

Trade Policy Review of Japan 2023

Opening Statement by Japan

Day 1 (1 March 2023)

Thank you Chair,

First, Japan would like to express our heartfelt condolences to people who lost their beloved family members and friends in the devastating earthquake in Türkiye and Syria, as well as in the cyclone disaster in New Zealand.

1 Introduction

Today, I am very pleased to be here representing Japan, I would like to express our sincere appreciation to the Chair, Ambassador MOLOKOMME. Japan also extends its warmest thanks to Ambassador AGUIAR MACHADO, whom we are honored to have as a Discussant. We would also like to acknowledge the WTO Secretariat, especially Mr. ALFARO, Director of the TPR Division and his team's dedicated work over the past months. We also extend our thanks to all the ambassadors and delegates who are participating in today's meeting.

For this review, we received more than 600 questions from over 30 members. We are pleased to have been able to answer almost all of them, including those submitted after the deadline.

The Trade Policy Review Mechanism worked very effectively in ensuring transparency of trade policies and practices of WTO Members, and contributed

to maintaining and strengthening the multilateral trading system. Japan has passionately supported the activities of the TPRM. On this occasion, we would like to reiterate the importance of transparency in strengthening the WTO functions, and very much welcome the 7th Appraisal exercise initiated after MC12.

Japan has achieved economic growth as a trading nation and has been consistently committed to free and fair trade, and to the multilateral trading system. Japan's attitude has remained unwavering even in the midst of the current situation where protectionist trends after the COVID-19 pandemic and global economic uncertainty have become apparent. I would like to introduce some of our country's key initiatives during the review period.

2 Economic policies aimed at both tackling social issues and achieving economic growth

(1) Toward More Difficult Times

Since the previous review, the global environment has undergone dramatic changes, including the COVID-19 pandemic, Russia's invasion of Ukraine, worsening climate change, and natural disasters. In Japan, the potential growth rate remains sluggish against the backdrop of a declining birthrate, aging population, and low productivity growth rate.

The COVID-19 pandemic revealed that a supply chain that is excessively dependent on a specific country or region cannot secure the healthcare

needed for citizens and cannot ensure stable production for companies.

Russia's invasion of Ukraine is creating unthinkable death and destruction to the Ukrainian people. The brutal actions against Ukraine is a clear violation of the fundamental principles of international law, which is the basis of the WTO, and pose a serious threat to world peace and security.

(2) Implementing the Kishida Administration's "New Capitalism" Policy

Facing these difficulties, Prime Minister Kishida formulated the "Grand Design and Action Plan for a New Form of Capitalism" in June 2022. The New Capitalism has four priority areas: (1) investment in people and distribution, (2) investment in science technology and innovation, (3) investment in startups, and (4) investment in green transformation (GX) and digital transformation (DX).

The first three areas, human capital accumulation, including the facilitation of labor mobility by improving skills; advanced technology development; and start-up incubation are critically important in Japan where we are facing future labor shortages. In addition, digital transformation and green transformation are key areas to facilitate the transition to a post-COVID-19 society, as well as a new source of value-added.

In addition, many Members asked in their written questions about Japan's recent measures for intellectual property (IP). Japan is very conscious that creating, protecting, and utilizing intellectual property is vital for economic growth. During the review period, Japan revised the Basic Act on Science and

Technology, and set a new target of achieving about JPY 30 trillion (about USD 220 billion) of R&D investment by the government and JPY 120 trillion (about USD 880 billion) of R&D investment by the public and private sectors combined over the next decade.

In these increasingly difficult times, the scope of national security is rapidly expanding to the areas of economy and technology, and Japan will address national and economic security, as well as prioritize sustainable and inclusive growth. The Economic Security Promotion Act enacted in May 2022 provides a framework for (1) ensuring the stable supply of critical goods, (2) ensuring the stable provision of key infrastructure services, (3) supporting the development of cutting-edge critical technologies, and (4) keeping patent applications undisclosed. These measures are clearly consistent with the WTO Agreement.

3 Japan's free and open trading system

(1) Contribution to the multilateral trading system with the WTO at its core

The multilateral trading system with the WTO at its core is the cornerstone of global trade and continues to be a pillar of Japan's trade policy. Japan has proactively participated in each of the WTO's three functions.

Regarding the negotiation function, Japan, as co-convenor of the e-commerce negotiations in the WTO, is leading the formation of high-level rules, including the liberalization of data flow, "Data Free Flow with Trust (DFFT)". The DFFT, advocated by former Prime Minister Abe at the 2019 Davos Forum, was shared

as a foundational concept for data utilization and the launch of the "Osaka Track" was declared at the G20 Osaka Summit. As the importance of digitalization of the economy is widely recognized and further strengthened due to the impact of the COVID-19 pandemic, we will further accelerate negotiations in order to expand the circle of cooperation among the volunteer countries and to bring about concrete results.

We have been constructively engaged in negotiations on agriculture, including negotiations with reference to non-trade related concerns. In particular, given the current situation, food security is one of the issues that we need to tackle in an urgent manner. Also, as one of the biggest net food-importing countries in the world which relies on imports for more than 60% of our food needs, food security is at the forefront of citizens' concerns throughout Japan. From this viewpoint, we are prepared to participate in the discussions, including the technical ones, to find pragmatic outcomes.

We have also been actively engaged in the negotiations on fisheries subsidies. Currently, we are in the domestic process of concluding the Agreement on Fisheries Subsidies adopted at MC12, and we recently contributed approximately CHF 760,000 to the newly established fund based on this agreement, as the first Member to do so.

On dispute settlement, Japan continues to set out to achieve, as the utmost priority, a DS reform that will contribute to a long-lasting solution to the structural and functional problems of the dispute settlement system in the WTO. In this

regard, we will participate actively in the informal discussions currently led by Members, so that the Members will be able to achieve DS reform by 2024 as agreed at MC12.

(2) Promotion of Regional Trade and Investment Agreements

Next, we will introduce our efforts regarding regional trade and investment agreements.

As part of efforts to build a free and fair economic order based on rules, Japan is promoting economic partnership agreements such as the CPTPP. The CPTPP is of significant importance in that it spreads high-standard, balanced rules for a new era of trade around the world and will play a very important role in the future economic order of the Indo-Pacific region and beyond. Since the last review, the UK-Japan CEPA and RCEP agreements have entered into force, and the EPA/FTA ratio of Japan's trade now accounts for about 80% of total trade.

Against this backdrop, Japan's tariffs are among the lowest in the world. Japan's simple average tariff rate for all items is 4.6%, and the simple average effective tariff rate is 6.3% on an applied basis. In FY2022, about 40% of all items, excluding those under preferential tariff systems, were duty-free. In addition, in June 2020, Japan formulated an action plan to promote the digitization of customs procedures and the automation of customs inspections by actively incorporating AI and other advanced technologies, and all possible measures are being taken to improve the environment for the expansion of cross-border logistics by further developing economic partnership agreements

and other measures.

Regarding investment-related agreements, 55 investment-related agreements have been signed or entered into force. Including those currently under negotiation, 94 countries and regions and about 93% of Japan's total outward direct investment will be covered. In June 2021, Japan decided on the "Strategy for Promoting Foreign Direct Investment into Japan" and aims to increase the balance of inward direct investment to JPY 80 trillion, or 12% of GDP, by 2030. Attracting highly skilled human resources, technology, and abundant funds from overseas will contribute to strengthening the growth potential of the Japanese economy as a whole and to revitalizing local economies.

(3) Commitment to Development and Economic Cooperation

Next, I would like to discuss development and economic cooperation.

Japan strongly recognizes the importance of Aid for Trade (AfT), which supports developing countries' own efforts in various aspects, especially for the capacity building that is necessary for trade expansion in developing countries, and for improving infrastructure to boost trade. Japan has been one of the top donors to the AfT. To promote international trade, Japan has provided assistance through the WTO and the International Trade Center (ITC), including AfT assistance totaling approximately USD 10 billion in 2020.

Japan is also taking the lead in development in Africa. At the 8th Tokyo International Conference on African Development (TICAD8) held in Tunisia in

August last year, Japan, as a "partner that grows together with Africa", proposed initiatives that emphasize "investment in people" and "quality of growth" in order to realize the resilient Africa that Africa itself aspires to be. In terms of concrete measures, the "Africa Green Growth Initiative" has been launched with a total public-private investment of USD 4 billion, and the business community has welcomed a plan to establish a "start-up investment fund" of over JPY 10 billion (about USD 74 million), targeting start-up companies engaged by energetic young people in Japan and Africa.

In addition, Japan attaches great importance to the implementation of the WTO Trade Facilitation Agreement in developing countries and strongly supports the international harmonization and simplification of customs procedures in cooperation with the WCO and other relevant organizations. Most recently, for example, Japan has supported Laos in improving its customs clearance system through risk management, and Cambodia in introducing an Authorized Economic Operator (AEO) system. The WCO also supports human resource development in the field of customs in Pacific island countries and Africa in cooperation with JICA. Furthermore, Japan contributes funds to the Customs Co-operation Fund (CCF) established in the WCO on a voluntary basis each year, and provides technical cooperation through the WCO to a wide range of regions.

Japan provides preferential tariffs under the GSP scheme to 131 developing countries, and has extended the term of validity of these tariffs to 2031. With regard to imports from Least Developed Countries (LDCs), the percentage of LDC products eligible for duty-free and quota-free treatment has been

expanded to about 98% of the products, exceeding the agreed level in the Hong Kong Ministerial Declaration.

With regard to accession to the WTO, Japan also places importance on the integration of developing countries into the multilateral trading system, and has been actively involved in the accession process of LDCs such as Timor-Leste, as well as supporting Sudan's new accession as Chair of the Working Party on Accession since 2016.

(4) Request for Removal of Import Restrictions on Japanese Food Products

Twelve years have passed since the Great East Japan Earthquake struck Japan on 11 March 2011. Many countries and regions have either lifted or relaxed restrictions on imports of Japanese food products introduced by some Members after the Fukushima Daiichi Nuclear Power Plant accident. We would like to express our gratitude to those Members for responding with objective assessment based on scientific evidence. Japan sincerely hopes that the remaining import restrictions will be lifted or relaxed as soon as possible.

4 Conclusion

When the WTO was launched in 1995, the future of the WTO was bright and more was expected of the organization, but now, 28 years after its launch, the breakdowns that were unforeseeable at the time are becoming apparent, and the repair work is urgently needed. While some of the repairs may be

patchwork, others may require extensive remodeling.

Japan reaffirms its commitment to cooperating with all WTO Members in the reform of the WTO. In this regard, Japan commits to working to ensure transparency and a level playing field to foster an enabling business environment, and to support the integrity and sustainability of a rules-based multilateral trading system.

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