

Trade Policy Review, Japan

Day 1(July 6th) Statement

1 Introduction

(1) Opening remarks

Let me begin by expressing our sympathy to those affected by COVID-19 and expressing my gratitude to the delegations attending this meeting under the current circumstances. At the same time, I would like to express my sincere appreciation to the Chairperson, H.E. Harald Aspelund, as well as our discussant for this meeting, H.E. Dagfinn Sørli, Permanent Representative for Norway at the WTO. We would also like to thank Mr. Willy Alfaro, Director of the TPR Division, and other members of the WTO Secretariat, especially Mr. Sergios Stamnas, Mr. Pierre Latrille and Ms. Katie Waters, for their efforts to facilitate Japan's TPR, the very first review after the postponement of meetings due to COVID-19. For this review, we received 647 questions from 25 Members before the deadline, and we are pleased to have been able to answer all of them. We thank the Members who have submitted written questions in light of the purpose of this meeting, which is to improve transparency of the trade policies of each Member.

(2) The importance of the TPR

Amongst the three functions of the WTO, namely, rule-making, dispute settlement, and implementation and monitoring, there have not been substantial achievements in rule-making despite drastic changes in the world economy. With regard to dispute settlement, the Appellate Body fell into a

position of being unable to hear any new appeals. In order to increase the momentum for the restoration of confidence in the WTO, Members should strive for rule-making in new areas and reform of the dispute settlement system. At the same time, it is vital for Members to fully commit themselves to the TPRM, which is the core of the implementation and monitoring function. At the previous review in 2017, a number of Members suggested that Japan could take measures to further expand foreign direct investment to Japan. Since then, Japan has been taking measures to foster the best business environment in the world. These measures include regional business conferences to attract FDI, a review of existing regulatory frameworks, and digitalization of administrative procedures. Japan, as this example shows, has been proactively utilizing the TPRM to improve its policies and systems.

(3) Japan's commitment to the multilateral trading system

Japan, as a trading nation, has been achieving its economic growth and prosperity through stable and transparent transactions, upholding free and fair international rules and encouraging others to do the same. Like many other Members, the Japanese economy has been severely hit by COVID-19 since March, when Japan's Review was initially planned to take place. For example, the year-on-year real GDP growth for the first quarter of this year was -2.2%.

This review is based on Japan's report and the report by the WTO Secretariat, which compiled information on trade policy developments up to the end of 2019. As such, the recent developments brought about by the COVID-19 crisis are not within the scope of the review. Nonetheless, Japan's commitment to the WTO and the multilateral trading system remains unchanged even at the time

of this crisis. Words about free trade are not equal to deeds committing to it. Although the importance of free trade has been frequently mentioned at multilateral fora, we are concerned about widespread protectionist moves such as export restrictions on medical goods including face masks and PPE as well as agricultural products. Under these circumstances, Japan has not taken any export and import prohibitions or other restrictive measures in the wake of COVID-19 and this shows Japan's unwavering commitment to free trade.

2 Promotion of Free Trade

(1) The Importance of WTO reform in order to maintain and strengthen the MTS

Since the previous review in 2017, Japan has been actively contributing to the promotion of free trade. First of all, we would like to introduce Japan's efforts and achievements as the chair of the G20 last year.

The G20 Osaka Summit was held amid intensifying conflicts over international trade and challenges against the very existence of multilateralism. Under these circumstances, the Japanese presidency persistently identified areas of common ground amongst the G20 Members. We believe that Japan was able to demonstrate the strong will of the G20 to the world.

In Osaka, the G20 Members reaffirmed the principles of the free trading system, including "free and fair", "transparent and indiscriminate" and "open market". The G20 also agreed to promote reform of the WTO and improve its functions so that it remains relevant in the future.

The Digital economy is another area where a significant outcome was produced. "Data Free Flow with Trust (DFFT)", first espoused by Prime Minister

Abe at the Davos Conference last year, was shared as a basic concept for data utilization. On the occasion of the G20 Osaka Summit, the launch of the "Osaka Track" was declared, and it triggered full-scale rule-making on the digital economy. We welcome the acceleration of electronic commerce negotiations in the WTO under the "Osaka Track". In addition, the Japan-US Digital Trade Agreement concluded last year provides a model for high-level rules in this area. With the advent of the COVID-19 crisis, the importance of the digitalization of the economy has been widely recognized and the pace of digitalization has even increased. In this current climate, Japan will lead the negotiations toward the establishment of rules on the international digital economy in order to expand the circle of cooperation among like-minded countries and gain concrete results.

We would also like to introduce Japan's efforts to improve transparency at the WTO. Though the notification obligation serves as a basis for the functioning of the WTO system, Japan finds it problematic that notification obligations based on WTO agreements are poorly fulfilled. In order to improve this situation, we submitted a transparency and notification proposal along with the US and the EU in 2018. We hope that Members will participate in constructive discussions to reinforce notification and improve transparency.

(2) Regional Trade Agreements (TPP11, Japan-EU EPA, Japan-US Trade Agreement)

In order to expand a free and fair economic area, Japan has vigorously pursued economic partnership agreements such as TPP11 and the Japan-EU EPA. Japan will work toward the steady implementation and expansion of TPP11, as well as the steady implementation of the Japan-EU EPA and the

Japan-US Trade Agreement that entered into force in January this year. Japan will also quickly work to establish a new economic partnership with the United Kingdom following its withdrawal from the EU. Japan will also aim to sign the RCEP Agreement by the end of this year and promote negotiations for other economic partnership agreements and investment-related agreements, in a WTO consistent manner. Through these efforts, Japan will actively promote the creation of free and fair economic rules.

(3) Development (AfT, TICAD, SDGs)

In the current situation where economic and trade forms are increasingly diversified, Japan reaffirms the importance of "Aid for Trade (AfT)" and commits to supporting the efforts by developing countries themselves. In order to promote international trade, Japan implemented measures such as building the capacity necessary for trade promotion and assisting with infrastructure to accelerate trade. Japan provided a total of approximately US \$460,000, through the WTO and the International Trade Center (ITC) in 2019, and approximately US \$12.5 billion as AfT in total in 2018.

Japan is also leading development assistance in Africa through trade and investment promotion. For example, at the Seventh Tokyo International Conference on African Development (TICAD 7) held in Yokohama in August last year, we provided opportunities for direct dialogues between the public and private sectors of Japan and Africa, and discussed ways to promote trade and investment between Japan and Africa. Japan will continue to strongly support Africa's self-led development through public-private partnership.

Furthermore, Japan has given priority to the implementation of the WTO Trade

Facilitation Agreement in developing countries, and has been strongly supporting the international harmonization and simplification of customs procedures in coordination with relevant organizations such as the World Customs Organization (WCO). The target regions of assistance are diverse, including Asia and Africa.

Since 2018, through the ITC, Japan has been providing assistance for female entrepreneurs in developing countries, encouraging marginalized people to participate in international trade and to benefit from it. This will contribute not only to trade but also to the Sustainable Development Goals (SDGs) 5 "Achieving gender equality and empowering all women and girls" and 8 "Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all".

With regard to Japan's imports from the Least Developed Countries (LDC), the percentage of LDC products subject to duty-free and quota-free measures has been expanded to about 98% of products, exceeding the level agreed upon in the Hong Kong Ministerial Declaration.

Japan has contributed to increasing export income and promoting industrial structural reform and economic development in developing countries.

In addition, Japan has been supporting Sudan's accession to the WTO as the chair of the accession working group since 2016.

3 Economic Policy

(1) The Achievements of Abenomics (improvements of macroeconomic indicators)

At the previous Japan's TPR, many Members expressed their expectations for

the further advancement of Abenomics. Although the Japanese economy is currently in extremely difficult circumstances due to COVID-19, the population employed increased by 4.4 million while the working-age population decreased by 5.5 million in the seven years up to 2019. In addition, nearly 90% of the SMEs achieved wage increases last year.

(2) Dynamic engagement of all citizens (inclusive growth: responding to low birthrate, promotion of female participation, regional revitalization)

In order to accelerate Abenomics, policies to enhance the potential of domestic economic growth are essential. Although Japan is now a low-birthrate and aging society, around 80% of our senior citizens at work hope to continue working after reaching the age of 65. We consider the arrival of the 100-year life as a major opportunity, and we are taking measures to ensure employment opportunities for those with motivation to work until the age of 70.

Furthermore, there are many women with motivations and capabilities in Japan. If we can create opportunities for all women and if their potentials are fully met, the Japanese economy and society will experience a transformation. The number of women in employment rose by 1.3 million in the last two years. The realization of a society dynamically engaging all citizens is exactly the key to overcoming low birthrate and aging.

With regard to regional revitalization, tourism has brought a new lease of life. The number of foreign tourists to destinations outside Tokyo increased 180% in the last four years, reaching 18.4 million. Local economies have started to gain energy, as demonstrated by land prices of commercial districts, which shifted to an upward trend for the first time in 28 years. Although tourism is one of the

industries most affected by COVID-19, the industry has begun its efforts for recovery, fully paying attention to health issues caused by COVID-19 but also looking ahead to post-COVID times.

(3) Society 5.0 (the fourth industrial revolution, promotion of innovation)

Japan has carried out various measures toward the realization of Society 5.0, a new form of society achieving economic growth and solving social issues at the same time. Society 5.0 will be the fifth society in human history, succeeding the ‘hunting society’, ‘agrarian society’, ‘industrialized society’, and ‘information society’.

Specifically, this means extension of a healthy lifetime through remote medical services utilizing IOT and AI, promotion of ‘smart agriculture’ with super energy-saving and high-quality production utilizing ICT and robot technology, promotion of unmanned stores using robotics, AI, and self-service checkouts. By bringing about Society 5.0, we aim to solve social issues and create new values. Our world number one supercomputer Fugaku not only excels at computation speed but also at using AI. It is expected to be utilized in a wide range of areas and to contribute to the realization of Society 5.0.

(4) Economic measures to respond to COVID-19, tax increase and the latest (end of last year) slowdown

Lastly, we would like to give our response to concerns regarding our economic outlook expressed by some Members. In response to COVID-19, combining the economic emergency measures passed in April and our second supplementary budget passed last month, we have secured 121 trillion yen (approximately

US\$1.1 trillion) of fiscal spending, designed to fund the total size of measures worth 234 trillion yen (approximately US\$ 2.2 trillion). This is more than 40% of our GDP and the largest amount ever secured. The series of economic and fiscal measures to be put in place is expected to support our GDP by around 6.4%. We will continue implementing these measures as swiftly as possible.

Some Members have asked us about the impact of last year's consumption tax increase on the macro economy. After the tax increase, the Japanese economy slowed down from October to December 2019. However, attention also needs to be paid to factors that cannot be attributed to the tax increase. For example, not only individual consumption but also capital investments and exports were affected by a typhoon as supplies of parts necessary for production were delayed. Having said that, the reduction of individual consumption in the final quarter of 2019 was smaller compared to that of the time of the previous tax increase. The last-minute increase in demand and rapid demand drop right after the tax increase were also smaller than the previous time. In addition, the negative effect had been easing towards the beginning of 2020.

4 Request for the Removal of Import Restrictions

Next year will mark 10 years since the Great-East Japan Earthquake that struck on March 11, 2011. Regarding the import restrictions on Japanese food products introduced by some Members after the Fukushima Daiichi nuclear power plant incident, at the current time, 34 Members have completely lifted the restrictions and 18 Members have relaxed them. We would like to express our gratitude to these Members for their objective assessment based on scientific

evidence. The safety of Japanese foodstuffs including fishery products is surely secured due to the measures taken by the Japanese government. At the turning point of the 10-year anniversary of the earthquake, Japan strongly expects the 20 Members that have maintained import restrictions for more than nine years to lift the measures as soon as possible.

5 Closing Remarks

(1) The Importance of WTO reform

It is clear that the multilateral trading system is facing challenges at present. The WTO and its rules were developed by our predecessors after tremendous efforts based on their bitter experiences with protectionism and unilateral measures. "Kaizen", a term originating in Japan, has been taken up by corporations across the globe as a term meaning "continuous improvement". It is our generation's responsibility to ensure that all Members tackle the difficult task of WTO reform through persistent "kaizen".

(2) Japan's determination to lead WTO reform dialogue

Throughout history, mankind has suffered from large-scale pandemics such as plague and Spanish flu, but has always overcome them. The COVID-19 pandemic not only caused a steep drop in the volume of world trade but also forced the transformation of trade transactions including supply-chains. Although the 12th Ministerial Meeting (MC12) was postponed due to the COVID19 crisis, it is vital to advance, with a sense of urgency, strengthened WTO reform compared to before the crisis, given the vulnerability and limitations of the existing free trading system that have been exposed under the current

circumstances. In 2011, Japan was struck by the Great East Japan Earthquake and suffered tremendous damage. However, Japan did not simply revert to its original condition but also strived for recovery in the spirit of "build back better" and achieved it. This is precisely why Japan is determined to play a central role and demonstrate our leadership to build back the WTO better in the recovery phase after the COVID-19 crisis.

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