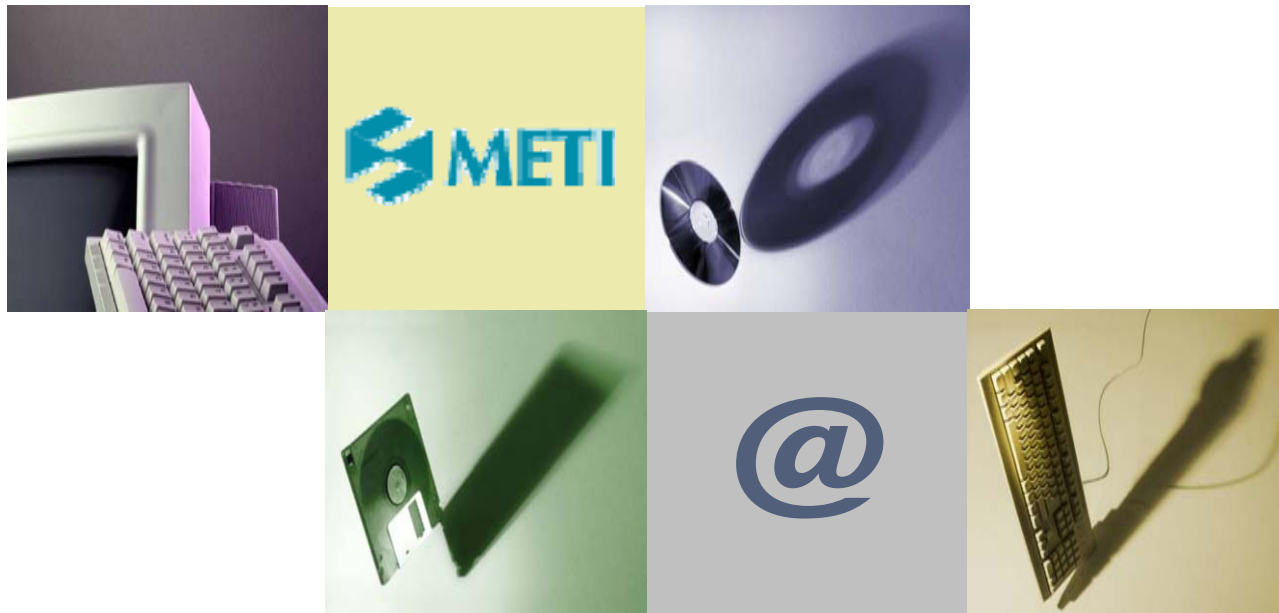


Support to Industry for Internal Control Program and related Issues



July 19, 2006

Ministry of Economy, Trade and Industry (METI)
JAPAN

Outline

- Background
- Internal Control Program (ICP)
- Elements of ICP
- Advantages of ICP
- Awareness Raising
- NPO's Activities
- Conclusions



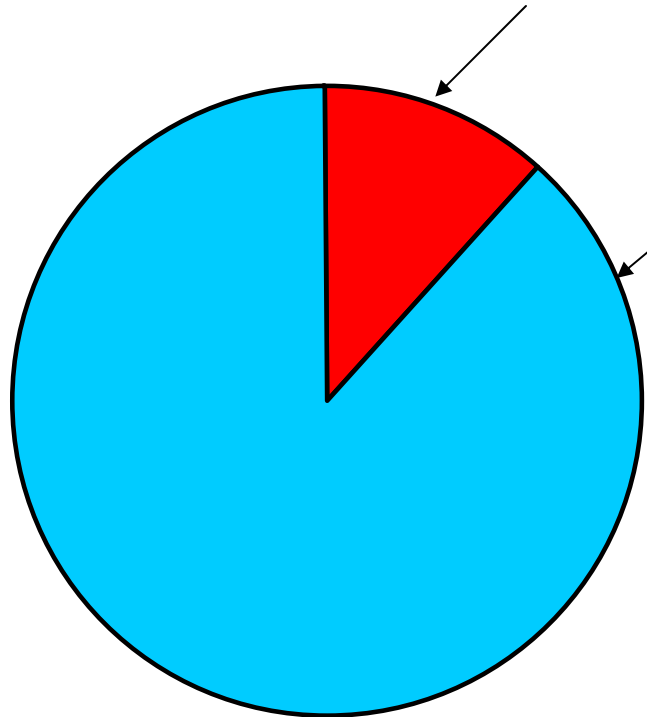
Background 1 : Frequency of Exports

- Japan's export on commercial basis, including list controlled items, exceeds 14 million a year
- Customs officials also have to check huge number of hand carry luggage, more than 24 million a year
- It is essential for the government to handle these items from the perspective of effective security trade control, i.e. how to concentrate its human resources on sensitive matters



Background 2: The cause of Illegal Exports

Intentional violation and negligence of the Law (12%)



Unintentional export (88%)

Insufficient export control systems (35%)
misjudgment of applicable articles (30%)
mistake in confirmation of shipment (8%)
noncompliance with licensing conditions
(15%)

**Most of the illegal exports are
unintentional**



Internal Control Program (ICP)

- **ICP system has been introduced since September 1987**
- **METI encourages exporters**
 - to develop “Internal Control Program (Compliance Program)”
 - to submit the ICP to METI
 - to submit the annual report examining the export control
- **About 1,200 exporters submitted the Program to METI**



Elements of ICP

- **Basic Policies**
- **Organization**
- **Procedures**
- **Shipment Confirmation**
- **Audit**
- **Training**
- **Record keeping**
- **Guidance for Subsidiaries**
- **Reporting**

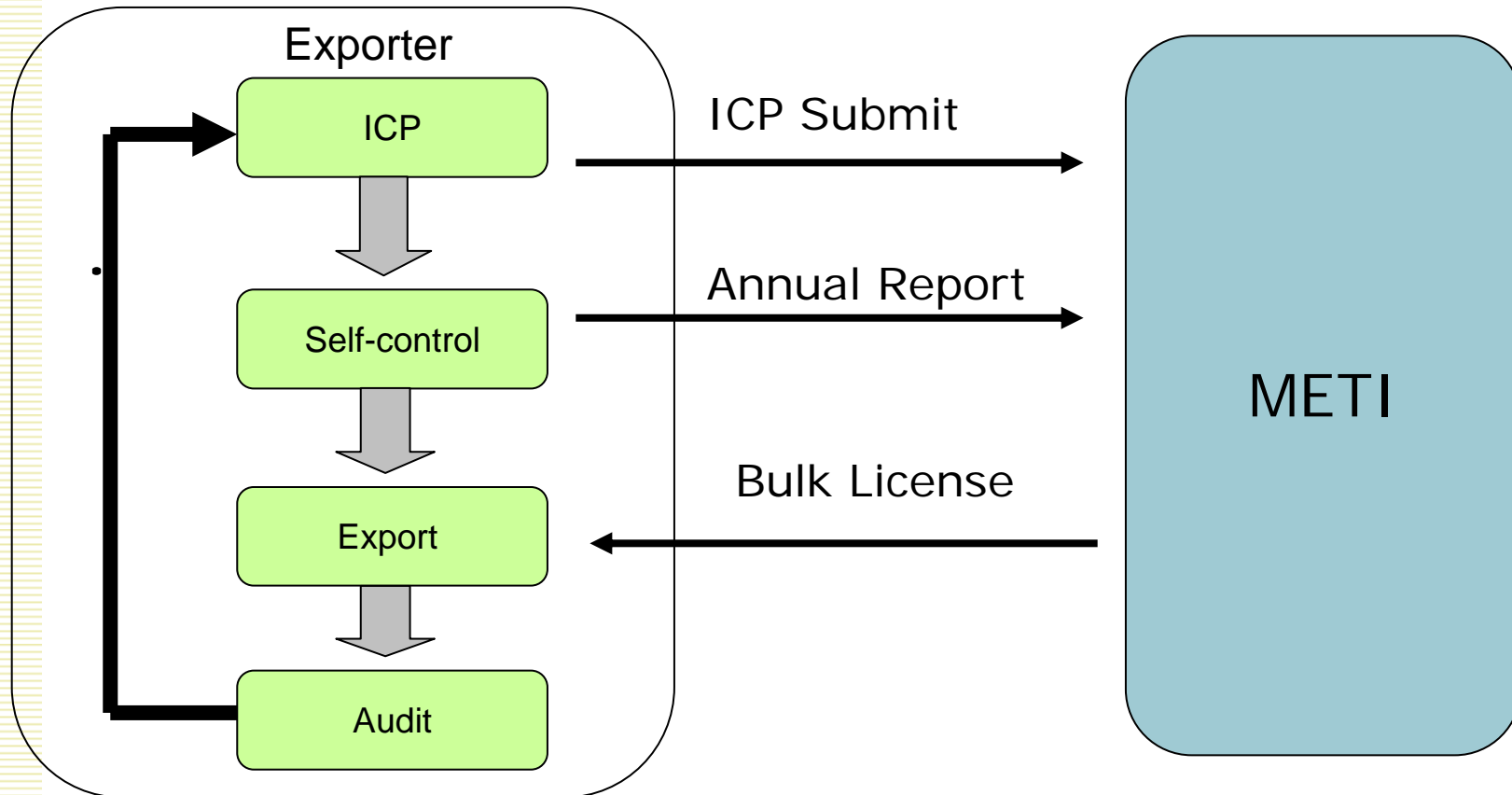


Advantages of ICP

- **Effective system to avoid various risks which can be discovered in export procedures**
- **Effective not only for exporting goods, but for technology transfer such as e-mail, fax and people's intangible knowledge**
- **Minimize the burden of applicants in the company for an export license**
- **Facilitate of communication between METI and Industry**
- **Place the name of company acquired ICP on METI's website**



Activities between Exporter with ICP and METI



- METI occasionally conducts on-the-spot inspections at the exporter's office and other locations.
- METI places the name of company acquired ICP on the website at the company's request.



Awareness Raising

■ Seminars

- For industries dealing with the sensitive technology, small and medium firms, research institute
- Held in 61 places, participated by around 4,300 people in 2005
- In cooperation with CISTEC, JETRO and Chamber of commerce



Awareness Raising

■ Consulting Service

- Telephone and/or e-mail consultation (1,300 calls per year)

■ Distributing Brochure (Attention Series)

- 140,000 copies distributed through local office of METI ,Customs and Chamber of commerce

■ Internet Websites

- One of the most popular site among METI web-sites



NPO's Activities

- NPO as a bridge between government and industry
- Center for Information on Security Export Control (CISTEC)
 - Research and Analysis
 - Support for Industry through guidance and consultation
 - Publication such as "Guidance of Security Trade Control" (in English)
 - International cooperation with other institute



Conclusions

- ICP is an effective system to avoid various risks which can be discovered in export procedures.
- ICP is becoming more effective by means of Awareness Raising and NPO's activities.

