumers against deception. Regulations not meeting these limited criteria should be revised or eliminated.

C. ENHANCE TRANSPARENCY AND ACCOUNTABILITY

Regulations should be based on the principles of transparency and non-discrimination, and regulatory officials should be clearly accountable for their actions. All formal and informal regulations should be in writing and published in publicly-available sources.

D. PROHIBITION OF DELEGATION OF GOVERNMENT AUTHORITY

Delegation of actual or de facto regulatory authority to quasi or non-governmental entities, including nonprofit organizations, *tokushu-hojin*, and industry associations should be strictly prohibited if not based on formal and transparent delegation of authority authorized by the Diet.

E. NON-BURDENSOME LOCAL REGULATION

Local governments should be encouraged to review and eliminate unnecessary and burdensome local regulations wherever appropriate. Guidelines prohibiting institution of new local regulations that would have the effect of negating or undermining, in whole or in part,

deregulatory efforts at the national level should also be adopted.

F. INCLUSION OF SUNSET PROVISIONS

Sunset provisions, which specify a fixed lifetime of a particular regulation, should be included wherever appropriate, in regulations issued in the future and should also be incorporated into existing regulations when they are reviewed.

G. PROMOTION OF MARKET MECHANISM

The market mechanism, supplemented by an active and effective antimonopoly enforcement policy, should be relied upon to determine the best and most efficient allocation of resources and the success or failure of individual firms. Private practices that unfairly restrict competition should not be allowed to replace or supplement official regulation.

DEREGULATION PROCESS

The United States Government believes that deregulation must be a dynamic process if it is to be responsive to changing circumstances. To this end, the USG recommended to the GOJ in its 1994, 1995, and 1996 submissions that the GOJ's deregulation efforts include provisions for a private sector participation mechanism, periodic solicitation of public comments, the issuance of a directive to protect private firms and individuals that provide comments from harassment and retaliation, and preparation of annual deregulation reports. Once again, we strongly reiterate these recommendations.

We believe it is critical to establish a permanent administrative mechanism to ensure continued high-level focus on deregulation beyond the scheduled termination of the current Action Plan. As such, the USG supports the creation of a permanent successor to the Administrative Reform Council (ARC, *Gyosei Kaikaku Iinkai*) under the Prime Minister's Office. This successor body should be given a mandate to 1) generate new deregulation commitments through a public process that allows participation by all interested parties; and 2) recommend and direct, subject to Cabinet approval, implementation by ministries and agencies of measures addressing deregulation, competition policy, and transparency and other government practices.

In addition, an ambitious reform agenda must focus more on substantive changes, with firm deadlines for enacting specific measures and remedies, and less on general statements of intent, vague implementation deadlines and the simple numerical analysis of adding up "actions" taken. Progress should be measured solely on the degree to which impediments to open and competitive markets are identified, specific reform measures implemented, and evaluation of the effectiveness of these measures in achieving the desired goal.

FINANCIAL SERVICES

The USG continues to monitor implementation of the 1995 agreement "Measures by the Government of the United States and the Government of Japan Regarding Financial Services," and results thus far have been very satisfactory. The measures and liberalizations carried out under the agreement have resulted in substantially improved commercial opportunities for foreign financial services providers in the Japanese market.

The GOJ is committed to further deregulation in the financial services area and the USG anticipates increased opportunities for foreign firms in the Japanese market. In particular, the USG has advocated, and the GOJ has indicated, further liberalization in the following areas:

A. liberalization of restrictions on product innovation (allowing such financial derivatives as stock options, introduced this summer),

B. expansion of the scope of business for securities companies to include foreign exchange activities and new products, such as wrap accounts and over-the-counter equity derivatives,

C. further development of the asset-backed securities market,

D. new opportunities to distribute investment trust products through banks, and

E. improved transparency and disclosure.

In the process of implementing these reforms, the GOJ should:

A. Solicit and incorporate the views of foreign and domestic firms in the drafting of implementing laws and regulations, and make regulations available in draft form for comment before they become final.

B. Publish applicable regulations in advance of the date of liberalization, to allow firms to develop, and make operational, information systems necessary for new products and activities.

C. Adopt international standards in the design and tax treatment of financial instruments so as to encourage the widest possible internationalization of, and foreign participation in, the Japanese financial market.

In addition, the U.S. welcomes efforts the GOJ is making as part of the Big Bang initiative to revise and strengthen financial market regulatory structures.

HOUSING

The United States seeks the following results from the US-Japan dialogue on deregulation in the Housing Sector under the Enhanced Initiative, and Japan's agreement to these goals at the early November senior officials meeting:

By December 31, 1997

A. **Approve the American Lumber Standards Committee (ALSC) and Western Wood Products Association (WWPA) applications to the Ministry of Construction (MOC) for recognition of U.S.-grademarked machine stress-rated lumber (MSR) and finger jointed lumber.** These applications had been filed in December and November of 1996, respectively. At the July Expert-Level Housing meeting, the Japanese delegation provided assurances that final processing of these applications would proceed expeditiously. Five Canadian agencies have already received recognition for MSR. Approval of these applications will authorize WWPA and rules-writing and grading agencies accredited by the ALSC to provide above-mentioned products to Japan without having to grade to the JAS standard. Similar approval was granted by the Japan for visually graded U.S.-manufactured lumber in January 1996. Japan's March 1996 Deregulation Action Program on Housing stated that "measures shall be implemented soon" to accept grademarks for U.S. building products pursuant to requests from WWPA, APA, and other U.S. organizations.

B. **Endorse the APEC initiative for forest products trade liberalization and for regional cooperation towards performance-based building standards.** The nomination for forest products trade liberalization has been co-sponsored by the United States, Canada, New Zealand and Indonesia, with other ASEAN countries expressing strong support. Trade liberalization in this sector is consistent with Prime Minister Hashimoto's Imported Housing Initiative. The nomination envisages the elimination of tariffs for wood products in the 2002-2004 time frame. Existing tariff escalation for wood products creates distortions to trade and substantially raises housing costs to Japanese consumers.

By March 31, 1998

A. **Finalize and implement testing methods and procedures for the performance-based alternative in Notification 56 (American-style 2x4 construction), including construction of 3-story, multi-family, commercial and mixed-use, wood-frame structures in quasi-fire protection zones. Afford timely and meaningful opportunity for U.S. comment.** In Japan's March 1996 Deregulation Action Program on Housing, Japan announced that performance based standards for American style 2x4 construction would be implemented by the end of the fiscal year 1996, and that the possibilities for three-story wooden construction would be expanded. Japan subsequently added a provision for performance based 2x4 construction under Notification 56 and recently removed the prohibition for three-story wooden

construction in semi-fire protection zones (which covers the area with the majority of Japanese population). However, the utility of these changes will be very limited (if any) until the Ministry of Construction has published a manual for testing methods and procedures which are acceptable in such construction. This manual has undergone several revisions and U.S. experts have provided comments with a view to ensuring that high safety standards are met without imposition of excessively burdensome, expensive and duplicative testing requirements, consistent with international practice.

B. **Approve Underwriters Laboratories' (UL) application to the Ministry of Construction (MOC) for accreditation of UL testing methods and procedures.** This application was filed in June 1997, and all the information requested by Japanese authorities has been provided. Products covered will include fire-rated doors and wallboard. The application also includes accreditation for certain construction methods that will greatly reduce fire risk.

C. **Eliminate police registration requirements for cordless portable impulse nailers in Japan.** Currently these nailers are only manufactured in the United States under a patent and their sales in the United States, Europe and many Asian countries are growing rapidly. These nailers are considered as safe or safer than their corded counterparts and promote cost saving and efficiency in 2x4 construction. Japan is the only country which treats them as a "weapon," and the requirement that they be registered under the Firearms and Sword Possession Control Law has resulted in zero sales of this product in Japan. U.S. industry representatives have provided substantial information to Japanese officials demonstrating the efficiency and safety of this product.

D. **Approve the Engineered Wood Products Association's (APA's) application to the Ministry of Construction for recognition of APA-grademarked structural panels.** This application was filed in November 1996. Its approval will allow structural panels to compete on an even footing with lumber, consistent with Japan's intent not to discriminate among product types which perform at the same level.

E. **Submit legislation to the Diet to effect necessary changes in the Building Standards Law (BSL) to make it performance-based.** In Japan's March 1996 Deregulation Action Program on Housing, Japan announced its intent to make the BSL performance-based. The Building Council has made recommendations on how this should be accomplished which are currently under review in Japan.

F. **Issue a notification for the establishment by December 31, 1998, of a centralized, uniform, system in Japan for acceptance and evaluation of test data (including foreign test data).** Under the current system, Japan has no centralized system for evaluating such data, so that decisions on the acceptability of a building product or system need to be obtained, and can vary, locality by locality, adding unnecessarily to the expense and difficulty of gaining approval, particularly for foreign producers.

G. **Issue a notification for the revision of the system of building code enforcement to ensure uniform application and compliance at the local level across Japan by December 31, 1998.** Similarly, building code enforcement varies greatly locality to locality and is based on "end-product" inspection rather than progressive inspections which can better detect possible construction issues. Uniform application will improve safety and consumer confidence on a non-discriminatory basis.

H. **Recognize U.S. nails grademarks.** Japan is in the process of revising its nails grademarks. The United States has requested changes which will accommodate the use of narrower nails. Existing Japanese requirements for use of thicker nails were set with post and beam construction in mind and are not suited to American-style 2x4 construction. As with lumber, use of nails approved for use under the Model Building Codes should be accepted for use in 2x4 construction without the additional "JIS" mark.

I. **Implement performance-based testing methods and procedures under the revised Building Standards Law, and afford timely and meaningful opportunity for U.S. comment.** Once the BSL revision is made, it will not be practical for builders to use the new performance-based alternative until further guidelines are issued about acceptable testing methods and procedures. These should be published expeditiously and meaningful and timely opportunity should be provided for comment by U.S. experts.

MEDICAL DEVICES/PHARMACEUTICALS

The United States seeks the following actions by the Government of Japan:

A. **Expedite the new drug application (NDA) process in Japan to conform with international standards for drug introduction.** Japan lags seriously behind other developed markets in the launching of new drugs and must decrease the time from application to approval and insurance reimbursement listing. U.S. approval times for "priority" drugs have preceded Japanese approvals by an average of 22.4 months, according to results of a survey of American and European pharmaceutical companies (between 1991-94). This "drug lag" is exacerbated for foreign companies who are often forced to introduce products late in their life cycle due to lengthy clinical trial delays, caused by non-acceptance of foreign clinical data.

B. **Improve the application and transparency of the premium pricing system for new and innovative pharmaceutical products.** Despite MHW's creation of pricing premiums ostensibly to induce and reward companies for introducing innovate and cost-saving drugs to the Japanese market, no foreign or even domestic drugs have been deemed to meet the full criteria in recent years, which has reduced the incentives to companies to introduce new and innovative drugs to Japan's health care system. The research and development intensive pharmaceutical industry should receive adequate compensation to reflect significant improvements in efficacy and safety, as well as long-term savings for the health care system.

C. **Improve the implementation of the by-function reimbursement system by creating new functional categories for new products in a timely fashion.** A high proportion of medical devices on the Japanese market fall under the by-function pricing system, which assigns a newly introduced product to categories of like products and gives them the same price. For products with significant improvements over existing technologies, new functional classifications with higher reimbursement are supposed to be created to reflect the improvement in treatment, efficiency, long-term cost savings for the health care system, etc. However, Japan fails often to create new functional categories when appropriate. This penalizes new and innovative products by failing to distinguish them from existing technologies, and by improperly reimbursing them at the same rate.

D. **Greatly expand the acceptance of foreign clinical data.** Japan's non-acceptance of foreign clinical data requires companies to perform additional costly clinical trials on many products, which can significantly delay the entry of new products into Japan's market. The delays and costs created by having to repeat clinical trials in Japan helps undermine efficiency in the health care system This remains one of the key areas in which deregulatory changes in current practices would lead to significant cost savings for drug and device manufacturers, and ultimately, savings for the Japanese health care system.

E. **Take necessary measures to permit local and prefectural governments to utilize overall greatest value methodology (OGVM) in procuring medical devices.** This methodology is already in use at the national level, and has been well received by procuring entities. This measure would allow local and prefectural governments to make procurement decisions based on best overall value for their needs over the life-cycle of the product, not simply initial costs.

F. **Establish a grouping system to allow chemical disinfection solution manufacturers to obtain MHW approvals for use for all brands of contact lenses in a group by testing one representative lens in the group.** Currently, Japan still uses the approval system where each chemical disinfection solution must be tested with all individual styles and brands of contact lenses. In addition to cost and being time-consuming for both lens manufacturers and solution manufacturers, this system does not allow solution manufacturers to seek approvals independent of lens manufacturers for their products based on their own safety and efficacy data only. FDA followed this system until 1985 when FDA introduced the lens grouping system by lens material, water content, and mechanism of hydration. FDA developed four groups, and knowing the behavior characteristics of one lens in a group, the system allows solution manufacturers (as well as lens manufacturers) to accurately predict the performance of all lenses in that group.

G. **Regulate In-Vitro Diagnostics (IVDs) as medical devices.** An IVD is a kit containing reagents and is used for diagnostic testing outside of the body (as opposed to in-vivo, or in-the-body testing). Performance of an IVD is reflected in the interaction of the components of the system as a whole. Separately regulating the reagents as drugs and the kits as devices is neither cost effective nor in the best interest of patient protection. Safety, efficacy and quality cannot be assessed by individually assessing the reagents or engineering specifications of the equipment. The more flexible approach to device quality systems/ISO9000 can address all aspects of the system as well as the performance of the system as a whole, giving much better assurance of product quality and patient protection.

H. **Eliminate the Highly Advanced Medical Technologies system (HAMT).** This is an unnecessary system which discriminates against new and innovative technologies and penalizes manufacturers by requiring redundant, non-reimbursed trials that have already been performed during the approval process. HAMT represents the worst case reimbursement scenario for device companies by providing often lengthy testing of certain new products prior to approving reimbursement for widespread use. The criteria, and certainly the system for exiting the HAMT, are less than transparent. Foreign firms with innovative technologies are particularly disadvantaged by this system for a number of reasons: innovative device life-cycles can be very short; the company is expected to provide the product without reimbursement for an undetermined amount of time; and ultimately there is no guarantee of ever entering into

the general reimbursement system, despite having already received product approval (shonin).

I. **Implement fully the measures recommended by the Office of the Trade and Investment Ombudsman to fully liberalize the nutritional supplements market (vitamins, herbs, minerals, and non-active ingredients) in Japan.** Traditionally, the restrictions on shape, dosages, and retail format have made the Japanese market costly and difficult for most foreign nutritional supplement firms to participate in. Measures adopted this past April, while a positive step, were very limited and do not represent a substantial market opening. MHW should act expeditiously to implement the Office of Trade and Investment Ombudsman recommendation that items treated as foods overseas be treated as foods in Japan. Restrictions on the use of capsules and tablets should also be eliminated because clear labeling requirements prevent confusion of supplements with drugs. Limits on the use of capsules and tablets increase costs, discriminate against imports, and are without scientific or legal basis anywhere else in the world.

J. **Increase the transparency of the decision-making process regarding regulations and reimbursement, and ensure meaningful foreign access to this process.** MHW should make a firm commitment to increase the level of access for the medical device and pharmaceutical industries in the decision-making process, particularly regarding the reform of the drug benefit and insurance systems. This commitment should include a "place at the table" for all discussions on health care and reimbursement reform which have particular relevance for these industries, especially discussions involving the determination of the future of the R-zone, the future of the NHI drug reimbursement system, etc.

STRUCTURAL ISSUES

Distribution

Japan suffers from abnormally high costs of distribution resulting from slow processing by customs and other agencies' inspection authorities, high transportation and warehousing costs, and excessive regulatory restrictions in the retail and automotive repair sectors. Liberalization would improve market access for competitive foreign goods, clearly benefit business, and greatly benefit the consumer.

I. Customs/Import Processing

Slow processing, mostly by inspection authorities other than Customs, and uncoordinated import procedures hamper on-time delivery and keep prices high. Processing time for catalog purchases and other direct mail merchandising could be vastly improved, making them much more attractive options for the Japanese consumer. The GOJ should undertake the following:

A. **Priority**: By December 1997, expedite the process of issuing tariff rulings by making binding rulings available by facsimile or e-mail.

B. **Priority**: Continue progress in integrating the NACCS system with other agencies to permit a single automated submission to all concerned agencies by the year 2000.

C. Expand pre-arrival review and clearance-upon-arrival.

D. Improve coordination with other agencies, including unified coordination with the Ministry of Health and Welfare and the Ministry of Agriculture, Forestry and Fisheries.

E. Take measures to expedite catalog sales processing.

F. Simplify, expand, and coordinate inspection services for import clearance of foodstuffs.

G. Significantly increase the diminimus threshold on personal and commercial import shipments on which duty is not collected from the current ¥10,000.

H. Make the requirements of the new Additional Tax System that went into effect on October 1, 1997 transparent by disseminating them via the internet and customs circulars. Translate all relevant public materials into English and other languages for the benefit of firms exporting to Japan.

II. Retailing and Services

The Large-Scale Retail Store Law and similar laws serve as market access barriers to foreign products and investment by limiting competition, prolonging distribution inefficiencies, and discouraging expansion plans of large retail stores. Japanese shoppers would enjoy lower prices, more selection, and greater convenience if the law were abolished. The GOJ should take the following actions:

A. **Priority:** Repeal the Large Scale Retail Store Law (LSRSL) (Law No. 109 of 1973). Pending elimination of the LSRSL, by March 1998, eliminate all restrictions on existing stores, including permitted hours of operation and number of days closed. Furthermore, by the same date, abolish all restrictions on the opening of stores with total floor space of 3,000 square meters or less and shorten the processing period for opening large stores to three months. The application process should be expedited by:

1. providing for concurrent processing by local and prefectural authorities;

2. reducing the number of licenses required to market different kinds of products including, but not limited to, fresh foods, pharmaceuticals, liquor, and cigarettes;

3. reducing delays resulting from MITI processing of notification and compliance with local prefectural regulations.

B. **Priority:** Repeal the Bunyaho (Law No. 74 of 1977). Take immediate measures to ensure that the law is not used to restrict the opening of multiplex theaters.

C. **Priority:** Take immediate steps to ensure transparency in the GOJ's efforts to promote commercial activities in central urban areas, particularly in terms of new zoning restrictions. To this end, the GOJ should establish a central repository of local city planning and zoning regulations with regular (at least annual) reports on how many localities have such regulations and the content of such regulations. In addition, the GOJ should provide a national-level complaint and appeal mechanism for retailers which, as a result of such regulations, face problems opening new stores or expanding existing ones.

D. **Priority:** Take immediate measures to prevent local jurisdictions from introducing new restrictions on new entrants, including large-scale stores. If necessary, the GOJ should ensure through national legislation that local practices are not stricter than or otherwise inconsistent with national laws.

E. The GOJ should take immediate action to work with movie cineplex firms to relax a number of laws and regulations as recommended in the 1996 report to MITI by the Cinema Invigoration Research Council.

F. By the end of FY 1997 Eliminate all other market adjustment laws, including the Shochoho (Law No. 155 of 1959: The Retail Trade Adjustment Law).

G. To promote a free, transparent, and competitive distribution system, ensure that the Japanese business community adheres to MITI's 1990 Guidelines on Business Practices.

III. Transportation and Warehousing

Japanese laws limit competition and raise costs in the trucking business by, inter alia, requiring new entrants to meet minimum-number-of-vehicle restrictions and by imposing burdensome rate filing requirements on companies.

A. **Priority:** By May 1998, create a generally available nationwide trucking operating license that would be available to international companies serving Japan that wish to engage in intermodal shipping operations.

B. **Priority:** By December 1998, completely deregulate the harbor transport sector, including elimination of supply/demand restrictions and other cumbersome restrictions on licensing of new market entrants.

C. Remove immediately any district licensing requirements for trucking services that specify a minimum number of vehicles that must be operated.

D. Eliminate pricing restrictions on freight forwarding.

E. Reduce significantly the restrictions on entry into the warehouse industry, including licensing and notification requirements, with the goals of reducing shortages of storage space, lowering high fees, and minimizing burdens for foreign firms related to the distribution of their products.

Competition Law & Policy

I. Wholesale Distribution: Structurally Exclusionary Markets

Several Japanese markets (*e.g.*, flat glass, paper, and photographic film) have common characteristics often associated with noncompetitive performance, including: (1) highly oligopolistic market structures; (2) a high degree of vertical integration between the main manufacturers and primary distributors or *de facto* exclusive arrangements between the manufacturer and primary distributors; (3) use by manufacturers of various measures (*e.g.*, security deposits, rebates) to hinder primary distributors from distributing competitors' products beyond a token level; (4) a history of collusion; and (5) low import competition.

A. **Priority:** The JFTC should establish an Antimonopoly Act compliance initiative by April 1998. Under this initiative, initially the JFTC would review the competition law compliance programs of influential firms in industries manifesting the characteristics stated above. The JFTC should review the effectiveness of influential firms' compliance programs against a rigorous set of compliance standards and procedures, which are aimed at ensuring that, for instance:

1. company employees or agents do not act inconsistently with the Antimonopoly Act (AMA) (Law No. 54, 1947) (*e.g.*, a high-level company employee should oversee the compliance program);

2. when company employees or agents act inconsistently with the AMA, the conduct is detected and disciplined (*e.g.*, monitoring and auditing systems should be in place to detect improper acts and disciplinary mechanisms should be consistently applied); and

3. the company has set up internal mechanisms to facilitate reporting acts which may be inconsistent with the AMA (*e.g.*, a reporting system should be in place and communicated to employees and agents so that they can report improper conduct without fear of retribution).

II. Enforcement Policy

A. **Priority:** The JFTC should annually prepare a public report on its actions (*e.g.*, recommendations, warnings) taken pursuant to the 1991 AMA Guidelines on Distribution Systems and Business Practices, beginning April 1998.

B. **Priority:** The JFTC should announce, by April 1998, that it will investigate aggressively the use of retaliatory threats against distributors by influential manufacturers when the threats are intended to hinder competition.

C. When the JFTC conducts industry surveys, it should implement a follow-up

procedure to ensure that firms have reformed potentially anticompetitive business practices in accordance with measures recommended or suggested by the JFTC. To ensure transparency, the JFTC should publicly disclose as much as possible all information regarding the measures taken.

III. Private Remedies

A. **Priority:** The GOJ should enact appropriate legislation to permit private parties to sue for injunctions in actions based upon AMA violations, by April 1999.

B. The GOJ should amend the AMA to create a rebuttable presumption that trade has been unreasonably restrained and direct purchaser plaintiffs have sustained injury as a result of anticompetitive practices when the JFTC concludes through recommendation, recommendation decision, or hearing decision, an AMA violation.

C. The GOJ should amend the AMA and Civil Code to:

1. make it easier for plaintiffs in civil damage actions based on AMA violations to: (a) meet their burdens of proof on the amount of damages; and (b) prove the causal connection between the AMA violation and the damages; and

2. establish a damage calculation methodology for private actions based upon AMA violations.

IV. Antimonopoly Act Exemptions

A. **Priority:** The GOJ should review all exemptions in the AMA, especially § 24-2 (Resale Price Maintenance), and the Act Against Unjustifiable Premiums and Misleading Representations Act (PMRA) (Law No. 134, 1962) with a view towards eliminating such exemptions, by April 1998. Particular attention should be directed at eliminating AMA §24-3 (Depression Cartels), §24-4 (Rationalization Cartels), and PMRA §10-5 (Fair Competition Codes).

B. The GOJ should enact legislation to eliminate or substantially reduce all exemptions in the Antimonopoly Exemption Act (Law No. 138, 1947).

C. The GOJ should repeal §7 of the Business Reform Law (Law No. 61, 1995) and in its place: (1) require any Minister receiving a business reform plan application to send a copy to the JFTC; and (2) state explicitly that no business activities taken under the BRL are exempt from the AMA. Pending this action, the GOJ should ensure that the JFTC reviews all applications, especially joint applications, submitted under the BRL and publicize any JFTC advice regarding

applications.

V. Bid-rigging

A. **Priority:** By April 1998, the GOJ should require all entities covered by the WTO Agreement on Government Procurement to adopt a program to monitor and report unusual or suspicious bidding patterns. Under such a program: (1) a procurement official should be designated to monitor bidding patterns and report to the JFTC when unusual or suspicious bidding patterns are detected; (2) the JFTC should provide training to procurement officials to detect bid-rigging; and (3) with JFTC advice, the GOJ should require all entities covered by the WTO Agreement on Government Procurement and engaged in public procurement to revise their bid-rigging manuals to ensure that the manuals effectively prevent AMA violations. After implementation of such a program, the GOJ should issue a report on the measures taken.

B. The GOJ should require all bidders on public projects to attest through a Certificate of Independent Pricing Decision (CIPD) to the fact that they have not consulted with other bidders regarding any aspect of the bid. The GOJ should amend the penal code to make it a crime to submit a false CIPD.

C. In principle, the GOJ should ban firms from bidding for one year on all procurements throughout Japan when they have engaged in any bid-rigging activities in Japan. Before companies that have engaged in bid-rigging may submit future bids, they should be required to pay restitution to the government for the proportionate share of damages incurred as a result of the bid-rigging.

VI. JFTC's Budget, Resources, and Position

A. **Priority:** The GOJ should increase substantially the JFTC's FY 1998 budget, taking into consideration that revenues from surcharges far exceed the existing budget, and that increasing investigative staff will likely increase collected surcharges. The GOJ should increase the JFTC's staff to 700 and allot most staff increases to investigatory sections.

B. The GOJ should ensure that the JFTC Chairman is invited to attend all Cabinet meetings regarding economic policy.

Legal Services

It is essential that the liberalization of Japanese legal services keep pace with ongoing deregulation and market liberalization to ensure that both Japanese and foreign parties are able to obtain fully integrated transnational legal services in Japan, as well as for cross-border transactions. Rapid changes in Japan's financial sector will further increase demand for legal services providers with international experience in structuring legally complex financial services products.

However, unreasonable and unnecessary restrictions on the provision of legal services prevent both foreign and Japanese lawyers from offering clients integrated transnational advice. The very limited recommendations of the Ministry of Justice's Study Committee on Foreign Lawyers (the "Study Committee") in its October 30, 1997, final report were a great disappointment.

A. **Priority**: The GOJ should allow partnerships between *bengoshi* and foreign legal consultants (*gaikokuho-jimu-bengoshi*) and the employment of *bengoshi* by foreign legal consultants, just as *bengoshi* are allowed to hire foreign legal consultants. The USG is disappointed that the Study Committee's report did not recommend removal of the severe limitations on business ties between foreign legal consultants and *bengoshi*.

B. The GOJ should allow foreign legal consultants to advise on third country law to the same extent as *bengoshi*.

C. The GOJ should reduce the five-year legal experience requirement to no more than two years and give full credit to the time spent working in the offices of *bengoshi* and foreign legal consultants in Japan, as well as in offices of transnational firms in other countries. The USG regards the recommendation of the Study Committee that the experience requirement be reduced to three years as a positive but incomplete step.

D. The GOJ should significantly increase the number of bengoshi by increasing the number of trainees admitted to the Supreme Court's Legal Research and Training Institute to not less than 1500 trainees per year, beginning on April 1, 1998.

E. The GOJ should also remove restrictions on the employment of quasi-legal professionals and on the representation by foreign legal consultants of clients before Japanese governmental entities.

TELECOMMUNICATIONS

Over the past several years, the Government of Japan has shown a welcome recognition that obtaining the full economic benefits of a dynamic telecommunications sector requires vigorous competition and broad market participation. As reflected in the WTO Basic Telecommunications agreement, a global consensus has developed that such competition requires both deregulation and the alignment of regulatory goals and methods more closely with market forces.

Through implementing its WTO commitments and through independent initiatives, Japan has taken several significant measures to foster a more pro-competitive regulatory regime in the telecommunications sector. Given the rapid changes sweeping this sector, however, regulatory reform in telecommunications is a never ending process. The following submission by the Government of the United States is an attempt to suggest further areas for such reform, which, will benefit all market participants: foreign and Japanese, consumers and suppliers.

Below is a list of priorities we have identified which we believe would significantly increase competition and market opportunities in Japan.

I. Interconnection

While the MPT has made laudable progress in developing interconnection rules intended to foster greater competition, the nature of the rules it has chosen, their scope, and the time frame in which they will be implemented could be significantly improved. The USG is concerned that the MPT's decision to implement an Activity-based Costing (ABC) could unnecessarily slow the process of moving towards a truly cost-based interconnection regime.

A. **Priority:** Implementation within CY 1998 of forward-looking costing for determining interconnection rates with NTT. This is the only methodology which can ensure the fair pricing of interconnection and the efficient allocation of infrastructure investment.

B. **Priority:** If Activity Based Costing is introduced as an interim measure, the MPT should mandate extensive disclosure of the costs NTT uses to justify interconnection charges to ensure that unrelated costs are not included and that competing carriers have the opportunity to challenge NTT's cost-allocation decisions.

C. Prior to introducing forward-looking costing of interconnection, use of proxy interconnection rates taking into account international best practices (e.g. the EU recommendations).

D. Establishment within FY 1997 of an open and transparent process, with MPT oversight, for developing interfaces and for choosing points of interface at any technically feasible point in the network.

E. Enforcement of NTT's obligation to enter good-faith negotiations on the terms and conditions for interconnection at any time (i.e., even prior to a firm receiving a license) and regardless of carrier type (i.e., Type I or Type II). Similar obligations should apply to KDD.

F. Establishment within CY 1997 of cost-based tariffs for use of NTT's poles, conduits, buildings and other facilities controlled by NTT and other relevant entities (e.g., power companies).

G. Elimination within FY 1997 of R&D as a cost incorporated into interconnection rates.

H. Establishment within FY 1997 of procedures ensuring nondiscriminatory, cost-based access to KDD's cable landing station and backhaul facilities (circuits to the PSTN).

I. Incorporation of right-of-way provisions (e.g., digging rights) into a Type I license; establishment of a mechanism to coordinate administrative action required to facilitate access to rights-of-way, to prevent undue delay of infrastructure deployment.

J. Elimination of discriminatory charges levied by NTT upon interconnecting carriers for services such as directory assistance.

K. Introduction of cost-based tariffs within CY 1997 for NTT's completion of international calls, on terms and conditions no less favorable than those offered to incumbent international carriers in Japan.

L. Introduction within CY 1998 of price-cap regulation (or similar incentive-based regulation) for NTT. This would reduce NTT's incentive to maximize profits by introducing unnecessary costs into its rate base. Such costs drive up both consumer prices and interconnection rates.

M. Facilitation of transit arrangements using New Common Carriers by eliminating the MPT requirement that all carriers involved have interconnection agreements with each other.

N. Definition of basic network functions (for which NTT has to pay the cost for network modification to permit interconnection) to include all services currently available to NTT customers.

O. By CY 1999, implementation of local number portability with costs shared widely across the entire customer base.

P. Confirmation that from CY 1998, interconnection obligations will apply to KDD.

Q. Establishment within FY 1997 of an open process for introducing number dialing parity, with a goal of completing such systems within FY 1998.

II. Direct to Home Satellite Services (DTH)

The United States Government believes that the condition for an innovative and dynamic DTH sector is broad deregulation, contrasting with the current regime which is both rigid and unnecessarily burdensome. The DTH market risks facing the problems encountered early on in the CATV industry, where the MPT took similar measures which prevented the emergence of viable operators. The regulatory

framework for DTH should function in a way that accommodates current and future advances in technology and allows the market to determine the success of any service.

A. **Priority:** Within FY 1997, permit DTH consignors to offer an unlimited number of channels.

B. MPT should remove itself from the role of approving the financial arrangements among consignors of DTH providers. The MPT has not convincingly demonstrated that these commercial facets of a DTH provider's business are subject to MPT jurisdiction.

C. Permit 100% foreign ownership in DTH service providers and allow foreigners to serve as directors of DTH companies within FY 97.

D. To encourage more efficient use of transponders and spectrum, permit unlimited movement of consignor programming among transponders and eliminate remaining restrictions on statistical multiplexing.

E. Consider licensing consignors by bandwidth, rather than by transponders or number of channels

F. Eliminate within FY 1997 the requirement that DTH providers offer channels to be purchased individually, so called "a la carte" pricing.

G. Implement plans to abolish the comprehensive cost system for calculating transponder lease fees in favor of market-based pricing within FY 97.

H. Implement within CY 1997 plans to permit simulcasting (i.e. two consignors providing the same programming) and remove the requirement for editing.

I. Eliminate the sequential nature of licensing procedures for consignors within FY 97. Given the capital needs for launching a satellite and preparing uplinks and programming, MPT should issue broadcasting licenses to consignors before a satellite is launched.

III. International Simple Resale (Ko-Sen-Ko)

As noted in comments filed with the MPT on September 4, the United States Government believes that the rules MPT is considering for regulating ISR could undermine the competitive benefits and market opportunities of this service and would be inconsistent with GOJ pledges to liberalize this service.

A. **Priority:** As of the beginning of CY 1998: permit international simple resale outside of the international settlement regime.

B. Introduction in CY 1998 of wholesale tariffs for international leased lines, which would be available to companies seeking to provide ISR.

C. Ensure by the end of CY 1997 timely, nondiscriminatory provision of access codes and interconnection for domestic and international Ko-Sen-Ko services.

D. Require, by the end of CY 1997 that NTT and KDD publish all non-tariff based contracts, and make the terms and conditions of such contracts available to all carriers (regardless of type) on a nondiscriminatory basis.

IV. Foreign Investment restriction in NTT & KDD

The GOJ has never satisfactorily explained the rationale for retaining foreign investment limits in NTT and KDD. The opening up of all major markets to increased foreign investment with the implementation of the WTO Basic Telecommunications Agreement makes the current 20 percent limit on foreign investment in NTT and KDD a major anomaly among developed nations. The ability of these Japanese carriers to invest in other markets, while they are essentially protected in their home markets, creates a significant imbalance in competitive opportunities.

A. **Priority:** Permit 100% foreign investment in NTT and KDD within CY 1998.

B. As an interim step, commit within FY 1997 to permit unlimited foreign investment in those successor companies resulting from the restructuring of NTT which will not be subject to the NTT Law.

V. The 100-destination rule for international services

Based on the so-called "100-destination rule," MPT prohibits international Type 1 carriers from entering into transit agreements with foreign carriers to terminate international traffic until the Type I carrier has established direct circuit facilities with one hundred or more destinations. This restriction will greatly hamper the introduction of competitive international services as envisaged in the WTO Basic Telecommunications Agreement. The USG is aware of no other regulator which considers such a requirement to be necessary.

A. **Priority:** Elimination of the 100-destination rule in CY 1997 for new Type I entrants.

VI. Licensing and tariff procedures

The MPT's publication of "Market Entry Manuals" has greatly improved the transparency of its licensing procedures. New entrants, however, report a broad range of additional, unpublished requirements they must meet to be eligible for a license.

A. **Priority:** Within CY 1997, streamline the Type I licensing process and eliminate all economic needs tests, such as the requirement to provide business plans proving profitability.

B. Publish all the standards, criteria and other requirements that MPT will use to evaluate applications for licenses, authorizations and other approvals, as well as the material and information that applicants will be required to submit as part of the application process.

C. To facilitate the acquisition of rights-of-way, grant Type I operators licenses prior to negotiating rights-of-way; include in such licenses road opening rights and authority for a carrier to negotiate with other

agencies; and empower MPT to play a coordinating role in facilitating rights-of-way.

D. Eliminate registration requirements for Type II applicants not offering basic voice services.

E. Permit the filing of rates on a notification basis by non-dominant carriers unaffiliated with a dominant carrier in Japan; eliminate the need to prove profitability for services.

F For non-dominant carriers, permit introduction of new services and geographical expansion on a notification basis.

VII. Restructuring of NTT

The planned restructuring of NTT offers an opportunity to reduce potentially anti-competitive cross-subsidies between NTT units currently operating in both monopoly and competitive markets.

A. **Priority:** Prior to NTT's restructuring, establishment of safeguards to eliminate anti-competitive cross-subsidization between restructured corporate units through:

1. strict accounting separation and public financial reporting requirements for each unit;
2. strict division of operations and assets;
3. prohibition on joint marketing and transfer of personnel between corporate units; and
4. establishment of safeguard procedures to prevent abuse of access to competitors' information.

VIII. MPT's Notice and Comment procedures

The MPT has been one of the most progressive ministries in Japan in providing public notice of its proposed regulations and providing opportunities for interested parties, including foreign interests, to provide comments on the proposed regulations. The following suggestions are intended to make this process broader and more effective.

A. **Priority:** Commitment within FY 1998 to introduce notice and comment procedures for all rulemaking;

B. **Priority:** Provide, at a minimum, 30-day comment periods;

C. **Priority:** Publicly disclose all comments; and

D. **Priority:** Ensure fully nondiscriminatory participation in all steps of rule-making

IX. CATV Services

MPT regulatory reform of this sector, particularly the decisions to permit multi-service operators and cable telephony, have been greatly beneficial. Lifting foreign investment limits in companies offering cable telephony was also very welcome.

A. **Priority:** Within CY 1998, permit 100 percent foreign investment and unlimited foreign board membership in all CATV companies.

B. **Priority:** Introduce, within CY 1998, nationwide licenses for CATV services.

C. Within CY 1998, establish procedures for ensuring CATV companies fair access to the poles of NTT and power companies.

D. To facilitate the most efficient development of robust CATV sector, consider permitting the transfer, selling and trading of existing CATV licenses.

E. Streamline the CATV licensing procedure by eliminating all but the most essential details regarding an applicants business and infrastructure development plans.

F. Eliminate requirement for MPT inspection of CATV facilities.

G. Discontinue the use of administrative guidance to prevent CATV companies from using certain channels (14-17; 24-27; and 55-63) which are allegedly subject to interference problems. With quality maintenance such problems will not arise, so there is no need to peremptorily ban the use of valuable spectrum.

X. MKK testing and certification procedures

In its deregulation report earlier this year, the MPT agreed to consider the Keidanren request that radio equipment from ISO 9000 certified companies not be subject to MKK-mandated quality-control tests as part of the MKK certification process. In addition, the American Electronics Association submitted a list of proposed changes early this year that deserves serious consideration.

A. **Priority:** Eliminate MKK's quality-control testing for ISO 9000-certified companies within CY 1997.

B. To create a more efficient conformity assessment process, introduce within CY 1998 procedures to authorize independent laboratories to provide conformity assessment and certification equivalent to that provided by MKK.

C. Speed up examinations and reduce fees for testing and certification.

D. Eliminate requirements for recertification of approved products which undergo design changes not affecting performance relating to mandatory standards.

E. Limit the number of units tested to no more than five.

TRANSPARENCY AND OTHER GOVERNMENT PRACTICES

Improvements in the transparency of the public policy process and increased opportunities for public participation in the administrative system are necessary counterparts of sectoral deregulation in Japan. Such improvements could play an important role in reducing market access problems of foreign firms and their need to seek the assistance of the USG in addressing them.

I. Information Disclosure

A. **Priority: Enactment of an Information Disclosure Law.** The USG strongly supports the efforts of Japan to prepare information disclosure legislation for submission to the Diet by March 31, 1998. The United States urges the expeditious enactment and implementation of such legislation. To provides the public with effective access to government information, the law should:

1. apply to all central government entities and government-related entities, including special public corporations (*tokushu hojin*);

2. mandate the disclosure in a timely manner of all requested information that is in the possession or under the control of governmental entities unless it meets very narrow and precisely defined exceptions;

3. require governmental entities that withhold information from disclosure to provide a written justification for non-disclosure to the requesting party;

4. ensure that the courts provide full and effective review of the refusal of governmental entities to disclose requested information; and

5. allow requests for disclosure to be filed by foreign companies and foreign individuals.

B. Increased Availability of Government Information -- The United States recognizes that governmental entities are making strides to make more information available to the public, such as through home pages. However, it believes that the GOJ could substantially enhance government transparency by requiring all entities to maximize the information that they make available to the public outside of a formal information disclosure system. Such information should be made available to the public in a user-friendly manner.

C. Equal Access to Government Information -- The GOJ should ensure that

foreign companies are accorded access to government information on a basis that is comparable to that accorded Japanese firms in the United States, and that is equal to access provided to domestic companies and Japanese industry associations.

II. **Priority: <u>Adoption of a Rulemaking Process That Allows for Public Participation</u>.** Consistent with the recommendations of the Conference on Administrative Reform (*Gyosei Kaikaku Kaigi)* in its Interim Report of September 3, 1997, the GOJ should adopt a rulemaking process that enables interested parties to participate effectively in the development of regulations. Under such a process, all governmental entities would be required to: (1) publish proposed regulations in the *Kampo* or other widely available publication; (2) provide a reasonable time period for the general public, experts and interested parties to comment on the proposed regulation; (3) make all comments available to the public for review; and (4) give serious consideration to the comments when preparing the final regulation. Pending the adoption of such a rulemaking process, government entities should be encouraged to follow the examples of the Fair Trade Commission and the Ministry of Posts and Telecommunications in seeking public comments on draft regulations and policies.

III. **Priority: <u>Improvement of Application Process</u>.** Despite the provisions of the Administrative Procedure Law (APL) that apply to applications for authorizations, licenses, permits and other approvals (hereinafter collectively referred to as "approvals"), U.S. firms have repeatedly complained about the burdensome and unpredictable nature of the application process in Japan. Potential applicants often must engage in extensive prior consultations with governmental entities, which may take six months to 12 months or more, and satisfy numerous requests for additional information before the entity will allow them to submit their application. To remedy this problem, the GOJ should require governmental entities to:

1. publish in the *Kampo* all standards, criteria and other requirements that they will use in deciding whether to grant approvals, as well as the process for the review of applications to determine their adequacy, including the time period for the review;

2. receive all applications submitted to them for approval and, promptly after receipt, inform the applicant of any specific deficiencies in the application, and allow the applicant to make the necessary corrections, with the assurance that if such deficiencies are addressed, formal processing of the application will commence immediately; and

3. base determinations on whether or not to grant approvals based solely on the published requirements for such applications.

IV. <u>Advisory Councils (*Shingikai*, etc.)</u> Consistent with the interim recommendations

of the Conference on Administrative Reform (*Gyosei Kaikaku Kaigi*), the GOJ should reform its advisory councils, including *shingikai, kenkyukai, kondankai* and *benkyokai* (hereinafter collectively referred to as "*shingikai.*") The GOJ should also enhance the transparency and objectivity of *shingikai,* by taking measures:

1. to prohibit former and current governmental officials from serving as chairpersons of the *shingikai*, and further reduce the number of former governmental officials serving as members of *shingikai*;

2. to allow foreign non-governmental persons and foreign companies to participate either as members of *shingikai* or as observers at *shingikai* meetings;

3. to enable *shingikai* to engage in deliberations and the development of recommendations and reports independent from the influence of government officials and governmental entities; and

4. to require all *shingikai* to publish advance notice of their meetings; to open all meetings to the public except in very exceptional, narrowly defined cases; and to make the minutes and reports of their meetings readily and easily accessible to the public.

V. Industry Associations With regard to industry associations, the GOJ should:

1. refrain from formally or informally delegating governmental or public policy functions, such as product certifications or entry authorizations, to industry associations;

2. where there is a demonstrated and appropriate need for industry associations to participate in granting permissions or approvals, establishing standards, issuing certifications or engaging in similar public or quasi-public functions, the relevant governmental entity should exercise adequate supervision over the association to ensure that its activities are conducted in an open, transparent and non-discriminatory manner and do not restrict the business activities of firms that are not members of the association;

3. ensure that regulations, guidelines and other procedures adopted or used by industry associations that may affect the conduct of business in Japan reflect the opinions of non-members, including the foreign business community; and

4. ensure that when government entities provide information to industry associations, the entities make the same information readily available to companies in that industry that are not members of the industry association, including foreign companies.

VI. Administrative Guidance To enhance further the transparency of administrative guidance issued for multiple persons under Article 36 of the Administrative Procedure Law, the GOJ should: (1) make information publicly available on the subjects of such guidance and upon request, expeditiously provide a copy of the guidance to any requesting person; and (2) clarify that administrative guidance that is given to an industry association with the intent that it will be followed by the members of the association is covered by Article 36 of the APL, and is required to be issued in writing and made available to the public.

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AMBASSADOR RITA HAYES CONFIRMED BY U.S. SENATE TO SERVE AS DEPUTY U.S. TRADE REPRESENTATIVE IN GENEVA

The United States Senate last night unanimously confirmed the appointment of Rita D. Hayes to serve as Deputy United States Trade Representative in Geneva.

Ms. Hayes will serve as Ambassador to the World Trade Organization, the world body on trade policies and practices among nations, where she will be responsible for conducting trade negotiations and assisting the United States Trade Representative in developing and implementing United States trade policy.

United States Trade Representative Charlene Barshefsky said of Ambassador Hayes' appointment, "I am very gratified that the Senate has confirmed Ambassador Hayes. She brings the right mix of negotiating talents and practical experience to this position, and she will be an extraordinary advocate at the World Trade Organization on behalf of U.S. workers and companies."

Previously, Ambassador Hayes has served the Clinton Administration as Chief Textile Negotiator for the Office of the United States Trade Representative (USTR) since October 1995. In this capacity, she acts as the principal advisor to the Unites States Trade Representative on international trade policies and negotiations concerning textiles and apparel. Before her service at USTR, Ambassador Hayes served as Deputy Assistant Secretary of Commerce for Textiles, Apparel and Consumer Goods Industries and Chair of the Committee for the Implementation of Textiles Agreements (CITA). Prior to her work at the Department of Commerce, Ms. Hayes served on the Clinton-Gore Transition Team in the area of energy and natural resources. Ambassador Hayes received a B.A. in Education from the University of Georgia.

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U.S. TRADE REPRESENTATIVE CHARLENE BARSHEFSKY ENDORSES APEC MARKET-OPENING INITIATIVES

Vancouver, B.C. -- APEC Trade Ministers asserted their leadership in promoting the opening of world markets when they agreed today to pursue accelerated market opening initiatives in a number of strategic and commercially significant sectors. The Trade Ministers' Statement specifically identifies fifteen areas of trade, nine of which call for APEC Members to finalize plans in the first half of 1998 to cut tariffs and other barriers to trade, with implementation of market-opening initiatives to begin in 1999.

The package selected for immediate action includes tariff and other trade barrier-cutting initiatives for environmental goods and services, medical equipment, chemicals, energy, forest products, fish and fish products, toys, gems and jewelry, as well as a Mutual Recognition Agreement (MRA) for telecommunications products and systems among APEC Members. In pursuing and concluding these sectoral initiatives, the Ministers will work to secure participation of key countries beyond APEC to ensure the needed critical mass of participants, limiting free- riders, and where appropriate, bring these trade initiatives into the WTO.

In six other sectors -- oilseeds and oilseed products, food products, natural and synthetic rubber, fertilizers, automotive, and civil aircraft -- APEC Members will continue to develop proposals for review by Ministers next June, for possible action by APEC Leaders next November.

"Taken together, these measures reinforce the fact that APEC can be the catalyst for significant world-wide market opening initiatives, as it was with the ITA last year," said U.S. Trade Representative Charlene Barshefsky. "APEC is a huge market, and these global market-opening initiatives give us a big bang for the buck commercially within APEC, and real leverage to achieve

these market openings globally. What we have agreed to today demonstrates APEC's commitment to continue to play a leadership role in opening world markets."

The Ministers agreed that the initiatives would be developed and concluded on the basis of existing detailed proposals. The sectoral market-opening package builds upon APEC's initiative last year to substantially eliminate tariffs on information technology products by the year 2000. The ITA, which was formally endorsed by just nine APEC members at last year's meeting, was later adopted at the Singapore WTO Ministerial and now includes 43 countries (including 13 of 18 APEC Members), encompassing $500 billion in global trade . APEC Ministers also pledged their support to complete ITA II next summer which will expand product coverage, allow additional countries to join the agreement, and address non-tariff barriers to technology trade.

APEC Trade Ministers also committed to a work plan on the range of issues affecting Global Electronic Commerce, stressing the importance of a predictable and consistent environment for electronic commerce in all APEC economies. The Statement also highlights the growing importance of biotechnology trade in agriculture, and intensifies APEC work on pursuing science-based approaches to the introduction and use of biotechnology products.

APEC Factsheet: The Immediate Action Package

Detailed market-opening plans in the following areas will be concluded by the first half of 1998, aimed at beginning implementation in 1999:

Environmental Services and Technology

APEC commitments to open-up trade in this rapidly-growing sector will deliver substantial opportunities for U.S. companies. Global production of environmental technology and services is currently estimated at $420 billion annually. Data for 1994 showed average market growth rates for environmental goods and services in APEC countries between 4% for Japan to a high of 20% for some developing economies.

The U.S. environmental technology industry employed an estimated 1.3 million Americans in 1995, with domestic revenues of $180 billion. Industry estimates that U.S. exports in this sector in 1995 were $14.5 billion. Though the United States is the world's largest exporter of environmental technology, exports currently account for just 8% of total industry revenues. The United States thus has substantial potential for the rapid increase of environmental goods and service exports-- particularly with a successful sectoral agreement to open major foreign markets.

Medical Equipment and Instruments

The lowering of tariff barriers on medical devices and scientific instruments has the potential to increase trade and reduce health care costs on a global basis. This agreement will facilitate the free flow of medical technology products and contribute to cost-effective health care in all economies.

The United States has a broadly diversified industry that is the world leader in the production of all major product areas, including surgical and medical instruments; orthopedic and prosthetic appliances; and measuring and testing instruments. Industry estimates that in 1996, the U.S. industry accounted for nearly 50 percent of global production of medical devices.

Last year, the United States exported about 20 billion dollars in medical devices and scientific instruments, or over 26 percent of world trade in these products. Demand for medical technology has skyrocketed in recent years in APEC economies, with annual growth in consumption estimated at 19 percent or higher in key markets. Last year, about half our exports went to APEC economies, particularly Korea, Taiwan, Singapore, Thailand, Malaysia, and China. Currently, over 400,000 US. workers are employed in the production and exportation of medical equipment and scientific instruments. Strong export growth in this sector will significantly expand the number of these high technology jobs in the United States.

Chemicals

Virtually every manufactured product -- from automobiles to zippers --depends on thousands of kinds of chemicals. Food, clothing, shelter, health care, transportation -- and every other facet of modern life - are all dependent on a modern, high-tech chemical compounds. The United States is a highly competitive producer of chemical products and will benefit substantially when foreign consumers of U.S. chemical products can purchase U.S. products at more competitive rates.

For years, chemicals have been among the largest areas of U.S. exports, supplying over $1 of every $10 of U.S. goods exports and earning large trade surpluses ($163 billion over the past ten years). U.S. chemical experts were $61.8 billion in 1996, with a trade surplus of $16.9 billion. Employment in 1996 was 1.03 million. These workers are highly skilled and take home one-third more pay per week than the average for U.S. manufacturing workers as a whole.

Energy Sector Goods and Services

Opening-up trade in energy-related equipment and services will materially contribute to expanded installation of energy supply systems around the world. Shipments of energy equipment totaled $51.6 billion in 1995 and the industry employs about 350,000 workers. U.S. exports of energy-related equipment are conservatively estimated at over $15 billion per year (1996) with a trade surplus of $6.5 billion. Exports account for an estimated 34 percent of total energy equipment shipments by U.S. producers. By 2005 -- with good trade agreements in place -- exports are expected to exceed U.S. production for domestic consumption.

MRA on Telecommunications Equipment

A significant portion of telecommunications equipment is the subject to regulatory approval. This proposal will reduce the costs and speed up the process of product approvals, thus facilitating trade and enhancing the benefits expected from the tariff elimination on this equipment under the Information Technology Agreement. The proposal will reduce the number and overlap of steps necessary to satisfy importing countries' approval processes. It would allow exporters to pre-test and certify equipment to an importing economy' mandatory technical requirements.

The U.S. industry additionally favors an MRA as a means of coping with ever-shortening product life cycles. The U.S. telecommunications equipment industry employed 216,000 workers in 1995. Exports from the U.S. of telecommunications equipment amounted to $15 billion in 1996. Shipments by the industry are expected to increase by about 8% in constant dollar value in 1997.

Forest Products

Free trade in forest products is good for the consumer and good for business. Reducing barriers to trade in wood products will provide more abundant and less expensive housing. On the paper side, improved access to more affordable packaging and printing materials will lower manufacturing costs and prices. More open trade in forest products supports improved forest

management practice that are under discussion in various fora; conversely, current tariff levels on forest products contribute to the inefficient uses of valuable forest resources.

In 1996, the United States exported $29 billion of products covered by this initiative and could further expand exports, if trade barriers were reduced. The U.S. forest products industry accounts for nine percent of total U.S. manufacturing output and ranks sixth in size among manufacturing industries. Products covered in the initiative account for 3.2 million U.S. jobs, with 1.4 million in wood and paper, 1.6 million in printing and publishing and 200,000 in furniture.

Fish and Fish Products

This initiative will ensure that trade can continue to develop and benefit of all APEC economies, consistent with cooperation to secure greater certainty of future fisheries resources. The United States is the second largest exporter of fisheries products in the APEC. Some 86% of U.S. fisheries exports in 1996 ($3.0 billion) were shipped to APEC economies. The current trend of rapidly increasing exports to APEC economies other than Japan is expected to continue, reflecting the rapid growth of standards of living and disposable income in the region. This accord will eliminate tariffs, as high as 55% in some economies, and a panoply of non-tariff measures including licensing requirements, import quotas, and standards which restrict market access. The elimination of subsidies which have the effect of distorting investment and market conditions will have a positive impact in reducing the current problem of overcapacity, resulting in better resource management and their sustainability.

Toys

U.S. tariffs on toys are already at zero, as a result of the Uruguay Round, as are others in APEC and the WTO who joined the Uruguay Round zero for zero initiative for toys, other still have tariffs of about 10-30%. The removal of tariffs on toys by other countries will increase business opportunities for producers, distributors, and investors, and increase choice and lower prices for consumers.

The U.S. toy industry employed 38,000 workers in 1995. About 30,000 of these were production workers. U.S. toy manufacturers are among the most competitive in the world. U.S. exports of toys totaled $898 million in 1996. The American toy industry is very supportive of this initiative.

Gems and Jewelry

Total U.S. output of jewelry in 1996 is estimated at $5.7 billion. The United States exported $392 million of precious metal jewelry in 1996, as well as $152 million in costume jewelry. The U.S. jewelry employs an estimated 76,000 jobs, mainly in small companies. APEC imports of gems and jewelry were about $6.7 billion.

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WTO PANEL RULES IN FAVOR OF UNITED STATES IN CHALLENGE TO ARGENTINA'S SPECIFIC DUTIES AND TAX ON IMPORTS

United States Trade Representative Charlene Barshefsky announced today that a World Trade Organization (WTO) dispute settlement panel has ruled in favor of the United States in its challenge to duties and taxes assessed by Argentina which hinder market access for U.S. products. The panel found that Argentina's specific duties on textiles and apparel are excessive and violate WTO rules. The panel also ruled that Argentina's 3 percent statistical tax on almost all imports is impermissible.

In reaching these conclusions, the panel has affirmed some central and well-established principles underlying the WTO and the General Agreement on Tariffs and Trade (GATT).
"This panel report makes it clear that countries must keep their side of the bargain and carry out their tariff commitments in good faith," Barshefsky said.

In joining the WTO, Argentina committed to assessing duties that are no more than 35 percent *ad valorem* on most goods. However, Argentina applies minimum specific duties to textile and apparel imports that exceed this amount. The specific duties often are extremely high, in some cases more than double the maximum permissible rate.

The statistical tax violates the GATT's requirement that non-tariff charges on imports must approximate the cost of providing a service to an individual importer. Because Argentina's *ad valorem* tax is calculated based upon the value of the imported merchandise, and not the cost of any service rendered, it results in gross overcharges on a wide variety of products.

Background

On October 4, 1996, USTR self-initiated an investigation under section 301 of the Trade Act of 1974 into Argentina's application of specific duties on textiles, apparel and footwear; 3 percent statistical tax on almost all imports; and a burdensome labeling requirement.

The United States and Argentina consulted on these issues on several occasions. Argentina modified its labeling requirement to satisfy U.S. concerns, but no resolution was achieved with respect to the specific duties or statistical tax. Accordingly, the United States requested the establishment of a WTO dispute settlement panel on January 9, 1997.

The panel found that Argentina's minimum specific duties on textiles and apparel violate GATT Article II. The panel stated that Argentina could not impose specific duties where it bound its tariffs exclusively in *ad valorem* terms. In reaching this conclusion, the panel made clear that, while *ad valorem* and specific duties are each proper types of duties, they are not interchangeable. This is so because specific duties necessarily have the potential to exceed an *ad valorem* bound rate with respect to some products, especially low-price merchandise. The panel also found that, as applied, the specific duties often exceeded Argentina's maximum bound rate.

In addition, the panel found that Argentina's 3 percent statistical tax on almost all imports violates GATT Article VIII. The panel followed GATT precedent providing that non-tariff charges on imports must approximate the cost of any service rendered to the individual importer or shipment at issue. Argentina conceded that its *ad valorem* tax fails to meet this criterion but argued that the panel should not follow the precedent. Argentina also argued that it needs to levy the tax in order to meet general fiscal requirements of the IMF. The panel rejected both arguments. The panel found that the language of Article VIII mandates that non-tariff charges must be set so as to recoup only the cost of providing services to a particular importer. The panel further found that no GATT or WTO provision authorized Argentina to violate Article VIII in order to meet IMF obligations.

The panel declined to address the U.S. argument that the specific duties and statistical tax violate Article 7 of the Agreement on Textiles and Clothing (ATC). The panel explained that it did not need to reach ATC Article 7 because its findings of violations under GATT Articles II and VIII afforded complete relief to the United States.

The panel also declined to review the WTO-consistency of Argentina's specific duties on footwear. Argentina revoked these duties immediately prior to the establishment of the panel and imposed in their place safeguard duties. The panel stated that it could not provide relief with respect to measures that were no longer in effect and, therefore, it would not opine on such measures over Argentina's objection.

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USTR BARSHEFSKY APPLAUDS FCC ADOPTION OF RULES TO EXPAND COMPETITION IN U.S. TELECOM SERVICES MARKET

United States Trade Representative Charlene Barshefsky welcomed the Federal Communication Commission's (FCC) action to adopt two rulemaking orders to implement the commitments made by the United States under the World Trade Organization's Basic Telecommunications Services Agreement.

"The FCC's adoption of new rules will expand competition in the U.S. domestic and international telecommunications services market and bring Americans greater choice and lower prices for basic telecommunications services," said Barshefsky. "These new rules uphold the public interest in assuring that new market entrants, particularly those with remaining monopoly power, cannot take advantage of our open market to compete unfairly."

The Basic Telecommunications Agreement covers over 95% of world telecom revenue and was negotiated among 69 countries -- both developed and developing. It ensures that U.S. companies can compete as new entrants in foreign markets and invest in all existing carriers. Before this agreement, only 17 percent of the top 20 telecom markets were open to U.S. companies; now they have access to nearly 100 percent of these markets. The FCC's new rules, taking into account the heightened competition that will result from the agreement, presume that competition and the public interest will be served by new entrants into the U.S. market. At the same time, the new rules set forth license conditions to preclude anti-competitive activity by new entrants which retain monopoly power for certain services, with less regulation of new entrants that lack such power.

"I greatly appreciate the work performed by Commissioner Ness and former commissioners, especially Chairman Reed Hundt, in supporting our efforts to arrive at the WTO Basic Telecom Services Agreement earlier this year," said Barshefsky. "I am gratified that the FCC's Chairman Bill Kennard and new commissioners Harold Furchtgott-Roth, Susan Ness, Michael Powell and Gloria Tristani have determined that the WTO agreement justified these new procedures for increasing competition among established telecommunications carriers and new entrants to the U.S. market."

Background

The WTO Basic Telecom Services Agreement was concluded on February 15, 1997. It is expected to enter into force on January 1, 1998. Along with our major trading partners, the United States committed to provide market access and national treatment to service suppliers from WTO Members in the provision of all types of basic telecommunications services, whether directly or through investment in U.S. carriers. The United States and fifty-four other countries also committed to a specific set of pro-competitive regulatory principles. All WTO members are now obligated to provide most-favored-nation treatment to service suppliers of other WTO members.

Today, telecommunications is a $750 billion global industry; under the agreement telecommunications services trade will double or even triple over the next ten years. U.S. telecommunications goods and services companies -- the most competitive in the world -- are in the best position to compete and win under this agreement. The U.S. long distance industry will gain access to sixty-eight markets in Europe, Asia, Latin America and Africa.

This agreement will save billions of dollars for American by facilitating greater investment and competition in the domestic telecommunications services market and, by cutting the average cost of international phone calls. U.S. telecommunications goods and services companies are the most competitive in the world. They are in the best position to compete and win under this agreement. The combined effects of the agreement -- lower costs at home and greater market opportunities at home -- will benefit U.S. employment not only in the communications and high technology industries, but across the economy in areas where communication services are a major component in the development of competitive products and services.