ICP Implementation in Japan

January 2014
Ministry of Economy, Trade and Industry
1. Why is export control needed?

2. Implementation of Export Control System

3. ICP Implementation in Japanese Industry
1. Why is export control needed?
Why is export control needed?

- **Enhanced evaluation by investors**
  Companies with export controls are more highly evaluated because they pose lower investment risks.

- **Compliance**

- **Reduces cost of export procedures**
  Companies can simplify export control procedures in accordance with their own export control systems.

- **Social responsibility**
  Companies are punished if exported goods are used for terrorist activities or countries of concern, regardless of regulations.
Why is export control needed?

Implementation of export control can minimize the risk of your involvement with WMD and/or military-related activities. Therefore, (WMD = Weapons of Mass Destruction)

✓ It enables secure business trade in the industry, thus it accelerates the nation’s economic activities.

✓ For the CSR (Corporate Social Responsibility) point of view, it generates a positive image, thus more business chance.

Export control enhances a corporate value.
2. Implementation of Export Control System
Transaction Screening Procedure

Business Inquiry

Check on List Control

Non-listed Item

Yes, it is a listed item

Yes, it may be used for WMD or military activities

Check on Catch-all Control (End-use & End-user)

A license is required

No-problem

No License Required
Points of Transaction Screening

- Will items actually reach the stated end-user?
- Will the stated end-user really use the item?
- Will the actual use exactly match the stated end-use?
- Will the stated end-user strictly control the item?
Case of Illegal Export in Japan

Cause of the Recent Illegal Export in Japan

1. Non-performance of Product Classification
   - 62.1%

2. Mistake in Numbering of Product Classification
   - 16.7%

3. Failure in the Condition of Export License
   - 6.9%

4. Mistakes in the Course of Shipment
   - 5.7%

5. Misunderstanding in Product Classification
   - 4.7%

6. Intentional Breach
   - 3.8%

(YEAR 2007-2011)
3. ICP Implementation in Japan
What is ICP?

- The ICP (Internal Compliance Program) stipulates the export procedures of goods and technology in compliance with export control law and related regulations to prevent a company to breach the law.

- Companies should establish the ICP by themselves on voluntary basis.
It is essential **for the government** to handle items effectively, and to concentrate their resources on more sensitive matters.

It is important **for industry** to establish appropriate self-export control systems and procedures in order to reduce the risk of illegal exports.

**Promotion of Internal Compliance Program (ICP)**

- METI has been encouraging exporters to establish their ICPs voluntarily, and has registered them since 1987.
- METI has also been encouraging overseas subsidiaries to establish ICPs since 2005.

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporters submits ICPs to METI</td>
<td>1,273</td>
<td>1,382</td>
<td>1,448</td>
<td>1,463</td>
<td>1,564</td>
</tr>
</tbody>
</table>
Benefit of ICP

Exporters

- Clarification of internal procedures and responsibilities for safe and sound business
- Effective checks and minimizing the risk of mistake
- Promoting a company to the public as a company of good standing (good reputation)
- Can apply for a bulk export license

METI

- Can reduce the risk of unintentional illegal exports
- Can concentrate human resources on sensitive cases

ICP is beneficial for both exporters and METI
ICP Main Elements

(1) Export Control Organization

(2) Classification and Screening Procedure
(3) Shipment Control

(4) Audit
(5) Training and Education
(6) Document Control
(7) Guidance to Subsidiaries
(8) Reports and Penalties
Benefit of ICP

ICP Main Elements

A Organization
① Export Control Organization

B Procedures
② Classification and Screening Procedure
③ Shipment Control

C Operation & Maintenance
④ Audit
⑤ Training and Education
⑥ Document Control
⑦ Guidance to Subsidiaries
⑧ Reports and Prevention of recurrence

Actual Export Procedure

a) Classification Procedure
b) End-Use and End-User Verification
c) Shipment Control

Export

i) Organize & Clarify the responsibility system within the company

ii) Enhance awareness of the procedure within the company

iii) Prevent violation by early detection, Prevent recurrence

ICP is an effective tool for avoiding inadvertent violations
Government-Industry Relationship over the ICP Implementation

Exporter

ICP
Self-control
Export
Audit

ICP Submitting
Checklist of self-control
Bulk License
On-the-spot Inspection

METI
CISTEC (Center for Information on Security Trade Control) was founded in 1989 with basic fund mainly from the Industry.

CISTEC is the Only Non-Profit and Non-Governmental Organization in Japan specializing in Export Control.

Number of associated members: Around 400 Companies (including Major Export Companies of Japan).

CISTEC’s mission is serving as a LINKAGE CHANNEL among Industry, government and academia on security export control.
CISTEC has prepared Model ICPs in cooperation with industry and METI to promote ICP.

There are 6 types of model ICP, which is categorized based on company’s management structure and type of company (i.e. manufacturer or trading company). The companies can choose suitable type according to their needs and requirements.

<table>
<thead>
<tr>
<th></th>
<th>Own Goods/Technologies (e.g. manufacturer)</th>
<th>NOT Own Goods/Technologies (e.g. trading company)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialized division</td>
<td>Type 1A</td>
<td>Type 1B</td>
</tr>
<tr>
<td>Specialized individual</td>
<td>Type 2A</td>
<td>Type 2B</td>
</tr>
<tr>
<td>CEO, etc.</td>
<td>Type 3A</td>
<td>Type 3B</td>
</tr>
</tbody>
</table>

http://www.cistec.or.jp/export/jisyukanri/modelcp/modelcp.html
Thank you