

Trade Policy Review of Japan

Statement of the Japanese Delegation

(First Day)

1. Introduction

Mr. Chairman, distinguished Ambassadors, and delegates,

It gives me great pleasure to represent my country in the Trade Policy Review. I would like to express Japan's sincere appreciation to the Chair, Ambassador Aran, and to the distinguished discussant, Ambassador Smidt, and to all Members participating in this review. I would also like to acknowledge the contribution by the Trade Policy Review Division. Dr. Eglin and his team, Mr. Daly, Mr. Hayafuji, and Mr. Khilji worked so hard to produce a truly comprehensive and valuable report.

The approximately 700 questions from 25 Members demonstrate a keen interest from the WTO Members toward Japan's economic and trade policies. I am pleased to announce that the responses to all questions submitted by the closing date

are being distributed today in written form.

Mr. Chairman,

While the world economy is in the process of recovery, Japan recognizes that protectionist pressure is still persistent. The role of the TPR, at this juncture, is even more important.

Japan has maintained its trade policy of openness in line with WTO rules, and has refrained from raising “new barriers to trade and investment or to trade in goods and services” in keeping with the commitments made at the G8, G20, and APEC Leaders' meetings. Japan highly values the report by the Secretariat for this meeting, as well as a series of WTO reports on G20 trade measures. Those reports accurately confirmed Japan's strong commitment in this regard.

2. The 21st-century opening of Japan

(1)The 21st-Century Opening of Japan

Mr. Chairman,

“Opening up the nation” is one of the main principles of building the nation of Japan, as stated in the Policy Speech by

Prime Minister Mr. Naoto Kan at the beginning of the current Diet Session, which started this January. Over the last 150 years, Japan has twice opened itself to the world in the 1860's and also after World War II. Japan now ventures to take on its "third opening." Bringing this new openness to fruition involves taking the initiative in the liberalization of trade and investment and in facilitating the exchange of human resources. Under this principle, in November 2010, the Government of Japan adopted a cabinet decision "Basic Policy on Comprehensive Economic Partnerships", based on which Japan will pursue high-level economic partnerships.

(2) Implementing the New Growth Strategy to link the opening of the country to growth and employment

Japan's economy has not shown much growth since the collapse of the bubble economy at the beginning of 1990's. Policies for economic growth did not work sufficiently well and the economy was not able to escape deflation. For the past ten years, the nominal economic growth rates, which correspond closely to what

the people actually feel about the economy, were minus values.

Japan's growth is at the lowest among OECD countries.

Speaking about public finance, on the other hand, annual expenditures constantly exceed tax revenues by a large margin.

Japan's outstanding balance of government debt has increased by about 470 trillion yen in the past 20 years.

In order to link the afore-mentioned "21st-century opening of Japan" to growth and employment, the current administration has started a series of initiatives to achieve a "Strong Economy", "Robust Public Finances" and a "Strong Social Security System" in an integrated manner. In June 2010, Japan issued the "New Growth Strategy" in order to overcome the stagnation that has long troubled our economy.

Under this strategy, Japan has been implementing necessary regulatory and institutional reforms in order to form a firm economic structure, which will in turn generate more stable domestic demand.

Our government will carry these out one by one, and make this year the turning point for us to take a major leap towards the revival of our economy.

3. Japan's Basic Policy on Trade

Mr. Chairman,

Now, let me explain Japan's Basic Policy on Trade in a more concrete manner.

(1) Doha Round negotiations

Maintaining and strengthening the multilateral trading system under the WTO remains a fundamental basis of Japan's trade policy. Japan recognizes this year as the "window of opportunity" for conclusion of the DDA and concurs with the concrete schedules and timelines widely shared at the recent ministerial meetings at Davos. Japan will actively participate in every negotiating process to move forward the DDA for realizing an ambitious and balanced outcome based on the progress made up to now. In order to achieve this goal, we need progress not only in the areas of Agriculture, NAMA, and Services, but also in other areas, in line with the single undertaking principle. Japan believes that its proposals in such areas as NAMA, Services and Rules will make substantial contributions to the progress of the

negotiations.

(2) Economic Partnerships

Mr. Chairman,

The Government of Japan is also working proactively to strengthen economic partnerships through developing new FTAs and EPAs, based on a cabinet decision “Basic Policy on Comprehensive Economic Partnerships”. Japan will move forward expeditiously in our on-going negotiations with Australia, as well as with GCC, and Japan will aim to resume or launch negotiations on economic partnership agreements with the Republic of Korea, the EU, and Mongolia. Japan also intends to press forward further in the joint study for a Free Trade Agreement among Japan, China, and the Republic of Korea. With respect to the TPP, the Trans-Pacific Partnership Agreement, last year Japan began consultations with the relevant countries participating in TPP negotiations. The Japanese Government will continue to hold consultations with those countries to reach a decision on whether to join negotiations by around June of this year.

(3) APEC in Yokohama

Mr. Chairman,

Last year, as chair of APEC 2010, Japan conducted an assessment of the progress toward achieving the “Bogor Goals” that aim for free and open trade and investment in the Asia-Pacific region. Japan took the lead in setting forth “the APEC Leaders’ Growth Strategy”, a comprehensive, long-term framework for promoting high-quality growth in the Asia-Pacific region, and in exploring a range of possible pathways to achieving a Free Trade Area of the Asia-Pacific (FTAAP). Japan also took the initiative to give a strong political message to accelerate the DDA negotiations.

4. New Growth Strategy and Domestic Reforms

Mr. Chairman,

Now, let me move on to an explanation in detail of Japan’s New Growth Strategy and Domestic Reforms

(1) Public Finance Reforms

Mr. Chairman,

With respect to robust public finances, as have been emphasized by the recent G20 leaders' declarations, for many countries, restoring fiscal consolidation is a challenge to be tackled with a sense of urgency. In June 2010, we formulated the "Fiscal Management Strategy" that indicates the path to fiscal consolidation. The strategy is to halve the primary deficit as a percentage of GDP by fiscal year 2015 from 2010 levels and to achieve a primary surplus by fiscal year 2020. To achieve the targets, we introduced the Medium-term Fiscal Framework. In FY2011 draft budget, based on the Medium-term Fiscal Framework, we maintained the "Overall Expenditure Limit (approx. 71 trillion yen)", and at revenue side, restrained the amount of new government bond issuance within the level of FY2010 (approx. 44 trillion yen). We will continue to implement fiscal consolidation steadily in and after FY2011. Moreover, we decided to put forward a social security reform agenda and a tax reform agenda which aims to secure the financial resources needed for the social security reform as well as to achieve fiscal consolidation simultaneously.

(2)Agriculture Reforms

Mr. Chairman,

Our total value of agricultural production is about 8.5 trillion yen (102 billion dollars). In comparison, our total agricultural imports are about 4.6 trillion yen (55 billion dollars). If forestry and fishery products are included, total imports reach 6.7 trillion yen (81 billion dollars). These figures show to what degree our agricultural market contributes to world trade.

On the other hand, over the past twenty years, domestic agricultural production has decreased by 20 per cent while the distancing of youth from agriculture has become increasingly pronounced. The average age of people engaged in agriculture is now 66. The revival of the agriculture, forestry, and fishery industries is a truly pressing issue.

In his Policy Speech at the beginning of the current Diet Session, Prime Minister Mr. Naoto Kan set forth this objective, "the revival of the agriculture, forestry, and fishery industries," as one of the major objectives in bringing about a "21st-century opening of Japan".

In the speech, he also stated that Japan will pursue transition in its agricultural industry through industrial and commercial tie-ups, as well as the expansion of scale through the consolidation of farmland.

Against this backdrop, in order to promote both high-level EPAs and improvement in Japan's food self-sufficiency and revitalization of its agriculture industry and rural communities, and also in order to take measures aimed at fostering sustainable and strong agriculture, "The Council for the Realisation of the Revival of the Food, Agriculture, Forestry and Fisheries Industries" was established. A basic policy will be developed around June, and with the consideration of the necessary, appropriate, and drastic domestic measures needed to improve competitiveness and other aspects of agriculture, an action plan with a medium and long-term perspective will be drawn up around October this year.

(3)Regulatory Reforms

Mr. Chairman,

The Government of Japan has strenuously carried out

regulatory and institutional reforms, with a view to enhancing the competitiveness of Japanese companies and creating new industries and employment. In September 2010, the “Regulatory Reform 100 to Revitalize Japan” program was hammered out. Through this program, the Government of Japan will promote high-quality reforms, effective for generating demand and employment in areas such as urban revitalization, housing, environment, energy, health care and tourism, as stimulus measures.

While opening up the country and importing the best management resources in order to enhance its potential for growth, the Government of Japan, with a view to achieving active economic partnerships and eliminating non-tariff barriers, will decide on a concrete plan by March of this year through the Government Revitalization Unit.

5. Japan’s contributions to the World Economy and Aid for Trade

(1)Japan’s Contributions to the Recovery of the World Economy

Mr. Chairman,

Japan has made various efforts to contribute to the recovery of the world economy and to strengthen Asia's growth potential as a center of growth open to the world. At the G20 London Summit in April 2009, it announced the expansion of its ODA to Asia that totaled up to JPY 2.0 trillion, or approximately US\$ 20 billion. Japan also made additional assistance to trade finance which totaled US\$ 22 billion over 2 years, which was in addition to the average US\$ 90 billion per annum. It also provided a loan of a maximum of US\$100 billion to the IMF. Japan established funds to recapitalize banks in developing countries, which contributes to supplying sufficient liquidity in each region. Furthermore, Japan has provided various support for African countries that are suffering an adverse impact from the global financial and economic crisis.

(2)Aid for Trade

Mr. Chairman,

Japan believes that "Aid for Trade" must be effectively implemented in a way that aims to create sustainable economic

growth in developing countries through the expansion of trade, which will contribute to poverty reduction. While emphasizing the importance of the “mainstreaming of trade” in developing countries, Japan has been implementing two AfT initiatives called “Development Initiative for Trade” and “Development Initiative for Trade 2009”, since AfT was globally launched at the WTO Hong Kong Ministerial Conference in 2005. These Initiatives include, for instance, a provision of ODA amounting to US\$ 10billion and US\$ 12billion respectively for the designated 3 years.

Recently, “Effectiveness” has often been discussed as one of the key elements of AfT. Japan has had a lot of experience in AfT activities over the years, especially in the Asia region, where several countries have realized trade-driven economic growth. Japan will continue to contribute to the consideration of the “Effectiveness of AfT”. Furthermore, in the Asia-Pacific region, we have participated since its initiation in the Regional Technical Group (RTG), in which members discuss AfT issues and proposals, sharing good practices, building partnerships and considering coordinated approaches to operationalizing AfT in the

medium-term. For the upcoming Global Review in July, Japan will contribute to the success of the meeting by providing its case stories and through its collaborative work in the RTG.

6. Conclusion

Mr. Chairman,

It is time to conclude my opening statement. I very much look forward to listening to comments and suggestions from our distinguished Discussant and all the Delegations. Thank you very much for your attention.

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