

TRADE POLICY REVIEW

Report by

JAPAN

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Japan is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Japan.

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I. TRADE AND ECONOMIC ENVIRONMENT

(1) JAPAN'S ECONOMIC ENVIRONMENT – RECOVERY FROM THE GREAT EAST JAPAN EARTHQUAKE

1. The Japanese economy, which had been in an expansionary phase since March 2009, was temporarily stagnated by the Great East Japan Earthquake in March 2011, mainly due to a sharp decline in production and private consumption. After that, the economy picked up as the supply chains of production activities were gradually re-established. In the first half of 2012, the Japanese economy was on the way to recovery at a moderate pace mainly driven by domestic demand including reconstruction demand, although it has sounded a weak tone recently due to the deceleration of the world economy. Regarding prices, the Japanese economy is in a mild deflationary phase, although the tempo of deflation has been slower.

(2) TRENDS IN FOREIGN TRADE

2. In 2010, the amount of Japanese trade was strongly recovering from the great decrease due to the world economic crisis. In 2011, however, Japan's exports decreased due to the Great East Japan Earthquake, an appreciation of the yen, Thai floods, and weak global demand. At the same time, imports continued to rise, driven by high crude oil prices and increasing demand for fuel for thermal power plants. As a result, the annual trade balance moved into deficit in 2011 (¥2.56 trillion deficit).

3. The total value of exports from Japan in 2011 amounted to ¥65.54 trillion (a decrease of 2.7% from 2010)

-	Regional trends in the total value of exports in 2011 (compared to 2010)	
	China	down by 1.4%
	NIEs (inc. Korea; Singapore; Hong Kong, China; and Chinese Taipei)	down by 6.6%
	Association of South East Asian Nations	down by 0.8%
	United States	down by 3.4%
	European Union (EU)	up by 0.0%
	Middle East	down by 11.8%

4. The total value of imports to Japan in 2011 amounted to ¥68.11 trillion (an increase of 12.1% from 2010)

-	Regional trends in the total value of imports in 2011 (compared to 2010)	
	China	up by 9.2%
	NIEs (inc. Korea; Singapore; Hong Kong, China; and Chinese Taipei)	up by 8.5%
	Association of South East Asian Nations	up by 12.5%
	United States	up by 0.3%
	European Union (EU)	up by 10.1%
	Middle East	up by 23.5%

(3) TRENDS IN FOREIGN DIRECT INVESTMENT

5. The amount of FDI stocks steadily increased until 2008, with a total of ¥18.5 trillion (3.6% of GDP) in CY2008 and ¥17.5 trillion (3.7% of GDP) in CY2011. As the Ministry of Internal Affairs and Communications reports, the situation of employment in foreign companies in Japan, according to

the "2006 Establishment and Enterprise Census", approximately 750,000 regular employees were employed by companies which have more than 1/3 of foreign equity.

2011 Outward FDI¹

6. According to a Ministry of Finance report, Japan's outflow of foreign direct investment (FDI) (Outward FDI) increased to ¥9,126.2 billion in CY2011, which represents an increase of 84.8% from CY2010 (an increase of ¥4,187.4 billion). The major characteristics of Japan's Outward FDI in CY2011 were as follows:

- By Industry: In CY2011, Outward FDI in manufacturing industries increased to ¥4,559.9 billion (i.e. by 194.1%). The chemical & pharmaceutical, food, and electric machinery sectors increased sharply mainly due to large M&A deals. Outward FDI in non-manufacturing industries also increased to ¥4,566.3 billion (i.e. by 34.8%). The mining, wholesale & retail, and finance & insurance sectors increased sharply, and all other sectors increased slightly.
- By Region: In CY2011, Outward FDI to North America increased by 52.1% to ¥1,187.9 billion, to Asia by 64.0% to ¥3,120.9 billion, to Europe by 146.0% to ¥3,143.7 billion, and to Central & South America by 83.3% to ¥878.6 billion.

2011 Inward FDI²

7. In CY2011, the FDI flow to Japan (Inward FDI) decreased to minus ¥140.3 billion (the outflow of capital), which represents a decrease of 27.7% from CY2010 (a decrease of ¥30.4 billion). The major characteristics of inward FDI flow to Japan in CY2011 were as follows:

- By Industry: In CY2011, the inward FDI flow in the manufacturing industries slightly increased (from ¥167.2 billion in CY2010 to ¥198.1 billion), but in the non-manufacturing industries it decreased slightly (from minus ¥277.1 billion in CY2010 to minus ¥338.4 billion). The chemical & pharmaceutical, electric machinery, and wholesale and retail sectors increased sharply, but many sectors decreased.
- By Region: In CY2011, the amount of inward FDI from Asia and North America decreased sharply; on the other hand, that from EU increased.

II. TRADE AND INVESTMENT POLICY

(1) OVERVIEW

8. Since Japan's trade policy review in 2011, Japan has taken various measures to further promote liberalization of international trade. Together with continuing efforts to advance the ongoing Doha Development Agenda negotiations, Japan has also moved forward bilateral negotiations on Economic Partnership Agreements (EPAs), which have made positive steps and complemented the multilateral trading system.

9. As one of the largest trading economies in the world, Japan maintains its strong support for the non-discriminatory and rule-based multilateral trading system under the WTO for the growth of

¹ Source: Balance of Payments.

² Source: Balance of Payments. <http://www.boj.or.jp/en/statistics/br/bop/index.htm/>.

the world economy and the benefit of developing countries. Japan has long made efforts to lower trade barriers under that system, which has created opportunities for all countries to enjoy the fruits of international trade.

10. In the face of rising instances of protectionism around the world, Japan welcomes the strong statement coming from the G20 Los Cabos Summit on the standstill and rollback commitment. Given the uncertainty and the downside risks of the world economy, trade should lead the world economy. Japan will continue to abide by the leaders' commitment and fully engage itself in the strengthening of the monitoring exercises of the WTO.

11. Japan is currently a party to 13 Economic Partnership Agreements (EPAs). EPAs include elements of Free Trade Agreements and institution-building which cover such areas as investment, competition, intellectual property rights and human resources development. Japan is also engaged in several on-going negotiations for EPAs. Japan believes that these agreements will serve as building blocks to achieve higher trade liberalization at the multilateral level.

12. On 9 November 2010, the Government of Japan adopted a "Basic Policy on Comprehensive Economic Partnerships"³ by Cabinet decision.

13. The Asia-Pacific region in particular is of importance for Japan, politically, economically, and with regard to security, and Japan has a vital interest in its being stable and prosperous. The Free Trade Area of the Asia-Pacific (FTAAP) is an important initiative that would enable Japan to help create a seamless Asia-Pacific region. Japan will play a leading role in actively promoting bilateral Economic Partnership Agreements (EPAs) within the Asia-Pacific region, broader regional economic partnerships, and sectoral approaches in the APEC, and will take initiatives to formulate trade and investment rules designed for the 21st century in the Asia-Pacific region.

(2) WTO

14. Maintaining and strengthening the multilateral trading system under the WTO remains a fundamental basis of Japan's trade policy. Since the last review, despite the impasse reached in the Doha Development Agenda negotiations, Japan has played an important role in pursuing progress. In line with the outcome of the Eighth Ministerial Conference in December 2011, Japan is continuously committed to exploring different negotiating approaches while respecting the principles of transparency and inclusiveness.

(i) Rule setting

15. Japan welcomes the recent progress in specific areas such as trade facilitation, expansion of ITA product coverage and membership and further liberalization of trade in services. Regarding trade facilitation, Japan continues to play a constructive role in advancing the negotiations for more simplified and reasonable trade procedures as well as more transparent, predictable and consistent administration of trade regulations. At the same time, Japan actively supports efforts made by developing countries and least developed countries on trade facilitation through technical assistance, in collaboration with relevant international organizations including the WCO (World Customs Organization) and the ADB (Asian Development Bank). Japan has dedicated itself to the ongoing discussions on the expansion of ITA product coverage and membership, and also been participating in the plurilateral initiative over the past several months with other voluntary WTO members for a possible services agreement.

³ <http://www.mofa.go.jp/policy/economy/fta/policy20101106.html>.

16. Japan actively engaged in the further negotiations on the Government Procurement Agreement, which were successfully concluded in December 2011. With the entry into force of the revised GPA, foreign suppliers would be able to participate in the expanded government procurement market of Japan in terms of the threshold of the central government entities, entities of sub-central level, as well as services. Japan will seek prompt acceptance and implementation of the revised GPA within Japan as was decided in December 2011 for the prompt entry into force of the Agreement.

17. Meanwhile, in addition to bilateral EPAs with non-GPA parties such as Chile and Mexico, Japan negotiated government procurement chapters in its EPA with Peru, which became effective on 1 April 2012, based on the GPA text. Japan believes these efforts will help to promote the principles of the GPA among non-GPA parties.

(ii) Dispute Settlement

18. Dispute Settlement is one of the main pillars and strengths of the WTO. Japan has actively utilized the WTO dispute settlement mechanism to resolve disputes as both a party and a third party to a dispute. Japan continues to seek improvements and clarifications of the Dispute Settlement Understanding (DSU) which will serve Members' shared interests by enhancing compliance with trade rules and ensuring the integrity and credibility of the rule-based trade system. Japan attaches importance to the DSU revision negotiations and has actively contributed to the negotiations with a view to achieving a successful outcome.

(iii) Development

19. Japan has been actively participating in the discussions related to various development agenda such as Aid for Trade, recognizing that integrating developing and least-developed countries in the multilateral trading system is one of the essential roles of the WTO. In particular, Japan has actively supported LDC accessions through technical assistance to accession applicants to build their trade capacity like the support for the Lao People's Democratic Republic in 2010 and 2011 and implementation of the WTO rules by new Members.

(3) FTA/EPAs

20. Maintaining and strengthening the multilateral trading system under the WTO has been a main pillar of Japan's external economic policy. At the same time, Japan has also promoted its regional and bilateral trade policies as means of complementing the multilateral trading system, particularly through Economic Partnership Agreements which include elements of Free Trade Agreements and institution-building.

21. The data concerning the Economic Partnership Agreements is summarized in the table below.

Table
Economic Partnership Agreements to which Japan is a party

Country	Date of the entry into force	Additional information
Singapore (The Japan-Singapore Agreement for a New Age Economic Partnership)	30 November 2002	<ul style="list-style-type: none"> - From 2001 to 2011, the trade volume between the two countries increased by 17%. - From 2001 to 2009, investment by Japanese companies in Singapore also increased by 203%. - The third Supervisory Committee was held in January 2007. - Joint Committees on Customs Procedures, Paperless Trading, Mutual Recognition, Mutual Recognition of Professional Qualifications, Intellectual Property, Financial Services Cooperation, ICT, Science and Technology, Trade

Country	Date of the entry into force	Additional information
		and Investment Promotion, SMEs, Broadcasting, and Tourism have been held to date.

Table (cont'd)

Mexico (The Agreement between Japan and the United Mexican States for the Strengthening of the Economic Partnership)	1 April 2005	<ul style="list-style-type: none"> - The amended Agreement came into effect in September 2007. - The partial amendment of the Annex (IIA "Product-Specific Rules" and IIB "Minimum Data Requirement for Certificate of Origin") came into effect in January 2008. - From 2004 to 2011, the annual trade volume between the two countries increased by 42%. (source: Japanese Customs) - From 2004 to 2010, annual investment flows (assets) of Japanese companies in Mexico also increased by 245%. (source: Bank of Japan) - The Seventh Joint Committee was held in February 2012. - The Protocol Amending the Agreement between Japan and the United Mexican States for the Strengthening of the Economic Partnership was signed in September 2011 and entered into force in April 2012. - Sub-Committees on Trade in Goods, SPS Measures, Technical Regulations, Standards and Conformity Assessment Procedures, Rules of Origin, Certificate of Origin and Customs Procedures, Cross-Border Trade in Services, Entry and Temporary Stay, Government Procurement, Cooperation in the Field of Trade and Investment Promotion, Cooperation in the Field of Agriculture, Cooperation in the Field of Tourism, and also the Special Sub-Committee on Steel Products and the Committees for the Improvement of the Business Environment have been held to date.
Malaysia (The Agreement between the Government of Japan and the Government of Malaysia for an Economic Partnership)	13 July 2006	<ul style="list-style-type: none"> - From 2005 to 2010, the trade volume between the two countries increased by 18%. - From 2005 to 2010, investment of Japanese companies in Malaysia also increased by 35%. - The second Joint Committee was held in December 2008. - Sub-Committees on Trade in Services, Improvement of Business Environment, Cooperation, Rules of Origin, Intellectual Property, Sanitary and Phytosanitary, Investment, Trade in Goods, and Technical Regulations, Standards and Conformity Assessment Procedures have been held to date.
Chile (The Agreement between Japan and the Republic of Chile for a Strategic Economic Partnership)	3 September 2007	<ul style="list-style-type: none"> - From 2006 to 2010, investment of Japanese companies in Chile increased by 455%. - The second Commission was held in April 2009. - Committees on Trade in Goods and Improvement of Business Environment and a Working Group on Fish and Fishery Products have been held to date.
Thailand (The Agreement between Japan and the Kingdom of Thailand for an Economic Partnership)	1 November 2007	<ul style="list-style-type: none"> - From 2006 to 2011, the trade volume between the two countries increased by 7%. - The third Joint Committee was held in September 2011. - Sub-Committees on Trade in Services, Rules of Origin, Small and Medium Enterprises, Paperless Trading, Enhancement of Business Environment, Customs Procedures, Tourism, Agriculture, Forestry and Fisheries, Trade in Goods, and Movement of Natural Persons have been held to date.
Indonesia (The Agreement between Japan and the Republic of Indonesia for an Economic Partnership)	1 July 2008	<ul style="list-style-type: none"> - From 2007 to 2011, the trade volume between the two countries increased by 76%. - The first Joint Committee was held in July 2008. - Sub-Committees on Rules of Origin, Trade in Goods, Trade in Services, Movement of Natural Persons, Cooperation,

Country	Date of the entry into force	Additional information
and Investment have been held to date.		
Table (cont'd)		
Brunei (The Agreement between Japan and Brunei Darussalam for an Economic Partnership)	31 July 2008	<ul style="list-style-type: none"> - From 2007 to 2011, the trade volume between the two countries increased by 51%. - The first Joint Committee was held in July 2008. - Sub-Committees on Trade in Services and Cooperation have been held to date.
ASEAN (The Agreement on Comprehensive Economic Partnership among Japan and Member States of the Association of Southeast Asian Nations)	1 December 2008 (Lao People's Democratic Republic, Myanmar, Singapore, Viet Nam) 1 January 2009 (Brunei) 1 February 2009 (Malaysia) 1 June 2009 (Thailand) 1 December 2009 (Cambodia) 1 July 2010 (The Philippines)	<ul style="list-style-type: none"> - The 7th Joint Committee was held in March 2012. - Sub-Committees on Rules of Origin, Trade in Services, Investment and Economic Cooperation have been held to date. - The Agreement is a legally independent agreement in relation to the bilateral EPAs between Japan and individual ASEAN Member States and thus the entry into force of the Agreement will neither nullify nor integrate those bilateral EPAs.
The Philippines (The Agreement between Japan and the Republic of the Philippines)	11 December 2008	<ul style="list-style-type: none"> - The third Joint Committee was held in February 2011. - Sub-Committees on Trade in Goods, Trade in Services, Rules of Origin, Investment, Movement of Natural Persons, Improvement of Business Environment, and Cooperation have been held to date.
Switzerland (The Agreement on Free Trade and Economic Partnership between Japan and the Swiss Confederation)	1 September 2009	<ul style="list-style-type: none"> - From 2009 to 2011, the total amount of export and import increased by 16%. - In 2011, the second Joint Committee and the first Sub Committee on Rules of Origin, Customs Procedures and Trade Facilitation of the Agreement were held.
Viet Nam (The Agreement between Japan and the Socialist Republic of Viet Nam for an Economic Partnership)	1 October 2009	<ul style="list-style-type: none"> - From 2009 to 2011, the total amount of export and import increased by 34%. - Sub-Committees on Movement of Natural Persons have been held to date.
India (Comprehensive Economic Partnership Agreement between Japan and the Republic of India)	1 August 2011	<ul style="list-style-type: none"> - The first Joint Committee was held in August 2011. - The sub-committee on TBT/SPS was held in October 2011.
Peru (The Agreement between Japan and the Republic of Peru for an Economic Partnership)	1 March 2012	
Under negotiation		
The Republic of Korea	Under negotiation (The negotiations commenced in December 2003.)	<ul style="list-style-type: none"> - Six rounds of negotiations were held. - Although no negotiations have been held since the end of the sixth round held in November 2004, four rounds of the working-level consultation were held by December 2009 to consider the resumption of negotiations. Director-general level consultations for the EPA were held in September 2010 and in May 2011.
GCC (Gulf Cooperation Council)	Under negotiation (Formal negotiations commenced in September 2006.)	<ul style="list-style-type: none"> - Two rounds of negotiations and four rounds of informal intermediate meetings were held. The latest meeting was held in March 2009.
Australia	Under negotiation (The negotiations commenced in April 2007.)	<ul style="list-style-type: none"> - Sixteen rounds of negotiations were held. The latest meeting was held in Tokyo in June 2012.
Mongolia	Under negotiation (The negotiations commenced in June 2012.)	<ul style="list-style-type: none"> - The first round of negotiations was held in June 2012 in Ulan Bator, Mongolia.
Canada	Under negotiation (The negotiations commenced in	<ul style="list-style-type: none"> - The first round of negotiations was held in November 2012 in Tokyo, Japan.

Country	Date of the entry into force	Additional information
	November 2012)	

(4) OTHER REGIONAL/BILATERAL ARRANGEMENTS

(i) Asia-Pacific Economic Cooperation (APEC)

22. Japan remains committed to APEC's mission of regional economic integration and to the Bogor Goals of free and open trade and investment. In 2010, APEC Leaders set forth the Yokohama Vision, which is a comprehensive, forward-looking framework for achieving growth and prosperity in the Asia-Pacific region in the 21st Century. Japan has continued and will continue to take a leading role in realizing this vision in close cooperation with other Member economies.

23. Japan believes that further trade liberalization is essential to achieving a sustainable global recovery in a time when economic growth and job creation have weakened in many economies in the aftermath of the global recession and natural disasters in the Asia-Pacific region. In this light, following the pledge against protectionism agreed upon at the APEC Economic Leaders' Meeting and Ministerial Meeting in Honolulu in 2011, APEC economic leaders met in Vladivostok in 2012 and reaffirmed the following three points: (i) to extend their standstill commitment through the end of 2015 to refrain from introducing new protectionist measures, (ii) to rollback existing protectionist measures and (iii) to continue maximum restraint in implementing WTO-consistent measures with a significant protectionist effect.

24. APEC's core mission continues to be further regional economic integration and expansion of trade in the Asia-Pacific region. APEC has pursued these objectives in 2011 by addressing next-generation trade and investment issues, including through our trade agreements and a Free Trade Area of the Asia-Pacific (FTAAP), which is a major instrument to further APEC's regional economic integration agenda. In this regard, Japan took the lead in identifying and promoting effective, non-discriminatory, and market-driven innovation policy as one of the next generation trade and investment issues. In addition, Japan has been committed to advancing APEC green growth objectives. In 2012, following the Honolulu Declaration, APEC Leaders reached a groundbreaking agreement on the APEC List of Environmental Goods (54 items) that directly and positively contributes to APEC green growth and sustainable development objectives, on which we will reduce applied tariff rates to 5% or less by the end of 2015, taking into account each economy's economic circumstances, without prejudice to APEC economies' positions in the WTO.

(ii) Asia-Europe Meeting (ASEM)

25. Japan believes that the economic dialogue and cooperation between Asia and Europe through ASEM will promote enhanced mutual understanding between the two regions on various economic issues, which could lead to increased trade and investment between Asia and Europe, as well as to the improved coordination of world economic issues of mutual concern relating to the WTO, RTA/FTA, IPR, etc, thereby contributing to the development of the global economy.

26. Japan has contributed to setting up the Authorized Economic Operator (AEO) programme and enhancing Combating Counterfeiting IPR enforcement as the Asian Coordinator at the ninth ASEM Customs Directors General-Commissioners Meeting in Hua Hin, Thailand in October 2011. Japan developed reports and recommendations, and endorsed the follow-up action on these areas. Furthermore, Japan led the follow-up on the implementation of the AEO recommendations at the

sixth meeting of the ASEM Working Group on Customs Matters, held in Chiang Mai, Thailand in September 2012.

(iii) Japan's Bilateral Activities outside of FTAs

The United States

27. As long-time allies and major trade partners, Japan and the United States continue to engage in a wide range of bilateral economic dialogues.

28. On the occasion of the Japan-U.S. Summit Meeting on 13 November 2010, the leaders issued the "Fact Sheet on New Japan-U.S. Initiatives" to launch a number of new initiatives, among others, the Japan-U.S. Economic Harmonization Initiative; the Japan-U.S. Dialogue to Promote Innovation, Entrepreneurship and Job Creation; and the Japan-U.S. Policy Cooperation Dialogue on the Internet Economy, with the intention to further strengthen economic ties between Japan and the United States.

29. The Economic Harmonization Initiative aims to contribute to the two countries' economic growth by promoting cooperation to harmonize approaches that facilitate trade, address the business climate and individual issues, and advance coordination on regional issues of common interest. Under this Initiative, the two Governments held a series of constructive discussions which covered a wide range of topics under the following four themes: (1) exchanging information on trade and economic-related policies of Japan and the U.S.; (2) promoting further Japan-U.S. cooperation in the economic field; (3) collaborating on common regional and global challenges; and 4) taking new steps to facilitate trade and to address the business climate and other issues. On 27 January 2012, the Japanese and the U.S. Governments publicized a "Record of Discussion" that summarized the general scope of bilateral discussions and exchanges as well as identified key outcomes of this work that took place over the period of February 2011-January 2012.

30. The Dialogue to Promote Innovation, Entrepreneurship and Job Creation, and the Policy Cooperation Dialogue on the Internet Economy, are policy-level dialogues intended to deepen bilateral policy coordination and lay the groundwork for greater Japan-U.S. cooperation in international fora.

31. Furthermore, on the occasion of the Japan-U.S. Summit Meeting on 30 April 2012, the two countries issued the "U.S.-Japan Joint Statement on Global Supply Chain Security." Recognizing the importance of the two economies to supply chains that power the global economy, Japan and the U.S. outlined ways to cooperate more closely to strengthen the security and resiliency of the global supply chain and promote the timely, efficient flow of legitimate commerce. The two countries seek to ensure that regional and global supply chains are prepared for, and can withstand, evolving threats and hazards, and can recover rapidly from possible disruptions such as terrorism and natural disasters.

European Union

32. With regard to the economic relations between Japan and the EU, the 20th Japan-EU Summit Meetings was held on 28 May 2011. At the 20th Summit, based on the result of the joint examination conducted by the Joint High Level Group, the leaders agreed to start the process for a negotiation for a deep and comprehensive Free Trade Agreement (FTA)/Economic Partnership agreement (EPA), addressing all issues of shared interest to both sides including tariffs, non-tariff measures, services, investment, intellectual property rights, competition and government procurement. With a view to defining the scope and level of ambition of the EPA/FTA negotiations, Japan and the EU had worked

on a “scoping exercise”. Following the successful conclusion of the scoping exercise, in July 2012, the European Commission submitted draft negotiating directives to the Council. Negotiations are expected to start once a mandate is obtained by the Commission. On 29 November 2012, the Council approved a mandate for the Commission to negotiate the EPA and authorised the opening of negotiations with Japan. Negotiations are to start in due course.

Russian Federation

33. The trade and economic relationship between Japan and Russia has been growing steadily in recent years. The trade turnover between the two countries reached a record high level of 30.7 billion USD in 2011. Japanese companies invest into the Russian market in such areas as automobile, machinery and energy industries. Automobiles occupy more than 60% of Japanese exports to Russia and three-quarters of Japanese imports from Russia are oil, gas and other mineral-related materials.

34. The “Japan-Russia Intergovernmental Committee on Trade and Economic Issues” at the ministerial level has been held since 1996 and contributes to the promotion of concrete projects and the solution of business problems in Russia. The most recent meeting was held on 20 November 2012 in Tokyo. In addition, the “Japan-Russia Advisory Council on Modernization of Russian Economy” was convened with the participation of private companies from both countries in 2010 and 2011. Japan expects that Russian accession to the WTO will improve the environment of trade and investment in Russia.

35. The Japanese Government established Japan Centres in six Russian cities, through which it offers technical assistance aimed at cultivating and training personnel who are expected to play an important role in the Russian economy and Japan-Russia business and economic relations. The Centres also proactively support business activities by providing institutional and corporate information, offering consulting services, etc. in order to promote business relations between companies of the two countries.

China

36. The economic interdependence between Japan and China is growing deeper. China has been Japan's largest trading partner since 2007. The mutual trade amount in 2011 reached US\$345 billion. According to China's statistical data, Japan was China's second largest trading partner in 2011 and regarding foreign direct investment in China, Japan invested US\$6.4 billion in 2011. According to China's data, 22,307 Japanese enterprises were conducting business in China as of the end of 2010. Japan has bilateral economic agreements and arrangements with China in the areas of trade, air transportation, maritime transportation, trademark protection, tax, investment, fisheries and mutual customs cooperation.

37. In December 2011, Prime Minister Noda expressed “Six Initiatives to further deepen a ‘Mutually Beneficial Relationship based on Common Strategic Interests’ on the occasion of the 40th anniversary of the normalization of diplomatic relations between Japan and China” during his visit to China. In line with the initiatives above, in May 2012, both leaders shared the view to further develop mutually beneficial economic relations in the fields of Finance, Energy-Saving and Environment, Tourism, Intellectual Property Rights, Agriculture and air transportation, etc. Regarding financial cooperation, direct exchange markets between yen and renminbi started on 1 June 2012 in the Tokyo and Shanghai Markets.

38. In 2007, for strategic economic dialogue at the ministerial level, Japan and China decided to establish the Japan-China High-Level Economic Dialogue. The first meeting was held in Beijing in

December 2007, the second meeting was held in Tokyo in June 2009 and the third meeting was held in Beijing in August 2010, in which both leaders expressed views to strengthen exchanges and cooperation in the fields of trade, investment, and protection of intellectual property rights, among other areas. The fourth meeting of the Dialogue is expected to be held as soon as the schedule is coordinated.

Korea

39. Economic interdependence between Japan and Korea is growing steadily. The mutual trade amount in 2011 reached US\$105.6 billion. Japan was Korea's second largest trading partner after China, and for Japan Korea was the third largest trading partner after China and the U.S. in 2011. Regarding foreign direct investment in Korea, Japan was the second largest investor with US\$2,280 million in 2011. Foreign direct investment from Korea to Japan amounted to US\$30 million.

40. In order to strengthen the economic relationship between Japan and Korea, the 10th Japan-Korea High-Level Economic Consultation was held on 24 November 2011. Both sides exchanged views to promote bilateral trade and investment and reaffirmed the importance of cooperation on global issues such as energy security and the environment. In addition, both sides confirmed the recent development of the cooperation between Japanese and Korean enterprises in third countries on projects of resource development and infrastructure, and reaffirmed the importance to support their activities. The 11th Japan-Korea High-Level Economic Consultation was held on 22 November 2012.

India

41. Under the "Japan-India Global Strategic Partnership", established by then-Prime Minister Abe and Prime Minister Singh in 2006, economic activities between two countries have been increased. The mutual trade amount in 2011 reached US\$17.8 billion. This figure is fourfold of that in 2001.

42. To further strengthen the bilateral economic partnership, Japan and India have been engaged in wide-ranging dialogues on trade, investment promotion and improvement of the business environment. The Fifth Japan-India Strategic Dialogue on Economic Issues was held in June 2011 in New Delhi. At the ministerial level, the first India-Japan Ministerial-Level Economic Dialogue was held in April 2012.

Africa

43. Japan attaches importance to the acceleration of the economic growth of Africa through the expansion of trade and investment and pledged a range of measures to promote trade and investment in Africa at the Fourth Tokyo International Conference on African Development in 2008, including the following:

44. First, in line with the pledge to assist in doubling Japanese private investment in Africa by 2012, Japan set up the JBIC (Japan Bank for International Cooperation) Facility for African Investment in April 2009 for financial assistance to Japanese private companies. In total, US\$2.5 billion will be and almost have been provided as financial support by JBIC over five years from TICAD IV. Second, Japan dispatched a Public and Private sector Joint Mission to African countries (the Republic of Zimbabwe and the Democratic Republic of Congo) from 18 to 25 August 2012. Efforts have also been made to raise the interest of Japanese private sector in business in Africa through such ways as holding a symposium on this issue. Third, Japan has been promoting the "One Village, One Product (OVOP)" movement on the African continent through

capacity building for the purpose of expanding the volume of trade between Japan and Africa. Fourth, trade and investment insurance is to be extended more flexibly.

45. In addition, Japan finds it important to promote intra-regional trade in Africa. Japan has pledged at TICAD IV to develop regional road networks and to introduce One Stop Border Posts (OSBP) at 14 crossing points of key regional roads to facilitate cross border procedures in close coordination with AU/NEPAD and Regional Economic Communities (RECs). As of the end of September 2012, Japan has completed the introduction of OSBP in 13 locations. The latest among them is the Rusumo International Bridge to be constructed between Tanzania and Rwanda, which will accommodate OSBP facilities.

46. Private sector development is also important to achieve sustainable development in Africa. In this context, Japan provided approximately US\$1 billion to implement comprehensive assistance to the African private sector under the Enhanced Private Sector Assistance (EPSA) jointly launched by Japan and AfDB (African Development Bank) Group in 2005. In 2012, Japan newly pledged another US\$1 billion over the next 5 years under the so-called EPSA-II to support further African efforts to develop its private sector.

MERCOSUR

47. In June 2011, Mr. Takeaki Matsumoto, Minister for Foreign Affairs at the time, participated in the 41st Summit Meeting of MERCOSUR in Paraguay for the first time as Japanese Minister for Foreign Affairs. He stressed, in his speech, the importance of strengthening economic ties between Japan and MERCOSUR, and proposed launching a dialogue as a forum for exploring possibilities to promote bilateral relations across a wide range of economic fields, including trade and investment.

(5) INVESTMENT POLICY

(i) Program for Promoting Japan as an Asian Business Centre and Direct Investment into Japan

48. On 16 December 2011, the Japanese government formulated a Program for Promoting Japan as an Asian Business Centre and Direct Investment into Japan, which summarized the policy measures concerning the creation of an attractive, world-class business and living environment to boost the competitiveness of Japan as a business location by leveraging its business location environment and to promote direct investment into Japan, foremost by building Japan into an business centre in Asia.

49. On 22 June 2012, the Japanese government performed follow-up on the program, and the government decided to undertake the following initiatives, among others: 1) “Double Direct Investment into Japan” which refers to expanding the FDI inward stock to ¥35 trillion by the end of 2020; and 2) “Open Reconstruction” by promoting FDI in Japan.

(ii) Act on Special Measures for the Promotion of Research and Development by Certified Multinational Enterprises

50. The Asian Business Location Bill (Bill on Special Measures for the Promotion of Research and Development by Certified Multinational Enterprises) was approved by the Diet in July 2012. The Act is to attract global companies establishing new R&D facilities and Asian regional headquarters in Japan; and global companies certified by the competent Minister will be granted corporate tax breaks, reduced patent fees and other incentives.

(iii) Investment Agreements

51. Japan has actively promoted the conclusion of investment agreements as they create stable, equitable, favourable and transparent conditions for greater investment through the removal of barriers to investment and provision of investor protections. Japan has so far concluded bilateral investment agreements with 19 countries and regions, and a trilateral investment agreement as well as EPAs which contain investment chapters with 10 countries.

52. From the viewpoint of harnessing global demand and making the most of the benefits of yen appreciation, Japan places a greater emphasis on the enhancement of foreign investment. Against this backdrop, Japan will proactively conclude investment agreements, taking into consideration the investment track record, the prospect for investment as well as the need to improve investment environment, and thus play a leading role in establishing new international investment rules.

III. TRADE AND DEVELOPMENT

(1) AID FOR TRADE

53. In order for developing countries including LDCs to reap further benefit from the multilateral trading system, trade liberalisation alone is not sufficient. Enhancing capacities on the supply side and encouraging assistance for this purpose is indispensable. Since Aid for Trade (AfT) initiatives contribute to enhancing the trade capacities of developing countries, Japan continues to provide various measures for AfT to this end, as well as promoting the "One Village, One Product" movement.

Japan's Development Initiatives for Trade

54. Japan announced the "Development Initiative for Trade", prior to the WTO Ministerial Conference in Hong Kong in December 2005. This Initiative contained: (a) implementation of Duty-Free and Quota Free Market Access for essentially all products originating from LDCs, (b) provision of US\$10 billion of financial assistance including trade, production and distribution infrastructure for three years (2006-2008), and (c) as part of (b), the exchange of a total of 10,000 trainees and experts in trade-related fields over the same period, targets of which were fully achieved. During the designated period (2006-2008) of the Initiative, the total sum of financial assistance amounted to US\$17.66 billion, which reached 177% of the target. The total sum of technical assistance consisting of dispatching experts and receiving trainees for the period (2006-2008) amounted to close to 50,000 persons, nearly five times as much as the targets.

55. Given the successful results of the above-mentioned first initiative, Japan announced a new AfT strategy, 'Development Initiative for Trade 2009' in July 2009. Its main pillar was US\$12 billion of financial assistance for trade-related projects including technical assistance for 40,000 persons in total for 3 years from 2009 to 2011. The 2009 initiative also consisted of reviewing the Generalized System of Preference (GSP) as a whole, improving AfT implementation and achieving the commitments made at the G20 London Summit in April 2009 in the area of trade finance.

Aid for Trade Asia-Pacific Regional Technical Group

56. Japan is executing not only a quantitative commitment but also a qualitative commitment under the Initiative 2009 which aims for improvement in efficiency of AfT. For instance, Japan has been fully involved in the AfT Asia-Pacific RTG (Regional Technical Group) since its inception in March 2009. The purpose of the RTG is to discuss the successful and rich experiences of aid activities in the Asia-Pacific region, to extract some elements of the effective aid and to share them

with other regions, particularly Africa. Japan hosted the Third RTG meeting in Tokyo in 2010 and submitted the first report to the Third Global Review of AfT, an opportunity for the WTO members to survey what has been achieved through AfT. In March 2013, Japan will host the Sixth RTG meeting in Tokyo to complete the second report which will be submitted to the Fourth Global Review in July 2013.

Tokyo International Conference on African development

57. In June 2013, Japan will host TICAD V, the Fifth Tokyo International Conference on African Development. TICAD has evolved into a major and unique global framework for promoting African development and has attracted high-level participants both from African countries and their development partners. Under the TICAD process, Japan has placed importance on trade facilitation in terms of promoting regional integration. In this regard, Japan has engaged in the “One Stop Border Post” (OSBP) project to facilitate smooth and efficient cross-border procedures, and it has contributed to promoting transport and trade in the region.

Assistance to the One Village, One Product Movement

58. The One Village, One Product (OVOP) is one of the typical approaches under these initiatives. OVOP is a movement which supports local economies through the development, improvement and promotion of local products (foods, beverages, textiles & garments, etc.) with the participation of local people. This movement was first initiated in a southern prefecture in Japan in the late 1970s and later spread to the other prefectures. It has been introduced and has contributed to the development of local economies in other Asian countries.

59. Japan supports this movement, especially the exports of developing countries and least developed countries through technical cooperation such as the dispatch of experts, educational and training programs to create competitive products, and support through international organizations. In addition, Japan has held exhibitions and trade fairs inviting buyers and has also opened shops (OVOP markets) since 2006 in some of Japan's international airports in order to introduce products and encourage shopping.

Standards and Trade Development Facility (STDF)

60. Japan has also been contributing to the Standards and Trade Development Facility (STDF) since 2009, with donations of approximately US\$864,000. The STDF is a joint initiative of WTO, World Bank, OIE and FAO in order to help developing countries improve their expertise and their capacity to analyze and implement international standards on sanitary and phytosanitary (SPS) measures, and works closely with the Enhanced Integrated Framework for Least-Developed Countries and Aid for Trade. Japan believes that enhancing food safety and controlling plant and animal diseases in developing countries will benefit developing countries and eventually the whole world; therefore, cooperation among donors and relevant international organizations is highly important.

(2) GENERALIZED SYSTEM OF PREFERENCES (GSP)

61. In order to improve market access for developing countries, Japan introduced a preferential tariff treatment under the GSP scheme on 1 August 1971, and has re-examined it several times since then. Furthermore, under the scheme, Japan has granted special preferential treatment to LDCs since 1980, including additional products for which preferences are granted only to LDCs. Currently, 138 developing countries and 7 territories, including all LDCs, enjoy the benefits of the GSP scheme. This scheme has been vastly improved over the last several years, especially in 2007 and 2011. In the

comprehensive "Development Initiative for Trade" launched on 9 December 2005, Japan announced its commitment to providing duty-free and quota-free (DFQF) market access for essentially all products originating from LDCs. Japan is fully committed to implementing the above initiative thus complying with the decision adopted in the Hong Kong Ministerial Declaration. In realization of the above-mentioned commitment, on 1 April 2007 Japan started improved DFQF treatment for LDCs by adding a variety of items to the treatment. As a result, the number of agricultural and fishery products originating from LDCs which receive DFQF preferential treatment increased from 497 to 1,523 and that of industrial products increased from 4,185 to 4,244⁴. Consequently, treatment coverage which was previously approximately 86% has risen to approximately 98% as defined at the tariff line level. On 1 April 2011, Japan extended the effective period of the GSP scheme to 31 March 2021. Japan abolished all ceiling-based schemes for certain industrial products and revised the criteria for application of competitiveness-focused, product-by-exclusion measures. The revision was made to make the criteria more objective and transparent and to allow less competitive developing countries to benefit more from the GSP scheme.

IV. JAPAN'S DOMESTIC POLICIES

(1) REGULATORY REFORM

62. The Council for the Promotion of Regulatory Reform (CPRR) was established in January 2007 as an advisory body to the Prime Minister for the purpose of accelerating regulatory reforms. The CPRR investigated and deliberated on reform issues and reported the outcomes to the Prime Minister while keeping close ties with the Headquarters for the Promotion of Regulatory Reform. The Cabinet authorized and revised "The Three-Year Program for Promoting Regulatory Reform" in line with the reports delivered by the CPRR, and each ministry took measures in accordance with the program. The CPRR was terminated in March 2010.

63. In March 2010, the Subcommittee on Regulatory and Institutional Reform was established under the Government Revitalization Unit. It has three working groups which are the (1) green innovation working group (environment and energy), (2) life innovation working group (medical and elderly care services), and (3) agriculture working group. The subcommittee and three working groups review existing regulations and systems mainly in those areas. Based on the proposals made by the subcommittee and working groups, the subcommittee delivered "the First Report by the Subcommittee on Regulatory and Institutional Reform" to the Government Revitalization Unit in June 2010. The Cabinet identified and decided on 61 items to be reformed based on the report.

64. The next series of the subcommittee and working groups were held from September 2010 to March 2011. The agriculture, forestry and regional development working group replaced the agriculture working group. The subcommittee and its working groups reviewed regulations and systems relevant to the "New Growth Strategy" (Cabinet decision in June 2010) and others. The subcommittee compiled the second report and the Cabinet identified and decided on 191 items to be reformed in total in April and July 2011 based on the report. By the same token, the third session of the subcommittee was launched in September 2011. The subcommittee established three working groups which are (1) the revitalization and reconstruction working group, (2) the energy working group, and (3) the agriculture working group. The subcommittee was upgraded to "The Committee on Regulatory and Institutional Reform" in May 2012 in order to reinforce the regulatory and institutional reform. In the same way as the previous sessions, the Cabinet identified and decided on 142 items to be reformed in total in April and July 2012.

⁴ Figures are as of 2007.

65. The fourth series of the review on existing regulations and systems by the committee began in August 2012 and will continue until June 2013.

(2) GROWTH AND FISCAL CONSOLIDATION

66. In order to achieve sustainable growth, the Government will simultaneously push ahead with economic growth and fiscal consolidation in a compatible manner.

67. In August 2012, Japan enacted “Comprehensive Reform of Social Security and Tax” bills that include a staged increase of the consumption tax rate (from 5% to 8% in April 2014, and to 10% in October 2015). This reform is the first step to achieving two important and urgent goals – (1) securing stable financial resources for social security and (2) fiscal consolidation – simultaneously. Japan will continue to steadily implement measures for fiscal consolidation, including the “Comprehensive Reform of Social Security and Tax” bills, to achieve its goal of halving the ratio of the primary budget deficit to GDP from the FY2010 level by FY2015.

68. Securing stable financial resources for social security and establishing a sustainable social security system will provide a foundation for renewed growth by lessening anxiety about the future and expanding consumption and economic activities.

69. Under prudent economic assumptions, the average annual growth rate for the FY2013-FY2016 period is projected to reach over 1% in real terms. The average growth rate does not differ much from that for the case in which “Comprehensive Reform of Social Security and Tax” is not considered or that in the medium to long term (i.e. average growth rate for the FY2011-FY2020 period).

70. The average annual growth rate for the FY2013-FY2016 period, on the basis of the prudent economic assumptions:

- Considering the “Comprehensive Reform”: the average annual growth rate is 1.1%.
- Not considering the “Comprehensive Reform”: the average annual growth rate is 1.2%.⁵

71. On the other hand, toward achieving sustainable economic growth, overcoming deflation has been one of the major challenges for more than 10 years. Behind such long-term deflation lie three major factors: (i) a negative output gap; (ii) declining growth expectations by business sectors and consumers; and (iii) persistent deflationary expectations. Those are derived from the structural problems in Japan that hamper a virtuous cycle of economy among output, income and expenditure during a long-term deflation period. Thus far, while the Japanese economy is still in a mild deflationary phase, the pace of price decline is becoming moderate, and the output gap is expected to be reduced. Therefore, it could be said that the current state presents an opportunity to get Japan out of longstanding deflation.

72. The Japanese government and the Bank of Japan share the recognition that the critical challenge for Japan's economy is to overcome deflation as early as possible and to return to a sustainable growth path with price stability. The government and the Bank will work together and make their utmost efforts to address this challenge. In order to state clearly the shared understanding concerning the roles of the government and the Bank, they decided to release "Measures Aimed at Overcoming Deflation" in October 2012.

⁵ Cabinet Office, Economic and Fiscal Projections for Medium to Long Term Analysis (24 Jan 2012).

73. In order to overcome deflation, the Government will reform the economic structure which tends toward deflation, together with managing macroeconomic policies appropriately. From the standpoint above, the Government will steadily promote economic growth policy items based on “The Strategy for Rebirth of Japan” (Cabinet Decision on 31 July 2012). In particular, from the viewpoint of mobilizing “goods,” “people,” and “money,” it will make its utmost efforts to overcome deflation by utilizing policy resources such as regulatory and institutional reform, budget and taxes, focusing on fiscal year 2013 and an even earlier period.

74. As for monetary policy, the Bank of Japan judges “the price stability goal in the medium to long term” to be within a positive range of 2 per cent or lower in terms of the year-on-year rate of change in the CPI. The Bank aims to achieve its goal of 1 per cent for the time being in terms of the year-on-year rate of increase in the CPI through the pursuit of powerful monetary easing, conducting its virtually zero interest rate policy and implementing the Asset Purchase Program mainly through the purchase of financial assets. The Bank will continue with this powerful easing until it judges the 1 per cent goal to be in sight. In doing so, it will ascertain whether there is any significant risk to the sustainability of economic growth, including from the accumulation of financial imbalances.

75. It is also important for the Government to promote innovation in the fields of “green (energy & environment)”, “life (health & life sciences)” and “agriculture, forestry and fisheries” and develop an environment devoted to cultivating new industries along with increasing competitiveness of companies operating in Japan and creating jobs in a compatible manner.

76. For this reason, the Government prioritizes the above three policy areas and SMEs as four policy packages for the rebirth of Japan in the “Rebirth of Japan: A Comprehensive Strategy” decided by the Cabinet on 31 July 2012. The Government will work to: (1) draw up “Green Policy Outline” by the end of 2012 as a more concrete package of regulatory and systemic reform, and budgetary reform in order to establish world-leading technology innovation in the energy field and to create new industries and jobs; (2) push ahead with regulatory and systemic reform so as to revitalize the medical sector as a growth industry, and implement steadily the “Five-year Strategy for Medical Innovation” decided by the “Medical Innovation Council” in June 2012.

77. In addition, the Government aims to expand foreign demand by harnessing the world’s growth potential. Therefore, the Government has implemented policy measures such as the promotion of economic partnerships, enhancement of overseas deployment of integrated infrastructure systems and the acceleration of exports of agriculture, forestry, and fisheries products.

78. Moreover, the Government will put into force measures to prevent industrial hollowing-out and promote inward investment, such as enhancing competitiveness through location subsidies; implement the subsidy program for projects promoting Asian site location in Japan and encouraging inward investment; and utilize “Comprehensive Special Zones for International Competitiveness Development”.

(3) INTELLECTUAL PROPERTY RIGHTS

Amendments to the Customs Law

79. In line with the amendment of the Unfair Competition Prevention Act in 2011 in which the devices and programs that circumvent technological restriction measures were regulated, the Customs Law has been amended and the devices and programs that circumvent technological restriction measures have been newly added to goods prohibited from being imported or exported.

Amendments to the Unfair Competition Prevention Act

80. Japan amended its Unfair Competition Prevention Act in 2011 as follows;

(1) In order to protect trade secrets appropriately, regulations which prevent the disclosure of trade secrets were added in the criminal procedure of the Act,

(2) In order to prevent infringements by devices and programs that circumvent technological restriction measures, the Act has been amended to apply criminal charges to acts such as offering such devices and programs.

Amendments to the Patent Act

81. In order to promote innovation by the appropriate protection and utilization of intellectual property, Japan amended the Patent Act in 2011 including a review of the system for improving non-exclusive licenses, reviewing the patent fee reduction for small and medium sized enterprises, the development of remedial measures for misappropriated applications, and revising the trial examination system.

Amendments to the Copyright Act

82. With the development of digitization and networking, Japan amended its Copyright Act in 2012. The following are the major amendments:

- In order to facilitate exploitation of copyrighted works, provisions relating to limitations on copyright including so-called “incidental use” have been amended.
- Aiming at more appropriate protection of copyright, provisions relating to technological protection measures have been amended.

(4) FINANCIAL REFORM*Banking and securities sector*

83. The Financial Services Agency (FSA) took various measures, such as the Act concerning Temporary Measures to Facilitate Financing for Small and Medium-sized Enterprises (SMEs), etc., for facilitation of financing because SMEs began to suffer financial troubles due to the global financial crisis in the fall of 2008. The FSA analyzed each type of data regarding the economic and financial circumstances and SMEs’ financing, and paid particular attention to the status of implementation of the Act concerning Temporary Measures to Facilitate Financing for SMEs, etc. and the effects as well as the influence. As a result, it is considered that the use of the Act is well-accepted by financial institutions. On the other hand, problems are pointed out, such as an increase in loan condition changes. Considering these points, it is necessary to implement policies to ensure financial discipline (ensuring soundness and preventing moral hazards), while encouraging financial institutions to wield their consulting functions more, and strongly providing support which leads to true business improvement at SMEs, etc. To do this smoothly, it was decided that it is appropriate to only extend the Act concerning Temporary Measures to Facilitate Financing for SMEs, etc. until 31 March 2013, and to take focused actions to provide business revitalization support for SMEs, etc.

84. "The Act for Amendment of the Financial Instruments and Exchange Act, etc. for Strengthening the Foundations of Capital Markets and the Financial Industry" was enacted in May 2011. It comprehensively includes the necessary development of institutional frameworks for strengthening the foundations of national capital markets and the financial industry. This amendment focuses on the following aspects: (1) achievement of the diverse and smooth provision of financing measures, (2) provision of asset investment opportunities for an effective use of Japanese national assets and (3) ensuring the reliability of markets. In terms of achievement of the diverse and smooth provision of financing measures, the following three were implemented: (a) development of the legal system regarding disclosure for rights offerings (capital increase by allotment of share options without contribution), (b) expansion of scope of borrowers for commitment lines, and (c) lifting the ban on finance leases by main financial institutions, such as banks and insurance companies. For the purpose of the provision of asset investment opportunities for an effective use of Japanese national assets, the following three aspects were amended: (a) relaxing the regulation of investment management businesses with limited types of clients, such as professional investors, (b) more flexible regulation for asset securitization schemes, and (c) expansion of the scope of disclosure in English. In order to ensure the reliability of markets, (a) response to sales of unlisted stocks, etc. by unregistered financial instruments business operators was strengthened, and (b) reasons for refusing registration of investment advisories and agencies were expanded.

Insurance sector

85. "The Act for Amendment of the Insurance Business Act, etc." was enacted in March 2012. The main points of this act are to enhance the international competitiveness of Japanese insurance companies and improve the environment which contributes to business restructuring. Specifically, the amendment of the act includes (1) special measures for regulation of business areas concerning subsidiary companies, (2) review of the regulation concerning transfer of insurance contracts, (3) introduction of the re-entrustment system of insurance solicitation, (4) extension for five years of the period for government subsidies to Life Insurance Policyholders Protection Corporation of Japan and (5) extension of transitional measures concerning the insurance amount that the Small Amount and Short Term Insurance Providers can underwrite as a necessary development of the institutional framework for the protection of insurance policyholders, etc.

(5) AGRICULTURAL REFORM

86. In March 2010, the new Food, Agriculture and Rural Areas Basic Plan was introduced. This plan aims to raise the food self-sufficiency ratio to 50 % by FY2020 (41 % in FY2008) and revitalize rural areas through the efforts of farmers, food processors and consumers. Toward these goals, the plan set out new policies including (i) an income support direct payment scheme, (ii) establishment of a production system which suites consumer's needs regarding food quality, safety and reliance, and (iii) revitalization of rural areas through promoting collaborations of primary, secondary and tertiary industries.

87. Furthermore, in order to contribute to the realization of the Basic Plan, the Basic Policy and Action Plan for the Revitalization of Japan's Food, Agriculture, Forestry and Fisheries was introduced in October 2011. The action plan states that the Government needs to work intensively over the next five years on strategies such as (i) realization of sustainable and rigorous agriculture by accelerating the consolidation of scattered farmlands and by increasing the number of youths newly entering into farming, (ii) promoting collaboration of primary, secondary and tertiary industries, and making agriculture a growing industry, and (iii) promotion of renewable energy supply.

(6) COMPETITION POLICY

88. The bill to amend the Antimonopoly Act (AMA) was submitted to the 174th ordinary session of the Diet on 12 March 2010. It contains the abolition of hearing procedure of the Japan Fair Trade Commission (JFTC) for administrative appeal and necessary revisions to develop procedures for hearings prior to the issue of the JFTC's administrative orders, such as cease and desist orders, and so forth. The above bill was under deliberation in the 180th ordinary session of the Diet as of July 2012.

89. The JFTC reviewed the M&A regulations (investigation procedures and criteria) to further improve the swiftness, transparency, and predictability of M&A investigation while enhancing international conformity. The JFTC, on 1 July 2011, abolished the prior consultation system and amended the related Fair Trade Commission Rules, etc.

90. The JFTC issued "Guidelines Concerning Abuse of Superior Bargaining Position under the Antimonopoly Act" on 30 November 2010, following the introduction of surcharges against the abuse of superior bargaining position, and thereby, the predictability for foreign companies has been enhanced.

91. The JFTC has been taking rigorous legal actions against violations of the AMA. The number of legal cases against such violations amounted to 20 in 2010 and 15 in 2011. Details of these cases can be found below.

	2010	2011
Private monopolization	0	0
Bid-rigging	12	7
Cartels (excluding bid-rigging)	6	5
Unfair trade practices	2	3
Others	0	0
Total cases	22	15

92. The amount of surcharge payment orders issued by the JFTC was estimated at a total of approximately ¥69,507.65 million in 2010 and ¥33,497.93 million in 2011.

93. The JFTC has adopted a proactive policy on filing criminal complaints to seek penalties for violations of the AMA. In June 2012, the JFTC filed complaints in one case.

94. In order to reinforce the JFTC's role as a guardian of the market, the JFTC increased the number of their personnel to 799 in 2012, with most of them assigned to the investigation section.

(7) SERVICES-RELATED POLICIES

95. Japan has promoted reforms in several service-related sectors.

96. In telecommunications sector, for example, a "basic policy" and "progress schedule" were established for the purpose of the diffusion of broadband (the "New Broadband Super Highway" initiative) in December 2010. Based on them, various measures, including the launch of the Fair Competition Review System which verifies the conformity with rules for ensuring fair competition and the status of the diffusion of broadband in Japan, have been taken.

97. In the tourism sector, the “Tourism Nation Promotion Basic Plan” was approved by the Cabinet in March 2012. “Broadening of the base of tourism” and “Improvement of tourism quality” are the main approaches of this plan.

98. Regarding the movement of natural persons, a new policy measure on preferential treatment in the immigration procedure for foreign professionals was introduced in May 2012 for the purpose of promoting the acceptance more highly skilled foreign nationals, with the aim of helping to contribute to economic growth, creation of new demand and employment in Japan. Through this measure, evaluation is made by assigning points to such items as “educational attainment”, “period of professional experience”, “annual salary” and “research performance”. Foreign nationals with a certain number of points are recognized as “highly skilled foreign professionals” and are given preferential treatment in the immigration procedure.
