

## **Trade Policy Review, Japan**

### **Day 2 (July 8th) Statement**

#### **1 Introduction**

Mr. Chair, distinguished Ambassadors and delegates,

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

I highly appreciate your able management of the meeting, Mr. Chair, as well as valuable inputs by the Secretariat and the insightful presentation made by the discussant, H.E. Ambassador Dagfinn Sørli, on Monday. Each Member's intervention would help us to evaluate our own policies from various angles so that Japan can achieve greater transparency. As one of the original advocates of the TPRM during the Uruguay Round negotiation, I would like to reiterate Japan's commitment to the peer review mechanism of the WTO.

We also express our gratitude for comments from a number of Members on the openness and predictability of Japan's economic and trade policies, including Japan's commitment to free trade and the multilateral trading system embodied in the WTO.

There were also concerns raised by Members over Japan's policies, asking for further improvement. I would also like to appreciate those interventions.

Since a variety of points of interests were raised, I may need to focus on issues which particularly attracted attention of Members, structured by main themes for this review.

Having said that, Japan will respond, in writing, to all the remaining written questions which have been or will be submitted before the deadline.

## **2 Economic Environment**

### **<Public Debt>**

Some Members referred to Japan's public debt. While Japan's fiscal situation is extremely severe as its public debt has cumulatively increased, Japan aims to achieve both economic revitalization and fiscal consolidation in order to secure trust of the markets and the international community.

Japan formulated "the New Plan to Advance Economic and Fiscal Revitalization in 2018", which aims to achieve a primary surplus of the central and local governments by FY2025 while steadily reducing the public-debt-to-GDP ratio.

### **<Labor Market: empowerment of women>**

I appreciate that many Members mentioned Japan's efforts in the area of labor market policy. Amongst them, in particular, Japan has been actively promoting women's greater economic participation in order to resolve unprecedented challenge of declining birthrate and

aging population. In this context, the facilitation of women's active role has been placed as an important element of the "third arrow" of Abenomics in Japan's Revitalization Strategy. To point out a few notable achievements, the number of women in the workforce increased by about 2.9 million from 2012 to 2018, and the percentage of female managers in the private sector is approaching 10%. Japan continues to reduce the burden of working parents and accelerate women's promotion.

#### <Regional Trade Agreement Policy>

I am pleased that many Members referred to their bilateral and regional trade agreements with Japan as the basis of their economic ties with Japan. With respect to the question on how Regional Trade Agreements (RTAs) contribute to the multilateral trading system, Japan considers that RTAs promote free, fair and rule-based trading system, and that they complement the multilateral trading system.

Japan considers that this understanding has been widely shared among the WTO Members, and aims to continue to take the lead in establishing comprehensive and balanced global rules through the conclusion and expansion of high-standard RTAs. I would also like to reiterate that Japan will stay committed to ensuring that Japan's RTAs are WTO-consistent.

### **3 Trade Policies**

#### **<Sanitary and Phytosanitary Measures>**

I would like to respond to the comments made by Members on Japan's Sanitary and Phytosanitary measures. Japan establishes food safety standards on the basis of sound scientific evidence, and is making every effort to harmonize them with relevant international standards. For example, 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.

Japan, when necessary, sets food safety standards which are different from the relevant international standards. However, these measures are based on scientific evidence and consistent with Article 3.3 of the SPS Agreement.

#### **<Animal and Plant Health>**

Regarding the lifting a ban and application of regionalization, upon request by a Member, we conduct a risk assessment using sufficient information provided from the requesting Member and examine the request based on the result of the risk assessment, while closely consulting with the Member. The mentioned procedure is consistent with the SPS Agreement and relevant international standards. The procedure is publicly available and is ensured to be operated with transparency.

#### <Technical Barriers to Trade>

Comments were made regarding Japan's measures on Technical Barriers to Trade (TBT) and 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 WTO TBT Agreement. Those measures are under a constant review with a view to harmonizing them with relevant international standards.

#### <Import of Industrial Products>

Some Member mentioned the difficulties in exporting industrial products such as automobiles to Japan. Since Japan neither imposes tariffs on imported automobiles nor takes any discriminatory measures including non-tariff barriers, it is our recognition that Japan's automobile market is sufficiently open and fair. In fact, the sales of some foreign automakers in Japan is steadily increasing. We expect the foreign automakers which have an interest in Japanese market will follow the practices of those successful automakers through further sales efforts.

### <Generalized System of Preferences >

In order to improve market access for developing countries, Japan introduced preferential tariff treatment under the Generalized System of Preferences (GSP) regime on 1 August 1971, and has re-examined it several times since then. Furthermore, under the regime, Japan has been granting special preferential treatment to LDCs since 1980. Currently, 128 developing countries and 5 territories, including all LDCs, enjoy the benefits.

Japan has fully committed itself to provide duty-free and quota-free (DFQF) market access for essentially all products originating from LDCs. As a result, the number of agricultural and fishery products originating from LDCs which receive DFQF preferential treatments is 1,810 and that of industrial products is 4,194. Consequently, treatment coverage for LDCs has reached approximately 98% as defined at the tariff line level.

These preferential tariff treatments have contributed to improving market access for developing countries.

### <Government Procurement Agreement (GPA)>

Regarding the comments on the Government Procurement, Japan is a Party to the Government Procurement Agreement (GPA) and is making various efforts to increase opportunities for foreign suppliers to obtain access to the Japanese market. Japan has established, on a voluntary basis, non-discriminatory, fair and transparent procedures

that surpass the level of obligations stipulated in the GPA under the domestic laws and ordinances.

Japan is also making its efforts to improve transparency of the procurement process in order to be more user-friendly for domestic and foreign participants alike. For example, the central government announces the annual schedules of its procurement plan well in advance and holds seminars on Japan's government procurement for foreign entities and diplomatic corps stationed in Tokyo. In addition to above mentioned efforts, Japan has established a portal site of the Government Procurement at the JETRO's website in English for foreign user's convenience.

Some members raised their concerns on ICT procurements. I would like to emphasize that Japan does not exclude any specific companies from the government procurement and does not prohibit the Japanese companies from procuring products of any specific companies. Japan is promoting the expansion of membership of the GPA and we expect Members expressing their concerns on Japan's procurement to become parties to the GPA by satisfying necessary requirements including ensuring level playing field.

#### <Export Control on Korea>

With regard to export control on Korea, firstly, all WTO Members understand that, the WTO rules fully recognize their right to implement an export control system. In addition, under international export

control regimes outside the WTO, it is fully recognized and respected that each participating State has the right to decide for itself on actual and effective enforcement and implementation.

Following the established practices, Japan implements export license requirements solely with a view to enhancing appropriate export control for verifying whether dual-use goods and technologies exported or transferred from Japan pose a risk of being diverted to weapons or military use.

In particular, with respect to the three items at issue, as explained at various occasions, there were concerns such as the export control of individual exporters which tends to be managed in an inappropriate manner due to tight delivery schedules requested by users. There have also been underlying concerns including those related to vulnerabilities of the organization and operation of Korea's export control system, which is still the case today.

Second, Japan stresses that our export license requirements do not constitute quantitative restriction, let alone export ban. In fact, Japan has already granted export licenses for all of the three items, which were confirmed to be for civil use. As the Korean Government also stated at various occasions, no disruptions in the supply chains have been caused.

Third, regardless of what Korea asserts, Japan is convinced that the essential issue is whether the effectiveness of Korea's export control system has actually improved. Solely for the purpose of



responsibly implementing its export control, comprehensive assessment on such actual improvement is necessary to determine whether it is necessary to make any further updates of Japan's export control measures.

That is why Japan believes that enhancing mutual understandings of export control systems and building a relationship of trust between export control authorities is the best and only way to resolve this matter. Until Korea suddenly disrupted the Japan-Korea Export Control Policy Dialogue and other communications, both sides mutually enhanced understandings on export control systems each other. That is why Japan is disappointed by the Korea's decision.

Japan remains hopeful that Korea returns to the table of dialogue and enhances Japan-Korea mutual cooperation towards non-proliferation of weapons of mass destructions, instead of pursuing the WTO dispute settlement process.

#### <WTO Reform (rule-making)>

We appreciate the comments from many Members on Japan's commitment to the multilateral trading system and the WTO at its core, and our active engagement in multilateral and plurilateral negotiations at the WTO. Even at such a challenging time as today, maintaining and strengthening the multilateral trading system is our foremost priority. Given the vulnerability and limitations of the existing free trading system, revitalization of the negotiation function of our

Organization is essential.

On the Joint Statement Initiative on electronic commerce, Japan has been taking a leading role in the negotiations as a co-convenor with Australia and Singapore. 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 been even more accelerated. Against this background, Japan will continue to lead the negotiations to achieve substantial progress by the Twelfth Ministerial Conference (MC12), including through the development of a consolidated negotiating text, possibly by the end of this year.

As many Members mentioned, Japan is an active participant in other areas of the JSIs such as those on investment facilitation and Micro, Small and Medium enterprises. With regard to the JSI on services domestic regulation, Japan welcomes active discussions on rule-making in this area, and expects further constructive discussions to achieve concrete outcomes by the MC12 at the latest. It is essential to ensure a level playing field during and after the process of economic recovery from the COVID-19 crisis. Japan will continue to work closely with other Members on this issue, especially on strengthening international rules on industrial subsidies.

#### <Dispute Settlement Reform>

We all recognize the urgent need for the reform of the WTO dispute settlement system so that it functions properly in serving the ultimate goal of securing a positive solution to a dispute. Our priority has always been and continues to find a long-lasting solution towards this end.

We also recognize the need for a stop-gap measure to secure a positive and prompt solution to pending disputes. Our own painful experience in recent dispute cases made us acutely aware of the need to address underlying issues of the WTO dispute settlement system. Therefore, Japan strongly believes that any attempts to adopt measures of provisional nature must serve the ultimate purpose of achieving a long-lasting reform of the WTO dispute settlement system. I also would like to stress whatever a long-lasting reform we will achieve, we must remember a fundamental principle underlying the WTO or the GATT dispute settlement system is to resolve disputes through bilateral consultations.

## **4 Sectoral Policies**

#### <Agriculture>

##### - Agricultural Measures -

A number of Members referred to agricultural support in Japan. Japan's measures on agricultural products are consistent with the WTO Agreements, including domestic support, tariffs system, Tariff

Rate Quota (TRQ) administration, and state trading. Regarding domestic support, Japan has reviewed its market price support policies and direct payments, as appropriate. TRQ administration is arranged based on the characteristics of each product, in which Japan is making utmost efforts to make the quota allocation and its administration fair and transparent, including making these operations publicly available through WTO notifications and on the official websites of the relevant Ministries.

- Agricultural Reform -

Japan also noted comments on the agricultural reform from a number of Members, and would like to emphasize that robust agricultural reform is under way. For example, Japan revised “the Basic Plan for Food, Agriculture and Rural Areas” in March 2020, in which the general direction is described to formulate policies on food, agriculture and rural areas with a vision for the next 10 years.

In response to the aging and declining population in rural areas, as well as changes in domestic and global markets, the planned measures aim, for example, at:

- improving the productivity by consolidating farmlands, promoting “smart agriculture” and utilization of digital technology, and,
- generating income and employment opportunities utilizing regionally available resources such as biomass and local specialties.

### <Fishery Subsidies>

Some Members referred to fisheries subsidies.

In light of the Sustainable Development Goals (SDGs) and the Ministerial declarations and decisions, Japan continues to participate in text-based discussions in an active and constructive manner.

While Japan will express its views on individual points at coming negotiations, it should be emphasized that the disciplines of fisheries subsidies should be targeted to the environmentally harmful subsidies as mandated by the SDGs, and that the role of appropriate fisheries management in ensuring the sustainability of fisheries resources should be duly recognized in the disciplines.

## **5 Conclusion**

As I mentioned on the first day, we feel much honored to become the first Member to be reviewed after the suspension of the TPR process due to the COVID-19 since this March. The TPRM is more important than ever, with all the uncertainties and anxieties caused by the COVID-19 crisis. I hope that Japan's robust and unwavering commitment to this mechanism is loud and clear to everyone, given the intensive work my team has cooperated with you all for such an aggressive timeline of preparation. I wish to conclude my remarks by expressing my sincere gratitude to Mr. Chair, Ambassador Dagfinn Sørli, the Secretariat and all the Members for your invaluable contribution and support to make this 14th Trade Policy Review of Japan a productive and a successful one.

Thank you.

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