

Trade Policy Review of Japan
Statement of the Japanese Delegation
(Second Day)

Introduction

Mr. Chairman, distinguished Ambassadors and delegates,

Please allow me to dispense with the diplomatic formulae and go straight into the subject. I wish to thank Ambassador Fried, for employing different statistics to convey his central message that Japan matters to the world. Indeed, one of the lesser known facts that come to my mind is the strength of the small and medium sized companies of my country, which was exemplified by the launching into orbit of a satellite entirely built by themselves about four years ago. Of course, Ambassador Fried's accompanying message that Japan can do better in areas that are crucial for its future is well taken note.

Listening to the subsequent interventions, my impression was that our trade policy in its broad orientation met the approval of the Members, but, as in the case of Ambassador Fried, advices to do better in certain specific areas were given to us from Members.

We are the first to want to ensure that the Japanese economy will place itself solidly on the path towards a sustainable growth. As for the method to be employed to achieve this, a lively debate is actually taking place in Japan and many Members will be delighted to find that within that debate, quite similar opinions as theirs are being expressed.

Our delegation, composed of representatives from a number of ministries, will report back to our headquarters the discussions that took place during this TPR. The record of the proceedings will be quickly shared within all branches of the Japanese government.

Now I would like to comment on several issues which seem to attract the attention of a relatively large number of Members, while our comments on the rest of the issues will be found in the responses already supplied on the first day. Answers to fresh questions will be submitted in due course.

1 Regulatory Reform and Fiscal Consolidation

On the first day, many Members expressed their interest in our new Government's economic policy, in particular concerning regulatory reform, and urged the implementation of further reforms. As I already mentioned, thanks largely to the measures already in place or announced, the share prices in the Tokyo Stock Exchange have risen sharply, and I can tell you that there is a sea change in business confidence and consumer mind set.

The Government of Japan is acutely aware, however, that other measures, especially belonging to the so-called third arrow category, namely, formulation and implementation of a new growth strategy, including substantial structural reform should follow in a timely manner.

Regulatory Reform

The Government of Japan has started a new regulatory reform process, based on Prime Minister Abe's instruction on January 25 this year, to adjust domestic regulations so that they conform to the world's most advanced standards chosen through international benchmark tests. With these efforts, Japan aims to implement audacious reforms in the designated priority areas such as employment, health/medicine and energy/environment, and to create the best investment environment in the world. At the same time, reforms in other areas are discussed in the Headquarters for Japan's Economic Revitalization. The Abe administration will make the best use of available resources, including seeking advice from business and academic leaders.

Fiscal consolidation

We have also received various comments about the need for fiscal consolidation. In fact, the long-term outstanding debt to GDP ratio of the central and local governments of Japan will reach 200% at the end of fiscal year 2013. Hence, a mid-to-long term plan for fiscal consolidation is very important. Japan is taking measures to halve the primary deficit to GDP ratio of the central and local governments by fiscal year 2015 from that in fiscal year 2010, and to achieve a primary surplus of the central and local governments by fiscal year 2020. As the increase in social security expenditure, caused by ageing population and the diminishing number of

children, has become the major factor in the budget deficit, the Japanese government has launched a “Comprehensive Reform of Social Security and Tax”, in order to secure both stable financial resources for social security and achieve fiscal consolidation. Within the framework of this Comprehensive Reform, the Diet passed a bill last August raising the consumption tax rate from the current 5% to 10% in two phases by October 2015.

2 Trade Policies

Mr. Chairman, I would like to move on to trade and investment policy issues.

FTAs/EPAs

With regard to our FTAs/EPAs, while criticism was made about the low coverage of certain products, I was strongly encouraged by various positive comments from our FTAs/EPAs partners. In particular, I was pleased to hear that the EPAs that I have negotiated as Chief Negotiator, namely Chile, ASEAN and Switzerland are functioning well. I would like to point out one aspect of our FTAs/EPA's that our Singapore colleague noted, which is their evolving nature. They "grow" with the passage of time. Some may have noticed that in my initial statement, I did not include any mention of the TPP. That was for the simple reason that there was no government position on the matter the day before yesterday and the situation remains the same today.

Tariff

Some members raised concerns about non-ad valorem rates and high rates of duty. I would like to reiterate in this regard, that Japan applies its tariff rates to respective products appropriately, taking into consideration the situation in relevant domestic sectors. It should also be recalled that our current tariff regime results from previous negotiations.

I would also like to state that non-ad valorem duties are applied to certain products by reason of their advantages, namely, in the case of specific duties, the ease and the transparency of calculating the duty amounts because they are based on the number or weight of imported goods resulting in saving of administrative costs.

Agricultural Policy and Reform

In relation to some Members' comments on our agricultural policy and its reform, I would first like to bring to the attention of Members the fact that Japan is the biggest net-food importing country in the world. We depend on imports for more than 60% of our food consumption on a calorific basis. As an example of extreme dependency on imported food, I

can cite the case of soybean where 93% of our domestic consumption is imported from abroad, or of wheat where the ratio is 89%. We are importing countless other products, providing a large food market for many exporters.

As pointed out on the first day, Japanese agriculture is faced with the challenge of raising productivity against the backdrop of its aging farm population, and needless to say that this topic is being hotly debated back home. The structural reform promoted by the government to tackle this challenge, include the consolidation of farmland and the strengthening of coordination between the agricultural sector and the food manufacturing sector. The policy efforts to date have yielded some tangible results. For example, from 1995 to 2011, the average size of crop farm increased by 30% and dairy farm by 60%, and that of hog farm by 200%. Further, these efforts are also reflected in the level of the current Aggregate Measurement of Support (AMS) having gone down to about 14% of the commitment level in our Schedule.

At the same time, we are of the view that a certain level of support continues to be necessary, especially for the land-intensive sector, where the size of management is very small compared to other countries, as was shown in the presentation by Ambassador Fried. We can also cite the following figures to show the enormous discrepancy in the average size of a crop farm where it is 2 hectares in Japan, 170 in the United States and 2,970 in Australia.

Details of the agricultural policy measures that the new administration is going to introduce are yet to be decided, but the government will continue to promote structural reform in the agricultural sector in conformity with the WTO Agreements.

SPS

On the first day, some Members commented that Japan's SPS regulations are more stringent than the internationally established guidelines. However, Japan has conducted risk assessment prior to the implementation of its SPS measures in a transparent manner and on the basis of scientific findings, taking into account international standards established by international standard setting bodies, such as the Codex, the International Epizootic Office (OIE) and the International Plant Protection

Convention (IPPC). Regarding the maximum residue limits (MRLs), in 2006 Japan established its MRLs on the basis of those of the Codex and other major countries. In addition, in order to ensure food safety, Japan has introduced safety verification measures for existing food additives, some of which used to be approved in Japan without risk assessment. As for the EU comments on food additives, Japan is accelerating the procedures for the designation of internationally used substances. Currently, 2 substances out of 15 that are being processed have been designated.

Finally, with regard to the import ban on beef, requests from a number of countries are currently being processed, but I would like to point out that the speed with which they will be processed depends in part on the required data being appropriately submitted in a timely manner by the interested country.

Productivity of Service Sector

Let me say just one word on the service sector, as some members have indicated that the productivity in that sector is low in Japan. I have difficulty in reconciling this assertion with what I observe daily in my country where the quality of service is without comparison to what I find elsewhere. I have no doubt that those who have visited or lived in Japan can attest to that.

Government Procurement

Regarding the comments made by the EU on our government procurement market, especially with regard to the operational safety clause, I would like to recall the EU that we have been dealing with a certain number of issues including this one through the so-called scoping exercise and that they will continue to be dealt with in accordance with the understanding reached within that framework.

Just so that Members have an accurate idea about the bilateral EU-Japan trade in the railroad area, I would like to point out that Japan's trade balance of railway and related sectors is constantly in the negative for Japan, resulting in an annual average trade surplus for Europe of 4.1 billion YEN during the period 2001 to 2010.

And, by the way, Japan Rail East, a 100% privatized company, but still linked in our Annex to the GPA because of objection from one Member,

has announced, just a few hours ago that it has narrowed down its potential supplier of CBTC system to two French companies. JR East will work further with these two companies to arrive at the final selection of one company.

3 Development

Mr. Chairman, it is my understanding that comments from many Members indicated that Japan is on the right track on trade-related development assistance.

One village, one product

I was particularly pleased to note that the idea which originated in southern Japan in the late '70s, has now grown to be widely accepted in Asia and in Africa. We will continue to promote this idea and interested countries are invited to contact our diplomatic mission or JICA office. This year, two major international gatherings will mark our effort in this developmental assistance area: TICAD V from 1 to 3 June and the special summit of ASEAN+Japan leaders in December to commemorate the 40th anniversary of our relationship.

Conclusion

Mr. Chairman, I would like to conclude my remarks by thanking you, Ambassador Bashir, Ambassador Fried, the Secretariat team headed by Richard Eglin and all the Members for their contribution to making this 11th review of Japan a productive one. I look forward to listening to further comments from Members.

Thank you.