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JAPAN

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1. Overview of Japan's Economic Relationships

1. Since the last trade policy review of Japan took place in 2007, Japan has taken various measures to promote international liberalization of trade. While Japan places the highest priority on the multilateral trading system as the centrepiece of its trade policy, positive steps have been taken for the negotiations of bilateral economic partnership agreements.

(1) The Multilateral Trade System

2. As one of the largest trading economies in the world, and as a firm supporter of the free trade system for the growth for the world economy and the benefit of developing countries, Japan maintains its strong support of the non-discriminatory and rule-based multilateral trading system under the WTO. Japan has made efforts to lower trade barriers under that system, which has led to the expansion of world trade and has created opportunities for all countries to enjoy the fruits of international trade.

3. Japan considers it regrettable that agreement on the modalities was not achieved despite serious efforts made by the Ministers at the WTO Ministerial Meeting in July 2008 in the course of negotiations of the Doha Round. Japan continues to examine seriously, together with other member countries, how to proceed with future negotiations on the basis of the progress made during past negotiations.

4. At a time when there are various causes for concern in the outlook of the world economy, Japan, as the chair of the 2008 G8 Summit, has undertaken its foreign and domestic economic policies, in cooperation with other countries, based on the agreement reached at the G8 Hokkaido Toyako Summit. In particular, Japan will make persistent efforts towards a successful and early conclusion of WTO negotiations which will contribute to the sound development of the global economy.

(2) Regional and Bilateral Trade Policy

5. Japan is currently a party to nine economic partnership agreements (EPAs) which include elements of free trade agreements and institution-building covering areas such as investment, competition, and intellectual property rights and human resources development. Japan is also involved in several on-going negotiations for EPAs. Japan believes that these agreements will serve as building blocks to reach higher trade liberalisation at the multilateral level.

6. At the same time, Japan will actively participate in and make contributions to the various studies on the framework for an economic partnership in East Asia and the Asia-Pacific region, such as the Comprehensive Economic Partnership in East Asia (CEPEA), the East Asia Free Trade Agreement (EAFTA) and the Free Trade Area of the Asia-Pacific (FTAAP). In doing so, Japan will take into consideration their possible influences on the WTO system and the world economy, as well as the policy of the countries in the region.

2. Trade and Economic Policy Environment

(1) Japan's Economic Environment

7. The Japanese economy continued its long-standing economic recovery from the beginning of 2002, but the activity of the corporate sector which supported the economic recovery weakened slowly from the middle of 2007, and the economic recovery appeared to be pausing at the beginning

of 2008. The economy has weakened further because exports are decreasing moderately and industrial production is decreasing. Meanwhile, the fluctuations in the financial and capital markets which began with the subprime mortgage loan problem in the U.S. and hikes in crude oil and raw material prices have exerted pressure on corporate profits and consumer confidence, making the activity of the corporate sector and the household sector cautious. The influence of the U.S. economic slowdown has been clear, and it has exerted a negative impact on export from Japan indirectly as well as directly. In addition, recent growing financial uncertainty in the U.S. could expose the Japanese economy to downside risks through fluctuations in the financial and capital markets and the effect on the real economy in the U.S.

8. On the policy front, in June 2008, the Government reached a decision on "Economic and Fiscal Reform 2008 (Basic Policies)," which designates the course of economic and fiscal reforms for boosting the growth potential of the Japanese economy and realizing prosperous and secure life for the people. Reform efforts will be accelerated and deepened based on the Basic Policies. The Government will steadily implement the "Comprehensive Immediate Policy Package -Easing Public Anxiety". In addition, in view of the present financial and economic conditions, the Government published the "Economic Policy Package: Measures to Support People's Daily Lives" on 30 October.

(2) Trends in Foreign Trade

9. Trade statistics showed that Japan's trade surplus in 2007 rose by 36.6% over the previous year to ¥10.80 trillion. This was the first increase in three years. Japan's exports in 2007 rose by 11.5% over the previous year to ¥83.93 trillion, continuing increases for the sixth straight year. At the same time, Japan's imports rose by 8.6% over the previous year to ¥73.14 trillion due to an increase in both imports of crude oil and telecommunications equipment, in keeping with the upward trend of the last four years. Both exports and imports were at record levels for Japan.

10. In 2007, Japan's exports increased mainly due to the Asian economic expansion and the intensification of the purchasing power of resource-rich countries, owing to a rise in resource prices.

Exports totalled ¥83.93 trillion (up by 11.5% from 2006)

Regional trends in exports in 2007 (compared to 2006)

– United States	down by 0.2%
– EU	up by 13.3%
– Asia	up by 12.9%
– China	up by 18.9%
– NIEs	up by 7.6%
(incl. Korea; Singapore; Hong Kong, China; and Chinese Taipei)	
– ASEAN	up by 15.4%
– Middle East	up by 37.9%
– Russia	up by 54.1%

11. In 2007, Japan's imports increased mainly due to the increase in the amount of imports of mineral-resource energy, owing to the worldwide rise in the prices of resources, and telecommunication equipment.

Imports totalled ¥73.14 trillion. (up by 8.6% from 2006)

Regional trends in imports in 2007 (compared to 2006)

– United States	up by 5.5%
– EU	up by 9.7%
– Asia	up by 7.5%
– China	up by 9.1%
– NIEs (incl. Korea; Singapore; Hong Kong, China; and Chinese Taipei)	down by 0.2%
– ASEAN	up by 10.1%
– Middle East	up by 5.3%
– Russia	up by 60.3%

(3) Trends in Foreign Direct Investment

12. In May 2006, the Japan Investment Council (JIC), chaired by the Prime Minister, set a new goal to double the ratio of inward FDI stock to GDP by 2010, namely to raise it to a level of around 5%. To achieve this new target, in June 2006, the JIC launched a new program called the "Program for the Acceleration of Foreign Direct Investment in Japan" which focuses on 3 key issues: (1) Regional centres for economic growth and an improved quality of life, (2) Improvement of an investment environment capable of overcoming global competition, and (3) Domestic and international public information activities.

13. In his general policy speech of January 2008, then-Prime Minister Yasuo Fukuda stated Japan would achieve the goal to double the ratio of inward FDI. In the same month, the Expert Committee on FDI Promotion, composed of researchers and businesspeople and others, was established. In May 2008, this Committee issued "Five Recommendations Towards the Drastic Expansion of Foreign Direct Investment in Japan" which consists of: (1) Enhancement of the system towards the facilitation of M&As, (2) Comprehensive studies on Foreign Direct Investment regulations, (3) Establishment of priority strategies by sector, (4) Reduction of business costs and improvement of system transparency, (5) Regional revitalization by foreign capital, strengthening of the appeal that foreign capital is welcome, etc. Furthermore, in autumn 2008, the "Program for the Acceleration of Foreign Direct Investment in Japan" was revised to reflect the said Five Recommendations.

2007 Outward FDI¹

14. According to a Ministry of Finance report, Japan's outflow of foreign direct investment (FDI) (Outward FDI) increased to ¥9,573.0 billion in FY 2007, which represents an increase of 37.7% from FY 2006 (an increase of ¥6,950.2 billion). Moreover, it is the largest amount since the statistics for outward FDI began in 1985. The major characteristics of Japan's outward FDI in FY 2007 were as follows:

15. Industry: In FY 2007, FDI in manufacturing industries increased to ¥5,233.4 billion (i.e. by 39.9%). Sector-wise, the food sector increased. On the other hand, the petroleum and glass & ceramics sectors decreased. FDI in non-manufacturing industries increased to ¥4,339.6 billion (i.e. by 35.3%). By sector, the finance & insurance sectors increased sharply, while the wholesale & retail sectors decreased.

¹ Source: Balance of Payments.

16. Region: In FY 2007, the amount of outward FDI to North America and to Central & South America increased respectively to ¥2,454.7 billion (i.e. by 34.3%) and to ¥1,285.8 billion (i.e. by 95.3%).

2007 Inward FDI²

17. In FY 2007, the FDI flow to Japan (Inward FDI) increased to ¥2,748.7 billion, from a decrease of ¥271.6 billion in FY 2006. Moreover, this is the largest total since statistics for inward FDI began in 1985. The major characteristics of inward FDI stock for Japan in FY 2007 were as follows:

18. Industry: In FY 2007, inward FDI stock in the manufacturing industries decreased to minus ¥114.4 billion (the outflow of capital), from an increase of ¥447.6 billion in FY 2006. It also decreased in the chemicals & pharmaceuticals and transportation equipment sectors. However, inward FDI stock in the non-manufacturing industries increased sharply to ¥2,863.1 billion. Sector-wise, finance & insurance, which occupied the largest share, increased sharply which was also the case with communications.

19. Region: In FY 2007, the amount of inward FDI from North America and Central & South America increased sharply; on the other hand, Asia decreased slightly.

3. Japan in the Doha Development Agenda

(1) Agriculture

20. Japan, as the world's largest net importer of agricultural products, is committed to an ambitious and balanced outcome in agricultural negotiations. To achieve this objective, Japan considers it necessary that difference in tariff structures, the multifunctionality of agriculture, and food security are taken into account. In particular, it regards export subsidies and domestic support for export-bound products to be trade-distorting, and welcomes the abolishment and sharp reduction of such measures.

(2) NAMA

21. The Doha Round's NAMA negotiations need to deliver commercially meaningful market access gains for all Members. Japan believes that improved market access is a key booster for the sound economic development of developing countries, taking the important role of South-South trade into account. To achieve this objective, Japan will continue to contribute actively to these negotiations and is doing its utmost to ensure the early and successful conclusion of the Round.

(3) Services

22. Japan remains strongly committed to liberalisation of trade in services and believes that its firm commitment to the DDA negotiations has been demonstrated in various forms on a number of occasions. Most notably, Japan played a leading role in realizing plurilateral negotiations at the Hong Kong Ministerial Meeting in December 2005. Japan has chaired two plurilateral meetings and participated in all plurilateral meetings either as a requesting Member or a requested Member. Japan has also actively participated in the subsequent service negotiations since 2007, and contributed to the successful outcome of the "Signaling Conference" held in July 2008.

² Source: Balance of Payments.

23. As one of the major exporters of trade in services, Japan regards the sectors with comparative advantage, i.e. telecommunications, distribution, construction, maritime, financial and computer-related services sectors, to be of primary importance to its export interest due to their relevance to the establishment of an effective supply chain of Japanese products and services as well as the smooth functioning thereof. These sectors are also highly relevant to Japanese overseas investment. Japan therefore targets further liberalisation of these sectors, particularly in Mode 3, in order to facilitate the commercial activities carried out by Japanese investors and service suppliers.

24. The basic principle of Japan is that the achievement of comprehensive liberalisation in trade in services is of benefit to all Members including developing countries, by attracting further investment on the one hand and through the results of their increased competitiveness, production capacity, export and employment opportunities on the other hand. Japan takes into full account the interests of developing countries and has made substantial offers, including those in mode 4. Mindful of the fact that the scheduled commitments provide legal certainty and predictability, Japan continues to attach importance to the improvement of the level of, as well as to the achievement of a higher degree of transparency and clarity of, the scheduled commitments of the Members.

(4) Rules

25. Japan has been actively participating in the negotiations on rules. In the negotiations on anti-dumping, Japan, as a core member of the so-called "Friends of Anti-Dumping (FANs)", consisting of 15 Members including Brazil and Norway, has been contributing to discussions by submitting proposals on issues such as zeroing, sunset, and public interest to clarify and strengthen the disciplines of the Anti-dumping Agreement. With regard to the negotiations on fisheries subsidies, Japan, Korea and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu submitted a revised joint proposal on the legal draft in June 2007. In this proposal, attempts were made to incorporate the considerations on (1) practicable and workable discipline, (2) equity among members, and (3) opportunities for international collaboration.

(5) TRIPS

26. Japan has actively participated in the discussions of the TRIPS Council, recognizing the importance of the development dimension and the role of intellectual property protection. Japan believes that a global regime for the adequate and effective protection of intellectual property will benefit all countries by fostering an environment conducive to technological innovation. Regarding the negotiation of the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits, Japan seeks to establish a system that would not impose excessive burdens upon Members. Japan will continue to engage in discussion in a constructive way to establish a multilateral system acceptable and practicable to all Members.

(6) Environment

27. With a view to enhancing the mutual supportiveness between trade and the environment, Japan has participated actively in negotiations. In the negotiations in CTESS, Japan has been committed to revising its list of environmental goods.

(7) Trade Facilitation

28. The expansion of world trade now more than ever necessitates a smooth, fair, transparent and efficient cross-border procedure for the movement of goods to strengthen the multilateral trading system. In this regard, Japan has been vigorously engaged in negotiations by submitting many

proposals to promote discussions and by holding many seminars and workshops to enhance the understanding of rules discussed under trade facilitation negotiations. Japan will continue to contribute constructively to negotiations for its successful conclusion and also continue to actively provide technical assistance for capacity building in this area, in cooperation with relevant international organizations such as the WCO, with the belief that trade facilitation plays an important role in promoting international trade, thereby benefiting all trading parties, including the private and government sectors of developed and developing countries.

(8) DSU

29. Japan continues to seek improvements and clarifications for the DSU which will serve Members' shared interests in enhancing compliance with trade rules and ensuring the integrity and credibility of the rule-based trade system. Japan attaches importance to the achievement of a successful outcome from the DSU negotiations. It has actively contributed to the negotiations with a view to accomplishing such an outcome.

(9) Development³

30. The DDA should contribute to the facilitation of developing countries' integration into the multilateral trading system by effectively responding to the interest and concerns of developing countries, *inter alia*, paying special attention to LDCs. Recognizing that developing countries, especially LDCs, have been facing various difficulties in complying with WTO rules as well as in participating in the DDA, Japan has been actively implementing TRTA (Trade-related assistance schemes) through multilateral, bilateral and regional frameworks in order to enable them to further enjoy benefits from the multilateral trading system. Japan has contributed CHF 6.47 million to the DDA Global Trust Fund since it was established. Japan has also made contributions of more than US\$150,000 per year to the Integrated Framework since 2006. Furthermore, Japan has contributed annually approximately US\$65,000 to the International Trade Centre.

31. Japan believes that it is essential for the developing and the least developed countries, as well as economies in transition, to share the benefits of the results of the negotiations. In this regard, an early conclusion of the accession negotiations by such applicants, in accordance with WTO rules, is important in order to facilitate their integration into the multilateral trading system. Japan will continue to play a leading role in supporting the accession process of such future members of the WTO.

4. Japan's Multilateral Activities

(1) Strengthening global food security

32. Export restrictions and export taxes on agricultural products have the effect of reducing the supply of food to the international market and exacerbating the rise of food prices. It is a problem that particularly affects the lives of people in food-importing countries.

33. Japan has proposed restraint on the export restrictions of food in many fora. During WTO negotiations, Japan proposed a scheme through which food-importing countries would be able to assert their views upon the imposition of export restrictions and clarification rules on the trigger of those restrictions. In addition, Japan called upon countries to refrain from instituting restrictions on agricultural exports and other measures at the High-Level Conference on World Food Security, hosted

³ See also paras. 71-79 for Japan's Trade-Related Assistance Schemes.

by the Food and Agriculture Organization of the United Nations (FAO), in June 2008. Moreover, G8 Leaders confirmed in the Statement on Global Food Security at the G8 Hokkaido Toyako Summit that it is also imperative to remove export restrictions and expedite the current negotiations at the World Trade Organization (WTO) aimed at introducing stricter disciplines on trade actions which prolong and aggravate the situation.

(2) OECD

34. Over the last few years, Japan has been playing major roles, in terms of both intellectual and organisational contributions, in various OECD activities.

35. Recognising the significance of cross-border investment flows as a tool for economic development in the global community, Japan proposed, in the Ministerial Council in 2003, a new initiative on 'Investment for Development', which aimed for ambitious output ranging from policy recommendations on the improvement of investment environments (Policy Framework for Investment: PFI) to analyses on synergies between FDI and ODA by conducting a peer review among developing nations. Japan has, based on this project, been engaged in the OECD initiative in 2007 and 2008 to introduce and apply the PFI to Viet Nam, for improving trade policy and among others.

(3) Generalized System of Preferences (GSP)

36. In order to improve market access for developing countries, Japan has granted them preferential tariff treatment under the GSP scheme since 1 August 1971. 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. As a result of incomings and outgoings, currently 141 developing countries and 14 territories, including all LDCs, enjoy the benefits of the GSP scheme. This scheme has been vastly improved over the last several years, especially in 2001, 2003, and 2007.

37. In the comprehensive "Development Initiative for Trade" launched on 9 December 2005, Japan expressed 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, regardless of the progress of the Doha Round negotiations. It also intends to comply with the decision adopted in the Hong Kong Ministerial Declaration on 18 December of the same year in order to achieve real improvement in market access for LDCs' exports and to support the actions of the LDCs to expand their trade.

38. In realization of the abovementioned commitment, on 1 April 2007, Japan started improved DFQF treatment of LDCs by adding a variety of items to the treatment. 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 4,244. Consequently, treatment coverage rose from the previous approximately 86% to 98% defined at the tariff line level.

5. Japan's Regional Activities

39. As East Asia has been enjoying rapid economic growth and increasing interdependence, momentum has become stronger than ever for countries in the region to advance cooperation among themselves in economic fields in addition to that achieved through multilateral fora. Japan is endeavouring for the further development of all regional cooperative frameworks, including ASEAN Plus Three (Japan, China and the Republic of Korea), ASEAN-Japan, Japan-China-Korea tripartite

cooperation and the newly established East Asia Summit (EAS), along with larger organisations such as APEC and ASEM. Japan has consistently called upon the states in the region to reaffirm their commitment to internationally recognized rules and norms, including market economy principles and the WTO Agreement, in the course of advancing regional cooperation.

(1) ASEAN+3

40. The Heads of State/Governments of Japan, China, and Korea and ASEAN adopted the Second Joint Statement on East Asia Cooperation and the ASEAN Plus Three Cooperation Work Plan for 2007-2017 at the ASEAN+3 Summit Meeting in November 2007.

41. In terms of the cooperation on trade and investment referred to in the Work Plan, the countries of ASEAN+3 agreed: to promote the idea of region-wide FTAs considering the recommendations of various studies that have been completed or are currently being undertaken; to jointly pursue the successful conclusion of the negotiations of the Doha Development Agenda; to strengthen the role of the East Asia Business Council (EABC); to consider conducting comprehensive studies on the possible establishment of an East Asia Investment Area; to promote cooperation between investment promotion agencies and facilitate mutual investment promotion missions by respective business communities; and to facilitate the understanding of each other's policies, regulations and legislations pertaining to trade, competition policy, services, investment and industry as well as the sharing of experiences and best practices among ASEAN+3 countries.

(2) Japan, China, Korea

42. The heads of Japan, the People's Republic of China and the Republic of Korea reached an agreement to launch joint research on economic cooperation, especially on the effect of China's accession to the WTO, among the three countries at the ASEAN+3 Summit held in Manila in November 1999. Based on this agreement, the institutes representing the three countries, the National Institute for Research Advancement (NIRA) for Japan, the Development Research Centre of the State Council (DRC) for China and the Korean Institute for International Economic Policy (KIEP) for Korea have undertaken the Trilateral Joint Research Project since January 2001 to provide policy recommendations to the three governments.

43. Since June 2003, the focus of this joint research has shifted to the economic effects of a possible Japan-China-Korea trilateral FTA. Government officials from the three countries have also been participating in joint research workshops as observers since March 2007. The study will be completed in 2008, and further in-depth studies will begin in 2009.

44. The leaders of Japan, China and Korea agreed to launch negotiations for a trilateral investment agreement at the trilateral Summit in January 2007. The three countries are in negotiations to achieve a trilateral agreement for the promotion, facilitation and protection of investments in order to further liberalise investment and strengthen protection for investors in the three countries. The latest negotiations were held in November 2008 in Busan.

45. The leaders of Japan, China and Korea agreed to launch a mechanism for improvement of the business environment at the trilateral Summit in November 2004. Under this mechanism, the three countries are striving to make public the Action Agenda for the improvement of the business environment. The latest consultation for the improvement of the business environment was held in November 2008 in Busan, back to back with the negotiations for the trilateral investment agreement.

(3) East Asia Summit

46. The inaugural EAS was held on 14 December 2005, where the leaders of 16 East Asian countries discussed basic principles of regional cooperation and raised issues in a number of areas for cooperation to be prioritized for sustainable growth in the region. Japan will continue to make contributions towards the consolidation of this newly established framework and its development into an open, transparent and inclusive forum for regional initiatives that promote further growth.

47. With regard to economic cooperation, at the third EAS held on 21 November 2007 in Singapore, the EAS Leaders agreed to establish the Economic Research Institute for ASEAN and East Asia (ERIA) with a view to contributing to the deepening of economic integration in East Asia. In June 2008, the inaugural meeting of the ERIA Governing Board was held at which the official establishment of ERIA was celebrated. Full-fledged research activities have begun in the three main fields, i.e. (1) deepening economic integration, (2) narrowing development gaps and (3) sustainable economic development. In addition, a track II study on a Comprehensive Economic Partnership in East Asia was launched in June 2007, and its report was submitted to the EAS leaders at the fourth EAS held in December 2008 in Chiang Mai, Thailand. The EAS leaders also decided to continue this study by the next EAS.

(4) Asia-Pacific Economic Cooperation (APEC)

48. Japan believes that the promotion of cooperative economic relations among economies in the Asia-Pacific Region through APEC will enable the creation of an open economic community in the region and will stimulate world trade, thereby contributing to the development of the global economy. Japan will continue to work towards realizing this vision in close cooperation with other member economies.

49. Japan remains actively engaged in trade and investment liberalisation and facilitation, part of the main area of APEC. In this regard, Japan will host APEC in 2010, the target year for developed economies to achieve the Bogor Goals which aim at free and open trade and investment.

50. APEC's second Trade Facilitation Action Plan (TFAP II) was formulated in 2007 after the successful completion of TFAP I in 2006, aiming at a reduction in trade transaction costs by a further 5% by 2010. TFAP II was developed in four areas: namely, customs procedures, standards and conformance, business mobility and electronic commerce. Japan took a lead in developing the action plans of customs procedures. In 2008, APEC economies adopted Key Performance Indicators (KPIs) in order to monitor the progress of TFAP II. As one of the KPIs for the area of customs procedures, a time release survey (TRS) was approved by Japan's proposal. In recognizing the importance of transparency and structural reform, Japan held a seminar in 2007 on competition policy, which is specified as one of the five areas APEC focuses on in the APEC Leaders' Agenda to Implement Structural Reform (LAISR) and was proposed by Japan and adopted in the Leaders' meeting in 2004.

(5) Asia-Europe Meeting (ASEM)

51. 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.

52. Japan attaches great importance to the ASEM Trade Facilitation Action Plan (TFAP). Japan has been an Asian Facilitator of the TFAP customs procedures working group. Japan hosted the Seventh ASEM Customs Directors General-Commissioners Meeting in Yokohama in November 2007, in which the Yokohama Declaration for strengthened ASEM customs cooperation in the new era was adopted. It also has a strong interest in the fields of standards and conformity assessment, customs procedures, e-commerce and intellectual property rights enforcement, and has made various contributions at the TFAP meetings in these areas.

6. Japan's Bilateral Activities

(1) FTA/EPAs

53. Maintaining and strengthening the multilateral trading system under the WTO has been the main pillar of Japan's external economic policy. At the same time, Japan has also promoted its regional and bilateral trade policies as a means of complementing the multilateral trading system, particularly through economic partnership agreements including elements of free trade agreements and institution-building.

54. 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 2005 to 2007, the trade volume between two countries increased by 22%. - The third Supervisory Committee meeting was held in January 2007. - 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.
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"> - Since the Agreement entered into force in 2005, the trade volume between the two countries has increased by 85.6%, and investments of Japanese companies in Mexico have also increased. - The Joint Committee, Sub-Committees for effective implementation and operation of the agreement and the Committee for the improvement of the business environment have been held every year.
Malaysia (The Agreement between Japan and the Government of Malaysia for an Economic Partnership)	13 July 2006	<ul style="list-style-type: none"> - From 2005 to 2007, the trade volume between the two countries increased by 27%. - With a view to achieving a smooth implementation of the Agreement, Sub-Committees regarding various areas 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"> - After the Agreement entered into force in 2007, trade volume between the two countries increased by 4.8% in the first half of 2008 compared with the same period in 2007, and investment by Japanese companies in Chile has also increased. - In total, a Commission, seven Committees and two Working Groups were established.
Thailand (The Agreement between Japan and the Kingdom of Thailand for an Economic Partnership)	1 November 2007	<ul style="list-style-type: none"> - The second Joint Committee was held in November 2008. - The Sub-committees on rules of origin, trade in services, movement of natural persons, customs procedures, enhancement of business environment, paperless trading, small and medium enterprises have been held.

(Table cont'd)

Country	Date of the entry into force	Additional information.
Indonesia (The Agreement between Japan and the Republic of Indonesia for an Economic Partnership)	1 July 2008	- The Sub-Committee on the movement of natural persons, held in August and October 2008, made necessary decisions for the smooth implementation of this Agreement in this area.
Brunei (The Agreement between Japan and Brunei Darussalam for an Economic Partnership)	31 July 2008	- The first Joint Committee made decisions necessary for the implementation of the Agreement, such as the adoption of the Operational Procedures.
ASEAN (The Agreement on Comprehensive Economic Partnership among Japan and Member States of the Association of Southeast Asian Nations)	1 December 2008	- 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	- The exchange of diplomatic notes concerning the entry into force of the Agreement took place on 11 November 2008. The Agreement entered into force on 11 December 2008.
Viet Nam	Waiting for signing of the agreement.	- The agreement in principle was reached in September 2008.
Switzerland (The Agreement on Free Trade and Economic Partnership between Japan and the Swiss Confederation)	Waiting for signing of the agreement.	- The agreement in principle was reached in September 2008.
GCC (Gulf Cooperation Council)	Under negotiation (Formal negotiations commenced in September 2006, and the second round of negotiations was held in Riyadh in January 2007)	- Negotiation continues for a free trade agreement.
The Republic of Korea	Under negotiation (The negotiations commenced in December 2003, and six rounds of negotiations have been held)	- Although no negotiations have been held since the end of the sixth round held in November 2004, the second working-level consultation was held in December 2008 to consider and create a favourable environment for the resumption of negotiations.
India	Under negotiation (The negotiations commenced in January 2007, and the eleventh round of negotiations was held in Delhi in December 2008)	
Australia	Under negotiation (The negotiations commenced in April 2007, and the seventh round of negotiations was held in Canberra in October 2008)	

(2) Japan's Bilateral Activities outside of FTAs

55. Besides negotiations on FTAs, Japan is involved in economic initiatives with several countries. Through such bilateral frameworks, Japan aims to deepen the understanding of each others' trade and economic policies, to prepare a channel which will help to troubleshoot potential trade problems, to stimulate deregulation and liberalisation in both directions, and to create the political momentum to liberalise trade, which will help to complement and reinforce the multilateral trading system.

(i) The United States

56. Under the "Japan-U.S. Economic Partnership for Growth" (hereinafter referred to as the "Partnership"), established by then-Prime Minister Koizumi and President Bush in June 2001, Japan and the United States have been engaging in comprehensive and constructive dialogue. The Partnership consists of six fora: Sub-cabinet Economic Dialogue, the Private Sector/Government Commission, the Regulatory Reform and Competition Policy Initiative (hereinafter called the "Reform Initiative"), Financial Dialogue, the Investment Initiative, and the Trade Forum. Under these frameworks, a number of meetings have been held to work on a wide variety of issues that contribute to promoting sustainable growth of not only the two countries but also the entire world economy.

57. Under the Reform Initiative in particular, Japan and the United States have compiled and publicized seven extensive reports to the two leaders, the latest of which was submitted to the leaders on 5 July 2008. The Reform Initiative covers key sectors and areas such as intellectual property, distribution and customs procedures, competition policy, trade and investment-related measures, consular affairs, medical devices and pharmaceuticals, commercial law, privatization of public entities, and telecommunications/communications.

58. The Investment Initiative covers investment promotion, restriction measures and investment-related measures such as education, medical services, the labour system, visas, cargo security, etc. These reports are the most tangible results of Japan-U.S. bilateral economic consultations, which include a number of measures taken by the two governments to facilitate two-way trade and investment.

59. In addressing the threat of transnational terrorism, the international community faces the challenge of securing the global supply chain without hindering the efficient movement of goods. Japan and the United States have been working together to increase secure and efficient trade between the two countries, within the Asia-Pacific region, and throughout the world. One of the approaches is the Megaports Initiative. Japan and the United States share a common concern for the need to increase efforts to detect, deter and interdict illicit trafficking in nuclear and other radioactive material, including terrorist attempts to disrupt global trade and to abuse commercial shipping to further terrorist schemes. To address this concern, Japan will start a pilot project under the Megaports Initiative with the United States' support to monitor cargo containers for nuclear and other radioactive material by installing radioactive materials detection equipment by the end of Japan's FY 2008.

(ii) European Union

60. With regard to the economic relations between Japan and the EU, the 16th and 17th Japan-EU Summit Meetings were held respectively on 5 June 2007 and on 23 April 2008. At these summit meetings, Japan and the EU issued the "Japan-EU Action Plan on IPR Protection and Enforcement" (2007) and documents entitled "Promoting Research and Innovation towards Prosperity" (2007) and "Japan-EU Cooperation on Consumer Safety and Protection" (2008). Additionally, the Japan-EC Customs Cooperation Agreement ("Agreement between Japan and the European Community on Cooperation and Mutual Administrative Assistance in Customs Matters"), which facilitates mutual assistance in customs matters and trade, entered into force on 1 February 2008. On various occasions including the annual Japan-EU Regulatory Reform Dialogues, with a view to improving the business environment and promoting bilateral trade and investment, both sides conducted consultations on wide-ranging economic issues. The Japan-EU High-Level Consultations were held on 26 April 2007 in Brussels and 27 February 2008 in Tokyo to exchange views on the progress of cooperation and dialogue across a wide range of economic areas.

(iii) China

61. The economic interdependence between Japan and China is growing deeper. In 2007, China became Japan's largest trading partner. The mutual trade amount in 2007 reached US\$236.6 billion, growing 12% over 2006. According to China's statistical data, Japan was China's third largest trading partner in 2007. Regarding foreign direct investment in China, Japan invested US\$3.6 billion in 2007. According to China's data, 22,650 Japanese enterprises conduct business in China. Japan has bilateral economic agreements with China in the areas of trade, air transportation, maritime transportation, patent protection, tax, investment, fisheries and mutual customs cooperation.

62. Japan has expressed a view that China's economic development should be an opportunity for the world economy. In April 2002, Japan and China decided to establish the Japan-China Economic Partnership Consultation for the purpose of identifying possible areas of economic disagreement at an early stage and preventing disputes between the two countries, as well as further strengthening mutually complementary bilateral economic relations. Such consultations have been continuously held each year. In these consultations, both sides exchanged views regarding bilateral economic issues, such as on intellectual property rights (including damages resulting from counterfeit goods), trade and investment issues, agriculture and quarantine, and Japan-China cooperation in the international economy.

63. 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. Both leaders expressed views to strengthen exchanges and cooperation in the fields of trade, investment, and protection of intellectual property rights, among other areas.

64. Japan will continue to make efforts to develop bilateral economic relations with China founded on a "mutually beneficial relationship based on common strategic interests".

(iv) Africa

65. Japan considers the acceleration of economic growth for the prosperity and stability of Africa quite important. Expansion of the volume of trade and investment will largely contribute to achieving this goal. With this in mind, Japan as well as development partners discussed the importance of trade and investment as a major topic at TICAD IV.

66. Japan announced at TICAD IV that it aims to assist in doubling Japanese private investment in Africa by 2012. The Yokohama Declaration that Japan played a major role in drafting demonstrates the political direction, and the various concrete actions of Japan in this field are mentioned in the Yokohama Action Plan.

67. For example, Japan dispatched three Joint Missions to 12 African countries from August to September 2008 with a view to promoting trade and investment in Africa. Japan further promoted the "One Village, One Product (OVOP)" movement all over the African continent, with capacity building fostered for the purpose of expanding the volume of trade between Japan and Africa.

68. Japan considers that the stimulation of Japanese investment in Africa will be a key factor for African development. Japan will also set up the African Investment Facility next April for financial assistance to Japanese private companies. In addition to that, trade and investment insurance is to be extended more flexibly and partnership between private companies' projects and ODA is encouraged. In total, up to US\$2.5 billion will be provided as financial support over five years.

69. Private sector development is also important to make African sustainable development possible. In this context, Japan decided to additionally provide US\$300 million to the AfDB (African Development Bank) for projects to enhance the capacity of SMEs in Africa.

(v) MERCOSUR

70. In order to strengthen the Japan-MERCOSUR economic relationship and also to ensure its future development, the sixth Japan-MERCOSUR Senior Official Meeting was held in Japan in June 2004 and the seventh in Argentina in April 2006. During these meetings, various views were exchanged on trade and investment promotion, and economic and technical cooperation.

7. Japan's Trade-Related Assistance Schemes - TRTA

71. In order for developing countries including LDCs to reap further benefits of the multilateral trading system, trade liberalisation alone is not enough. Supply-side assistance is indispensable. For many years, Japan has been making an important contribution in this area, providing technical and financial assistance to the production sector and the economic infrastructure and service sector.⁴

(1) Development Initiative for Trade

72. As a response to the much-discussed issue of "Aid for Trade," Japan launched the "Development Initiative for Trade", prior to the WTO Ministerial Conference in Hong Kong in December 2005. This initiative, based on Japan's experience and knowledge in this field, intends to provide effective assistance in a comprehensive manner, combining all necessary and available measures.

73. In this initiative, Japan divides trade into three different stages: "Produce", "Sell", and "Buy". As for trade, it is necessary first to "produce" goods. Next, the goods need to be delivered to ports and markets. This ushers in the "sell" stage. Finally, the goods will be purchased by consumers in other countries. This is the "buy" stage. In order to facilitate each of these three stages, Japan provides assistance through every available measure, namely "knowledge and technology", "people", "financial assistance" and "systems", so that the chain of commerce can function well in developing countries.

74. Until now, Japan has steadily implemented the Development Initiative for Trade. For instance, Japan has implemented since April 2007 duty-free and quota-free (DFQF) market access for approximately 98% of products originating in least developed countries (LDCs) and has assisted developing countries with the "One Village, One Product" movement.

⁴ Japanese Cooperation in the Trade-related sectors (OECD/DAC data base). According to the OECD/DAC ODA data base by sectors (Table 5), Japan ranked first among the DAC member countries in terms of the amount of aid in the production sector (Sector III) and the economic infrastructure & service sector (Sector II). Japan alone provided almost half (47%) of the total amount of the aid given by the DAC countries in these sectors between 1990 and 2004. In the agriculture, fisheries and forestry sector (Sector III.1), Japan also contributed almost 40% of the total ODA provided by the DAC member countries. As for the share of these sectors in the total ODA of each country, Japan, with more than 60%, outnumbers by far other member countries, whose shares range from 20 to 30%. Although not all of the cooperation in these sectors can be regarded as trade-related, this data reflects the fact that the trade-related sectors have been taken into account considerably ("mainstreamed") in Japanese assistance policy, especially as a part of the poverty reduction strategy through economic growth.

75. The Japanese Government dispatched a high-level mission on the Development Initiative for Trade to Madagascar, Kenya, and Zambia from late June to early July 2007. This mission conveyed our strong message that Japan would steadily implement its Development Initiative for Trade regardless of the progress of DDA negotiations, which was greeted with appreciation and gratitude from these countries.

76. Various review meetings on Aid for Trade (AFT) were held in autumn 2007 by the WTO and regional development banks. Japan contributed to these meetings by means of a financial contribution through the Japan-OECD Cooperation Fund, as well as through the participation of our high-level experts as panellists.

77. Japan has also hosted summit meetings that push development as a main theme, such as TICAD IV and the G8 Hokkaido Toyako Summit. Japan plans to proactively promote the Development Initiative for Trade taking into account the outcomes of these meetings, such as the Yokohama Action Plan adopted at TICAD IV. The plan declares the scaling up of "Aid for Trade" to increase the global competitiveness of African countries by accelerating assistance including through the above-mentioned Development Initiative for Trade.

(2) Assistance to the One Village, One Product Movement

78. The One Village, One Product (OVOP) is one of the typical approaches under this initiative. 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 the local economies in other Asian countries.

79. 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) in Japan's international airports in order to introduce products and encourage shopping.

8. Japan's Domestic Policies

(1) Regulatory Reform

80. The Council for the Promotion of Regulatory Reform (CPRR) was established in January 2007, after the closing of the former Council for the Promotion of Regulatory Reform, as an advisory body to the Prime Minister for the purpose of accelerating regulatory reforms. The CPRR has been investigating and deliberating on reform issues and reporting the outcomes to the Prime Minister while keeping close ties with the Headquarters for the Promotion of Regulatory Reform.

81. In May 2007, the CPRR delivered "The First Report on the Promotion of Regulatory Reform". The report addressed reform issues such as the re-examination of a labelling rule for agricultural products and others, raising the age limit to take civil service exams, and the application of IT to the medical system. Japan incorporated this report in the "Economic and Fiscal Reform 2007 (Cabinet decision in June 2007)". In addition, it authorized "The Three-Year Program for Promoting Regulatory Reform" as the Cabinet decision in June 2007 in line with this report. In December 2007, the CPRR delivered "The Second Report on the Promotion of Regulatory Reform". This time, the report dealt with reform issues such as the re-examination of national health insurance coverage, the

so-called "mixed medical care (*kongou-shinryo*)", and the basic rules for children to enter nursery school. Japan authorized "The Three-Year Program for Promoting Regulatory Reform (Revised)" accordingly as the Cabinet decision in March 2008.

82. The CPRR published "The Interim Report" in July 2008 to include seven core areas which are (1) social security policies and measures against the effects of the decline in the birth rate, (2) policies for the agriculture and fisheries sectors and for rural regions, (3) basis of livelihood, (4) improvement of international competitiveness, (5) foundation of society, (6) educational policies and reform of licenses, and (7) slimming down government enterprises. The Third Report on the Promotion of Regulatory Reform will be made in December 2008 to include the issues stated in the Interim Report and others.

(2) Intellectual Property Rights

83. The Intellectual Property Strategy Headquarters, which was established in March 2003 under the Basic Law on Intellectual Property, achieved the following major results:

- Establishment of the Intellectual Property High Court (April 2005)
- Acceleration of patent examining/ sharp increases in the number of examiners (an increase of around 500 in the five years from FY 2004 to FY 2008)
- Inauguration of many university-based intellectual property headquarters and rapid increases in the number of patent applications
- Development of the International Standardization Comprehensive Strategy (December 2006)
- Organization of measures for the promotion of the contents industry

(3) Financial Reform

Insurance sector

84. With respect to the expansion of the sales channel for financial goods and services, Japan has implemented a wide range of regulatory reform measures, including the following measures: permission for banks to sell, in principle, all insurance products and lifting the ban on agent business by insurance companies in investment advisory contracts, discretionary investment management contracts and trust contracts.

Banking and securities sectors

85. A new capital adequacy framework known as "Basel II" has been in force for all deposit-taking financial institutions since the end of March 2007. The most advanced approaches of the new regulatory framework have been available for implementation since the end of March 2008.

86. The Financial Instruments and Exchange Act (FIEA) entered into force in September 2007, to respond to the dramatically changing environment surrounding Japan's financial and capital markets. The FIEA aims at (1) establishing a cross-sectional legislative framework for user protection covering a wide range of financial products with strong investment characteristics, (2) enhancing disclosure requirements, (3) ensuring appropriate management of self-regulatory operations by exchanges and (4) guaranteeing strict countermeasures against unfair trading. The Better Market Initiative was published in December 2007. The Initiative's proposals include the introduction of a highly flexible market designed for professional investors and the relaxation of firewall regulations. The amended FIEA, which includes the above mentioned measures, was promulgated in June 2008.

(4) Agricultural Reform

87. In April 2007, the Task Force on the Promotion of Policies for Food, Agriculture and Rural Areas headed by the Prime Minister adopted a goal-oriented policy package in accordance with the Cabinet policy objectives for agriculture, which are: 1) to make full use of the potential productive capacity of agriculture and to develop agriculture as a strategically important industry for the 21st century; 2) to fulfil the demand for high-quality and safe food for consumers, and to carry out the plan which includes: (i) agrarian reform which concentrates on the farmland of principal farmers in order to strengthen the structure of Japanese agriculture and (ii) the establishment of the "Ministry of Agriculture, Forestry and Fisheries (MAFF)'s Strategy for Preventing Global Warming".

88. Responding to the skyrocketing of global agricultural-product prices as well as to the drop in food self-sufficiency, in May 2008, the Task Force on the Promotion of Policies for Food, Agriculture and Rural Areas headed by the Prime Minister adopted concrete actions and measures which should be promoted not only by MAFF but by Japan as a whole. They are: the development and popularization of rice flour products, rice-fodder production in paddy fields and improving fodder self-efficiency to strengthen domestic food supply capacity; the reinforcement of correct information on the food label to ensure consumer confidence; the promotion of farm management stabilization programs targeted to principal farmers; building a system in which companies and people in diverse fields can enter the agricultural sector; reclaiming abandoned cultivated land; and the promotion of cooperation among farmers, local food industries and local retailing companies to revitalize rural areas.

(5) Competition Policy

89. In October 2007, in line with the June 2007 report prepared by the Advisory Panel on Basic Issues Regarding the Antimonopoly Act (an advisory panel to the Chief Cabinet Secretary), the Japan Fair Trade Commission (JFTC) published the "Prospective Amendments to the Antimonopoly Act (AMA)" and continued its study of the Act's amendment bill. The bill was approved by the Cabinet in March 2008 and was submitted to the Diet. As deliberations on the bill were not completed during the session, the bill was carried over to the next session.

90. The amendment bill included review of the surcharge system, of the surcharge rate for unreasonable restraint of trade and of the leniency program.

91. The JFTC has been taking rigorous legal actions against violations of the AMA. The number of legal cases against such violations amounted to nine in 2006 and 20 in 2007. Details of these cases can be found below.

	2006	2007
Private monopolization	0	0
Bid-rigging	3	12
Cartels (excluding bid-rigging)	3	3
Unfair trade practices	3	4
Others	0	1
Total cases	9	20

92. The amount of surcharge payment orders issued by the JFTC was estimated at a total of approximately ¥40757.2 million in 2007 and ¥23137.7 million in 2006. Of that amount, some cases, totalling ¥27171 million in 2007 and ¥962.92 million in 2006, were nullified due to the initiation of hearing procedures.

93. The JFTC has adopted an active policy on filing criminal complaints to seek penalties for violations of the AMA. In 2007, the JFTC filed complaints in two cases.

94. In order to reinforce the JFTC's role as a guardian of the market, the number of personnel in the JFTC increased to 795 in 2008, with most assigned to the investigation section.
