

Trade Policy Review, Japan

Day 1 (March 8th) Statement by Ambassador Ihara

Madam Chair, Fellow Ambassadors, and distinguished representatives,

Let me begin by expressing my sincere appreciation to Ms. Irene Young, Chair of the TPRB, and to the distinguished discussant, His Excellency Mr. Julian Braithwaite. I would also like to extend my gratitude to the Director of the TPR Division, Mr. Willy Alfaro and his team, Mr. Masahiro Hayafuji, Mr. Pierre Latrille, and Mr. Michael Kolie, for their excellent work in preparing the thirteenth Trade Policy Review of Japan.

Since the establishment of the WTO, the Trade Policy Review Mechanism has contributed to ensuring the transparency of the trade policies and practices of WTO Members. Today, facing widespread uncertainty and growing mistrust in trade, we believe the mission of the TPRM is more important than ever.

The TPRM is sometimes criticized for being toothless. This mechanism is indeed not to enforce specific commitments of the Members. However, soft power is often more effective than hard power. By preparing its report and by answering questions from peers, each Member under review has a chance to evaluate its own policies from new and different angles, which helps improve Members' trade policies and thus strengthen the multilateral trading system.

As an original advocate and proponent of TPRM during the Uruguay Round negotiations, Japan is determined to further contribute to strengthening this mechanism. The Sixth Appraisal held last year gave Members a valuable opportunity to consider how to

improve the TPRM. There are two issues of particular note: sustainability and effectiveness. On the sustainability side, we achieved a significant outcome under the leadership of the Chair in regard to the cycles of the reviews. However, in terms of effectiveness of the Mechanism, the outcomes left a lot to be desired. But there are things we can do without waiting for the next Appraisal to make the review more effective and relevant. For example, considering the impact of digitization of the economy, we should introduce digital trade to the Trade Policy Review.

For this current review of Japan, we received approximately 680 questions from 35 Members, and we are pleased to tell you that we have been able to answer almost all questions, including those that were submitted after the deadline.

Madam Chair,

Japan owes its prosperity to free trade, which is framed and ensured by the multilateral trading system. We, therefore, will continue to do our utmost to preserve and strengthen the rule-based international trading system under the WTO. We will uphold this policy in the face of the current rise in anti-globalism and protectionism.

Having said that, I now hand over the floor to our Head of Delegation, Mr. Uyama, Deputy Director-General of the Economic Affairs Bureau, Ministry of Foreign Affairs, who will introduce the economic, fiscal, and trade policies of the Abe administration.

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I Introduction

Statement will be delivered by the Ambassador Mr. Ihara.

(After the Statement by Ambassador Mr. Ihara.)

Thank you, Ambassador. Thank you, Mme Chair.

My name is Tomo Uyama, Deputy Director-General, Economic Affairs Bureau, Ministry of Foreign Affairs of Japan, heading the Japanese delegation for the Trade Policy Review. I am very much honored to have an opportunity to explain the economic and trade policies of Japan before such distinguished participants.

II Abenomics

1. Achievements

Let me first talk about achievements of the economic and fiscal policy of Japan, called Abenomics, followed by my presentation on our trade policy..

Since the “three arrows” approach of Abenomics was launched in 2012, namely "bold monetary policy," "flexible fiscal stimulus," and "growth strategies," the nominal GDP increased by 9.5%, which is 47 trillion yen (more than 400 billion US dollars), the real GDP grew by 5.3%, which is 26 trillion yen (around 230 billion US dollars). Particularly, the

figures related to employment and income, which matter most to the people's livelihood, have substantially improved. The number of employed persons increased by 1.7 million, and the active job openings-to-applicants ratio surpassed 1.0 in 47 prefectures, meaning that the number of job offers surpassed that of job applicants in all the prefectures in Japan, in all 47 prefectures in Japan. This was the first time in history. The wage increase, including the figure in small and medium-sized enterprises recorded its highest level this century for the most recent three consecutive years. The average household's disposable income has also increased for the two years running. Those figures demonstrate undoubtedly that a positive economic cycle is being generated in Japan.

2. Three Arrows Approach

Let me explain our policies on each of the three arrows of Abenomics.

As for the monetary policy, the monetary easing by the Bank of Japan starting April 2013 has achieved a situation where Japan's economy is no longer in deflation, or a sustained decline in prices. However, the BOJ's price stability target of 2 percent inflation has not been achieved. Considering this, the Policy Board of the BOJ conducted a comprehensive review on the developments in economic activities and prices, as well as on the effects of policies. On the basis of the review, the BOJ introduced last September a new policy framework called "Quantitative and Qualitative Monetary Easing with Yield Curve Control", which was intended to

strengthen the policies already under implementation including a negative interest rate.

As for the fiscal policy, Japan implemented its fiscal policies flexibly from the perspectives of achieving both economic revitalization and maintaining fiscal soundness. Last August, the Government adopted "Economic Measures for Realizing Investment for the Future" with a budget of 28 trillion yen (around 246 billion USD). These measures will strongly support domestic demand and will construct a foundation for mid- and long-term growth of Japan.

Third arrow is growth strategies. Structural reforms in various sectors are under way. In the agriculture and food sector, for example, Japan has been implementing its agricultural reforms to enhance competitiveness and productivity. Such reforms are already bearing fruit. Japan has been achieving its highest record on food export every year in the last four consecutive years.

While there are steady outcomes in a number of areas, the structural reforms as a whole have not reached a point where activities in the business sector are expanded in a full scale.

To generate a new momentum of growth, Japan will not fear of changes and will continue to strongly promote structural reforms.

3. Japan's Plan for Dynamic Engagement of All Citizens

In 2015, Prime Minister Abe launched a nationwide policy to tackle the problem of declining birth rate and aging population with the targets of:

- 1) achieving the largest nominal GDP in post-war history of 600 trillion yen (around 5.3 trillion USD).
- 2) achieving the desirable birth rate of 1.8; and,
- 3) creating the situation where "no one forced to leave their jobs for nursing care."

In June 2016, specific measures to achieve these targets were announced under the name of "Japan's Plan for Dynamic Engagement of All Citizens". Utilizing the fruits of economic growth under Abenomics, Japan will strengthen the foundation of childcare and social security. Japan will boost the potential growth rate by expanding labour participation by introducing measures which enable people to keep on working with childcare and nursing care. Japan will make its economy more robust by further expanding consumption through wage increases, by expanding private investment, evolving its growth strategies and improving its productivity through innovation and participation by a diverse range of the people. In short, Japan seeks to establish a positive cycle of growth and distribution.

III Japan's Trade Policies

I now would like to explain Japan's trade policy. There are five points.

1. Strengthening the MTS

Firstly, the multilateral trading system under the WTO is a fundamental basis of global trade and, therefore, has been a main pillar of

Japan's policy. Japan will continue to support the multilateral trading system through its active participation in each of the three functions of the WTO, namely, monitoring and implementation, dispute settlement and negotiations.

As for the negotiating function, for example, Japan put a lot of resources and contributed to the conclusion of Information Technology Agreement expansion negotiations, which was done at MC10 in Nairobi under the chairmanship of Japan.

Attaining tangible results at MC 11 in December this year will also contribute to enhancing the confidence of the WTO in its negotiating function. One of the possible areas would be to update the rule book of the WTO which needs to adapt to the changing environment of world economy and technology. Among others, strengthening rules on electronic commerce and digital trade are critical as the digital economy is greatly changing the way the world economy works, where a number of different and new ways for doing e-commerce are being developed. Japan remains committed to contribute to such discussions. Japan also supports a realistic and incremental approach, taking into account specific circumstances that each of the WTO Members is facing.

Japan also would like to emphasize the importance of resuming and concluding the negotiations for the Environmental Goods Agreement (EGA) as well as Trade in Services Agreement (TiSA), both of which robust energy and considerable resources have been devoted to by participating Members. These plurilateral negotiations are also important

for expanding trade, advancing global value chains and showing that the WTO's negotiating functions are still alive.

2. Fighting Protectionism

Secondly, fighting against protectionism in the world has been an important pillar of Japan's trade initiatives. To prevent the spread of protectionism, it is necessary to maintain the multilateral trading system, as embodied in the WTO, based on its free and fair trade rules. Since the financial crisis in 2008, Japan has been a vocal advocate to making anti-protectionism commitment at the leaders' level and has contributed to initiating and maintaining such commitment at APEC, G7 and G20.

3. Development and Aid for Trade

As my third point, I would like to talk about trade and development. Japan has taken serious steps and initiatives in implementing the 2030 Agenda and the Sustainable Development Goals (SDGs) both internally and internationally by setting up the SDGs Promotion Headquarters in the Government of Japan with the participation of Prime Minister, as its head, and all other ministers in the cabinet. As is also highlighted in Addis Abeba Action Agenda, Japan sincerely believes that an inclusive, sustainable and resilient growth through the expansion of trade and investment is indispensable to achieve the goals and targets of SDGs.

Japan is strongly aware of the importance of Aid for Trade plays in assigning capacity-building efforts in developing countries, which is

essential for expanding trade. By providing Aid for Trade amounting to approximately 11.8 billion US dollars in 2015, Japan is actively implementing such support as one of the top donors.

For instance, "Nhat Tan Bridge" which was constructed in Vietnam in 2015 with Japan's cooperation has contributed significantly to shortening the time of transportation between the airport and the center of Hanoi. This is one of many examples where Japan extended cooperation to Vietnam. We believe such cooperation has significantly contributed to the implementation of Vietnam's development strategy to increase competitiveness and, thereby, to attract FDIs and to expand trade.

Such Japanese cooperation is extended to many other countries. Japan is also taking initiatives in development in Africa. At the Sixth Tokyo International Conference on African Development (TICAD VI) which was held in Nairobi last August, one of the priority areas for discussion was economic diversification and industrialization. The improvement of business environment in Africa was the key component in the discussion. Consistent with the results of such discussions, Japan announced that it would invest approximately 30 billion US dollars for the future of Africa. Developing quality infrastructure is envisaged in such an endeavor. Japan also announced the launch of the "Japan-Africa Public-Private Economic Forum", to further promote the business friendly environment in Africa.

Regarding the Trade Facilitation Agreement, which recently entered into force, Japan places high priority on assisting its implementation in

developing countries. Japan has already been providing strong support for international harmonization and simplification efforts on customs procedures in cooperation with the relevant organizations such as the World Customs Organization (WCO). For example, Japan has been actively supporting projects such as establishing electronic customs procedures and the implementation of a single window system in ASEAN as well as the establishment and operation of One-Stop Border Posts (OSBP) in Africa.

With respect to the import from the least developed countries (LDCs), the items eligible for duty-free and quota-free market access to Japan has already reached about 98% , which exceeds the level agreed in the Hong Kong Ministerial Declaration.

Through such a number of measures, Japan continues to contribute to the expansion of trade, promoting industrialization and encouraging economic development in developing countries.

4. EPA/FTAs and Investment Agreements

Fourthly, I will explain Japan's efforts in promoting Economic Partnership and Investment agreements. As part of activities to maintain and strengthen the multilateral trading system and free and fair trade, Japan is promoting negotiations including so-called mega-FTAs.

Negotiations on the Trans-Pacific Partnership Agreement was among such efforts. Japan notified New Zealand, which is designated as the Depository of the Agreement, of the completion of Japan's domestic procedures for the TPP in January. We believe that the rules agreed through

the TPP negotiations are expected to be the basis of future economic partnership agreements.

Japan is active in negotiating other EPAs/FTAs. Japan intends to reach an agreement on fundamental elements of the Japan-EU EPA negotiations as early as possible. Japan also aims to create high quality agreements for the Regional Comprehensive Economic Partnership (RCEP) and the Japan-China-ROK Free Trade Agreement.

With regard to investment agreement, Japan has set a goal of signing and/or achieving entry into force of investment-related agreements covering 100 countries or regions by 2020. So far, 13 economic partnership agreements, including investment chapter, and 29 investment agreements have been signed or entered into force.

5. Import restrictions on Japanese foods

Finally, I would like to touch upon the Great East Japan Earthquake that struck Japan on 11 March, 2011. Six years have passed since then. We appreciate again a variety of cooperation from all over the world for our reconstruction efforts.

Regarding the import restrictions on Japanese foods that had been introduced by a number of Members after the accident at Tokyo Electric Power Fukushima Daiichi Nuclear Plant, I am happy to share with all of you that most of the measures have been either lifted or relaxed. We appreciate those Members that took decisions on an objective and scientific basis. We are hoping that those Members still maintaining restrictions

also take a science based approach and eliminate or ease their restrictive measures soon.

IV Closing Remarks

In closing, we are witnessing the rise of the sentiment of anti-globalization and protectionism in many parts of the world. Since the WTO has played a central role in promoting free trade based on rules which are free and fair, the WTO has a mission, in particular under the current circumstances, to maintain and strengthen the multilateral trading system and to deliver a message to the world on the importance of free trade and the important role the WTO is playing in promoting trade, economic growth and prosperity. For our part, Japan is determined to continue to play our role within the WTO so that the WTO can achieve its mission.

(End)