2000 Country Reports on Economic Policy and Trade Practices
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JAPAN

Key Economic Indicators
(Billions of U.S. dollars unless otherwise noted)

	1998	1999	2000	
Income, Production and Employment:				
Nominal GDP	3,808.2	4,346.8	4,622.1	1/
Real GDP Growth (pct)	-2.5	.2	1.0	1/
GDP by Sector:				
Agriculture	54.29	N/A	N/A	
Manufacturing	895.5	N/A	N/A	
Services	695.4	N/A	N/A	
Government	317/2	N/A	N/A	
Per Capita Income (US$)	30,086	34,283	36,455	1/
Labor Force (millions)	67.9	67.8	67.4	2/
Unemployment Rate (pct)	4.1	4.7	4.8	3/
Money and Prices (annual percentage growth):				
Money Supply (M2+CD)	4.0	3.6	2.3	3/
Consumer Price Inflation	0.6	-0.3	-0.7	2/
Exchange Rate (Yen/US$)	130.90	113.91	106.84	2/
Balance of Payments and Trade:				
Total Exports FOB	374.4	403.9	460.7	4/
Exports to U.S. FOB	118.4	121.8	144.0	5/
Total Imports CIF	251.7	280.5	328.8	4/
Imports from U.S. CIF	67.0	57.8	62.9	5/
Trade Balance	122.7	123.4	131.9	4/
Trade Balance with U.S.	51.4	64.0	81.0	5/
Current Account Surplus/GDP (pct)	3.2	2.5	N/A	
External Public Debt	0	0	0	
Debt Service Payments/GDP (pct)	0	0	0	
Fiscal Deficit/GDP (pct)	-10.2	N/A	N/A	
Gold and Foreign Exchange Reserves	215.9	288.1	344.9	6/
Aid from U.S.	0	0	0	
Aid from All Other Sources	0	0	0	

1/ January-March, seasonally adjusted, annualized.
2/ January-June, non-seasonally adjusted average.

3/ January-June, seasonally adjusted average.
4/ January-June, seasonally-adjusted, annualized.
5/ January-July, non-seasonally adjusted, annualized.
6/ As of end-July 2000.

Sources: Ministry of Finance (trade figures BOP basis); Economic Planning Agency; Bank of Japan, OECD Economic Outlook, U.S. Bureau of Census.

1. General Policy Framework

The Japanese economy is gradually recovering from the worst recession in postwar history. Real GDP contracted by 2.5 percent in 1998, and the effects of this severe slowdown were reflected in corporate bankruptcies and record rates of unemployment. A modest recovery is now underway, with real GDP growing by 0.3 percent in 1999. This trend is expected to continue, and the government projects growth of one percent in the current fiscal year, which ends at the end of March 2001.

Japan's economic performance has been highly variable over the past ten years, as the end of the "bubble economy" in 1991 gave way to sharp changes in asset prices and the need for restructuring in the corporate and financial sectors. The more pronounced slowdown of the past few years was due to a combination of factors, including a cyclical decline, substantially weakened Asian demand for Japanese exports, and a crisis in the domestic banking system.

The policy response to Japan's recession has been an expansionary fiscal policy, made possible through a series of supplemental budgets, emergency spending packages (largely concentrated on public works to boost private demand), and special loan guarantees to stem the tide of corporate bankruptcies. Monetary policy was also accomodative, with the Bank of Japan attempting to keep interest rates as low as possible to encourage investment.

Based on Japanese statistics, Japan posted a global trade surplus of $123.4 billion in 1999, with a $61.5 billion bilateral surplus with the United States, an increase of 19.6 percent over 1998. Both these figures are expected to rise in 2000 as Japan's economic growth is expected to remain below that of both the United States and the EU. Continued strong growth in the United States, combined with a recovery among Asian economies, should support Japanese exports. Imports are also expected to rise in line with economic recovery. (Note: U.S. Customs figures show a $73 billion deficit with Japan in 1999, on U.S. exports of $57.4 billion and imports of $130.8 billion. The discrepancy is mostly accounted for by differences in CIF and FIB prices).

2. Exchange Rate Policy

The yen demonstrated some volatility against the dollar in 1998-99, although more moderate than the previous year. The average exchange rate through the first seven months of 2000 was 107 yen per dollar, compared to 113 yen per dollar in 1999. A new Foreign Exchange Law in April 1998 decontrolled most remaining barriers to cross-border capital transactions.

3. Structural Policies

Pricing Policy: Japan has a market economy, with prices generally set in accordance with supply and demand. However, with very high gross retail margins (needed to cover high fixed and personnel costs) and a complex distribution system, Japan's retail prices exhibit a greater downward stickiness than in other large market economies. Moreover, some sectors such as construction are susceptible to cartel-like pricing arrangements, and in many key sectors heavily regulated by the government (i.e., transport and warehousing), it can still exert some limited temporary authority over pricing.

Tax Policy: Total tax revenues as a share of GDP in Japan are comparable to the United States and the UK, and on the low end of OECD countries. Japan had a relatively high corporate tax rate, but recent legislation has reduced the (combined central and local government) effective corporate tax rate from 47 to 40.9 percent, bringing it in line with other OECD countries. The maximum marginal rate for personal income taxes was also reduced from 65 to 50 percent. There is a general consumption tax (actually a broad value-added tax) of five percent, although small retail outlets are exempted.

Regulatory and Deregulation Policy: Japan's economy is highly regulated. Although the government and business community recognize that deregulation is needed to spur growth, opposition to change remains strong among vested-interest groups, and the economy remains burdened by numerous national and local government regulations, which have the effect of impeding market access by foreign firms. Official regulations also reinforce traditional Japanese business practices that restrict competition, help block new entrants (domestic or foreign) and raise costs. Examples of regulations that act as impediments include: exceedingly high telecommunications interconnection rates, prolonged approval processes for medical devices and pharmaceuticals, and severe restrictions on foreign lawyers. Japan has appropriate anti-monopoly legislation, and in 1999 concluded an antitrust cooperation agreement with the United States. Nevertheless, enforcement of competition policy lacks needed rigor.

In June 1997 the President and the Japanese Prime Minister agreed on an Enhanced Initiative on Deregulation and Competition Policy under the U.S.-Japan Framework Agreement. During its fourth year, the Initiative is focusing on achieving concrete deregulation in key sectoral and structural areas in Japan, such as telecommunications and information technology, housing, energy, financial services, medical devices and pharmaceuticals, distribution, competition policy, and transparency in government rule-making.

4. Debt Management Policies

Japan is the world's largest net creditor. The Bank of Japan's foreign exchange reserves exceed $345 billion. It is an active participant together with the United States in international discussions of developing-country indebtedness issues in a variety of fora.

5. Significant Barriers to U.S. Exports

Japan is the United States' third largest export market, after Canada and Mexico. The United States is the largest market for Japanese exports. However, in many sectors U.S. exporters continue to enjoy incomplete access to the Japanese market. While Japan has reduced its formal tariff rates on most imports to relatively low levels, it has maintained non-tariff barriers, such as nontransparent regulation and government procedure, discriminatory standards, and exclusionary business practices. Japan also tolerates a business environment that protects established companies and restricts the free flow of competitive foreign goods into the Japanese market.

Transportation: In January 1998 the United States and Japan concluded a new agreement to significantly liberalize the trans-Pacific civil aviation market. This eliminated many restrictions and resolved a dispute over the rights of longtime carriers to fly through Japan to other international destinations. It opened doors for carriers that recently entered the U.S.-Japan market, nearly tripling their access to Japan. The agreement also allowed code sharing (strategic alliances) between carriers for the first time, thereby greatly increasing their operational flexibility. While U.S. carriers have been generally happy with the results of the 1998 agreement, there is growing concern over the inadequacy of facilities, scarcity of slots, and high landing fees.

American ocean going ships serving Japanese ports have long encountered a restrictive, inefficient and discriminatory system of port transportation services. After the Federal Maritime Commission (FMC) ruled in early 1997 that Japan maintained unfair shipping practices and proposed fines against Japanese ocean freight operators, the Japanese government pledged to grant foreign carriers port transport licenses, and, at the same time, to reform the prior consultation system which allocates work on the waterfront and requires carriers to obtain approval for any change in their operations. The FMC imposed fines in September 1997 after Japan failed to carry out the reforms. Shortly afterwards, however, the government committed itself to actions that would have provided a solid foundation for reform of Japanese port practices. However, a final report on deregulation issued by the Japanese government in mid-1999 was discouraging for its lack of aggressive proposals for deregulating ports. The Diet passed several resolutions regarding the Port Transportation Business Law in May 2000 including the elimination of demand and supply adjustments and changing the fee permission system to a registration system. The new law will go into effect November 1.

Energy: The government of Japan has taken a number of steps to begin deregulating its energy sector. Within the Enhanced Initiative for deregulation the U.S. government is urging Japan to speed up the process. Open and non-discriminatory access to electrical transmission and distribution grids and to LNG terminals and pipelines are key steps for Japan. Competitive, transparent pricing also remains as a key unresolved issue in the Japanese market.

Agricultural and Wood Products: Japan is the largest export market for U.S. farm and wood products. Sales are limited, however, by a variety of protectionist measures maintained by the government of Japan. Key priorities for trade liberalization include tariff reduction on raw and value-added products, elimination of unnecessary plant quarantine measures, more market-oriented domestic farm policies, mutual recognition of certification on organic foods and wood products, a commitment to science-based policies and education programs on foods produced through biotechnology, and continued deregulation of the housing sector affecting access for wood products. Timely approval, acceptance, and ultimately sales of U.S. wood products are still limited by excessive regulation and continued reliance on prescriptive codes/standards. Unnecessary tariffs on processed wood products place additional costs on end-users.

Significant tariff reduction in Japan was achieved through the Uruguay Round Agreement, but agricultural tariffs in Japan remain high, ranging from 10 to 40 percent on a wide variety of items, including beef, oranges, and many processed foods. These tariffs limit sales of U.S. farm products by encouraging substitution for local competitors and/or reducing consumption altogether.

Biotechnology: Japan has adopted a scientific approach in its approval process for genetically modified (GM) foods. To date, the Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Health and Welfare (MHW), which regulate biotechnology products, have approved the importation of 29 GM plant varieties, including corn, potatoes, cotton, tomatoes, and soybeans.

While U.S. and Japanese regulatory approaches to assessing safety of biotech products have been closely aligned, the United States is very concerned by Japan's decision to implement mandatory labeling of 24 whole and semi-processed foods made from corn and soybeans beginning April 2001.

Plant Protection and Quarantine Measures: Japan's failure to adopt system-wide sound scientific plant protection principles restricts entry of a wide variety of U.S. fresh fruits and vegetables. FAS/Japan estimates that unnecessary plant quarantine restrictions and requirements cost U.S. agriculture more than $500 million in lost sales opportunities every year. Japan unnecessarily restricts imports through the following measures: outright bans on many products without sufficient scientific evidence that entry of the product presents a legitimate threat to local agriculture; unnecessary testing and inspection requirements that raise costs and reduce competitiveness of U.S. produce in Japan; failure to accept alternatives to methyl bromide fumigation for control of pests; and unnecessary fumigation requirements for common pests that are already found in Japan.

In July 1999 the Japanese Agricultural Standard Law was amended to allow testing organizations overseas to function as JAS-registered grading organization and/or JAS-registered certification organization, to put them on equal footing with their Japanese counterparts. The Ministry of Agriculture, Forestry and Fisheries has subsequently clarified that a prerequisite for functioning as RGO/RCO is a determination of equivalency, i.e., a determination that the standards system in the applicant countries is open to Japanese manufacturers. MAFF should determine, in a timely way, a reasonable equivalency policy allowing U.S. testing organizations to apply to function as foreign JAS-registered grading organizations and/or JAS-registered certification organizations.

The government of Japan has taken steps to make the Building Standard Law (BSL) performance-based, in line with its commitment to implement performance-based codes. The United States is asking the Ministry of Construction to initiate a review of certain provisions of the BSL which the United States deems prescriptive, including those related to restrictions on the construction of special buildings.

In housing policy, Japan has taken limited steps to make the sector more competitive and to make a greater variety of housing available to consumers at lower cost. In the deregulation initiative, the United States continues to encourage Japan to take steps to establish a competitive secondary market for housing and to encourage the development of a larger market for refurbishing and remodeling existing homes.

Telecommunications and Broadcasting: Japan is a signatory of the WTO Basic Telecommunications Agreement of 1997, which promotes market access, investment and pro-competitive regulation in the telecommunications industry. In recent years, the United States has pushed Japan to foster a more pro-competitive regime in the telecommunications sector. In July 2000 Japan agreed to implement significant reductions in interconnection fees for connecting to the dominant carriers' local networks. This is expected to result in lower interconnection costs and increased competition in telephone services. However, progress overall has been incremental and access to the telecommunications and broadcasting market in Japan remains constrained by both regulatory and anti-competitive practices. New entrants continue to face higher costs and longer waiting period for connecting to the dominant carriers' local network than in other advanced countries, deterring competition. In addition, new carriers' difficulty in gaining access to facilities and land to build their networks, government restrictions on combining owned and leased facilities in creating a network, and the lack of access to discrete portions of the local dominant carriers' network at reasonable costs have slowed and raised the costs of new carriers' entrance. Discriminatory and anti-competitive discount pricing plans by the dominant carriers have put new entrants at a serious disadvantage in developing Internet services. The United States remains very concerned by the Japanese government's intent to combine the Ministry of Post and Telecommunications and the Japan Fair Trade Commission within a new General Affairs Ministry early in 2001 and continues to urge Japan to create a stronger regulatory firewall between the two. The U.S. government has sought from Japanese regulators steps to address these issues under the U.S.-Japan Enhanced Initiative on Deregulation and Competition Policy.

Foreign computer and telecommunications equipment suppliers continue to have difficulty selling to the Japanese public sector, having an extremely low share of this market. In addition, procurement from foreign sources by NTT (Nippon Telegraph and Telephone) group companies, which collectively are the largest purchaser of telecommunications equipment in Japan, remain below the level of foreign procurement by Japanese private sector telecommunications carriers. Foreign investment restrictions remain on NTT and on Direct-To-Home (DTH) satellite broadcasting companies.

Information Technology: The government of Japan has announced a major initiative to spur Japan forward in an IT revolution. High internet access fees remain but one of a number of major impediments still impeding the development of more widespread use of IT in Japan.

Standards, Testing, Labeling and Certification: Standards, testing, labeling and certification problems hamper market access in Japan. In some cases, advances in technology, products or processing make Japanese standards outdated and restrictive. Domestic industry often supports standards that are unique and restrict competition, although in some areas external pressure has brought about the simplification or harmonization of standards to comply with international practices. Fresh agricultural products continue to be subject to extensive restrictions, including phytosanitary restraints, required overseas production-site inspections, fumigation requirements for non-quarantine pests, and tariff rate or minimum access restrictions.

The United States believes that mandatory labeling will stigmatize foods derived through biotechnology by suggesting a health risk when there is none. In fact, already, in response to the release of MAFF's plans to require labeling, many manufacturers of products to be subject to mandatory labeling have recently switched, or have declared they will switch, to non-genetically engineered ingredients. The recent shift by industry to non-genetically engineered ingredients demonstrates that MAFF has added to the confusion and false misperceptions about the safety of biotech foods through its plans to require labeling.

The United States agrees that labeling is necessary when there is a health or safety reason, such as a presence of an allergen, or when there are changes in the characteristic of the food, such as an altered nutritional content. In these cases, the specific change is the subject of a label, rather than the process by which it is produced.

MAFF has stated that the objective of extending a mandatory labeling requirement to food that has been produced through biotechnology is to provide information to the consumer. The United States agrees that it is important for consumers to have information on foods that have been genetically engineered. The United States believes there are a number of means other than labeling, such as educational materials and public fora, that can collectively provide more meaningful information to consumers on genetic engineering.

Organic Certification: Effective April 1, 2001, all U.S. certified organic foods must also obtain additional certification by organizations incorporated in Japan. Products not certified by Japanese organizations may not be marketed as "organic" in Japan. The additional certification requirement is considered unnecessary, costly, and a serious threat to continued imports of U.S. organic foods, estimated at up to $100 million per year. The U.S. Department of Agriculture ISO Guide 65 accreditation program provides sufficient assurance that certified products meet Japanese standards. ISO Guide 65 is the internationally recognized norm for conformity assessments of third-party certifiers.

Foreign Direct Investment (FDI): FDI in Japan has remained extremely small in scale relative to the size of the economy. In Japan fiscal year 1999, Japan's annual inward FDI totaled 21.5 billion (up from $10.5 billion the previous year) but still only 0.5 percent of its GDP.

(Comparatively, FDI for the United States in 1999 was $276 billion, according to UN Conference on Trade and Development figures). Although in Japan, inward foreign investment is on the rise, Japan continues to host the smallest amount of FDI as a proportion of total output of any major OECD nation. The low level of FDI reflects the high cost-structure of doing business (for example, registration, licenses, land prices and rents), the legacy of former investment restrictions, and a continuing environment of structural impediments to greater foreign investment. The challenges facing foreign investors seeking to establish or enhance a presence in Japan include: laws and regulations that directly or indirectly restrict the establishment of business facilities, close ties between government and industry, informal exclusive buyer-supplier networks and alliances, high taxation, extensive cross-shareholding by Japanese firms, and a difficult regulatory environment for foreign or domestic acquisitions of existing Japanese firms.

Recently, the Japanese government has implemented potentially useful measures for increasing FDI, including easing restrictions on foreign capital entry. Accounting changes introduced a wide range of new regulations and practices. Consolidated disclosure of contingent liabilities/guarantees on April 1, 1998, and implementation of stricter consolidated financial accounting on April 1, 1999 (showing up on corporate books on March 31, 2000), were the first Big-Bang accounting reforms. However, much of the recent vigorous corporate activity is impelled by the subsequent introduction of mark-to-market accounting for financial products and corporate pension assets introduced on April 1, 2000. This includes the disclosure of unfunded pension liabilities, and requires that firms make good on any pension shortfalls within 15 years.

The government has also passed legislation modeled on U.S. Chapter 11 bankruptcy procedures and corporate divestiture laws to promote efficient business reorganization. Such legislation should facilitate corporate restructuring and buy-outs by foreign and domestic investors.

In October 1998 the U.S. government proposed to the Japanese government 18 new reforms in the areas of mergers and acquisitions, land, and labor policy to improve Japan's environment for foreign direct investment. In May 1999 both governments submitted a Joint report to the President and Prime Minister on the status of Japan's investment climate and measures under consideration. The bilateral Investment Working Group (IWG) held talks in Tokyo in October 1999 and April 2000 that covered a range of investment issues under the auspices of the IWG. In March 2000 the United States and Japan jointly sponsored a symposium that focused on private sector concerns with regard to Japan's climate for investment and mergers and acquisitions. The group intends to continue consultations and the exchange of information as stipulated in the joint report.

Government Procurement Practices: Japan is a party to the 1996 WTO Government Procurement Agreement. While government procurement in Japan at the national, regional and local levels generally conform to the letter of the WTO agreement, there are reports that at some procuring entities, established domestic competitors continue to enjoy preferential access to tender information. In some sectors, unfair low pricing remains a problem, preventing companies from winning contracts based on open and transparent bidding procedures.

Moreover, some entities continue to draw up tender specifications in a way that favors a preferred vendor, using design-based specifications rather than more neutral performance-based specifications.

Customs Procedures: The Japanese Customs Authority has made progress in automating its clearing procedures, and efforts are underway to integrate the procedures of other government agencies over the next several years. However, U.S. exporters still face relatively slow and burdensome processing.

6. Export Subsidies Policies

Japan's official development assistance for Asian countries in 1998 rose 71 percent from the previous year as the government focused on helping its neighbors recover from the region-wide economic crisis. Japan remained the world's top aid donor in 1998 for the eighth consecutive year, disbursing a total of $10.77 billion, up 14.2 percent from 1997. Although Japan had been moving towards untying its aid, during the past two years this trend has reversed. Both its Environmental Aid loans and its Special Yen loans are tied to the purchase of Japanese products. Not only does this limit U.S. firms' ability to participate in these projects; it also denies recipient countries the opportunity to use this aid as efficiently as possible. This trend towards retying has been actively opposed by the U.S. government. In addition, the U.S. government continues to address U.S. industry concerns that feasibility studies funded by Japanese grant aid, and tied to the use of Japanese firms, result in technical specifications that unduly favor Japanese firms.

7. Protection of U.S. Intellectual Property Rights

Japan is a party to the Bern and Universal Copyright Conventions, the Paris Convention on Industrial Property, the Patent Cooperation Treaty, and the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Japan was removed from the Special 301 Watch List on May 1, 2000, but the United States will keep monitoring Japan's protection of intellectual property rights.

While Japan's IPR regime affords national treatment to U.S. entities, the United States has long been concerned by the long processing time for patent examination. Although Japan has recently reduced the time which the Japan Patent Office takes before responding to the applicant (i.e. the First Action Period) from 21 to 19 months, this period is still longer than in other industrialized countries. This length of time coupled with Japan's practice of opening all patent applications to public inspection 18 months after filing, exposes applications to lengthy public scrutiny with the potential of limiting legal protection.

Many Japanese companies use the patent filing system as a tool of corporate strategy, making many applications to cover slight variations in technology. However, a February 1998 decision by Japan's Supreme Court to permit an infringement finding under the "the doctrine of equivalence" may reduce this practice and is a positive step toward broadening Japanese courts' generally narrow interpretation of patent rights. The rights of U.S. subscribers in Japan can be circumscribed by filings of applications for similar inventions or processes.

Japan's protection of trade secrets is inadequate. Because Japan's Constitution prohibits closed trials, the owner of a trade secret seeking redress for misappropriation of the secret is put in the difficult position of not being able to protect a trade secret without disclosing it publicly. While a recent amendment to Japan's Civil Procedures Act excludes Japanese court records containing trade secrets from public access, this legislation does not adequately address the problem. Court proceedings of trade secrets remain open to the public and neither the parties nor their attorneys have confidentiality obligations.

Japan's Trademark Law was revised in 1997 to speed the granting of trademark rights, strengthen protection to well-known trademarks, address problems related to unused trademarks, simplify registration procedures, and increase infringement penalties. Japan became a member of the Madrid Protocol as of March 14 to realize simple trademark application multi-nationally. Japan started keeping statistics of the First Action Period for trademark applications in 1998. The latest data show that it takes about ten months. The United States will keep monitoring Japan's approval time. Since trademarks must be registered in Japan to ensure enforcement, delays make it difficult for foreign parties to enforce their marks.

End-user software piracy remains a major concern of U.S. and some Japanese software developers. Effective January 2001, Japan will raise the level of punitive damages for software piracy from 3 million yen to 100 million yen. However, there are other issues that need to be considered. Japan still does not require protection of temporary copies even though it signed the Bern Convention and the 1996 WIPO Copyright Act, both of which require the protection of temporary copies of software, music, film, or anything else.

Japan's lack of a system of statutory damages is also a problem. Under the Japanese system, right holders need to prove actual loss in order to qualify for any compensation from violators. A system of statutory damages under which right holders would only need to prove the loss and then could be awarded damages within a fixed range for each work violated based on a subjective judgement of the amount of damage would improve protection in Japan.

8. Worker Rights

a. *The Right of Association:* Japan's Constitution and domestic labor law provide for the right of workers to freely associate in unions. Approximately 23 percent of Japan's labor force is unionized. The Japanese Trade Union Confederation (RENGO), which represents 7.8 million workers, is the largest labor organization. Both public and private sector workers may join a union, although members of the armed forces, police and firefighters may neither form unions nor strike. The right to strike, although implicit in the constitution, is seldom exercised. The law prohibits retribution against strikers and is effectively enforced.

b. *The Right to Organize and Bargain Collectively:* The constitution provides unions with the right to organize, bargain and act collectively. These rights are freely exercised, and collective bargaining is practiced widely, particularly during the annual "Spring Wage Offensive" of nationwide negotiations.

c. *Prohibition of Forced or Compulsory Labor:* Article 18 of the Japanese Constitution states that "No person shall be held in bondage of any kind. Involuntary servitude, except as punishment for crime, is prohibited." This provision applies both to adults and children, and forced or bonded labor is not perceived as a problem. Japan is, however, a destination country for the trafficking of women for prostitution through debt bondage.

d. *Minimum Age for Employment of Children:* By law, children under the age of 15 may not be employed, and those under age 18 may not work in dangerous or harmful jobs. Child labor is virtually non-existent in Japan, as societal values and the rigorous enforcement of the Labor Standards Law protect children from exploitation in the workplace.

e. *Acceptable Conditions of Work:* Minimum wages are set on both a sectoral and regional (prefectural) level. Minimum wages ranged from $50 per day in Tokyo to $42 in Okinawa. The Labor Standards Law provides for a 40-hour work week in most industries and mandates premium pay for hours worked beyond 40 hours in a week or eight hours in a day. However, labor unions criticize the Japanese government for failing to enforce working hour regulations in smaller firms. The government effectively administers laws and regulations affecting workplace safety and health.

f. *Worker Rights in Sectors with U.S. Investment:* Labor regulations, working conditions and worker rights in sectors where U.S. capital is invested do not vary from those in other sectors of the economy.

Extent of U.S. Investment in Selected Industries—U.S. Direct Investment Position Abroad on an Historical Cost Basis—1999

(Millions of U.S. dollars)

Category		Amount
Petroleum		4,419
Total Manufacturing		13,332
Food & Kindred Products	850	
Chemicals & Allied Products	3,397	
Primary & Fabricated Metals	323	
Industrial Machinery and Equipment	1,049	
Electric & Electronic Equipment	2,054	
Transportation Equipment	2,044	
Other Manufacturing	3,615	
Wholesale Trade		5,429
Banking		608
Finance/Insurance/Real Estate		14,928

Services	7,132
Other Industries	1,938
TOTAL ALL INDUSTRIES	47,786

Source: U.S. Department of Commerce, Bureau of Economic Analysis.