

Trade Policy Review of Japan 2023

Closing Statement by Japan

Day 2 (3 March 2023)

1. Introduction

Thank you, Madam Chair,

I highly appreciate the insightful remarks made by the discussant, Ambassador AGUIAR MACHADO on Wednesday, as well as our Chair, Ambassador MOLOKOMME for your excellent management of the long meeting on the 1st day and for the concluding remarks you will soon deliver at the end of this meeting.

I would also like to show our appreciation to all the Members who have made interventions, sometimes in perfect Japanese, and all those who have submitted the written questions. Let me also extend our great thanks to the Secretariat team for all the work they have put into Japan's 15th Trade Policy Review.

I sensed that there was enormous interest in the Japanese economy and its trade policies, and high expectations for Japan's contribution to the global economy. This time, as before, each Member's intervention has helped and will help us look at our own policies from different angles and improve them.

There were also concerns raised by some Members over Japan's policies. I so much appreciate those interventions as well. Hereafter, I would like to briefly respond to several comments or questions raised on Wednesday.

2. Economic Environment

Since 2013, under Abenomics, Japan's GDP has expanded to a historically high level both in nominal and real terms, and consumer prices rebounded as a result of this policy and are no longer in a deflationary situation. And now, under the New Capitalism policy, Japan is taking initiatives to further develop the achievements gained through Abenomics.

Population aging and women empowerment

I appreciate some Members' interests in Japan's efforts in labor market policy. In response to its ageing population and declining workforce, Japan has been making efforts to create an environment where women can smoothly find work even after having their first children.

The labor force participation rate for women has increased significantly over the last decade. Women workers increased by about 3.4 million between 2012 and 2021. The employment rate of women in the child-rearing period (aged 25 to 44) has increased by more than 10 percent to 78.6% during the same period. In addition, the number

of women executives in listed companies has also risen 5.8 times, which could contribute to narrowing the gender wage gap in Japan, because one of the main causes behind the gap seems to be the low ratio of women in management positions in the workforce.

I would also like to mention that the number of foreign workers in October 2022 reached a record high of 1.82 million. In 2022, Japan launched 218 policies to further improve the environment for accepting foreign nationals.

ILO Conventions

As for ILO Convention No. 111, Japan recognizes the importance of its ratification. Further examination of its consistency with domestic legislation is still required and we have held annual meetings to exchange opinions with the representatives of workers and employers on unratified ILO Conventions, including Convention No. 111.

We will further consult with those representatives and continue to make efforts.

Public Debt

A question on Japan's efforts to reduce public debt was raised by the discussant and some Members.

While Japan is facing substantial deficits mainly due to expenditures to support the economy in response to COVID-19 and increased prices, the Japanese government aims to achieve a primary surplus

in FY2025. To achieve this goal, we believe it crucial to boost growth potential by advancing the New Capitalism Policy, to improve expenditure efficiency through well-targeted spending, and to further stabilize financial resources.

3. TRADE AND INVESTMENT REGIMES

WTO

Japan's delegation was particularly pleased to hear Members' positive assessment about the role Japan plays in the WTO; including our open trade policy and practice during the pandemic, our efforts on WTO reform, e-commerce and other JSIs as well as financial contribution to Fisheries Subsidies Voluntary Fund. During such challenging times as today, maintaining and strengthening the multilateral trading system continue to be our foremost priority.

Dispute Settlement

Japan continues to actively work together with other Members for DS reform. As it is important to ensure a means for a definitive legal settlement of disputes for the rule-based multilateral trade system, it remains Japan's utmost priority to have a fully and well-functioning DS system pursuant to the mandate adopted at the MC12. We will, in the meantime, also continue to consider the possibility of utilizing alternative means including MPIA.

Regional Trade Agreement

I would also like to reiterate that Japan remains committed to ensuring that Japan's RTAs are WTO-consistent. Some Members commented on our trade agreement with the United States and its compliance with their obligations under GATT Article 24. Japan is coordinating with the US on the notification to the WTO and will proceed with the appropriate procedure at an appropriate time after the completion of coordination.

Foreign direct investment to Japan

I would like to respond to comments regarding FDIs to Japan. Some Members asked for further clarification about the recent amendment of Foreign Exchange and Foreign Trade Act (FEFTA). Amended Act requires foreign investors seeking a 1% share of listed companies with importance to national security, public safety, public order and Japan's economy to submit prior notification and undergo a screening process.

While Japan recognizes that the unrestricted exercise of shareholders' rights is important for strengthening corporate governance, it also places great importance on preventing foreign shareholders' activities that could undermine the country's security.

I would like to stress that Japan has been exempting foreign investors from prior notification in cases not involving such risks. With that, I am confident that direct investment which is healthy for the Japanese economy will be promoted.

Economic security dimension

Many Members have called for detailed explanation on the Economic Security Promotion Act enacted in May 2022.

At the outset, I would like to stress that the Act is consistent with the WTO Agreement. Article 90 of the Act stipulates that "due attention shall be paid to consistency with treaties and other international agreements".

I would also like to reiterate that the Act is non-discriminatory. To give a clear example, foreign companies can apply for an approval for a plan to ensure stable supplies of specified critical products so long as they meet the requirements for that, and approved foreign companies are eligible for subsidies or other governmental supports in the same way as domestic companies.

4. Trade Policies

Tariffs

Some Members also pointed out that the structure of Japan's tariff regime is complex. I would like to stress that the total percentage of duty-free rates and ad-valorem rates account for more than 90% of the total tariff lines. For some of the remaining products, non-ad valorem rates are set due to specific conditions of each item in the domestic industry. In addition, we consider that the tariff regime is sufficiently transparent, as all tariff rates are listed in the relevant laws.

If you have any questions or need further clarification, Japan will be ready to explain in detail at any time.

SPS

Regarding animal and plant health, as a Member of the WOA and IPPC, Japan decides import measures based on scientific risk assessments in accordance with the SPS Agreement and relevant international standards, and also determines whether trading partners' SPS measures are scientifically reasonable or not in the same way. When Japan conducts a risk assessment, Japan closely consults with a requesting Member based on sufficient information provided by the Member and examines its request according to the results of the risk assessment. We are confident that this procedure is consistent with the SPS Agreement and relevant international standards, and the information about the whole procedure will be made public to ensure transparency.

Japan will continue to provide necessary information to Members as promptly as possible in order to ensure transparency in accordance with the SPS agreement.

TBT

Several Members referred to Japan's measures regarding the TBT (Technical Barriers to Trade) Agreement, specifically its compliance with international standards.

In general, they are based on relevant international standards, to the maximum extent possible, in accordance with the TBT Agreement. Regarding Japanese Industrial Standards (JIS) and Japan Agricultural Standards (JAS), 97% and 77% of them are harmonized with relevant international standards.

ALPS Treated Water from Fukushima Daiichi Nuclear Power Station

There was a statement on the "release of the Fukushima effluent", but let us emphasize that the water to be discharged will have been sufficiently purified below the regulatory standard, and that will be then further diluted.

Japan has been carrying out this process under the IAEA's independent and rigorous review and will never allow the discharge in a manner that adversely affects human health and the marine environment.

Government Procurement Agreement (GPA)

Regarding the comments on the Government Procurement, Japan, as a Party to the Government Procurement Agreement (GPA), has made a wide range of efforts to increase opportunities for foreign suppliers to gain access to the Japanese market. Japan has voluntarily established non-discriminatory, fair and transparent procedures that exceed the level stipulated in the GPA.

Japan has also made efforts to promote the transparency of procurement processes in order to make them more user-friendly for foreign participants. The central government publishes an annual schedule of its procurement plans well in advance and holds seminars on its procurement for foreign entities and diplomatic corps stationed in Tokyo. In addition, for the convenience of foreign participants, the Japan External Trade Organisation (JETRO) has established an English-language portal site on government procurement on its website.

5. Sectoral Policies

Agriculture

Japan takes note of many comments on Japan's agricultural policies. To begin with, Japan has long been the world's second largest net importers of food, with imports of 74.8 billion USD and exports of 9.2 billion USD in 2021. Japan has certainly contributed to the well-being of food exporting economies.

Food security has been one of the biggest issues for Japanese agriculture, and become an even more urgent issue, as the COVID-19 pandemic and the heightened geopolitical tensions have raised concerns about supply chain disruptions and the soaring prices of agricultural products and inputs such as fertilizers. In order to address these globally shared problems of food insecurity as well as the environmental challenges, Japan will make its agriculture and food

system more resilient and sustainable in a way that does not affect trade flows in agricultural goods.

Japan's measures on agricultural and forestry products are consistent with the WTO Agreements, including domestic support, tariffs system, and Tariff Rate Quota (TRQ) administration. As for TRQ administration, including state trading, Japan has been making the utmost efforts to keep the quota administration fair and transparent through WTO notifications and information sharing on the official websites of the relevant Ministries.

Climate change and sustainability

We appreciate Members' interests in how the Japanese government will achieve internationally committed targets of reducing greenhouse gas emissions by 46% in 2030 and of net zero by 2050.

Let me introduce some of the most recent initiatives taken by Japan. Late last year, Japan announced the "Basic Policy for the Realization of GX" and announced the specifics of the "Pro-Growth Carbon Pricing" concept, which was one of the key elements in the New Capitalism Policy.

One element in this concept is that Japan will support upfront investment by raising funds through GX Economic Transition Bonds. With the funds, the Japanese government and the private sector will work together to realize more than JPY 150 trillion of public and private investments in GX over the next 10 years, in order to

simultaneously achieve international commitments such as carbon neutrality by 2050 and to strengthen industrial competitiveness and economic growth.

Japan also has released the timeline for the future introduction of carbon pricing. The emissions trading in Japan will phase in a trial operation in FY2023, and then start its full-scale operation from FY2026. In addition, the carbon surcharge, which is designed to be increased according to the amount of CO2 emissions per unit of fossil fuel, is scheduled to start in 2028.

Manufacturing

Some Members raised concerns about the WTO-consistency of Japan's industrial subsidy programs. I would like to stress that those programs are designed and operated in a non-discriminatory manner and thus are consistent with the WTO Agreement.

6. Conclusion

I hope that Japan's robust and unwavering commitment to this mechanism is loud and clear to all Members.

As I mentioned on Wednesday, the multilateral trading system is facing unprecedented challenges. Given the need to address those challenges, Japan will closely continue to cooperate with WTO Members on WTO reform including issues such as DS reform, securing a level playing field, and addressing non-market and unfair trade practices.

Thank you.

(EOL)