

Trade Policy Review, Japan
Day 2 (March 10th) Statement

1 Introduction

Madame Chair,

I would like to thank all the Members for their participation in Japan's TPR on Wednesday as well as today.

Thanks to your able chairmanship, Mme Chair, as well as valuable inputs by the Secretariat and the excellent presentation made by the discussant, H.E. Ambassador Braithwaite, discussions on Wednesday and partially today were very substantial reflecting deep insight about Japanese economy. They captured a variety of elements from a unique perspective of each Member covering not only trade relations with Japan but also much broader ones.

I sensed that there were enormous interests about the Japanese economic and trade policies and strong expectations on Japan's continued contributions to the world economy, including assisting development of developing countries, as well as to maintaining and strengthening free trade and multilateral trading system embodied in the WTO.

I really would like to thank all the interventions made so far, in particular those stating their kind encouragement of continuing and enhancing our existing efforts.

Those comments covered the on-going three arrows of Abenomics, in particular structural reforms, Japan's active participation in trade negotiations for enhancing free trade and the multilateral trading system, covering bilateral, regional, plurilateral and multilateral levels, and works of day-to-day business in different Councils and Committees of the WTO. Aid for Trade and other development assistance and works for a successful MC11 this coming December were also mentioned by many.

Japan here again would like to express our renewed commitment to continue those efforts.

There were also a number of issues or concerns, asking for further improvement. I also would like to thank those interventions.

Thrust of discussions, including those points, was reported to the relevant Ministries of the Japanese Government in Tokyo for preparations to respond today.

Since the points of interests were so many in numbers and encompass so many different sectors, I may need to focus those issues which attracted attention of a number of Members.

In any event, Japan will respond, in writing, to all the remaining written questions which were submitted later, so that it would be appreciated if delegations could refer to our responses in writing for their individual questions.

2 Macroeconomic policies

<Public debt>

Some Members referred to the volume of Japan's public debt. The Government of Japan has established a fiscal consolidation target and a concrete medium-term plan to achieve the target.

Specifically, our target is to achieve a primary surplus of the central and local governments by FY 2020 and to steadily reduce the public debt to GDP ratio thereafter.

Under the above-mentioned fiscal consolidation plan, the Government of Japan is undertaking both expenditure and revenue measures. On the expenditure side, the Government of Japan will implement a set of reforms based on a comprehensive reform roadmap, and control the growth of expenditure, particularly social security expenditure, in accordance with the pre-determined benchmarks. On the revenue side, the Government of Japan will raise consumption tax rate in October 2019.

<FDIs>

There were comments regarding FDI into Japan. In Japan, introducing FDI itself is not subject to restrictions in principle. Exceptions are limited to a few sectors, such as aircraft, weapons, and nuclear power.

Of course, like in other countries, domestic regulations exist in various sectors where you are doing business. According to a survey, however, some of the regulations are complicated and could be an obstacle for foreigners to do business in Japan.

The Government of Japan, therefore, is making efforts aiming to become "the most business-friendly county in the world". The efforts

include regulatory reforms in such fields as energy, healthcare and agriculture.

Among a variety of efforts for promoting regulatory reforms, simplification of regulations and administrative procedures that affect FDIs into Japan are under consideration in a governmental working group. This working group adopted an interim report last December and will provide a conclusion around this spring.

Regarding the question concerning the measures providing incentives to attract FDIs in the field of research and development, the answer is the following. The Government of Japan has provided financial assistance on expenses incurred by foreign companies for establishing an R&D center, conducting experimental studies and undertaking a feasibility research in collaboration with Japanese companies, universities and research institutes. In addition, the Government of Japan has improved a living environment in Japan for foreign nationals, through introducing such measures as the increase of medical institutions with bilingual staffs and the educational support for foreign children.

Regarding the question concerning the benefits for foreign investors operating in the National Strategic Special Zones, special measures in a variety of fields are introduced, with the aim of creating the world No.1 business environment in Japan, where the private sectors can fully exercise their potential and, thus, leading to economic growth. Those are special regulatory measures, tax reliefs and subsidies.

Specifically, the newly established Tokyo One-Stop Business

Establishment Center offers a comprehensive support for facilitating procedures related to starting business by global enterprises. The current requirements of resident status for the “Investor/Business Manager” visa category can be relaxed in the National Strategic Special Zones, if an agreement is reached between the national government, local authorities and the relevant private enterprises.

3 Trade Policies

<ITA>

Some Members made comments concerning the status of the implementation of the Expansion of the Information Technology Agreement (ITA) in Japan. The Government of Japan has submitted the Expansion of the ITA to the Diet on 24th February this year, and is now waiting for approval by the Diet.

<Trade Remedies>

Regarding the comments from some Members concerning trade remedies, Japan has implemented and will continue to implement, as necessary, those measures in accordance with the WTO Agreement.

<Fishery Subsidies>

Some Members referred to fisheries subsidies. The purpose of developing the disciplines on fisheries subsidies is to achieve and maintain sustainable use of fisheries resources. For this purpose, the implementation

of effective fisheries management by coastal countries and regional fisheries management organizations is primarily important. In this context, Japan is in a position that the prohibition of fisheries subsidies should address those which cause overcapacity and overfishing. In other words, fisheries subsidies which are subject to prohibition should be those contributing to fishing activities that negatively affect fish stocks that are in an overfished condition, and fisheries subsidies provided for IUU, or illegal unreported unregulated, fishing vessels.

<Tariff>

Concerning the comments on a possible expansion of Japan's bound tariff lines, it must be noted that the current tariff-binding coverage in the Japanese schedule in WTO merely reflects the previous WTO negotiations including the Uruguay Round. Possible development is subject to negotiations in the future, which are not possible for us to make any judgment at this stage. Regarding the tariff rates for footwear, those tariff rates are determined appropriately, taking the needs of relevant domestic manufacturers into careful consideration.

<Import of Industrial Products>

Some Members made comments regarding the difficulties in exporting industrial products such as automobiles to Japan. Since the Government of Japan neither imposes tariffs on imported automobiles nor implements discriminatory measures by any means including non-tariff

barriers, we recognize Japan's automobile market is sufficiently open.

<Preferential Rules of Origin>

Regarding the preferential rules of origin for LDCs, Japan has communicated its status of implementation according to the MC 10 Ministerial Decision in the communication submitted to Committee on Rules of Origin dated 20 December 2016 (G/RO/81). Japan is prepared to conduct a detailed examination on its implementation of the Ministerial Decision on preferential rules of origin for LDCs.

<Customs Procedures>

Several Members commented on the development of Japan's Authorized Economic Operator (AEO) program as well as a mutual recognition arrangement on AEOs.

The recent revision of the Customs Law of Japan allows AEO importers, exporters and customs brokers to file an import/export declaration to any Customs office in Japan regardless of the location of their goods. Japan expects this will be a new benefit for AEOs and, therefore, will serve as an incentive to become an AEO.

Japan has mutual recognition arrangements on AEOs with 8 WTO Members. Consultation is also in progress for the possibility of future mutual recognition arrangement with 3 WTO Members. In order to promote trade facilitation further, Japan will be actively engaged in promoting AEO mutual recognitions.

4 Agriculture

Japan appreciates many Members' comments on Japan's agricultural policy.

<Japan's Import of Agricultural Products>

At the outset, while maintaining foundation for agricultural production, Japan imports a large amount of agricultural products from abroad. Specifically, the net import of agricultural products in 2013 was 58.2 billion US dollars, which was the second largest in the world, thus, contributing to the development of world food exporters' economies.

<Trade Measures on Agricultural Products>

A number of Members mentioned agricultural support and protection of agricultural industries in Japan. Japan's existing measures on agricultural products, including tariffs of various levels, TRQ administration, state trading as well as domestic support are all consistent with the WTO Agreement. Regarding TRQs, the administrating method is determined based on the characteristics of each product. Japan is making utmost efforts so that the quota allocation and its administration are conducted in a fair and transparent manner, including making those operations public through WTO notifications and Government website. Regarding domestic support, Japan has reviewed its market price support policies and introduced and expanded direct payments.

<Notifications>

Regarding the notifications of domestic support pointed out by some Members, Japan has notified the WTO of the data up to FY2012. The notification of the data for the following year is under preparation and Japan will do its best to submit the data within the first half of this year.

<Wood>

Regarding a comment concerning the Law related to legally-harvested wood, related ordinances for implementing the Law are currently under preparation. Japan will implement the Law consistently with the WTO Agreement.

<Agricultural Reform>

Japan also noted comments on the agricultural reform from a number of Members. As I explained on Wednesday, robust agricultural reform is under way. For example, the Government of Japan revised “the Basic Plan for Food, Agriculture and Rural Areas” in March 2015. This Plan sets out the objectives of increasing incomes in the agriculture sector and rural areas by increasing domestic and export demand, improving value chains and promoting structural reform.

Especially, as for increasing exports of agricultural products, the Government established “the Plan for Empowering Export on Agriculture, Forestry and Fisheries” in May 2016, in order to promote consumption of

Japanese agricultural, forestry and fishery products in the global market.

In addition, the Government is committed to implement further reforms, including through cost reduction of production materials and structural reforms in the distribution sector, with a view to enhancing the competitiveness of agriculture.

5 SPS / TBT

<SPS>

There was a concern raised on Japan's SPS measures on the imports of agricultural products. The Government of Japan establishes food standards on the basis of sound science and is making efforts to harmonize them with relevant international standards. For example, the Government of Japan takes into account the Codex standards whenever reviewing Maximum Residue Limits (MRLs) for agricultural chemicals and food additive standards, in accordance with Article 3.1 of the WTO SPS Agreement. The Government of Japan, when necessary, sets food standards which are different from the Codex standards but those are based on scientific evidence. These measures are consistent with Article 3.3 of the SPS Agreement.

As for importing animal products mentioned by some Members, a decision of lifting an import ban in the case of an animal disease outbreak and a decision of regional application of an import ban are determined by the Government of Japan based on a risk assessment which is conducted on a scientific basis. All the relevant procedures are in line with the OIE code

and are fully consistent with the WTO SPS Agreement.

Such a risk assessment can only be conducted with necessary information, which is provided by the countries requesting to lift the ban. Risk assessment and the following decisions, including the application of regionalization, are proceeded smoothly when sufficient information is provided.

<TBT>

Comments were also made regarding the TBT measures and their compliance with international standards. The measures of Japan are, in general, based on relevant international standards, to the maximum extent possible, in accordance with the TBT Agreement. Those measures are under constant review with a view to harmonizing them with relevant international standards. The Government of Japan will continue its endeavor.

6 Services

<Exemption of the Anti-Monopoly Law>

Some Members made comments regarding insurance, maritime and air transport services, which are currently exempted from the application of Japan's Anti-Monopoly Law, in particular on the possibility of reviewing these exemptions. Through a series of Cabinet Decisions since 1994, the Government of Japan confirmed its position that, in principle, exemptions from the Anti-Monopoly Law should be abolished. In fact, Anti-Monopoly

Law was amended 3 times (in 1997, 1999 and 2000) to disestablish exemptions and streamline procedures. As for the insurance and maritime service industries, however, the Government of Japan has no concrete plan for the next review at present. As for the air transport services, the Government of Japan considers to review the exemption continuously with monitoring relevant factors such as other countries' policy positions on the exemptions and the effects on the marketplace.

<Transparency of Regulations>

Comments were made on transparency of regulations in services, such as air and maritime transport services. The regulatory measures in those fields, as in other service sectors, are operated and/or implemented in a transparent a manner. All the laws and regulations are and will continue to be published in the Official Gazette and are also made available on the internet.

<Broadcasting Service>

Some Members made comments on the treatment of broadcasting service in Japan's services schedule. This service engages in conveying information to many and unspecified users via limited scarce spectrum, which has a considerable social impact and thus has a significant influence on culture and society of Japan. Therefore, the regulation policy on this service should be decided with flexibility in response to changing environment surrounding broadcasting industry, such as social situations, technical development and cultural and social aspect of Japan. As such, the

broadcasting sector is out of our commitment since changes in the future circumstances would create the necessity to introduce additional measures.

7 Government Procurement

Many Members touched upon Japan's Government procurement. Japan is a Party to the plurilateral Government Procurement Agreement (GPA). Japan's government procurement, including procedures of tenders, is conducted in a transparent and competitive manner in accordance with the GPA. This is the case for procurement of both central and sub-central governments. The fact that foreign participation in Japan's government procurement remained around 3% in value in 2014 merely reflected the results of the tenders which had been conducted in a transparent and impartial manner.

Japan is making improvement in its government procurement procedures, and some Members referred to the introduction of "multiple-award tendering" as a positive step forward. In May 2016, "multiple-award tendering" became applicable to procurement by the local governments listed in Annex 2 of the GPA. Such local governments may apply "multiple-award tendering" in cases where it procures a large quantity of goods or services. Since the "multiple-award tendering" had already been introduced by the central government, both central and sub-central governments are able to apply "multiple-award tendering" to procurement implemented under the GPA. Conditions for participating in each procurement project are defined under the GPA and the relevant laws

and regulations of Japan.

8 Development

<LDC-DFQF>

Comments were made concerning the duty free quota free (DFQF) for LDCs. Japan has granted enhanced market access of DFQF for 98% of products originating from all LDCs, which is higher than the level agreed by the WTO Hong Kong Ministerial Declaration in 2005. There are only some exempted items, taking into account sensitivities for domestic industries, and the sustainability of exhaustible natural resources. Therefore, Japan will need careful examination on the possibility of further expanding the product coverage of DFQF on LDCs.

<LDC services waiver >

Some Members made comments regarding the LDC services waiver. As for the LDC services waiver, Japan shares a basic philosophy of the WTO Agreement which acknowledges the need for “positive efforts designed to ensure that developing countries, especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development.”

On the basis of that, Japan submitted in 2015 its preferential services treatments for LDCs which include GATS plus commitments on the movement of natural persons.

For the measures concerning visas, residence permits and licensing

applications which were mentioned in the meeting, careful management with appropriate frameworks is required from diverse viewpoints, including border protection, sound development of labour market and appropriate quality of services to be supplied. Regarding “work permits”, there is no legal framework of “work permits” in Japan. Certain working activities of foreigners can be admitted, however, in the existing framework of “residence permits.”

9 Inefficient Fossil Fuel Subsidies

Comments were made regarding the reform of inefficient fossil fuel subsidies (IFFS) and the G20 peer review process. The Government of Japan supports the G20 peer review process from the perspective of promoting reforms on inefficient fossil fuel subsidies (IFFS), Japan welcomes the outcome and the lessons learned from the past reviews. As the Government of Japan has no inefficient fossil fuel subsidies (IFFS) that encourages wasteful consumption, our understanding is that Japan is not among the priority countries for the review, Japan would consider participating in the peer review team to review a third country as far as necessary resources are available.

10 Conclusion

I would like to conclude my remarks by thanking you, Mme Chair, Ambassador BRAITHWAITE, the Secretariat and all the Members for their contributions to making this 13th review of Japan a productive one. We hope that Japan also was able to contribute to this important exercise in the WTO.

Thank you.

(End)