

Copyright Act. The U.S. introduced legislation to protect its software through an amendment to its copyright law in 1980. In Europe, laws relating to intellectual property protection are under review as part of the preparation for the 1992 European Community (EC) integration.

Demands for copyright protection for software have been brought before the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), the World Intellectual Property Organization (WIPO) and the Organization for Economic Co-operation and Development (OECD). The Japan-U.S. Trade Committee has set up an Intellectual Property Working Division.

In the private sector, industrial organizations from the U.S., Japan and Europe held the Private 3G Summit Conference and released a joint note in support of the GATT Uruguay discussions.

### **Exports, Imports and COCOM Issues**

COCOM, a security treaty between Western countries, was violated by Toshiba when the company sent its products to Russia. After the case appeared in U.S. newspapers in March 1989, Toshiba's top executives resigned and the Minister of International Trade and Industry introduced measures to prevent a recurrence.

To reassure other countries that Japan would not violate COCOM's regulations again, MITI revised the Foreign Exchange Act, intensified its inspection system and advised 150 organizations, including JISA, to strictly adhere to trade regulations.

Since then, a Japanese software firm, Mitsui Knowledge Industry (MKI), has brought out an information service on COCOM regulations called Cod Export. Information includes detailed data on COCOM regulated items such as computers, semiconductors, laser equipment and machine tools. The service enables industries to monitor changes to COCOM regulations.

## **7 Entering the Japanese Market**

### **Is Japan a Special Case?**

Notwithstanding the appreciation of the yen, Japan runs significant trade surpluses with other advanced countries, particularly the U.S. The Japanese trade surplus does not decrease because Japanese products such as the lap-top computer are too competitive for U.S. producers.

Japan-U.S. trade is influenced by Japan and U.S. price differentials, a complicated Japanese distribution system, the Japanese tendency to save, corporation concentration and cultural constraints on business practices. Against this background, the U.S. accuses Japan of being unco-operative and less than a truly international trading partner.

### **Opportunities in the Japanese Software Market**

Despite U.S. claims, not all Japanese industries are restricted. Although problems arise over subcontracting and the influence of computer hardware manufacturers, the Japanese software industry is one of the most promising markets for foreign software vendors. The reasons include:

- The software industry is young, so it is not subject to the traditions often found in older, more conservative industries.
- The software industry has a positive attitude towards introducing high standard products.
- The software industry is experiencing phenomenal growth. For example, in 1988, annual growth in sales of software reached 62.9 per cent compared with 43.4 per cent annual growth in sales of information services.
- Demand is growing for general-purpose software products. In 1987, 41 per cent of software products were imported. This amount grew by 19.6 per cent in 1988.
- The industry structure is flexible and there are no barriers against imported products.

### **The Way to the Japanese Market**

- *Market research.* Surveys are helpful, but before conducting one, clarify the target products and determine the research methodology.
- *Missions to Japanese companies.* This can be an effective way to learn directly about the market.
- *Participation in trade fairs.* Software trade shows permit closer assessment of the industry.
- *Find a reliable partner.* Background information on a potential partner must be assessed carefully. The ability to provide technical support is as crucial as the ability to modify the product into Japanese. Commitment to the products is important. The partner must be financially secure. High start-up