

Nagata

An Integrated Air Transport Market for China, Japan and Korea – II

Koki Nagata
Air Transport Research and Advice
4707 Connecticut Ave., NW. Apt. 209,
Washington, DC. 20008 USA
e-mail address: koki@nagata.com
phone/FAX: 1-202-248-7988

**An Integrated Air Transport Market for China, Japan and Korea – II
(Abstract)**

Koki Nagata

Air Transport Research and Advice

4707 Connecticut Ave., NW., Apt.209, Washington DC., 20008 USA

Phone/FAX: 1-202-248-7988, e-mail: koki@nagata.com

This paper represents a continuation of ongoing work examining the integration of the North East Asia (NEA) transport system. In previous work, this author has proposed a “Customs Union” concept for NEA, referring to examples as far back as the European Coal and Steel Community Treaty of 1951. This paper reviews the history of European Common Transport Policy, including the European integration in the early 1980’s and the Treaty of European Union (1992) that mandated common regulations and policies for (1) transportation safety (2) financing for transport infrastructure and (3) environmental protection among member states. The applicability to NEA is then analyzed.

The Bermuda type of bilateral air services agreements (BASA) have been prevalent in international civil aviation since the 1950s, long enough to become fixed in the mindset of air transport regulatory bodies that tend to work conservatively, be protective of both their roles and of national carriers, and tend to be skeptical of new directions.

However international air transport's increasing liberalization trends in the early eighties with the post-deregulation US foreign air transport policy coupled with regional groupings in other parts of the world has finally moved the stalemate of Europe obliging each member states to open their air market to competition.

This paper is an attempt to identify the demand for a new era for the NEA region.

Keywords:

Customs Union, EU common transport policy, North East Asia Transport Integration, e-freight, International Supply Chain, Public policy, Trade strategy, Protectionism and corruption, Japan-China-Korea economic integration

An Integrated Air Transport Market for China, Japan and Korea – II

Introduction

This paper represents a continuation of on going work examining the integration of the North East Asia (NEA) transport system.

A previous paper, first reviewed the summary results of five-year study titled “Policy making for an Integrated Transport Market for China, Japan and Korea”¹. Secondly it added some strategic thoughts including, (1) Selective actions three countries could take due to commitment through international conventions. Therefore, it was recommended that a tripartite campaign be launched immediately. They were categorized as “action items not exclusive to three countries but priority should be given for joint action”, suitable to cross-border commercial actions for three nations. The results of actions could promote a NEA institutional body internally, also form NEA common interest that can be useful in trade negotiation with third countries. (2) The EU integration model as the precursor to NEA could be used in order to put all work contents in a stronger context². This was deemed indispensable because of fragilities that exist in the basic cooperative grounds attributable to the unfortunate history of early 20th century. The “ethnic nationalism” sentiment can not be underestimated in the NEA.

For this reason, in the beginning this paper recapitulates three guiding principles of policy visions (1) Customs Union, (2) The low common denominator approach and (3) “Managed” liberalization, thereafter as the main purpose reviews the history of establishing European Common Transport Policy in order to analyze and find ways and means to de-compartmentalize NEA economic community.

Guiding Principles for North East Asian Market Integration

(1) Customs Union – a hope for an ultimate reconciliation method for pending historical issues

Article XXIV of the GATT ³(Territorial Application – Frontier Traffic – Customs Union and Free Trade Areas) explains that a customs union shall be understood as the substitution of a single customs territory for two or more customs territories, so that duties and other restrictive regulations of commerce are eliminated with respect to “substantially all the trade” between the constituent territories of the union or at least with respect to “substantially all the trade” in products originating in such territories, and, substantially the

¹ Policy making for an Integrated Market for China, Japan and Korea, The Korea Transport Institute, Korea, December 2005. ISBN89-5503-213-7-93320

² Acknowledgement: I express special thanks to Dimitri Andriotis for his assistance including provision of abundant documents regarding European single market

³ ANNEX-1

same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union. A free-trade area (FTA) shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce are eliminated on “substantially all the trade” between the constituent territories in products originating in such territories.

Here, “substantially all the trade” is understood to have 90% of all trade both quantitatively and qualitatively with no major sector being excluded.

If these applied to NEA’s three countries, in the case of Customs Union, China, Japan and Korea will have no individual tariff and trade policy but single one common to them, and consequently would settle export/import duties collectively under the single trade policy with third countries. It is considered to be as a political process of economic integration. In the case of FTA, they still maintain individual tariff and trade policies and separate duty accounts settlement. It is a bottom up process mostly driven by business sectors.

Both processes are exempted from Most-Favored-Nation principle of the WTO, required to report as Regional Trade Arrangements (RTA). As of March 2006, a total 193 RTA’s are reported to the WTO irrespective of whether they are active or dormant, consisting of 124 FTAs, 11 Customs Union, 22 Preferential Trade Agreements among developing countries, 36 GATS-FTAs.

Today, regionalization by means of FTAs has been developing. There are number of development cases growing to reach to the next stage of regionalism, the Customs Union.⁴

(2) The low common denominator approach - the approach that can accommodate different economic systems as well as different economical development stages

After the World War II, Japanese “Zaibatsu” (financial group system) was disbanded by the occupation regime yet recovered by her entrepreneurship blessed by series of economical tailwinds. Korea’s economical success owes much to “Chaebol” through which government systematically supports private sectors. And China today is also showing her great economical success under market economy led by the communist regime. Although ECSC High Authority had to give up production quotas, Europe did not altogether forsake state aids. The balancing effort between co-operation and competition among the strong and the weak, or large and small is on going in the EU today and even inviting more fresh members into the Union.

No matter the different levels of development each market may stay in technical, financial, environmental, business and all others, all must start from the lowest level emulating each other to reach to common higher levels. The emulation process should include not only the low level unilaterally upgrade to the other higher levels but also high level, together with the others verify its systems or know-how durable for longer term future generation and in

⁴ <http://www.ide.go.jp/Japanese/Research/Theme/Eco/Int/>

larger scaled operations after integration.

- (3) “Managed” liberalization – establishing the common interest of NEA to contribute to the global economy

In compliance with the WTO and other principles, the NEA will also find exceptional cases such as essential services or industries to be protected from open competition. The previous study mentioned exceptional cases where revenue or profit sharing, compensation schemes to the weaker parties, government aids and other anti-competitive measures shall be considered. In such context, NEA liberalization policy should be called “managed” liberalization.

PART ONE: Summary of EU History Study and Applicability to NEA

I. Building the Common Transport Policy

1. Eight reasons make Transport industry protective

(1)Transport infrastructure and equipment are very costly. Roads and rails with bridges and tunnels, ports and airports, trains, fleets, airplanes and equipment to assure safe and efficient operation are all costly to build, install and maintain. (2)Governments in most cases provide financial aids and assistance using law instruments characterizing the industry as the strategic instrument of national well-being and economic development. (3)This implies high barriers to market entry for new entrants not to mention foreign companies. Companies are usually licensed, and therefore administered by government officials by laws and regulations. The transport industry generally maintains closer than usual government-private relationship albeit with users. The result therefore has a natural tendency towards being monopolistic.

(4)Transportation asset costs are so high that no fares are affordable to users if charged in full. Total fares cannot recover the investment over any reasonable period of time. (5)In the market, when the train, ship or airplane is about to depart, either picking up “last minute jumping in passengers” or carry empty seats has no significant difference in costs recovery, because marginal costs (incremental costs) to pick up such last minute passenger is close to zero. (6)Carriers therefore are tempted to give deep discount to just cover such very low marginal costs at the same time maintain or gain market share to be dominant. The scale merit of carrier is apt to be used for market dominance which is a threat to fair competition. (7)Traditionally national leaders regard transport as public services which can not be left entirely to the private sector. (8) They fear that large carrier can snowball their size forcing the smaller competitors into bankruptcy especially when national competition laws do not protect their domestic enterprises in international market. Yet they must safeguard the demands of constituencies which carry ethnic, religious and other cultural elements characterizing the market and people’s traveling patterns.

These characteristics have important implications for multiple transport market integration that are necessary to always keep in mind.

2. EU institutional bodies

The European Council = Gives Guidance. Members are Heads of Member states plus the President of Commission.

Council of Ministers (Council) = Decision Making. Members elected one from each Member state. They represent the interest of home countries.

Parliament = Decision Making. Parliamentarians are elected directly by citizens of Member states.

Commission = Presents proposals for Single Market. Once adopted, leads implementation. 20 Commissioners (2 respectively from France, Germany, Italy, Spain, UK, 1 from the rest of 10 states) are elected.

European Court of Justice = Legal supervision in relation to Treaty of Rome
15 Judges of 6 years term. 9 Advocate Generals. Both are by appointment with "common accord" of Member states.

3. Brief overview of history of European Common Transport Policy

Despite the Treaty of Rome and institutional bodies being in place since the 1950s, European history of transport market integration was long and by no mean smooth. Member countries represented at the Council did not find Commission proposals for a single market attractive enough to them. It was only after the 1980's when there were climatic changes in European political and institutional scenes, that a window of opportunity towards the creation of single internal market was present. Parliamentary action of 1981 triggered pulling the issue out of long period of stalemate caused mostly by the situation in the Council. Of course the Commission has not simply waited for such opportunities, but never stopped in gathering momentum to promote the single market wherever possible. It drafted many common policy proposals and whitepapers, even too many, to which the Council members representing Member countries could not easily agree. Each had different domestic priorities at home based on history, geography and perception of national interest. The activities looked even mechanical. Three institutional bodies fulfilled their minimum duties, namely the Commission kept on creating papers, papers brought to Council and Parliament for seemingly futile discussion.

There were also important rulings of the European Court of Justice which clarified ambiguities of the Treaty of Rome provisions. ECJ decisions sent alarm to correct attitudes at other EU institutions, and especially pressured both the Commission and the Council to continuously build common internal policies.

The following are the key events that set the direction of the European common transport policy;

1957-3-25: Treaty of Rome set foundation of European Economic Community.

- 1961:** Schaus⁵ Memorandum became legendary for its bold and visionary attempt to construct policies for road, rail, inland-waterway integration of transport market at the Community level.
- 1971-3-31:** AETR case decision. European Court of Justice authorized a Commission's external competence for the first time. The case was regarding maximum driving hours and minimum rest period of truck drivers. Member states no longer have the right to act individually to undertake obligations with third countries.
- 1972:** Paris Summit when Denmark, Ireland and UK joined EU. At this time the Commission summarized all previous proposals bringing everything together in an inter-modal network in which the different modes of transport would play complementary roles for a common transport policy.
- 1974:** French Seamen case. ECJ decision rejected French government contention that they were entitled to apply discriminatory rules concerning the free movement of seafarers until the Council had adopted a common policy. The Court pronounced that in the absence of specific exemptions for transport, general rules of the Treaty of Rome shall apply – such as competition, state aids, mobility of labor, right of establishment, non-discrimination on national grounds, etc. In other words, this ECJ ruling did not authorize the power of the Council so much as to hinder a “European single market principle” of the Treaty. Therefore, it, in effect, urged the Europeans to move forward to a common transport policy and rejected the claim of French government.
- 1981 summer:** at the time of Dutch presidency, there were about 40 Commission proposals blocked by the Council therefore they even cancelled the Council meeting. The European Parliament brought both the Council and the Commission to the European Court of Justice stating that both infringed on the Treaty of Rome in continuously failing to reach decision. On 1983-1-24 the ECJ declared that the Council alone had infringed on the Treaty of Rome.
- 1983~:** Commission Director General John Steele⁶ made a significant turn in leading the Commission regarding common transport policy direction. He persuaded the Commission to withdraw all pending proposals then to restart new policy building on a clean sheet. He directed a total review of previous positions taken by the Commission and reconsideration strictly based upon the competition rules of the Treaty of Rome. Some old Commission proposals were found indicating that the Council did not even have authority to decide, in other words Member states must abide by the general competition rule of the Treaty of Rome already are in force. No national market existed anymore, but there is a single European market, therefore no

⁵ Transport Commissioner 1958-1967, Lambert Schaus, Luxembourg

⁶ John Steele (UK) Director General of European Commission 1981-1986

need to bring to the Council matters in such regards.⁷

It was as late as 1992 when for the first time in EU history, it spelled out concrete joint objectives in the Treaty on European Union (TEU). They were about common maritime safety standard, joint financial arrangements for infrastructure projects, and joint policies for the environmental protection. They were no longer intergovernmental actions but integrated EU actions. Soon, the Commission White Paper “Growth, Competitiveness and Employment” followed in December 1993 which proposed Trans-European Networks (TEN) needed for cross-border infrastructure projects. In the Annex of the whitepaper, the Commission identified 26 priority projects among which 14 were agreed upon by the Council in 1994. This political initiative matched with the financing strategy of European banks, such as the EIB.

4. Analysis of EU process of building Common Transport Policy

(a) A problem of Treaty of Rome

Transport infrastructure required a huge budget that depended on heavy public investment. Until TEN projects were agreed upon in 1994, all infrastructure was provided by individual governments, therefore divided by national policies. Roads and bridges had different weight limits for vehicles; canals and locks had different depths and widths for vessels; rails had different gauge, signaling and electrification; with all operations serving the national economies. Some operations were even designed to be different so as not to benefit neighboring countries. The Treaty of Rome had no provisions for community expenditures which means that major “teeth” were absent with regards to transport until the 1992 TEU.

(b) 1985 Whitepaper “Completing the Internal Market”

The difficulty and complexity of merging ten to fifteen sets of national transport policy is spelled out comprehensively in the Commission whitepaper of 1985 “Completing the Internal Market”⁸ (otherwise called Lord Cockfield’s Whitepaper). This paper was the Commission’s response to The European Council’s request to propose a schedule to complete an internal market by 1992. This real work serves as a monumental summary of a “to do” list in order to achieve a single internal market. Its focus was that all Europeans can truly enjoy the benefit being EU citizens with the free movement of goods, persons, services and capital. But for millions of people who faithfully served their national interests directly or indirectly, this was not an acceptable message serving to pull the carpet from under their feet. For instance it included changes in government policies for procurement of goods and services which meant to providers a loss of regular customers who had been

⁷ Transport Policy in the European Union, Handley Stevens 2003, Palgrave Macmillan ISBN 0-333-71695-7, P56-58.

⁸ http://europa.eu/documents/comm/white_paper/pdf/com1985_0310_f_en.pdf

maintained through good relationship with key government officials. In other cases, it might have meant that for experts in the bilateral negotiation of air traffic right exchanges, that their skills and expertise in handling confidential memoranda and confidential information would become obsolete. These individuals had all the reasons to defend their benefit and well-being. Nevertheless, the Whitepaper proposed the following:

Part One. Removal of Physical barriers:

Disappearance of border control facilities that dealt with the physical control of customs duties, immigration, vehicle authorization, quantity of goods carried, dangerous goods, and physical count for statistics.

Part Two. Removal of Technical barriers:

Free movement of goods, services, labor and professions, capital, release of national public procurement policies to the Community under title VI; “Creation of suitable conditions for industrial cooperation” nine paragraphs(136-144)⁹” “Creation of a Legal framework facilitating cooperation between enterprises”, and application of Community Law especially about competition policy and state aids.

Part Three. Removal of Fiscal barriers:

Value Added Tax, Excises

(c) Trans-European Networks(TEN) construction project

This was understood as a lobbying success by Greece, Ireland, Spain and Portugal, which were concerned about further disadvantages, given their peripheral locations. The more economic and monetary union developed the greater the concentration towards the northern European heartland. At the least they must maintain physical links within Europe. 14 projects approved by the Council in 1994 required 400 billion Euro capital over 20 years¹⁰.

The benefit of this TEN project were never quantified but authorized by the assertion calling this a key factor in competitiveness, surmising that the benefit would far outweigh the costs. Therefore the TEN program was considered to be more political than economic in its motivation. As the result, this massive infrastructure program has become firmly established as a feature of the EU common transport policy, substantially enhancing the position of the EU institutions, in particular the Commission as a key player in European transport policies.

⁹ ANNEX-2

¹⁰ Each year Euro 20 billion, with its breakdown; EU budget=Euro.50 billion, EIB/EIF loan=70 billion, Eurobond=80 billion

II. Applicability to NEA

1. European success stories

The European example provides a living history which no outsider can copy as such, but provides lessons to be learned. The success stories from EU history seem to be uniquely European, with the following two stories serving as examples of political victory over the bureaucracy.

- (1) In 1957 when six countries (France, Germany, Italy, Belgium, the Netherlands, Luxembourg,) negotiated the drafting for the Treaty of Rome, representatives of states could not reconcile the conflicting positions in the intergovernmental negotiations because they gave too much importance to transport details. So they took the negotiations out of the hands of the transport officials, settling for a short transport title hurriedly drafted to specify the procedures under which the “new institutions” would establish a common transport policy.
- (2) TEN projects were initiated in 1994 skipping proper economical assessment of their effects and investments; but together with these projects the EU could finally establish common ground for construction of cross-border transport infrastructure combined with the environmental protection. Indeed this was what the drafter of Treaty of Rome deferred to the “new institutions” as mentioned above (1). The real economic assessment of each project would have to be resolved either politically or economically, or in some combination in due course in the future.

North East Asian bureaucracies, if there were such term, would not be treated so lightly as in ways as described in the above European examples. They have their own origins, each strengthened by modern western theory. In any policy making in the three countries, mainstream bureaucrats and group of experts must commit themselves no matter how long the consultations take to reach consensus. They have dominant influence it in all levels of policies, so they need to be trusted. There is a tendency in Asia to gauge the importance of issues by degree of involvement of mainstream bureaucracies.

2. Strategic focus in the NEA environment

Since the EU institutional bodies were founded to transform the collective Member states into a single market, reform actions had to be coordinated with and exercised by Member governments. The above two stories were the cases when EU institutional bodies suddenly became political, moved on their own when the national governments were not in control. But in both cases, the substance of issues remained unresolved, and had to be deferred much to the future. If this understanding is broadly correct, what are the roles of EU institutions in relations to the development of the substance? The Commission is mainly a planner; the Council is for decision making; Parliament works for transparency; the European Court of Justice is the guardian of the Treaty of Rome; and the remaining

institutions depend upon national governments:

In the NEA case, there are no dedicated supranational bodies such as the EU. But national bureaucratic institutions can, fulfill almost all functions of EU institutions except for transparency which may require a separate neutral body. There are no contestable bodies other than bureaucracies in national policymaking, and the transparency issue in implementation should be of paramount importance for the three countries. The trusted authorities need to be monitored and required to establish chances for systematic disclosure. The following three major strategic directions of EU would be useful to NEA case, especially in consideration of disclosure.

(1) The external pressure, awareness of competitive position

The US deregulation act of 1978 influenced EU history of its common transport policy, promoting a single internal market through liberalization and competition.

This should be considered especially in connection with issues of consumer benefit and market competition.

The speed should be of essence when using the external momentum for any strategic purposes. Publication media such as internet, TV, conferences and forum discussion would be helpful in enhancing awareness of consumers and mainstream bureaucracies alike with regards to projects because it is a market competition issue as well as consumer issue.

(2) Multilateralism is more transparent than bilateralism

Under bilateral system, many documents of confidential nature are exchanged with an agreement, for examples “confidential memorandum of understanding,” “confidential agreed minutes” and other diplomatic notes. They are recorded with detailed discussion in negotiation often in summary, sometimes even word by word. They are essential bases for a continuing series of negotiations between two countries because records are binding even though unofficial. Unofficial documents are usually not open to the public; they are kept confidential among a small number of government officials.

Although multilateral organizations such as OECD, WTO, ECAC, ICAO wish to trace after these documents to understand exchanged realities, their effort in access to deeper information sources is limited. The bilateral obligations, official or unofficial, are other causes of national government reluctance at the EU Council.

Avoiding a discussion of the bilateral format will automatically make issues more transparent as in the cases seen in Commission proposals distributed to Parliament and Council for debate and decision.

(2) Creation of a Legal framework facilitating cooperation between enterprises

Numerous potential joint projects failed to materialize absent a community legal framework for cross-border activities by enterprises for cooperation between different member states. An association known as the “European Economic Interest Grouping”, governed by uniform community legislation will make it easier for enterprises from different member states jointly to undertake specific cross-border activities. The Whitepaper proposed a statute for a European Company as an optional legal form at community level for the industrial cooperation for a unified internal market.

PART TWO: Market Integration of NEA in the New Era

PART TWO, departing from the study of the European experience, turns to the NEA transport market. Here it tries to identify a few main approaches. An illustration of an import experience that the author recently had is added to help in the understanding of transport issues from the user’s perspective.

I. Rationalize transportation business process using IT

The Japanese Business Federation as known as Japan Keidanren, issued a policy paper dated November 21, 2006¹¹. This paper should evoke responses by government offices concerned. This movement would reveal current problems in export/import procedures in Japan with the various thoughts for solutions. Unfortunately this did not reflect the NEA context at all, although it still is very relevant to this discussion. Therefore the highlights of the proposal should be shared below:

Problems of current structure and system

- (1) Inconvenience to users due too many customs export-import restrictions.
- (2) Separate Compliance Program each Ministry and Agency must issue that are burdensome to companies.
- (3) “Single Window System” is not thorough, yet is still inconvenient.
- (4) Port administrators issue different forms. Paperless Campaign unsatisfactory level.
- (5) Products of Originating certificate costs higher than other foreign countries. Timing of issuance needs to be regular and predictable.

In addition, security measures must reform urgently to the post 9/11 level compatible with the WCO, USA and EU.

¹¹ “Requesting Fundamental Reform of Trading system. – A concrete reform direction promoting Global Supply Chain-“ (Japanese text, ANNEX-4 English translation)

Concrete proposals:

- (1) Designing structure and system in accordance with WCO (a) ACI (Advanced Cargo Information) e-guideline in full, real “One-stop-service” by single system throughout government offices, and G to G compatible with other countries (b) AEO(Authorized Economic Operators) Compliance Program, unify CP standard, establish incentive programs to companies, and designing the fundamental export-import customs clearance system such as revise the handling principle of bonded cargo for export and “two step application principle” that authorizes cargo delivery not waiting for “Application for Import Tax” procedures (import).
- (2) Product Originating Certificate should be issued easily and handled more flexibly. Its rules and regulations be made more transparent and convenient to apply.
- (3) Port Authority administration must be reformed to integrate all ports in Japan and their seamless operation with ports overseas. More central control at national level so that it can unify policies, standardize forms and advance paperless culture.
- (4) Establish a headquarter for trade strategy coordination in the Cabinet. Members are by appointment from Ministers and experts from the private sector. Main purposes are primarily the integration of all ministries and agencies in trade policy and strategy through horizontal coordination and decision making.

II. Legal Framework supporting the rise of small-mid size business of NEA

Legal predictability is crucial for business development in liberalized market. Unlegislated rules and regulations such as administrative guidance, direction, order, or precedents, government authorized or endorsed practices of the sorts can be used in discriminate against non-national enterprises. These should be legislated as far as possible, at the same instance the ground of “across the counter micro-managing” should be avoided.

The conditions to encourage especially small and medium enterprises to engage in cross border business within the common markets will require legal support. Further, the legal framework facilitating cooperation between enterprises of the three countries should follow, and a statute for “NEA company registration” will be founded as described in “Creation of suitable conditions for industrial cooperation” “Creation of a legal framework facilitating cooperation between enterprises”.

III. Heating up every corner

Nobody would argue about the importance of “political will” in the case of a project of this magnitude. However even the EU experience is not as simple as how it might have been perceived. For this reason, this study focuses on the detail of substance, particularly on

“individual benefit”. Building common interest in the NEA through commercial activity integration is one end of the ultimate goal opposite to the political unification.

Individual benefit can attract new entrants and at the same time solicit changes in conventional businesses patterns and modes. In any case, when the aim is as big as this, power from all dimensions must help in constantly heating up this formidable project.

1. Political will

A Chinese government representative mentioned strong “political will” which was expressed in a declaration by the head of three states. It is the “Joint Declaration on the Promotion of Tripartite Cooperation among the People’s Republic of China, Japan and the Republic of Korea¹²” of October 7th, 2003, signed by Premier Wen Jiabao, Prime Minister Koizumi Junichiro and President Roh Moo-hyun in Bali, Indonesia.

They agreed to establish a three-party committee system to study, plan, coordinate and monitor the cooperation activities of all listed in this declaration such as trade facilitation, civil air transportation, inward foreign direct investment, regional financing, e-business, environmental protection, personnel exchanges and education. The committee is to make annual progress report to the summit meetings. Such a political declaration as this should not be stymied by complicated national systems but should be faithfully followed up and exposed to the public.

2. Environmental protection

The environmental protection has become the highest priority issue, today. The EU formally launched campaign as early as 1986 by the Single European Act (SEA) and later in 1992 the Treaty on European Union (TEU) addressing the issue in transport infrastructure project financing. In cargo transportation, it is said that the railways consume fuel at a half the rate transportation and the waterways are even lower than railway. The Marco Polo program is developing an inter-modal transportation network of Europe in combination with the environmental protection goals. The EU experience in this end should require special attention. Environmental issues can be an additional fortunate catalyst for NEA integration because of borderless nature of the issue.

V. An Import Experience - A door to door shipment Shenzhen, China - Kyoto, Japan

1. Shipment information:

Shipper: Mme. Pang XF, Shenzhen, China - Consignee: Mr. Gao XH, Kyoto, Japan
Shipment: 5 boxes of printed material (restaurant menu), 105 kilos. - Incoterm: CFR case
Exporter: Guangzhou Sunrise International Trading Co., Guangzhou, China
Forwarding Agent: Seika Trading Co., Yokohama, Japan

¹² ANNEX-3

Nagata

Bill of Lading: Continental Novo Lines Inc. GZEL2007030382, freight prepaid,
issued and signed by China Trans Int'l Ltd. (consolidator)
Pre-carriage by: Hai Long 118 (2007-03-19), Ocean Vessel/ Voy. No. OOCL FAIR 042N
Port of Loading: Huang Pu, China - Port of Discharge: Osaka, Japan
Place of Delivery: Osaka, Japan - Shipped on board date: March, 19, 2007

2. Pre-clearance actions:

March 23, 2007: Forwarding Agent in Yokohama sent "Arrival Notice & Debit Note" to
Consignee in Kyoto by FAX. Total JYE 21,993 to be paid to their bank.
Vessel arrives on March 26

The break down of JYE21, 993 is:

System Charge (charge in China)	JYE 6,513
FAF(Fuel Adjustment Surcharge)/YAS(Yen Appreciation Surcharge)	JYE500
CFS (Container Freight Station) Charge	JYE 3,980
C.H.C (Container Handling Charge in Container Yard)	JYE 1,500.
D/O (Delivery Order) Charge	JYE 8,000
Carrier's D/O Charge	JYE1,500

Delivery Order will be issued at Shibusawa Souko Co. at Osaka Port

CFS Storage at Shibusawa Souko Co. at No.3 Pier of Osaka Port, NACCS Code; 4AW71

Instruction said that Delivery Order would be released by the bond warehouse company (Shibusawa Souko Co.) in exchange for the payment receipt of the above, Arrival Notice and a document set consisted of Bill of Lading, Packing List, and Original Invoice which must be mailed separately from shipper in China (Mme. Pang XF) to consignee (Mr. Gao XH). The same full documents are carried together with cargo onboard and submitted to Osaka Customs.

3. Customs Clearance:

After receiving the mailed documents set from China, I visited Shibusawa Souko at Osaka Port bringing with payment receipt and Arrival Notice, in order to get Delivery Order where following questions were asked while checking all documents were in place;

"Who is your customs clearance agent?" – answer was no agent, self clearance.

"Do you have experience doing customs clearance?" – answer was no, not this kind. "Oh,"

Similar questions were asked at the very beginning by Forwarding Agent in Yokohama when they sent Arrival Notice and Debit Note by FAX. Hiring a customs broker was a softly pressed routine. But D/O was given anyway.

At the Customs Office I was directed to the "Consultation Desk" where they gave me full assistance. "Application for Import Tax" certainly needed professional assistance in determining the amount of duty and other taxes levied by the government and local authority. After paying JYE700 tax at a nearby post office, with all other documents I brought and Delivery Order, I was taken to the next office to present all documents, i.e. the tax payment receipt, Application for Import Tax, D/O, B/L, packing list and original invoice.

Approximately in an hour the customs officer supposedly cross-checked between their documents and submitted documents and cargo, I was given the “Application for Import Tax” with approval stamp. However I was told that the shipment was selected to go for a spot check therefore I needed to have an appointment with the special customs inspector.

This meant that a hired taxi need to be arranged for authorized transportation between the bond warehouse at the No.3 Pier and the inspection area of the Osaka Port customs office, approximately 10 miles away. The goods temporarily released to me by bonded warehouse personnel with customs office permission for inspection. Goods were supposed to be in the inspection site before the inspectors arrived, it was recommended by my taxi driver that buy inspection assistance services from the “Osaka Port Trade Services Center” because nobody is supposed to touch the goods during the inspection except for inspectors and their designated personnel.

After lunch break, two special inspectors arrived from the main customs office equipped with chemical and X-ray detectors and the inspection started. They asked the assistant from Trade Services Center to open all five boxes, physically checked printed restaurant menu which formed the content and finished the inspection in five minutes or so.

The Trade Services Center personnel now allowed the contents to be put back into five cartons, taped and sealed them with “inspected” stickers. He even helped me put them into the hired taxi. The charge for this inspection was JYE 4,290. But the form to fill out to buy their services, called “Request for reforming trading goods”, was completed in conjunction with “Application for Import Tax” by serial number. The form implied large sized operations were taking place in this service.

4. Post Customs Clearance:

Having cleared with customs inspection, goods were transported back to the No.3 Pier bond warehouse for the final and official delivery with payment. The final bill from them included:

Handling charge for Reforming inspection	JYE 2,000
Storage charge at bond warehouse	JYE 2,100
Delivery charge	JYE 1,200

As there was no transportation service available except for the taxi at the Osaka Port area, the five boxes were transported by the same taxi for about 50 miles from the Osaka Port to Mr. Gao’s Chinese restaurant in Kyoto. Total cost of hiring the taxi for approximately four hours was JYE 16,480.

5. Review and summary:

Throughout the process, all the people concerned were ready to follow the laws and

regulations. Further they seemed to meticulously observe what the law should expect and more.

Their attitudes seemed conscientious but uncompromising and bureaucratic like a sample of good public servant. This should be acceptable routine to customs officers, but all related private businesses looked monopolistic. General cost of labor (handling charges) seemed not outrageous, even though some services were redundant. At the same time it looked understandable that workers must defend their job. There must be some signals regarding law enforcement coming from government to such private entities. And private entities communicate with government officials for their mutual convenience.

(1) Occupied facilities at the Pier area

When the Port of Osaka went under major construction projects decades ago, like almost all other public projects, government initiatives must have encouraged investment from private entities. Usually banks assist trading companies such as bonded warehouse operators, customs brokers, cargo forwarders, trucking companies, shipping lines to participate in competition to get some share of a project. The pier area looked completely occupied by such conventional stakeholders with their fixed services usually regulated. It left no space for any potential users' needs, for instance rent-a-car services, internet portal stations and convenient stores which I wished I could use.

(2) Prescribed services chain

Shibusawa Souko Co. at No.3 Pier is one of the stakeholders among others such as customs brokers, door-to-door delivery companies. It was a usual scene of similar public facilities with no sign of customer services especially for such customers who chose not to buy customs clearance services from the bonded warehouse or customs broker which connects to other services such as the delivery services.

(3) Competition and Alliances

The trading company in Guangzhou appointed an import trading company at the Port of Yokohama in eastern Japan instead of at Osaka which is closest to the consignee location. This implied wide scale of competition exists among trading companies and carriers, while within each port, more government licensed business is in play. They are bonded warehouses, customs brokers, and customs inspection assistance by trading center services. Their services are in accordance with customs regulations connected with each other in a chain with commission payments sometimes added to bills.

(4) Desirable export and importing

The imported printed material (105 kilos.) was a little larger than that might have considered using the courier service such as DHL, FEDEX or UPS but speed was

unnecessary. But following the courier cargo context, e-freight using the internet portal supply chain ideas were thought desirable and realistic in today's business environment. Samples of cargo portal services are already available on internet in the US market, and may already be in services in the NEA market, too.

In order to put all components of logistic system, such as sea, air, ground transportation, storage warehouse and tens of kinds documentation services all connected by a tracing and tracking computer system in place, those services providers must physically avail themselves at all locations with or without licenses.

CONCLUSIONS

This study of the EU common transport policy development was intended to search for a strategic direction encouraging NEA market integration. An important question is why it took as long as four decades despite the Treaty of Rome, and the EU institutional bodies in place for the EU to reach the stage of having joint concrete programs by Trans-European Network construction projects. A symbolic story was the way the Treaty of Rome was discussed inviting representatives from Member state. The single internal market idea challenged their reluctance to commit to this idea. Although the EU system relies on national governing bodies, their concerns were prematurely shelved by political pressure. Also in the case of the Trans-European Network projects, their economic assessment was preceded by a political balance among Member states. The work was left to national governments whose primary concern should be to look after the livelihood of their citizens. For some projects it might not be clear who the stakeholders are and what their benefits are. In the worst case, financial burden is prohibitive to expect any interest. EU common transport policy projects are not all positive and pleasant to all. National governments are often placed in a dilemma that they must exercise some work that would the least like to execute.

Traditionally China, Japan and Korea might be characterized as "bureau-centric" states where bureaucracy is the dominant and trusted force for policy making and enforcement. Even the political sectors are not free from them. Therefore nothing can escape government systems run through bureaucracy. When such multinational project were engaged in the NEA, their approaches should be "bottom-up" in comparison to that of EU political top-down.

But in such a bureau-centric structure, lack of transparency and micro-management are two concerns for corruption busters as well as for promoters of pro-competitive market economy. Desirable international arrangements are multilateral conventions and multi-national agreements. Bilateral deals, especially due to too much confidentiality involved, should be discouraged including bilateral air services agreement.

These two issues are crucially important for single market integration as addressed in the 1985 EU Commission Whitepaper "Completing Internal Market". Similar to what the

Commission addressed, the NEA transport market integration needs to establish a legal framework to encourage and support small and mid-sized business entry into the NEA internal market. It will provide an adequate legal predictability. The 2006 November policy proposal by The Japanese Business Federation focused upon international logistic systems and customs regulation simplification using e-technology. There are also other initiatives for strengthening competitiveness of regional business. They should be in the same direction to add more new businesses into the market for instance, an internet portal logistic system.

NEA transport market integration should already be in progress if many bottom-up reform Government officials should make the changes less painful.

A “Low common denominator approach” can already be applied at every scene of reform activities, as mentioned above. This approach is also understood in an analogical expression by “Cask Theory” which means that the capacity of a barrel (cask) is determined by the lowest lath.

On October 7th, 2003 three top political leaders of China, Japan and Korea signed a “Joint Declaration on the Promotion of Tripartite Cooperation” especially in recognition of the importance of the three countries for stable economic development of ASEAN. As the Cask Theory was applicable to real and full integration of EU, the Declaration of the NEA leaders should be entitled for more attention and respect. A relatively low profile NEA Declaration may be enough for now until real integration in the business fields reaches some visible level.

Koki Nagata
Air Transport Research and Advice
4707 Connecticut Ave., NW. Apt. 209,
Washington, DC. 20008 USA
e-mail address: koki@nagata.com
phone/FAX: 1-202-248-7988

Bibliography

Primary Sources

Stevens, Handley (2003) Transport Policy in the European Union, The European Union Series, Palgrave Macmillan, UK ISBN 0-33-71695-7(hardback) ISBN 0-33-69352-3(paperback), www.palgrave.com

Other Sources

Bitsch, Marie-Therese (1996) History of European Integration

Breyer, Henry (1986) Europe through the Franco-German Reconciliation, Lausanne

Carr, Edward Hallett (1966) The Twenty Years' Crisis, 1919-1939, New York: Macmillan

De Coninck, Franky (1992) European Air Law – New Skies for Europe, Paris: ITA

ISBN 2-908537-07-9

Dempsey, Paul Stephen (2004) European Aviation Law, The Hague: Kluwer Law

International ISBN 90-411-22656

George, Stephen (1996) Regionalism and World Order – 2. European Union, 1992 and Fear of “Fortress Europe”, London: Macmillan Press ISBN 0-333-63684-8(hardcover) ISBN 0-333-63685-6(paperback)

Gillingham, John (1991) Coal, steel and rebirth of Europe, 1945-1955 New York: Cambridge University Press ISBN 0-521-40059-7

Griffiths, Richard T (1988) The Schuman Plan Negotiation: Economic Clauses

The Beginnings of the Schuman Plan, Baden-Baden: Nomos Verlagsgesellschaft ISBN 3-7890-1543-1

European Commission (2002) ECSC 1952-2002, Cox, Pat (President of European Parliament), Monti, Mario (Member of European Commission responsible for competition)

Mathijsen, Pierre (1958) The Law of the European Coal, Steel Community, Study of Sources, Martinus Hijhoff – La Haye

Nagata

Monnet, John (1980) On the Day, Europe was Born, Lausanne

Nagata, Koki (1995) Review of international civil aviation regulation at its 50th anniversary,
Air Forum 1995-Winter

Prieur, Raymond (1962) The ECSC, Activity and Evolution, Paris, Mont Chrestien Edition
160 rue St-Jaques

Takeuchi, Minoru (2004) Study of Japan-China Relations, vol. 5, Beijing ISBN
7-5059-4304-9

The Korea Transport Institute, The East-West Center (2005) Policymaking for an
Integrated Transport Market for China, Japan and Korea, ed. Jae-Hong Kang
and Sungwon Lee, 2311 Daehwa-dong, Ilsan-gu, Goyang-s, Gyeonggi-do, 411-701
Korea, ISBN 89-5503-213-7 93320

ANNEX-1:

The General Agreement On Tariffs And Trade

Article XXIV Territorial Application--Frontier Traffic--Customs Unions and Free-trade Areas

1. The provisions of this Agreement shall apply to the metropolitan customs territories of the contracting parties and to any other customs territories in respect of which this Agreement has been accepted under Article XXVI or is being applied under Article XXXIII or pursuant to the Protocol of Provisional Application. Each such customs territory shall, exclusively for the purposes of the territorial application of this Agreement, be treated as though it were a contracting party; Provided that the provisions of this paragraph shall not be construed to create any rights or obligations as between two or more customs territories in respect of which this Agreement has been accepted under Article XXVI or is being applied under Article XXXIII or pursuant to the Protocol of Provisional Application by a single contracting party.

2. For the purposes of this Agreement a customs territory shall be understood to mean any territory with respect to which separate tariffs or other regulations of commerce are maintained for a substantial part of the trade of such territory with other territories.

3. The provisions of this Agreement shall not be construed to prevent:

- (a) Advantages accorded by any contracting party to adjacent countries in order to facilitate frontier traffic;

(b) Advantages accorded to the trade with the Free Territory of Trieste by countries contiguous to that territory, provided that such advantages are not in conflict with the Treaties of Peace arising out of the Second World War.

4. The contracting parties recognize the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements. They also recognize that the purpose of a customs union or of a free-trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories.

5. Accordingly, the provisions of this Agreement shall not prevent, as between the territories of contracting parties, the formation of a customs union or of a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area; Provided that:

(a) with respect to a customs union, or an interim agreement leading to the formation of a customs union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with contracting parties not parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;

(b) with respect to a free-trade area, or an interim agreement leading to the formation of a free-trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the formation of such free-trade area or the adoption of such interim agreement to the trade of contracting parties not included in such area or not parties to such agreement shall not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the same constituent territories prior to the formation of the free-trade area, or interim agreement, as the case may be; and

(c) any interim agreement referred to in sub-paragraphs (a) and (b) shall include a plan and schedule for the formation of such a customs union or of such a free-trade area within a reasonable length of time.

6. If, in fulfilling the requirements of sub-paragraph 5 (a), a contracting party proposes to increase any rate of duty inconsistently with the provisions of Article II, the procedure set forth in Article XXVIII shall apply. In providing for compensatory adjustment, due account shall be taken of the compensation already afforded by the reductions brought about in the corresponding duty of the other constituents of the union.

7.

(a) Any contracting party deciding to enter into a customs union or free-trade area, or an interim agreement leading to the formation of such a union or area, shall promptly notify the CONTRACTING PARTIES and shall make available to

them such information regarding the proposed union or area as will enable them to make such reports and recommendations to contracting parties as they may deem appropriate.

(b) If, after having studied the plan and schedule included in an interim agreement referred to in paragraph 5 in consultation with the parties to that agreement and taking due account of the information made available in accordance with the provisions of sub-paragraph (a), the CONTRACTING PARTIES find that such agreement is not likely to result in the formation of a customs union or of a free-trade area within the period contemplated by the parties to the agreement or that such period is not a reasonable one, the CONTRACTING PARTIES shall make recommendations to the parties to the agreement. The parties shall not maintain or put into force, as the case may be, such agreement if they are not prepared to modify it in accordance with these recommendations.

(c) Any substantial change in the plan or schedule referred to in paragraph 5 (c) shall be communicated to the CONTRACTING PARTIES, which may request the contracting parties concerned to consult with them if the change seems likely to jeopardize or delay unduly the formation of the customs union or of the free-trade area.

8. For the purposes of this Agreement:

(a) A customs union shall be understood to mean the substitution of a single customs territory for two or more customs territories, so that

(i) duties and other restrictive regulations of commerce (except, where necessary, those permitted under Articles XI, XII, XIII, XIV, XV and XX) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade in products originating in such territories, and,

(ii) subject to the provisions of paragraph 9, substantially the same duties and other regulations of commerce are applied by each of the members of the union to the trade of territories not included in the union;

(b) A free-trade area shall be understood to mean a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Articles XI, XII, XIII, XIV, XV and XX) are eliminated on substantially all the trade between the constituent territories in products originating in such territories.

9. The preferences referred to in paragraph 2 of Article I shall not be affected by the formation of a customs union or of a free-trade area but may be eliminated or adjusted by means of negotiations with contracting parties

affected. This procedure of negotiations with affected contracting parties shall, in particular, apply to the elimination of preferences required to conform with the provisions of paragraph 8 (a) (i) and paragraph 8 (b).

10. The CONTRACTING PARTIES may by a two-thirds majority approve proposals which do not fully comply with the requirements of paragraphs 5 to 9 inclusive, provided that such proposals lead to the formation of a customs union or a free-trade area in the sense of this Article.

11. Taking into account the exceptional circumstances arising out of the establishment of India and Pakistan as independent States and recognizing the fact that they have long constituted an economic unit, the contracting parties agree that the provisions of this Agreement shall not prevent the two countries from entering into special arrangements with respect to the trade between them, pending the establishment of their mutual trade relations on a definitive basis.

12. Each contracting party shall take such reasonable measures as may be available to it to ensure observance of the provisions of this Agreement by the regional and local governments and authorities within its territory.

ANNEX-2

VI. CREATION OF SUITABLE CONDITIONS FOR INDUSTRIAL COOPERATION

133. The removal of internal boundaries and the establishment of free movement of goods and capital and the freedom to provide services are clearly fundamental to the creation of the internal market. Nevertheless, Community action must go further and create an environment or conditions likely to favour the development of cooperation between undertakings. Such cooperation will strengthen the industrial and commercial fabric of the internal market especially in the case of small and medium sized enterprises, which are particularly sensitive to their general environment precisely because of their size.
134. In spite of the progress made in creating such an environment, cooperation between undertakings of different Member States is still hampered by excessive legal, fiscal and administrative problems, to which are added occasional obstacles which are more a reflection of different mental attitudes and habits. It is, however, the Commission's function to take steps to deal with any distortion of competition arising from the partitioning of markets by means of agreements on business practices or undisclosed aid from public funds. The Commission will also continue to apply competition rules by authorizing cooperation between undertakings which can promote technical or economic progress within the framework of a unified market.
135. The Commission will also seek to ensure that Community budgetary and financial facilities make their full contribution to the development of greater cooperation between firms in different

Member States. It will seek to guide future research programmes in this direction, both at the precompetitive research stage and at the stage of pilot or demonstration projects. The ESPRIT and BRITE programmes now underway have already had a very positive impact on European firms in terms of the opportunities for cooperation which they represent. The Regional Fund must also be enabled to contribute to greater cooperation between firms.

Creation of a legal framework facilitating cooperation between enterprises.

136. The absence of a Community legal framework for cross-border activities by enterprises and for cooperation between enterprises of different Member States has led - if only for psychological reasons - to numerous potential joint projects failing to get off the ground. The Community is now, for the first time, setting the stage for a new type of association to be known as the "European Economic Interest Grouping" that will be governed by uniform Community legislation and will make it easier for enterprises from different Member States jointly to undertake specific activities.
137. Also, it is worth noting that a Council decision is still awaited on the proposed statute for a European Company. The Commission is conscious that the creation of an optional legal form at Community level holds considerable attraction as an instrument for the industrial cooperation needed in a unified Internal Market. A decision on the proposed statute will clearly be needed by 1992. In the interim period, the Commission intends to concentrate on measures to approximate national laws and does not preclude the possibility of amending its European Company proposal in order to build on results achieved in discussions of approximation measures.
138. The small number of one-man businesses apart, enterprises are generally organised in the form of companies or firms, and the Community rule on non-discriminatory treatment applies to them when formed in the Community. This rule is of prime importance where the acquisition of shareholdings is concerned.
139. There is a case, however, for making better use of certain procedures such as offers of shares to the public for reshaping the pattern of share ownership in enterprises, since the rules currently in force in this sphere vary a great deal from one country to another. Such operations should be made more attractive. This could be done by requiring minimum guarantees, particularly on the information to be given to those concerned, while it would be left to the Member State to devise procedures for monitoring such operations and to designate the authorities to which the powers of supervision were to be assigned. A proposal will be made in 1987 and the necessary decisions should be taken by 1989.
140. As and when the internal market is developed further, enterprises incorporated in the form of companies or firms will become more and more involved in all manner of intra-Community operations, resulting in an ever-increasing number of links with associated

enterprises, creditors and other parties outside the country in which the registered office is located. To keep pace with this trend, a series of measures have already been taken or are under discussion aimed at coordinating Member States laws, especially those governing limited companies, which, in economic terms, constitute the most important category.

141. Admittedly, this approximation of legislation is designed to secure equivalent protection for those concerned but these are, to a very large extent, enterprises too. In point of fact, by improving the legal relationship between enterprises, the coordination of company law has at the same time improved cooperation between them.
142. Nevertheless, a company constituted under a specific national law does not enjoy the same facilities as a natural person when it comes to moving from one Member State to another. The traditional ways of setting up in another Member State involve the establishment of subsidiaries or branches, for which non-discriminatory treatment is expressly laid down in the Treaty of Rome. As things stand now, however, the legal position of branches set up by companies from other Member States is far from satisfactory throughout the Community. Thus, to the extent that certain matters affecting the corporate sector have already been harmonised, branches established in the Community and forming an integral part of an enterprise should also reap the benefits of such harmonisation under a legislative policy of deregulation. With this in mind, the obligation, say, to publish accounts relating only to the activities of a branch established in the Community should be dispensed with in all cases, provided a copy of the parent company's accounts is filed with the registration body responsible for the branch. A proposal will be made in 1986 to permit a decision by the Council in 1988.
143. If it is to satisfy the needs of a genuine internal market, the Community cannot concentrate simply on the arrangements for creating subsidiaries or branches in order to make it easier for enterprises to set up in other Member States. Enterprises must also be able to engage in cross-border mergers within the Community. This facility could constitute the last stage in a process of cooperation beginning, for example, with the straightforward acquisition of a shareholding. On the face of it, adoption of the Commission's proposal for a tenth Directive seems to pose fewer difficulties especially as it could, to a very large extent, settle the matter by reference to the rules already in force on internal mergers.
144. In practice, cooperation will result more often than not in the creation of a group of legally separate but associated enterprises. This development is already the subject of coordination in the field of consolidated accounts. However, is it possible to stop there? The fact is that the transparency of the group is not the only issue at stake. A fair balance must also be struck between the interests of the group as a whole and its members, especially minority shareholders and creditors of subsidiaries. However,

there are serious gaps in most Member States' legislation on the matter, which is still too closely modelled on the idea of company autonomy, an idea largely overtaken, it would seem, by the degree of concentration that now exists. Depending on the outcome of current consultations, the Commission is considering making a proposal to this end.

**Joint Declaration on the Promotion of Tripartite
Cooperation among the People's Republic of China,
Japan and the Republic of Korea
Bali, Indonesia, October 7th , 2003**

WE, the heads of Government/State of the People's Republic of China, Japan and the Republic of Korea met during the ASEAN+3 Summit held in Bali, Indonesia on October 7th , 2003. We reviewed and acknowledged the positive progress in the development of our bilateral relationships and trilateral cooperation. For the further promotion and strengthening of our tripartite cooperation in the new century, we hereby issue a joint declaration as follows:

I

With geographical proximity, economic complementarity, growing economic cooperation and increasing people-to-people exchanges, the three countries have become important economic and trade partners to one another, and have continuously strengthened their coordination and cooperation in regional and international affairs.

The cooperation among the three countries demonstrates the gratifying momentum for the development of their relations. Their leaders have held regular informal meetings since 1999. Their departments of various areas have established mechanisms for meetings at the ministerial, senior official and working levels. The three countries have developed fruitful and effective cooperation in priority areas such as economy and trade, information, environmental protection, human resources development and culture.

The three countries have actively supported and participated in various forms of regional cooperation such as Asia-Pacific Economic Cooperation (APEC) and Asia-Europe Meeting (ASEM). As a major driving force for cooperation under the 10+3 framework, the three countries have taken an active part in implementing the projects recommended by the East Asia Study Group (EASG) Final Report, furthered Mekong sub-regional cooperation, and made positive contributions to the Initiative for ASEAN Integration (IAI).

In this context, we, the Leaders of the three countries recognized that a solid foundation has been laid for the promotion of the tripartite cooperation among China, Japan and Korea. We were convinced that advancing and deepening the tripartite cooperation will not only serve to further promote the stable development of bilateral relations between China-Japan, China-Korea and Japan-Korea but also contribute to the realization of peace, stability and prosperity throughout East Asia.

II

The advent of globalization and informationalization era has brought with it huge opportunities for development as well as many new challenges to all countries in the world. As important countries in Asia and the whole world, China, Japan and Korea share responsibilities to maintain regional peace and stability and promote common development for all countries. The tripartite cooperation is aimed at boosting development, strengthening East Asian cooperation and safeguarding peace and prosperity at the regional and global levels.

To this end, we, the Leaders of the three countries shared the following fundamental views:

1. The tripartite cooperation will be pursued in accordance with the purposes and principles of the UN Charter and other universally recognized norms governing international relations.

2. On the basis of mutual trust and respect, equality and mutual benefit and with a view to securing a win-win result for all, the three countries will seek ways to strengthen their across-the-board and future-oriented cooperation in a variety of areas, including economic relations and trade, investment, finance, transport, tourism, politics, security, culture, information and communication technology (ICT), science and technology and environmental protection.

3. With the governments of the three countries being the main players in the tripartite cooperation, they will encourage business and academic communities and various non-governmental organizations to play their parts.

4. The tripartite cooperation is an essential part of East Asian cooperation. The three countries will, through regional cooperation in diversified forms such as ASEAN+3, continue to strengthen coordination and support the process of ASEAN integration. The three countries will promote economic cooperation and peace dialogue in Northeast Asia for the stability and prosperity in the region.

5. The tripartite cooperation will be carried out in a transparent, open, non-exclusive and non-discriminatory manner. The three countries will maintain their respective mechanisms for cooperation with other countries so as to benefit from one another's experience in the interests of their mutual development.

III

To promote substantial progress in cooperation among our countries, we, the Leaders of China, Japan and Korea stressed the need to expand and deepen the tripartite cooperation in the following areas in a steadfast manner, starting with easier projects and gradually expanding the scope and depth of cooperation.

1. Cooperation in trade and investment. The three countries will develop economic cooperation and trade marked by mutual trust and complementarity in order to maximize the growth potentiality of all countries in the region and eventually to achieve common prosperity. The three countries will also endeavor, in consistence with related WTO rules, to strengthen coordination with a view to creating an attractive environment for trade and investment.

The three countries will make joint efforts to push forward the Doha Development Agenda (DDA) negotiations with a view to improving market access and strengthening the rules in a well-balanced manner, such as strengthening discipline on anti-dumping. The three countries will endeavor to prevent abusive and arbitrary application of WTO rules.

The three countries will strengthen dialogue and cooperation on trade facilitation among their customs and transport authorities and continue exchange and cooperation between their quality supervision, inspection and quarantine authorities through the existing channels. They also emphasize the importance of food safety and animal and plant health in trade, in conformity with relevant WTO agreements.

The three countries will strengthen cooperation and protection of intellectual property rights including through the promotion of public awareness, personnel exchanges, experience sharing and law enforcement.

Appreciating the progress of the joint study on the economic impact of a free trade agreement (FTA) conducted by their respective research institutes, the three countries will explore, in a timely manner, the direction of a closer future economic partnership among the three countries.

To facilitate trade and investment as well as to promote exchange of people in Northeast Asia, the three countries will promote existing dialogue and cooperation with a view to developing international civil air transport among the aeronautical authorities of the three countries.

The three countries recognize the importance of inward foreign direct investment (IFDI) for the enhancement of each domestic economy and welcome the various efforts that have been made for the promotion of IFDI. They confirm their intention to take further steps to promote

IFDI including addressing specific issues raised by their investors in a fair and transparent manner. In this light, they will launch an informal joint study on the possible modality of trilateral investment arrangements.

The three countries will make full use of the existing bilateral and trilateral consultations while strengthening exchange of information and prior consultations so as to minimize the possibility of any trade dispute.

2. Cooperation among information and communication technology (ICT) industries. The three countries will enhance, as a priority, exchange and cooperation in broadband communications, mobile communications and e-business. They will continue to advance high-tech communication R&D and promote exchanges in such areas as new generation communications network and the third generation mobile communications. They will also expand the application of ICT in all sectors of society while ensuring its security. Meanwhile the three countries will seek to play a positive role in building a broadband network throughout Asia, accelerate the development of internet industry and facilitate the flow of information within Asia.

3. Cooperation in environmental protection. The three countries will, under various frameworks such as the Tripartite Environment Ministers Meeting (TEMM), intensify cooperation in addressing common environment concerns, such as dust and sandstorms and their monitoring and early warning, acid deposition monitoring, air, water and marine pollution, and climate change. They will also expand exchange and cooperation in green industries and technology and facilitate dialogue and cooperation on water resources management, forest conservation, reforestation and conservation of biodiversity. In order to promote sustainable development, the three countries will strengthen consultations and cooperation on major regional and global environmental issues.

4. Cooperation in disaster prevention and management. The three countries will promote cooperation and dialogue in this field with a view to preventing or mitigating the damage from disasters such as storms, typhoons, floods and earthquakes.

5. Cooperation in energy. The three countries will expand their mutually beneficial cooperation in the field of energy and work together to strengthen regional and global energy security.

6. Financial cooperation. To promote financial stability in the region, the three countries will continue to strengthen dialogue on economic policies and implement the Chiang Mai Initiative. They will deepen regional financial cooperation in the future, including the exploration of the possibility of establishing a regional financing and stability mechanism and

developing the regional bond market. The three countries will strengthen their cooperation and coordination in international financial institutions with a view to attaining well-balanced economic development in the region and the Millennium Development Goals.

7. Cooperation in science and technology. The three countries will promote and facilitate scientific and technological cooperation at various levels, including in such areas as succeeding in ITER Project, to strengthen capacities to deal with issues of common concern and advance new technologies with a view to opening up new industry sectors.

8. Cooperation in tourism. The three countries will further boost the tourism industry, encouraging expansion of tourism among the three countries through appropriate measures, and strengthen exchange and cooperation among tourism authorities and industries in such areas as development of tourism infrastructure and circular tours going around the three countries for residents outside of the three countries, for example, residents of Europe or North America.

9. Cooperation in fishery resource conservation. The three countries will cooperate, bilaterally or trilaterally, to promote the sustainable use and conservation of fishery resources through effective fishery management.

IV

10. For the purpose of enhancing mutual understanding and trust and expanding diverse channels for exchanges for better trilateral cooperation in the future, the three countries will strengthen cooperation in a variety of areas, such as people-to-people contacts, culture, education and human resources development, news media, public health and sports.

The three countries will continue to encourage and facilitate personnel exchanges to increase contacts among youth and young leaders. They will also vigorously develop cultural exchange and cooperation to enhance cooperation in such areas as the preservation and development of tangible and intangible cultural heritage, cultural diversity and dialogue among civilizations.

The three countries will continue to support the tripartite cooperation in the field of education. They will enhance cooperation to expand student exchanges among their institutions of higher education, promote mutual institutions' recognition of academic records, degrees and credits, and encourage language teaching and cultural exchange among the three countries.

The three countries will encourage communication and cooperation among their media organizations through joint seminars or in other forms with close communication among the three governments.

The three countries will expand exchange and cooperation among local governments by arranging sister cities among the three countries or by other means.

For the enhancement of mutual understanding and friendship among their peoples, the three countries will encourage diversified forms of exchange and cooperation among the sports communities of the three countries such as organizing football and table tennis matches.

V

11. The three countries will strengthen cooperation in international affairs and continue to support the core role of the United Nations in maintaining world peace and stability. They will promote dialogue and consultations on UN related issues, including the strengthening and reforms of the UN.

12. The three countries will make concerted efforts to press ahead with Asian regional cooperation in various forms. They will step up the process of implementing the measures put forward in the Final Report of the East Asia Study Group, promote the 10+3 cooperation in the direction of East Asia cooperation, and support ASEAN's key role in this process. They will further enhance cooperation within such mechanisms as ASEAN Regional Forum (ARF), Asia-Pacific Economic Cooperation (APEC) and Asia-Europe Meeting (ASEM).

13. The three countries will strengthen security dialogue and facilitate exchange and cooperation among the defense or military personnel of the three countries.

The three countries will strengthen exchange of views and cooperation in disarmament, as well as prevent and curb proliferation of weapons of mass destruction and their means of delivery, based on international regimes, through political, diplomatic and administrative measures including effective export controls, while recognizing the importance of complying with the related international norms.

The three countries reaffirm their commitment to a peaceful solution of the nuclear issue facing the Korean Peninsula through dialogue and to the denuclearization of the Korean Peninsula, while addressing all the concerns of the parties and working together to maintain peace and stability on the Peninsula.

14. The three countries will reinforce their cooperation in preventing infectious diseases including Severe Acute Respiratory Syndrome (SARS) and combating crimes and terrorism, sea piracy, people smuggling, trafficking in illegal drugs and related crimes, money laundering, international economic crimes, cyber-crimes and other transnational crimes through effective cooperation among their respective authorities.

VI

WE, the Leaders of China, Japan and Korea shared the view that it was essential to have a wide range of channels for an effective tripartite cooperation. Accordingly, we decided to hold our summit meetings continuously. We will support the effective operation of on-going meetings at the ministerial level in foreign affairs, economy and trade, finance, environmental protection, information and telecommunications, and patents, and endeavor to hold similar meetings in other areas. We also decided to set up a three-party committee to study, plan, coordinate and monitor the cooperation activities currently under way or envisaged by this Joint Declaration. The committee will submit progress reports to the annual summit meeting. [End]

WEN Jiabao
Premier of the State Council
People's Republic of China

KOIZUMI Junichiro
Prime Minister
Japan

ROH Moo-hyun
President
Republic of Korea

Signed at Bali, Indonesia this 7th day of October 2003 in tripartite in the English language.

“Requesting Fundamental Reform of Trading system.”
A concrete reform direction promoting Global Supply Chain

November 21, 2006

The Japanese Business Federation

Introduction

In order to strengthen international competitiveness of Japanese industries, The Japanese Business Federation has long been appealing for efficient and simple procedures for export/import and port and harbor services. Especially together with eight other relative organizations, it jointly issued a proposal in June 2004 titled “Proposal for Efficient and Simple Procedures for Export/Import and Port and Harbor Services”.

This joint proposal achieved some nominal improvement known such as belated ratification of Convention on Facilitation of International Maritime Traffic (Convention on FAL)¹³ and introduction of “Application Procedures for designated Exporters with good Compliance Record”. However they did not result in the real effects because actions taken did not go beyond boundaries of respective Ministries and Agencies jurisdiction.

Firstly for the purpose of strengthening international competitiveness for Japanese industry, the trade and commerce policy in particular trade and distribution policies must keep consistency with the strategic direction and relevant systems restructured to meet the purpose. Keeping this in mind, Ministry of Finance, Ministry of Land, Infrastructure and Transport, and Ministry of Economy, Trade and Industry etc. must jointly establish a structure urgently realizing smooth trade practices such as the development of global supply chain among enterprises and follow up the current international actions searching the balance between smooth trade practices and stronger security measures. All systems and procedures currently enforced must be reviewed thoroughly from the scratch so that they can provide full support to user enterprises. Such restructuring actions should suit to circumstances, also be practical and convenient -for example support competitive companies and those keeping good compliance records to use entrepreneurial strength-. Such actions are indispensable steps forward to realize “Asian Gateway” concept pronounced by Abe Cabinet which must be free from any barriers caused by divided authorities by different ministries and agencies.

Based upon the above context, The Japanese Business Federation renews its request specifically focusing upon the organization and system for the trade, the new direction to

¹³ FAL(Convention on Facilitation of International Maritime Traffic) is one of 50 some treaties under UNIMO (UN. International Maritime Organization). In order to alleviate growing complication in Maritime transportation caused by different information in different format demanded by different countries and by different authorities adopted in **1965**. Japan **ratified in September 2005**, after 60days became effective as from November 1, 2005.

revamp the system fundamentally, not by modification of the existing system.

1.Change of Business Environment surrounding Japanese Enterprises

(1) Lost advantage in Japan's system and infrastructure

Enterprises are trying to establish a process chain consisting of product development, design, resources procurement, production and sales in global scale so that they can achieve the short lead time and minimum inventory costs while meeting the needs of market most directly. The process chain has become more complicated in recent years. The frequencies of trade transactions between the start and the end when consumers of domestic and overseas receive the final product are ever increasing. It is most obviously observed in automobile, electrical and electronic products distribution. Such enterprises as those who have to compete fiercely in the global market are raising their voices requesting Japanese trading systems be globally compatible and simple in structure.

Responding to such circumstances, The Japanese Business Federation proposed in policy paper of June 2004 (i) Simplification of various procedures for Export/Import and Port and Harbor services (ii) Conversion of all application documents into electronic basis, and (iii) Single information source based upon common information sharing. These measures designed taking full advantage of IT, aiming at simultaneous effects for improved efficiencies of cargo distribution and security. Despite the proposals, there are much remain unchanged in all area of trade system including application system, regulation, infrastructure and organization. Japanese trade regulation and infrastructure have not been improved fast enough, nor fulfilled the needs of user enterprises. As the result the position of Japan in these regards lost superiority in comparison to other Asian countries such as Korea and Singapore. This is obvious in an example of Port and Harbor which serve logistical function in national trade strategies. Shanghai Port and Pusan Port, for example, gained in cargo handling volume greatly in recent years while Japanese ports and harbors have allowed their lead.

Today's Japanese trade regulations and procedures based upon Customs Law of 1954 is the main cause of difficulties for Japanese enterprises which is trying to develop the global supply chain. It is commonly recognized that the government is supposed to provide the better business environment for the needs of enterprises in global competition, however current Japanese regulations, operational systems and IT infrastructure are no longer capable of responding to the request from them.

(2) Problems regarding current Regulation, System and others.

(i) Export/Import Customs Regulations

Japanese Customs clearance procedures for containerized door-to-door shipment oblige users to pay extra costs by stopping the cargo flow. To resolve this problem, first Customs Law must be revised fundamentally after study of advanced regulations and procedures of foreign countries. In response to June 2004 proposal of The Japanese Business Federation, government made a partial revision of Customs Law to allow a simplified export

application for Designated Exporter's Application Procedure¹⁴ where exporters with good compliance record can apply exceptionally for export customs clearance outside the bonded area. But this exceptional procedure does not apply to consolidated cargo. This means that high speed/high cost shipment tended to be consolidated for air freight can not enjoy this new procedure. Moreover there are many restrictive conditions attached to it, for example moving shipment on transportation can not clear the customs, timing and place of application pre-determined and not flexible, no choice for applying customs office, too rigid compliance program. Because of these inflexible restrictions, this new procedure is not convenient as the result not many users are applying. Also for import there is Simple Application Procedure¹⁵ which also has restrictive conditions, for example import must be continuous in a year and require collateral. Due to these conditions, there are not many who use this.

(ii) Standard of Compliance

In Japan, there are compliance programs hosted by different ministries and agencies under Foreign Exchange Control Law for example, compliance program for Trade Supervision related to National Security and compliance program for Designated Exporter's Application Procedure. The standards of compliance are determined by authorities and controlled vertically. Enterprises who want to establish their unified compliance guide are in extreme difficulty to complete the standard compliance system.

(iii) Next Generation Single Window

Single Window System introduced in 2003 has been in the initial stage where then existed administration systems were simply connected. No simplification and review to comply with international standard were made to improve the system. The idea of this system should be single window one-stop service in which the export/import data input takes place only once at one place with that all related procedures complete by one action. But there is no improvement in usefulness of the system. With regards to the system development for the next generation single window system, procedures involve multiple government offices are not yet simplified to desired level therefore enterprises are skeptical of the true effect of the single window system.

(3) The needs of the Security Measures meeting global trends.

Assurance of security is the global issue since 9/11 terrorism in the US. The US rule¹⁶ requiring manifest submission bound for the US ports prior to 24 hours of cargo loading

¹⁴ Designated Exporter's Application Procedure: aiming at simultaneous effects for strengthened security and improved efficiencies for international cargo distribution, designated exporter with good compliance record can apply for export authorization without placing the cargo into bonded area, directly from exporter's storage. Effective from March 2006.

¹⁵ Simple Application Procedure: separating import application and duty application procedures, cargo delivery can be made before the tariff duty procedure completed. This procedure is available to designated importers for continuous shipment provided that they strictly comply with the laws and regulation. Importers must be designated by the head of Customs office beforehand.

¹⁶ US rule of manifest submission prior to 24 hours of cargo loading: US customs require cargo information prior to 24 hours of loading of US bound shipment at foreign port. This became effective February 2003.

gave a great impact to the industry. For example the effort to shorten the lead time was nullified by this single order. On the other hand at WCO¹⁷, “Framework of Standard for the Security and Streamlining of International Trade” was adopted by which implementation guidelines have been developing under international frameworks such as AEO¹⁸ and ACI.¹⁹ Following the US examples, EU also is about to announce their Supply Chain Security Regulation to implement the WCO framework agreement. All enterprises of Japan involved with international business must comply with policies of each country introduces. Responding to these actions of international community, Japan also should urgently start establishing concrete AEO, ACI policies based on WCO agreement. They must be harmonious with regulations and practices of other countries and desirable of developing mutual certification program, and introducing clear incentives for private enterprises. In order to realize both strengthened security and efficient international distribution in a balanced manner, it is imperative that policy making must be based on the business reality of private industries, avoided the vertical controls system by different ministries and agencies, and established a government and private sector integrated enforcement structure following comprehensive trade strategy of Japan. Of course such Japanese regulations and practices must be compatible with those of other nations.

2. Concrete Proposals.

In order to cope with changes of business environment surrounding Japanese enterprises, competent ministries and agencies must restructure following regulations, procedures and systems to fit themselves to today’s environment. As prerequisites, they must first understand the flow of supply chain that industry and individual enterprises are following, then eliminate boundaries between ministries and agencies, strengthen mutual linkages, share data in common.

(1) Regulation and System Design that satisfy both Efficiency and Security in Trade.

Compliance System should be established based on AEO, ACI policies of WCO agreement which satisfy both efficiency and security. Using international cooperation and government private partnership, reformed structures for trade regulations and systems must urgently be introduced, so that realize simplification of procedures using compliance program, and full computerization taking full advantage of IT.

(i) Full computerization based on WCO ACI policy

Fully computerized trade procedures based upon WCO ACI guideline should be introduced.

¹⁷ World Customs Organization: an international organization established in 1952 for the purposes of fostering harmonization and unification of customs regulations of individual countries thus contributes to the development of international trade. Currently 160 countries and regions participate.

¹⁸ Authorized Economic Operators: designated companies having excellent security administration record for cargo safety. Currently at EU the revision of customs regulation is under study in order to require a prior application regarding security procedures. In this scheme, such incentives as shorter time frame for advance filing for cargo arrival and departure and elimination of some documentation etc. are considered for “authorized operators”.

¹⁹ Advance Cargo Information: prior information to be submitted to customs regarding shipment.

Next Generation Single Window System to be launched in 2008 must perform the real one stop service that should only be realized after complete administrative reform of various procedures (including customs clearance, port and harbor services procedures, immunization and quarantine procedures, embarkation application procedures for crew members etc.) across different ministries and agencies.

Only after realizing the above, Japanese Single Window System shall be open to ASEAN single window system through G to G linkages, then it shall become a part of global and truly open structure of trade IT system. As an illustration, if customs offices of different countries mutually examine an e-based cargo data before loading, this action alone can shorten lead time for distribution of good as well as time for security inspection against terrorism. Through such service as above, IT infrastructure of Japan can become an integral part of worldwide IT infrastructure which contributes to security and international distribution system.

(ii) Establish Compliance Program based on WCO AEO policy

Current vertical administrative control imposed by different ministries and agencies are harmful to enterprises. Trade compliance standards issued by individual authorities are overlapping among them and complicate compliance programs of enterprises. Therefore they must first of all be cleaned. Then new unified single compliance system applicable throughout Japan must be established together with an introduction of a system to assist enterprises for building individual compliance programs. Japan is required to have a compliance program based on WCO AEO policy then provide an incentive program to enterprises applying simplified procedures by rewarding them according to the degree of compliance. Further companies recognized as excellent by Japanese compliance program should be rewarded by the simplified customs clearance also in overseas ports. To facilitate this, mutual recognition of such incentive program must be agreed with advanced countries. A pilot program for such mutual recognition should be implemented first between the US, then should be expanded to EU.

(iii) Fundamental reform of Export/Import Customs Procedures

For export customs inspection, revision of Bond Storage Principle is essential. For import inspection the Two Steps Application Procedures should become the principle policy. In order to realize these Export/Import Customs Regulations must be fundamentally revised. First under the current Bond Storage Principle all cargo once licensed for export considered as bonded cargo, therefore must be kept in bonded area, but if such cargo kept securely, the physical placement in bonded warehouse should not necessarily be mandatory. Some argue that bonded storage is better for the security purpose however in advanced countries such as in Europe, the USA, further Korea and Singapore, processes are securely conducted without placing licensed cargo in bonded storages. The effect of shortening the lead time for export process is substantial, if Bond Storage Principle be revised accordingly, together with an introduction of post-export reporting procedures to be allowed for companies with excellent compliance records. In this context, fundamental reform is strongly requested. Second, as regards to Two Steps Application Procedures, under which cargo can be delivered prior to Application for Import Tax, has become a principle procedure applied

customary in the USA. Such Two Steps Application Procedures should also be a principle for Japan.

A partial revision of existing exceptional measures, Designated Exporter's Application Procedure and Simple Application Procedure, could not fulfill today's demand. Therefore, referring to the circumstances and practices in other countries, principles of Export/Import Customs Regulation need to be re-examined and Customs Law should be fundamentally revised as its consequence.

(2) Relaxation of Regulation and Procedures regarding Product Originating Certificate.

As a trade strategy, Japanese government has been promoting Economic Partnership Agreement (EPA), Free Trade Agreement (FTA) with other countries. In order to improve such user benefits as preferential duties by EPA and FTA, government should review its own Product Originating Certificate regulations and procedures.

(i) Practical improvement needed in Product Originating Certificate issuance procedures. Designated agencies issue Product Originating Certificate based on EPA. But the costs for the certificate such as issuance fee are more expensive than some other countries. Also due to the way EPA agreed, procedures resulted to be complicated and time required from preparation to certificate issuance is uncertain.

As an immediate solution, overall simplification in the review process for submitted documents need to be studied urgently in order to reduce the burden of applicants. The direction of such study should be toward shortening review time and increased transparency, which in effect reducing cost of certificate issuance.

As for more fundamental solutions to be applied in parallel with "Government Certificate", a certification process for "Designated Exporters" who has excellent compliance records may be allowed to issue self-certificate. And also they may be given package certificate for a period of time preauthorized.

(ii) Improvement in transparency and convenience for Product Originating regulations.

Development in smooth trade is the essential purposes described in EPA and FTA.

Governments are obliged to introduce Product Originating regulations which is easy for business enterprises. But in some cases where governments establish Product Originating regulations based on their own standard, requirement and procedures, the same product is ruled in different Product Originating regulations, known as "Spaghetti Bowl Syndrome". Such must not be the case for Japan.

In this connection, Japan should take a lead among East Asian EPA countries in establishing the most convenient Product Originating regulations for users. In more concrete terms, the simple and clear Product Originating standards, in particular the method currently applied using "Rules to alter Tariff Numbers", which give options to applicants in deciding shipment criteria, should be strongly promoted in international trade widely.

Further more the improvement in transparency of Product Originating regulations regarding especially practices, interpretation, format etc. (for example by using Website, workshops and other means improvement in information dissemination, fast publication of explanation books and directories), and also common usage of real time information disseminated

region-wide by electronic based Product Originating Certificate are essential priority works to be undertaken urgently.

(3) Improvement in procedures for expanding integration in Port and Harbor administration

Such distribution infrastructure as port and harbor, airport, etc. are critically important for trade strategy therefore need to be physically maintained and their operations should be always reviewed for up-to-date strategic purposes.

If hard and soft infrastructures are not meeting the needs of supply chain that all global enterprises are trying to apply, Japan could not take advantage of her gigantic market power, as the result lose her global position.

Especially in the case of port and harbor of Japan, there is a post World War II history. Traditionally operation and management of port and harbor were released to local governments consequently, they are tended to be contained in respective localities. But now, in order to strengthen international competitiveness, such divided operation must be changed to integrate into wider context establishing urgently a new structure that enable to perform a unified operation. Among others, the study should be launched immediately to examine effectiveness of “Port Authority²⁰” to which major ports and harbors must report to.

International and domestic distribution system should be designed to integrate each other seamlessly with low cost. As an illustration for future research studies, railway connection at a container yard where inland-depot²¹ to be facilitated and domestic vessels for feeder operation directly join to an overseas container vessel, which may ease the tendency of an excessive concentration to port and harbor functions. There are some examples such as of Pusan Port where government established high level distribution hub (port and harbor logistics hub) with duty exemption or tax reduction measures and also with extensive software support designated as the national strategic project. Japan should also study to build a strategic port and harbor logistics hub within a hinterland of a container terminal. Today, unfortunately even reporting forms are diverse by port and harbor administration therefore applicants have to submit different forms in accordance with different port and harbor they may choose. Procedures are still on paper forms, thus remain inefficient. The government must take the lead now in unifying reporting forms, changing to paperless culture and then connecting all into true one stop service in the Next Generation Single Window covering all applications across administrators of port and harbor.

(4) Strengthened linkages, horizontal policy coordination and decision making among

²⁰ Port Authority: a form of administrative organization seen in Europe and North America which is operated under a consortium of public enterprises. London and New York are typical examples which are run in principle under independent accounts, sometimes they can operate airport, bus terminal in packages.

²¹ Inland Depot: facility located inland distant from port and harbor or airport which should have customs clearance services and bonded warehouse. This supports manufacturers located inland can bring exporting goods to inland depot where customs dispatched office can serve for export clearance. This facility can provide faster customs clearance services, and lower transportation cost to the airport or port and harbor, also can be exempted from VAT.

ministries and agencies.

As stated above, the vertically separated Japan's regulations and procedures is very harmful for convenience of enterprises, especially when the world is moving forward to smooth trade with strengthened security and reviewing the global standards. Japanese government organization and structure are required to transform fundamentally and also urgently. In more concrete terms, all functions related to trade and distribution that currently divided into different ministries and agencies should be extracted, then such functions should be integrated in to a single body which leads the study of trade strategy and economic security assurance as the higher authority which should be located above ministries and agencies responsible for trade and distribution. Such new coordination center should be established in the Cabinet. Its head shall be ministerial level to be designated as the controlling tower of commerce and trade strategy. The office shall plan and propose policies by comprehensive and thorough coordination with other government offices. Further it shall assist enterprises in establishing global supply chains to be maintained in the best order. It shall issue strategic and consistent trade policies, taking decisions in operating the policies. In the USA, after the simultaneous multiple terrorism attack, Department of Homeland Security²² (DHS) was founded in order to strengthen security and also to achieve smooth and efficient trade practices. DHS operates comprehensively and in concert with all parties integrated. In Korea, based on "Electronic Trade Promotion Law"²³, "National Electronic Trade Committee" was established under the direct supervision of the President. Through these, Korea can make decisions quickly and has shown many results. Referring to these preceding examples, Japan must start designing a grand architecture of future infrastructures and system that should satisfy the assurance of security and the efficient international distribution.

The coordination center should include experts from private sector as its official member so that it can work close to the needs of private enterprises with concrete terms. Such public-private integrated structure should be imperative in view of growing globalization of economy.

End.

²² US Department of Homeland Security: A Federal Administration Department established in 2003 consolidating all functions relevant to policy against the terror, which were previously located in 8 departments and agencies and 22 administrative offices and divisions

²³Electronic Trade Promotion Law: Korean law to promote trade using electronic technologies. Adopted in December 2005, came into force in June 2006. Its main purpose is to complete e-trade platform to cover total procedures mutually accessible in seamless networks and to achieve single window one stop service.