



**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.

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## 1 TRADE AND ECONOMIC ENVIRONMENT

### 1.1 Japan's economic environment

1.1. In 2020, the Japanese economy declined rapidly in an extremely severe situation due to the COVID-19 pandemic. The private consumption and business investment have been the hardest hit by the COVID-19 pandemic. The recovery of exports has also been sluggish because of the supply-side constraints on semiconductors and automobile parts and the slowdown of the Chinese economy. As a consequence, industrial production has been under downward pressure. However, with the impact of COVID-19 waning, social and economic activities are becoming revitalized and under the circumstances, corporate profits remain high and the improvement of employment levels and income indicates that the situation is returning to the pre-pandemic state. The inflation rate measured with core consumer prices rose above 2% for the first time in seven years in April 2022, mainly due to the increase in energy and food prices.

1.2. Among the structural challenges, the Japanese economy has long been facing a prolonged low birth rate and an aging population. In order to sustain and enhance domestic market demands, the virtuous cycle from income to spending, coupled with increasing wages to generate private consumption, is becoming a key factor. As a means to create such virtuous cycle, it is important to improve productivity of limited human resources through innovation and human-capital investment.

### 1.2 Trends in foreign trade

1.3. During the review period, the trade balance turned negative, mainly reflecting the impacts of a rise in imported commodity prices and supply-side constraints on goods exports. The service balance continued to register a deficit, mainly against the background of deterioration in the travel balance, which is due to subdued inbound tourism demand caused by the COVID-19 pandemic.

1.4. In 2021, the value of goods exports from Japan increased to JPY 83.1 trillion by 21.5% compared to the previous year and that of goods imports to Japan increased to JPY 84.8 trillion by 24.6%. As a result, the trade balance turned into a deficit, and amounted to JPY 1.7 trillion, for the first time in 2 years.

1.5. The total value of goods exports from Japan in 2021 amounted to JPY 83.1 trillion (an increase of 21.5% from 2020).

#### Box 1.1 Regional breakdown of total value of goods exports in 2021 (compared to 2020)

China	up by 19.2%
Chinese Taipei	up by 26.4%
Republic of Korea	up by 21.0%
ASEAN	up by 26.6%
United States	up by 17.6%
European Union (EU)	up by 21.4%

1.6. The total value of goods imports to Japan in 2021 amounted to JPY 84.8 trillion (an increase of 24.6% from 2020).

#### Box 1.2 Regional breakdown of total value of goods imports in 2021 (compared to 2020)

China	up by 16.4%
ASEAN	up by 16.8%
Australia	up by 49.7%
United States	up by 19.4%
European Union (EU)	up by 21.4%
Middle East	up by 52.4%

### 1.3 Trends in foreign direct investment

1.7. The amount of outward FDI stocks increased from JPY 204.6 trillion (38.1% of GDP) in 2020 to JPY 228.8 trillion (42.3% of GDP) in 2021. The amount of inward FDI stocks increased from JPY 40.2 trillion (7.5% of GDP) in 2020 to JPY 40.5 trillion (7.5% of GDP) in 2021.

#### 2021 Outward FDI

1.8. Japan's outflow of FDI (outward FDI) increased from JPY 10,214.7 billion in 2020 to JPY 16,110.0 billion in 2021. The major characteristics of Japan's outward FDI in 2021 were as follows:

- By industry: in 2021, outward FDI in manufacturing industries increased to JPY 4,192.2 billion (i.e. by 163.9%). The chemicals and pharmaceuticals, general machinery sectors increased sharply. Outward FDI in non-manufacturing industries increased to JPY 11,917.8 billion (i.e. by 38.2%). Sectors such as communications, finance and insurance saw a sharp increase in outward FDI;
- By region: in 2021, outward FDI to Asia increased by 48.9% to JPY 5,052.9 billion, and to North America by 11.7% to JPY 6,609.0 billion, to Europe to JPY 4,180.8 billion. On the other hand, outward FDI to Central and South America decreased by 59.6% to JPY 599.5 billion.

#### 2021 Inward FDI

1.9. The FDI flow to Japan (inward FDI) increased from JPY 1,142.8 billion in 2020 to JPY 2,705.7 billion in 2021. The major characteristics of inward FDI flow to Japan in 2021 were as follows:

- By industry: in 2021, inward FDI in the manufacturing industries increased to JPY 1,356.8 billion (i.e. by 309.5%). The chemicals and pharmaceuticals, electric machinery sectors increased. Inward FDI in the non-manufacturing industries increased to JPY 1,348.8 billion (i.e. by 66.2%). Sectors such as communications, finance and insurance recorded an increase in inward FDI.
- By region: in 2021, the inward FDI from Asia increased by 255% to JPY 1,899.6 billion, and from North America by 134.6% to JPY 747.3 billion, and from Central and South America to JPY 307.5 billion. On the other hand, outward FDI from Europe decreased to JPY 259.0 billion.

## 2 TRADE AND INVESTMENT POLICY

### 2.1 Trade policy

2.1. Japan has been committed to trade liberalization under the multilateral trading system centered on the WTO. Japan is determined to be fully engaged in this non-discriminatory, open and rule-based regime.

2.2. While committed to the multilateral trade negotiations, Japan is also pursuing the conclusion of Economic Partnership Agreements (EPAs), bilateral and regional, and plurilateral trade agreements. The negotiations of EPAs and plurilateral agreements will enhance the transparency of the respective member country's economic policy and reinforce the competitiveness of its industries, which will bring about positive impacts on the multilateral trade negotiations. Japan also intends to assess the possibility of reflecting the outcomes of the bilateral and plurilateral initiatives in the multilateral trading system.

2.3. Japan is currently a party to 19 EPAs. Since the previous review, the Japan-UK Comprehensive Economic Partnership Agreement (Japan-UK CEPA) and the Regional Comprehensive Economic

Partnership (RCEP) Agreement entered into force in 2021 and 2022. The ETA ratio<sup>1</sup> has reached nearly 80%, which exceeded the target set out in the Growth Strategy 2013. Japan has also promoted its regional and bilateral trade policies as a means of complementing the multilateral trading system under the WTO and Japan is confident that these agreements will serve as building blocks to advance higher trade liberalization and to achieve fairer economic order at the multilateral level.

2.4. Regarding plurilateral negotiations in relation to the WTO, Japan has actively participated in plurilateral initiatives of rule-making by like-minded countries in areas such as e-commerce, services domestic regulations, investment facilitation for development, and micro small and medium enterprises (MSMEs). Through these efforts, Japan aims at making significant contributions towards multilateral trade liberalization.

2.5. With the rise of protectionist movements including trade-restrictive measures linked to the COVID-19 pandemic and a heightened perception of risk associated with supply chain disruptions, Japan welcomes the political commitments made at international fora such as G7, G20, OECD, and APEC to address these issues. Japan is strengthening cooperation with like-minded countries to ensure more diversified and stable supply sources including the dimension of economic security, while keeping in mind the maintenance and expansion of free and fair economic zones and consistency with existing international laws. In this context, Japan fully supports the WTO's peer review system of Trade Policy Review, which aims at curbing protectionist measures by achieving greater transparency in and understanding of Member countries' trade policies and practices.

2.6. As the holder of the G7 Presidency in 2023, Japan will host the G7 Summit in Hiroshima and the G7 Trade Ministers' Meeting in Osaka to lead the discussion on trade issues.

## **2.2 Investment policy**

### **2.2.1 Foreign direct investment**

2.7. In the Growth Strategy 2013 (decided by the Cabinet in June 2013), the Japanese Government stated that it will aim to increase the amount of inward FDI stocks to JPY 35 trillion by 2020 (JPY 39.7 trillion at the end of 2020).

2.8. In March 2015, under the leadership of the Prime Minister, the Council for Promotion of Foreign Direct Investment in Japan adopted the "Five Promises for Attracting Foreign Businesses to Japan" as important items to be addressed going forward. In addition, in May 2016, this Council adopted the "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" to promote more FDI to make Japan an international trade and investment hub. The inward FDI stocks reached JPY 39.7 trillion as of the end of 2020, thereby achieving the above target.

2.9. In June 2021, to promote more FDI in Japan, the Japanese Government adopted the "Strategy for Promoting Foreign Direct Investment in Japan" and set its new target of increasing the amount of inward FDI stocks to JPY 80 trillion by 2030. The Strategy was formulated after the onset of the COVID-19 pandemic to incorporate such elements as: (a) changes towards post-COVID-19 economic society (i.e. ensuring a greener and more digitalized society); (b) changes in global trends (i.e. the advancement of global decoupling, changes in global supply chains); (c) issues toward achieving a sustainable economic society (i.e. the declining birth rate and aging population); having the following three basic pillars: (i) Creation of a New Digital Green Market and Building of an Innovation Ecosystem; (ii) Acceleration of the Development of Business Environments in Response to Global Environmental Changes; (iii) Development of an Investment Environment through Public-Private Partnerships Utilizing Regional Strengths.

2.10. The Japanese Government also works on the enhanced promotion of inward FDI along with the "Main Policy Agenda for Promoting Foreign Direct Investment in Japan" adopted in April 2022 at the Working Group for Creating Medium and Long-term Strategy to Promote Foreign Direct Investment in Japan. The Agenda prioritizes strategic initiatives based on the Strategy ("Strategy for Promoting Foreign Direct Investment in Japan") and upholds three pillars: (i) Strengthening

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<sup>1</sup> Share of trade value with countries with which EPA/FTA has entered into force or signed in Japan's total trade in 2021.

"investment in human capital" through inward FDI; (ii) Promotion of DX, GX, and start-ups through inward FDI; (iii) Improving the living environment of foreign nationals to promote FDI in Japan.

### **2.2.2 Investment agreements**

2.11. 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. In the "Action Plan for Improvement of Investment Climate through Promoting the Conclusion of Investment-related Treaties" formulated in 2016, the Japanese Government set the goal of signing and/or achieving entry into force of investment-related agreements (investment agreements and economic partnership agreements with investment chapters) covering 100 countries/regions by 2020. As of August 2022, Japan has concluded/signed investment-related agreements with 74 countries and regions, which will reach up to 94 countries and regions including investment-related agreements currently in negotiation and cover around 93% of Japan's total FDIs.

## **3 MULTILATERAL INITIATIVES**

### **3.1 WTO**

3.1. Maintaining and strengthening the multilateral trading system, which forms the basis of global trade, is a main pillar of Japan's trade policy. Since the last Review, Japan has always fully engaged in bringing about progress in the multilateral trading system under the WTO. While respecting the principles of openness, transparency, non-discrimination and inclusiveness, Japan is setting out to offer new ideas and approaches to advance the trade negotiations under the WTO.

3.2. In the lead up to the successful conclusion of the 12<sup>th</sup> WTO Ministerial Conference (MC12) in Geneva in June 2022, Japan has actively engaged in negotiations on important themes such as COVID-19 response, fisheries subsidies negotiations, food security, modern SPS challenges, and the work programme on e-commerce. Looking ahead, Japan will work with like-minded countries, based on the outcome of MC12, on rule-making for e-commerce, restrictions on trade-restrictions on medical suppliers, and WTO reform.

#### ***Rule setting***

3.3. At MC10, over 50 Members concluded the ITA expansion negotiations led by Japan as the Chair. Eliminating tariffs on 201 items valued at over USD 1.3 trillion per year by 53 Members who account for approximately 90% of world trade in the products proposed for inclusion in the product expansion is expected to bring benefits to all WTO Members. The new agreement covers new generation semi-conductors, semi-conductor manufacturing equipment, optical lenses, GPS navigation equipment, and medical equipment such as magnetic resonance imaging products and ultra-sonic scanning apparatus. The agreement also contains a commitment to tackle non-tariff barriers in the IT sector, and to keep the list of products covered under review to determine whether further expansion may be needed to reflect future technological developments. To reflect its ITA expansion commitment, the modifications and rectifications of Japan's Goods Schedule has entered into force on 16 May 2017. To date, 56 Members participate in the ITA expansion agreement, which covers approximately 90% of world trade in products, and 55 Members will eliminate tariffs on 201 items in 2024 followed by Lao PDR in 2026.

3.4. Japan has contributed to making new rules and practices through plurilateral Joint Statement Initiatives (JSIs) on E-commerce, Services Domestic Regulation, Investment Facilitation for Development, and MSMEs. As for negotiations related to e-commerce, concerned ministers from Japan, Australia, and Singapore, co-conveners of the WTO Joint Initiative on E-commerce, issued a joint statement that highlights the way to progress toward the conclusion of the negotiation. In the post-COVID-19 era, the realization of Data Free Flow with Trust (DFFT) is crucial for harnessing the increasingly important digital sector, and at the WTO, e-commerce negotiations are one of the most important themes and it is crucial to accumulate results in order to further advance negotiations. As a co-convenor for e-commerce negotiations, Japan continues to open the door to wider participation of Member countries and accelerate negotiations with the goal of creating high-level rules that include the free flow of data. With these efforts, Japan has high expectations for the improvement and enhancement of the business climate and trade environment worldwide.

3.5. Japan has been actively engaged in fishery subsidies negotiations with the view that subsidies that truly result in overfishing and expanding overfishing capacity be regulated. Japan is currently moving forward with acceptance of the Agreement on fishery subsidies adopted at MC12.

### ***Dispute settlement***

3.6. Observing the compliance with WTO rules through dispute settlement is one of the most important and critical roles played by the WTO to maintain an open and fair multilateral trading system. Japan has actively engaged in the WTO dispute settlement mechanism to settle disputes as both a party and a third party to a dispute. Japan continues to make best efforts to achieve an expeditious reform that will contribute to a long-lasting solution to the structural and functional problems of the dispute settlement system, including matters concerning the Appellate Body.

### ***COVID-19 and trade***

3.7. The COVID-19 pandemic exposed limitations and vulnerabilities of the free trade system in 2020. Forty-two WTO Members including Japan jointly released in May 2020 the "Statement on COVID-19 and the multilateral trading system by Ministers responsible for the WTO", which emphasizes the importance of WTO notifications and WTO reforms.

3.8. Japan jointly released in June 2020 at the Ministerial meeting of the Ottawa Group, a small group of like-minded nations promoting WTO reforms, the "Statement of the Ottawa Group: Focusing Action on COVID-19". In the statement, the principle that trade-related measures in connection with COVID-19 should be "targeted, proportionate, transparent, temporary, and consistent with WTO rules" was reaffirmed and agreements were also reached in such areas as medical supplies and e-commerce. The Ottawa Group Ministerial meeting was also held in November and Japan actively engaged in "Trade and Health Initiatives" to strengthen global supply chains and facilitate the flow of essential medicines and medical supplies, including vaccines, amid the COVID-19 pandemic and contributed to discussions about the implementation of trade-facilitating measures in the areas of customs and services, impediment of export restrictions, temporary removal or reduction of tariffs on essential medical goods, and improvement of transparency overall.

### ***Environment and trade***

3.9. With the interest in trade and environmental issues increasing globally, Japan has taken part in the Trade and Environmental Sustainability Structured Discussions (TESSD) since its launch in March 2021. How to deal with environmental issues such as climate change from a trade perspective has been discussed in the TESSD initiative and Japan also provided a proposal on what the WTO can do to help achieve net zero. In December 2021, 70 WTO Members including Japan released the Ministerial Statement on Trade and Environmental Sustainability and adopted the roadmap toward MC13. Along with this roadmap, Japan has been acting as a facilitator for the working group on a more resource-efficient circular economy.

3.10. In November 2021, Japan also joined the Informal Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade (IDP).

### ***Development and trade***

3.11. Development was one of the major components agreed among the WTO Members in the decisions taken at the Nairobi Ministerial Conference in December 2015. Among the decisions, those that are relevant to development include: i) Special Safeguard Mechanism for Developing Country Members; ii) Public Stockholding for Food Security Purposes; iii) Export Competition; iv) Cotton; v) Preferential Rules of Origin for Least developed countries; and vi) Implementation of Preferential Treatment in Favour of Services and Service Suppliers of Least Developed Countries and Increasing LDC Participation in Services Trade. Through its active participation in the Conference, Japan has played an important role in leading the outcome of these decisions.

3.12. Japan has been actively continuing its participation in discussions related to various items of the 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. Specifically, through the implementation of the Trade Facilitation Agreement (TFA), Japan provided

around USD 8.8 million in 2020 to various countries for the purpose of assistance and capacity-building resources.

3.13. Japan has been putting into practice a holistic approach in its own Aid for Trade efforts, and has also been providing comprehensive assistance, including in the areas of productive capacity building as well as trade policy and regulations, in order to meet the needs of the recipient countries. Specifically, mobilizing private sector resources, for instance FDI, plays an important role in such areas as trade facilitation and digital trade, and therefore establishing a good investment environment through policy consistency and transparency is crucial. Japan believes that efforts made by developing countries themselves are always the key, and also believes that the ownership by developing countries and the catalyst effect of Aid for Trade will create good synergies and lead to sustainable economic growth. In order to ensure that everyone, including SMEs, women and young people can reap the benefits of trade, and to realize "inclusive trade" which leaves no one behind, Japan is confident that Aid for Trade will continue to play its role.

### **MSMEs and trade**

3.14. Japan recognizes that MSMEs play an important role in international trade. Japan-Singapore Agreement in 2002 was the first RTA with a standalone MSME Chapter<sup>2</sup>, and subsequently Japan signed four more RTAs with a standalone MSME Chapter: The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Japan-EU Economic Partnership Agreement (EPA), the Japan-UK CEPA, and the RCEP. In addition to these RTAs with a standalone MSME Chapter, Japan has concluded to date 12 RTAs with MSME-related provisions. Therefore, for Japan, approximately 90% of in-force or signed RTAs contain MSME-related provisions.

3.15. In Japan, micro, small and medium-sized enterprises (MSMEs) are defined in the Small and Medium-sized Enterprise Basic Act ("SME Basic ACT," Act No. 154 of 1963: Amended on 3 December 1999).<sup>3</sup> In accordance with Article 2 of the SME Basic Act, SMEs are any entity which is (1) a company whose capital or total amount of investment does not exceed JPY 300 million, or a company or an individual whose regular workforce does not exceed 300 persons principally engaged in manufacturing, construction or transportation, (2) a company whose capital or total amount of investment does not exceed JPY 100 million, or a company or an individual whose regular workforce does not exceed 100 persons principally engaged in the wholesale trade, (3) a company whose capital or total amount of investment does not exceed JPY 50 million, or a company or an individual whose regular workforce does not exceed 100 persons principally engaged in the service industry, and (4) a company whose capital or total amount of investment does not exceed JPY 50 million, or a company or an individual whose regular workforce does not exceed 50 persons principally engaged in the retail trade. In 2016, there were about 3.6 million MSMEs, which accounted for 99.7% of all companies in Japan, and the percentage of total employment generated by MSMEs was 68.8%. In addition, the contribution of MSMEs to GDP is 52.9% (added value basis, in 2015). Thus, MSMEs account for a large part of Japan's economy.

## **3.2 OECD**

3.16. Since its accession to the OECD in 1964, Japan has been actively engaged in OECD initiatives through discussions at the Ministerial Council Meeting and various committees, as well as financial and human resources contributions. Japan has been giving importance to the OECD's role in creating rules and standards under the shared values such as democracy and the rule of law. The Statement adopted at the Ministerial Council Meeting in October 2021 reflects many of Japan's viewpoints, including a commitment to furthering the digital economy by promoting Data Free Flow with Trust (DFFT), support for high quality infrastructure investment according to the G20 Principles for Quality Infrastructure Investment, an emphasis on the importance of WTO reforms and the revision of the G20/OECD Principles of Corporate Governance.

3.17. Due to the growing importance of Southeast Asia as a centre for global economic growth, the OECD is strengthening outreach to the region through the Southeast Asia Regional Programme

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<sup>2</sup> INF/MSME/W/6/Rev.3. Viewed at: <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/INF/MSME/W6R3.pdf&Open=True>.

<sup>3</sup> Viewed at: [https://www.chusho.meti.go.jp/sme\\_english/outline/08/01.html](https://www.chusho.meti.go.jp/sme_english/outline/08/01.html).



(SEARP). Japan will continue to utilize the Tokyo Centre of the OECD to encourage future accession from Southeast Asian countries to the OECD.

## 4 REGIONAL ACTIVITIES

### 4.1 FTA/EPAs

4.1. 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 a means of complementing the multilateral trading system, particularly through Economic Partnership Agreements that include elements of Free Trade Agreements and institution-building.

4.2. The data concerning the Economic Partnership Agreements is summarized in Table 2.1 below (as of October 2022).

Country	Date of the entry into force	Additional information
<b>Entered into force</b>		
Singapore (The Agreement between Japan and Republic of Singapore for a New Age Economic Partnership (JSEPA))	30 November 2002	The sixth and seventh Supervisory Committees were held in January and March 2016 respectively. The amended Agreement came into force 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	The Protocol between Japan and the United Mexican States related to Improvement of Market Access Conditions based on paragraphs 3 and 5 of Article 5 of the Agreement between Japan and the United Mexican States for the Strengthening of the Economic Partnership entered into force in April 2007. 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	The third Joint Committee was held in February 2013. 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	Meetings of the Commission, Committees on Trade in Goods and Improvement of Business Environment and the 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	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	The sixteenth Joint Committee was held in September 2021. Sub-Committees on Rules of Origin, Trade in Goods, Trade in Services, Movement of Natural Persons, Cooperation, Investment, Intellectual Property, and Government Procurement have been held to date.
Brunei Darussalam (The Agreement between Japan and Brunei Darussalam for an Economic Partnership)	31 July 2008	Sub-Committees on Trade in Services and Cooperation have been held to date.

Country	Date of the entry into force	Additional information
ASEAN (The Agreement on Comprehensive Economic Partnership among Japan and Member States of the Association of Southeast Asian Nations)	1 December 2008 (Japan, Lao PDR, Myanmar, Singapore, Viet Nam) 1 January 2009 (Brunei Darussalam) 1 February 2009 (Malaysia) 1 June 2009 (Thailand) 1 December 2009 (Cambodia) 1 March 2010 (Indonesia) 1 July 2010 (Philippines)	The twentieth Joint Committee was held in August 2022. Sub-Committees on Rules of Origin, Investment and Economic Cooperation and Standards, Technical Regulations and Conformity Assessment Procedures 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 does neither nullify nor integrate those bilateral EPAs. The First Protocol to amend the Agreement came into force in all the member countries by 1 February 2022.
The Philippines (The Agreement between Japan and the Republic of the Philippines)	11 December 2008	The ninth Joint Committee was held in April 2019. Sub-Committees on Trade in Goods, Trade in Services, Rules of Origin, Investment, Movement of Natural Persons, Improvement of Business Environment, Mutual Recognition 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	The fourth Joint Committee was held in November 2018. Sub-Committee on Rules of Origin, Customs Procedures and Trade Facilitation has been held since February 2011.
Viet Nam (The Agreement between Japan and the Socialist Republic of Viet Nam for an Economic Partnership)	1 October 2009	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	The sixth Joint Committee was held in January 2021. The sub-committee on Rules of Origin, Customs Procedures, TBT/SPS, Trade Services, Movement of Natural Persons, and Improvement of Business Environment has been held to date.
Peru (The Agreement between Japan and the Republic of Peru for an Economic Partnership)	1 March 2012	Meeting of the Commission and the Sub-Committee on Improvement of the Business Environment have been held to date.
Australia (The Agreement between Japan and Australia for an Economic Partnership)	15 January 2015	The third meeting of the Joint Committee was held in Tokyo on 13 February 2019. Sub-Committee on Promotion of a Closer Economic Relationship was held in Tokyo on 8 October 2015.
Mongolia (The Agreement between Japan and Mongolia for an Economic Partnership)	7 June 2016	The first meeting of the Joint Committee established under the Japan-Mongolia EPA was held in Ulaanbaatar on 7 June 2016. The first Sub-Committee on Cooperation was held in Ulaanbaatar on 4 December 2018.
CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership)	30 December 2018	The sixth CPTPP Commission Meeting was held in Singapore in October 2022.
EU (European Union) (The Agreement between Japan and EU for an Economic Partnership)	1 February 2019	The third Joint Committee was held via video conference in March 2022 at ministerial level. In accordance with the agreement, various specialized committees were also held.
UK (United Kingdom) (Comprehensive Economic Partnership Agreement between Japan and the UK)	1 January 2021	The first Joint Committee was held in Tokyo in February 2022. In accordance with the agreement, various specialized committees were also held.
RCEP (Regional Comprehensive Economic Partnership)	1 January 2022 (Brunei Darussalam, Cambodia, Lao PDR, Republic of Singapore, Kingdom of Thailand, Viet Nam, China, Australia and New Zealand) 1 February 2022 (Republic of Korea) 18 March 2022 (Malaysia)	The inaugural Ministers' meeting was held in Siem Reap in September 2022.
<b>Signed</b> TPP (Trans-Pacific Partnership)	Signed on 4 February 2016. (Japan participated in TPP negotiations in July 2013)	Ministerial Meeting was held in Atlanta and an agreement in principle was reached on 5 October 2015. Japan submitted the agreement to the Diet for approval on 8 March 2016.

Country	Date of the entry into force	Additional information
<b>Under negotiation</b>		
Republic of Korea	Negotiation suspended (The negotiations commenced in December 2003)	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. Several rounds of working-level consultations have been held since 2012.
GCC (Gulf Cooperation Council)	Negotiation postponed (Formal negotiations commenced in September 2006)	Two rounds of negotiations and four rounds of informal intermediate meetings were held. The latest meeting was held in March 2009.
Canada	Under negotiation (The negotiations commenced in November 2012)	Seven rounds of negotiations were held. The latest meeting was held in Tokyo in November 2014.
Colombia	Under negotiation (The negotiations commenced in December 2012)	Thirteen rounds of negotiations were held. The latest meeting was held in Tokyo in September 2015.
CJK (China, Japan and Republic of Korea)	Under negotiation (The negotiations commenced in March 2013)	Sixteen rounds of negotiations were held. The latest meeting was held in Seoul in November 2019.
Turkey	Under negotiation (The negotiations commenced in December 2014)	Seventeen rounds of negotiations were held. The latest meeting was held in October 2019.

## 4.2 Other regional activities

### 4.2.1 Asia-Pacific Economic Cooperation (APEC)

4.3. 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 21<sup>st</sup> Century. Japan has continued to take a leading role in realizing this vision in close cooperation with other member economies. Against rising protectionist movements including unfair trade practices, Japan solidifies its resolve toward the promotion of free trade.

4.4. At the APEC Economic Leaders' Meeting in 2016 in Lima, Peru, APEC economic leaders reaffirmed their pledge against protectionism by extending a standstill commitment until the end of 2020, and their commitment to roll back protectionist and trade-distorting measures, which weaken trade and slow down the progress and recovery of the international economy. The Lima Declaration remains the backbone of APEC's efforts in promoting free and open trade and investment. In 2021, APEC Economic Leaders adopted the Aotearoa Plan of Action as an annex for implementing APEC Putrajaya Vision 2040, aiming at creating an open, dynamic, resilient and peaceful Asia-Pacific community by 2040 with three drivers of economic growth: trade and investment, innovation and digitisation, and sustainable and inclusive growth.

4.5. APEC's core mission continues to be further regional economic integration and expansion of trade in the Asia-Pacific region. The Leaders and the Ministers of APEC reiterate the commitment to build an open economy in the Asia-Pacific region at the Economic Leaders' Meetings and the Ministerial Meetings respectively by advancing regional economic integration and addressing next-generation trade and investment issues, including through the measures for achieving comprehensive and high-quality Free Trade Area of the Asia-Pacific (FTAAP). In this regard, Japan has been taking the lead in working on initiatives related to quality infrastructure, digital economy, and woman's economic empowerment. Japan has also been taking an initiative to implement APEC projects including competition policy in FTAs/RTAs, services, digital economy and food security.

### 4.2.2 Indo-Pacific Economic Framework for Prosperity (IPEF)

4.6. In May 2022, the United States hosted a summit-level meeting on the launch of the Indo-Pacific Economic Framework (IPEF), which Prime Minister Kishida, US President Joseph Biden and Indian Prime Minister Narendra Modi attended in person, while summit-level and cabinet-level representatives from 10 other countries attended online. Since its launch, Japan has been fully committed to intensive discussions among the 14 members, which resulted in their consent to issuing ministerial statements on trade, supply chains, clean economy, and fair economy. Japan

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welcomes the launch of the IPEF as a powerful demonstration of the United States' commitment to the Indo-Pacific region and will continue to crystallize the initiative.

### **4.2.3 Japan's bilateral activities**

#### ***The United States***

4.7. At the summit meeting in September 2018, the former Prime Minister Abe and the former President Trump agreed to enter into bilateral trade negotiations on the Japan-United States Trade Agreement and the Japan-United States Digital Trade Agreement. At the summit meeting in September 2019, the two leaders confirmed that both sides reached final agreement. These agreements were signed in October and were then approved by the National Diet of Japan in December 2019. Following the completion of respective domestic procedures, both agreements went into effect on 1 January 2020.

#### ***European Union***

4.8. The trade turnover of Japan and the EU recovered in 2021 from the temporary decline in 2020 largely due to the COVID-19 pandemic. As the Ministry of Finance reports, the volume of mutual trade amounted to about JPY 17 trillion in 2021. Japan is the EU's eighth largest trading partner and the EU is Japan's third largest one. As regards the foreign direct investment stock of each other's economies, Japan invested approximately JPY 33 trillion and the EU invested approximately JPY 10 trillion as of 2021. The EU remains as the largest investor and the second largest investee for Japan. According to the survey by Ministry of Foreign Affairs of Japan, about 6,400 Japanese enterprises are doing business in the EU.

4.9. The Japan-EU EPA has been implemented smoothly after it entered into force in February 2019. In addition to continuous sector-specific discussions in the specialised committees, a total of three joint committee meetings have been held so far at ministerial level. The latest third Joint Committee was held in video conference in March 2022 and commended the fact that trade in goods between Japan and the EU recovered to pre-pandemic levels and renewed their commitment to further promote bilateral trade.

#### ***United Kingdom***

4.10. The Japan-UK CEPA entered into force on 1 January 2021. The CEPA sets out a new trade and investment framework with the UK after it left the EU, replacing the Japan-EU EPA. The CEPA also stipulates rules, which are more advanced and higher-level than those in some areas of the Japan-EU EPA, such as financial services and e-commerce. The CEPA sent out a strong message to promote free trade to the international community in the face of stagnant trade and investment due to the global spread of the COVID-19 pandemic.

4.11. Through the CEPA, Japan continues to enjoy the benefits it had under the Japan-EU EPA, and the business continuity for both Japanese and the UK companies is ensured to continue its business, and further promotion of trade and investment between Japan and the UK is expected. After the agreement entered into force, the first Japan-UK CEPA Joint Committee at ministerial level was held in Tokyo in February 2022. The Joint Committee adopted the decisions in the procedural matter in accordance with the relevant provisions, and also had discussion on the overview of CEPA implementation. In 2021, around 1,000 enterprises are operating businesses in the UK.

#### ***Russian Federation***

4.12. The Japan-Russian trade volume between Japan and the Russian Federation in 2021 recovered from the decline caused by COVID-19 in 2020, and the trade volume from January to December increased 35.7% year on year (the total trade volume in the statistics for January-December 2021 amounted to approximately JPY 2.4055 trillion). The volume of direct investment from Japan to the Russian Federation increased from JPY 239.5 billion in 2019 to JPY 247.6 billion in 2020. Since February 2022, in response to Russian Federation's aggression against Ukraine, Japan has imposed strong sanctions against the Russian Federation, in coordination with the international community, including the G7.

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## **China**

4.13. 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 2021 reached USD 350.3 billion. According to China's statistical data, Japan was China's second largest trading partner in 2021 and regarding foreign direct investment in China, Japan invested USD 3.37 billion in 2020. According to Japan's data, 31,047 Japanese enterprises and their branches were conducting business in China as of October 2021. 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.

4.14. In 2020, at the Japan-China Foreign Ministers' telephone talk held in July, the two ministers discussed bilateral economic relations including the issue of China's import restrictions on Japanese food products. As for economic dialogue between Japan and China, the Japan-China Economic Partnership consultations were held online in November 2020, and there was an extensive exchange of opinions on future issues and cooperation between Japan and China, including the current state of the economy in Japan and China, travel and tourism, medicine and healthcare, the environment and energy conservation, and agricultural trade, as well as on multilateral issues and cooperation, including development, financial cooperation and debt issues, and trade and investment-related issues at the WTO and RCEP. Japan raised to China the issues of ensuring the legitimate business activities of Japanese companies and a level-playing field in China, particularly with regard to protecting intellectual property, industrial subsidies and forced technology transfers, cyber data-related regulations, the Export Control Law, and once again strongly urged China to remove import restrictions on Japanese food. At the Japan-China Foreign Ministers' Meeting held in Tokyo in November, Japan and China agreed to promote cooperation together in fields where both sides have the same interests and direction, such as agricultural trade, travel and tourism, the environment, and energy conservation. Former Foreign Minister Motegi once again demanded that China protect the business activities of Japanese companies and ensure a level-playing field.

4.15. In 2022, at the Japan-China Foreign Ministers' video conference held in May, both ministers confirmed that they would promote dialogue and cooperation related to Japan-China economic relations in a variety of areas and at a variety of levels in an appropriate manner and stressed the importance of pushing forward the people-to-people and economic exchanges between the two countries through mutual efforts. Amid the various impacts of COVID-19, Minister Hayashi requested that China take appropriate measures including those to ensure the safety of Japanese residents and to protect the legitimate economic activities of Japanese companies.

## **Republic of Korea**

4.16. The mutual trade amount of Japan and the Republic of Korea reached USD 84.5 billion in 2021. Japan was the Republic of Korea's third-largest trading partner after China and the United States in 2021 and the Republic of Korea was Japan's fourth-largest trading partner after China, United States and Taiwan in 2021. Regarding foreign direct investment in the Republic of Korea, Japan was the seventh largest investor with USD 1.21 billion in 2021. Foreign direct investment from the Republic of Korea to Japan amounted to USD 1.18 billion in 2021.

## **India**

4.17. Based on the "Japan-India Special Strategic and Global Partnership," established by Prime Minister Abe and Prime Minister Modi in 2014, economic activities between the two countries have been steadily enhanced. The mutual trade amount in 2021 reached USD 15.4 billion.

4.18. 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 Ninth Japan-India Strategic Dialogue on Economic Issues was held in December 2018 in New Delhi and the sixth meeting of the Joint Committee meeting under Japan-India CEPA was held in January 2021.

## **Africa**

4.19. On 27 and 28 August 2022, the 8<sup>th</sup> Tokyo International Conference on African Development (TICAD8) was held in Tunis, Tunisia. In addition to Japan and African countries, the Japan-AU Parliamentary Friendship League, international organizations, private companies, and civil society organizations were also able to participate in various formats by benefiting from online meeting tools. On that occasion, Japan emphasized that as it aspires to be "a partner growing together with Africa", Japan will help realize a resilient Africa that Africa itself aims to achieve, through a virtuous cycle of growth and distribution.

## **MERCOSUR**

4.20. In May 2017, the Fourth Dialogue to Strengthen the Economic Relationship between Mercosur and Japan was held in Buenos Aires, Argentina. In this Dialogue, both sides exchanged information on the current situations of trade and investment between Japan and Mercosur. They also exchanged their opinions over measures taken by both sides to promote free trade, and over possible measures to encourage more investment between the two parties.

## **5 TRADE AND DEVELOPMENT**

### **5.1 Aid for Trade**

5.1. In order for developing countries, including LDCs, to reap further benefit from the multilateral trading system, trade liberalization 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.

#### ***Japan's Development Initiatives for Trade***

5.2. Japan announced the "Development Initiative for Trade", prior to the WTO Ministerial Conference in Hong Kong, China in December 2005. This initiative featured: (a) implementation of Duty-Free and Quota Free Market Access for essentially all products originating from LDCs; (b) the provision of USD 10 billion of financial assistance including trade, production, and distribution infrastructure for three years (2006-08); 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, the targets of which were fully achieved. During the designated period (2006-08) of the initiative, the total sum of financial assistance amounted to USD 17.66 billion, greatly exceeding the target at 177%.

5.3. 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 USD 12 billion of financial assistance for trade-related projects including trade, production and distribution infrastructure for three years from 2009 to 2011. During the designated period (2009-11) of this initiative, the total sum of financial assistance amounted to USD 23.36 billion, which reached 195% of the target, well surpassing the amount of the first initiative. Despite the fact that no additional development initiative has been launched since then, Japan has continuously expanded its assistance and considers Aid for Trade as important to help beneficiary countries meet the new challenges they face in the regional and global economy.

#### ***Tokyo International Conference on African Development (TICAD)***

5.4. TICAD8 was held in Tunis, Tunisia, on 27 and 28 August 2022. The important initiatives announced by Japan with regard to trade and development are as follows:

1. To launch "Japan's Green Growth Initiative with Africa", where USD 4 billion of public and private financial contribution in total is made;
2. To focus on start-up companies in which energetic young people from Japan and Africa will be engaged. Japan welcomes a plan by the Japanese business community to create an investment fund for start-ups of more than JPY 10 billion;
3. To provide co-financing of up to USD 5 billion together with the African Development Bank in order to improve the lives of African people. A special, newly-created loan of up

to USD 1 billion to support countries that advance reforms which will result in sound debt management.

### ***Assistance to the One Village, One Product Movement***

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

5.6. Japan continues to support this movement, especially the exports of developing countries and least developed countries through technical cooperation such as the dispatch of experts, educational and training programmes to create competitive products, and support through international organizations. In addition, Japan held exhibitions, trade fairs, and opened OVOP shops in 2006 at some of Japan's international airports to introduce those products and encouraged consumers to buy them.

## **5.2 Generalized System of Preferences (GSP)**

5.7. 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, 126 developing countries and five territories, including all LDCs, enjoy the benefits of the GSP scheme. This scheme vastly improved, 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, China Ministerial Declaration. In order to realize the aforementioned commitment, on 1 April 2007, Japan expanded the area covered by the DFQF treatment for LDCs. As a result, the number of agricultural and fishery products originating from LDCs that receive DFQF preferential treatment increased from 497 to 1,523 and that of industrial products increased from 4,185 to 4,244. Consequently, coverage rate of DFQF increased from 86% to approximately 98% as defined at the tariff line level. On 1 April 2011, 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. On 1 April 2021, Japan extended the effective period of the GSP scheme to 31 March 2031.

## **6 JAPAN'S DOMESTIC POLICIES**

### **6.1 Current economic priorities**

6.1. We are living in a world that is not simply an extension of the recent past. Since the previous Review, earth-shaking structural changes have been occurring in the environment surrounding Japan, driven by the COVID-19 pandemic, Russian Federation's aggression against Ukraine, and climate change. Japan at home has also been facing a declining and aging population and a low birth rate, stagnant potential growth, and frequent and intensified disasters. Japan is facing surges of simultaneous and complex challenges internationally and domestically.

6.2. Amid these circumstances, to resolve social issues and achieve economic growth at the same time, Japan set out the Grand Design and Action Plan for a New Form of Capitalism in June 2022. The New Form of Capitalism incorporates efforts to solve social issues into the growth strategy as a source of creating value added, and specifies five focused investment areas: (i) Investment in and distribution to people; (ii) Investment in science, technology, and innovation; (iii) Investment in startups; and (iv) Investment in green transformation (GX) and digital transformation (DX). It also specifies four initiatives: (a) Creating social value in cooperation with the private sector; (b) Realizing an inclusive society; (c) Promoting multipolarization and regional revitalization; and (d) Ensuring

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economic security; which will be carried out through public-private collaboration and regulatory and institutional reforms.

6.3. To make economic and social structures more resilient and sustainable in the face of change, Japan is now upgrading our capitalism in this way, and will further strengthen our free and fair economic system.

## **6.2 Digital transformation**

6.4. After the COVID-19 pandemic highlighted the particularly slow pace of digitalization, exemplified by cumbersome procedures and slow benefit payments, the former Prime Minister Suga made the digitalization of Japan one of his top priorities, and to promote a digital society, Japan enacted three new laws in 2021, which are the Basic Act on the Formation of a Digital Society, the Act on the Establishment of the Digital Agency, and the Act on the arrangement of related acts for the formation of a digital society.

6.5. The Basic Act stipulates the Japan's basic digital policy regarding the formulation of principles and measures and requires the Japanese Government should quickly implement measures with priority for the formation of a digital society. In the Priority Policy Program for Realizing Digital Society (decided by the Cabinet in June 2022), among the important tasks set forth is to urge almost all residents in Japan to obtain their Individual Number Cards ("My Number Card") and to encourage the use of the Individual Number Cards as health insurance cards and other card functions in the future, such as use as driver's licenses and residence cards.

6.6. Under the Act on the Establishment of the Digital Agency, the Digital Agency officially started business in September 2021. Each ministry, agency, and local government in Japan has been promoting digitalization with separate responsibility in the past but now the Digital Agency has strong powers of comprehensive coordination, such as the power to make recommendations to other ministries and agencies.

6.7. The Act on the arrangement of related acts for the formation of a digital society amended many laws to enable the implementation the above two laws.

## **6.3 Intellectual property rights**

6.8. In June 2018, the Intellectual Property Strategy Headquarters established "The Intellectual Property Strategy Vision" as a new and mid-to long-term vision until 2030. In this vision, Japan set out a "value design society" to be realized in the future, where a variety of values that go beyond economic value are subsumed, where various individualities fully demonstrate multifaceted abilities, make good use of Japanese characteristics, make new values, and gain empathy of the world. Japan will actively and creatively design the concrete systems to achieve the above-mentioned society.

6.9. The Intellectual Property Strategy Headquarters also finalized "The Intellectual Property Strategic Program 2022" in June 2022. At the beginning stage of this Program, we organized the basic recognition of the current situation in Japan that should be taken into account concerning IP strategies. In the future, important policy issues and measures in promoting IP strategies will be summarized in eight priority policies: (1) Enhancing the IP ecosystem of start-ups and universities; (2) Strengthening the investment and utilization promotion mechanism of IP and intangible assets; (3) Promoting the utilization of standard strategies; (4) Improving the data distribution and utilizing environment for the realization of a digital society; (5) Content strategies in the digital age; (6) Enhancing the IP utilization in SMEs, regional (areas), and agricultural sciences; (7) Strengthening systems, operations, and human resource foundations that support the IP utilization; and (8) Restarting the Cool Japan initiative in anticipation of post-COVID. The steady implementation of policies based on this plan is required in the future in order to transform our society into an economic society where new players including individuals with a passion for new idea creation and innovation in Japan can fully utilize society's IP.

## **6.4 Financial reform**

6.10. Japan has enacted the law for the Partial Revision of Payment Services Act (which took effect on 1 May 2021) to set up the following three different categories of money transmitter



license/registrations and to apply appropriate regulations based on the functions and risks of each category, in light of the needs of users who exceed the maximum amount, including foreign remittances, and the fact that most remittances handled by existing funds transfer service providers are no more than several tens of thousands of yen per case.

- Type 1: Permitted to the large amount of fund transfer more than JPY 1 million;
- Type 2: Equivalent to the current registration regime with the cap remaining at JPY 1 million;
- Type 3: Permitted fund transfers up to JPY 50,000 with streamlined compliance requirements.

6.11. In addition, in this revision, it was clarified that the act of effectively making remittance between individuals is subject to the regulation of the fund transfer business.

6.12. Japan has enacted the law for partial revision of the Banking Act (which took place on 22 November 2021) to enhance the functioning of the financial services sector that has been facing economic and social changes, such as digitalization since the COVID-19 pandemic, by expanding the business scope that banks and its subsidiaries acquired from foreign financial institutions can operate, and by easing restrictions on equity investment in enterprises that contribute to regional revitalization. The main points in the revision are as follows:

1. Expansion of business scope to promote digitalization and regional revitalization by allowing banks:
  - To conduct business operations that mainly use banks' own resources and then contribute to digitalization and regional revitalization, which are listed individually in the Cabinet Office Ordinance; Sales of internally-developed IT applications and systems; Data analysis, marketing and advertising; Registration-type human resources matching; Broad-ranging consulting and business matching services; and
  - To hold subsidiary and affiliated companies that engage in businesses contributing to regional revitalization and sustainable society, which are not listed individually and thus are not restricted to specific forms of businesses.
2. Expansion of hands-on support through investment by:
  - Permitting banking groups to take full ownership of unlisted local companies, up from 50% previously, through specialized investment vehicles for regional revitalization, for example, to promote local tourism and sell local goods.
3. Expansion of business scope in overseas subsidiaries and affiliated companies to strengthen banks' profitability by:
  - Allowing banks, in principle, to hold ownership of subsidiaries acquired from foreign financial institutions for 10 years after the acquisition (unconditionally), and furthermore, if necessary from the viewpoint of maintaining local competition, it can be held for more than 10 years on a permanent basis with approval;
  - Enabling banks to directly acquire foreign companies that operate consumer lending or leasing business.

6.13. Japan has enacted the Act on the Provision of Financial Services (which took effect on 1 November 2021) to address the needs of financial service providers to provide a wide variety of financial services on a one-stop shop basis against the backdrop of the development of information and communications technology, as well as the needs of users who want to use highly convenient, safe, and secure payment services in response to the cashless age. This revision enables financial service intermediary service providers that can intermediate services in all areas of banking, securities, and insurance through a single registration. Also, if certain requirements are met, registration procedures for electronic payment services can be dispensed with. The main contents are as follows. This revision:

- Requires no affiliation with a specific financial institution;
- Prohibits the acceptance of user property;
- Clarifies the financial services can be handled only if they do not require a high standards of explanation;
- Obliges to deposit a surety bond to ensure that users have the resources to compensate for damages;
- Includes measures for handling of user information, the obligation to provide explanations to users, and prohibited acts should be defined in accordance with the characteristics of the financial services to be intermediated appropriately; and
- Includes supervisory rules and regulations regarding authorized financial service intermediary associations and alternative dispute resolution systems should be established.

## 6.5 Corporate governance reform

6.14. In recent years, the Japanese Government has been promoting corporate governance reform as part of its growth strategy. The focus of the reform is the Corporate Governance Code and Japan's Stewardship Code.

6.15. The Corporate Governance Code is a bundle of principles that requires listed companies to promote initiatives to increase corporate value over the mid- to long-term by cooperating with a wide range of stakeholders and is a part of the Securities Listing Regulations set forth by the Tokyo Stock Exchange. In 2021, the Code was revised to make a number of important changes relating to the enhancement of board independence, and the promotion of diversity, attention to sustainability and ESG. In 2022, the Practical Guidelines for Corporate Governance Systems (CGS Guidelines) were revised and then proposed that companies must consciously work to strengthen both their executive functions and monitoring functions synergistically in order to enhance their corporate value by improving their governance systems.

6.16. The Stewardship Code is a bundle of principles that requires institutional investors (trust banks, investment managers, insurance companies, pension funds, etc.) to promote the sustainable growth of their investee companies and enhance the mid- to long-term investment return of clients and beneficiaries. The Code was revised in 2020 to further enhance the effectiveness of corporate governance reform. Major issues are consciousness towards the mid- to long-term increase of corporate value in stewardship activities, consideration of sustainability, and application to other asset classes (i.e. corporate bonds).

## 6.6 Competition policy

6.17. On 19 June 2019, the Antimonopoly Act (AMA) Amendment Bill was approved in the 198<sup>th</sup> ordinary session of the Diet, and the enacted act was promulgated on 26 June 2019. The purpose of the amended act is to deter "unreasonable restraint of trade" etc., effectively, invigorate the economy, and enhance consumer interests by fair and free competition, through increasing incentives for enterprises to cooperate in the Japan Fair Trade Commission (JFTC)'s investigation and imposing an appropriate amount of surcharges according to the nature and extent of the violation. The enacted act came into effect at three stages, on 26 July 2019, 1 January 2020, and 25 December 2020.

6.18. In accordance with the conclusion of the Trans-Pacific Partnership (TPP) agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a scheme called "Commitment Procedures" was introduced into the Antimonopoly Act (AMA). It has been in force since 30 December 2018. The Commitment Procedures is a scheme to resolve suspected violations against the AMA by consent between the JFTC and the enterprise concerned. It is considered that the Commitment Procedure would enable swifter elimination of competition concerns, broaden the range of cooperative problem-solving by the JFTC together with enterprises, and contribute to efficient and effective enforcement of the AMA. Ensuring the transparency and the predictability

regarding the enforcement of the law related to Commitment Procedures, the JFTC established rules and policies such as the "Rules on Commitment Procedures by the Fair Trade Commission" and the "Policies Concerning Commitment Procedures."

6.19. As indicated in the New Form of Capitalism and the Basic Policy on Economic and Fiscal Management and Reform 2022, to make the business environment more competitive in Japan and to bolster innovation and corporate growth that responds to rapid socioeconomic changes, Japan strengthens the advocacy functions of the JFTC to study areas where competition is not working due to trading practices and regulations and recommends improvements for trading practices and regulatory revisions. In recent years, the JFTC has already conducted competition-related fact-finding surveys and advocacy regarding cell phones rates, interbank transfer fees, and initial public offerings by start-ups and other businesses. and will develop this initiative to further strengthen the advocacy functions.

6.20. The JFTC has been taking rigorous legal actions against violations of the AMA. The number of legal cases against such violations amounted to 19 in 2018, 11 in 2019 and 15 in 2020 (please refer to Table 6.1).

Private monopolization	2017	2018	2019	2020	2021
Bid-rigging	7	14	3	2	0
Cartels (excluding bid-rigging)	1	2	5	7	0
Unfair trade practices	1	2	3	4	2
Others	0	1	0	0	0
Private monopolization	0	0	0	2	0
Total cases	9	19	11	15	2

Note: The cases that fall into both private monopolization and unfair trade practice are categorised as "Private monopolization".

6.21. The total amount of surcharge payment orders issued by the JFTC was estimated at JPY 4325.98 million in 2020 and JPY 6.12 million in 2021.

6.22. The JFTC has adopted a proactive policy of indicting violations of the AMA and imposing criminal penalties on violators. In December 2020, the JFTC filed a criminal accusation to the Prosecutor-General.

## 6.7 Labour market reform and women's economic participation

6.23. Amid the declining workforce and aging population in Japan, the Japanese Government amended the Act on Stabilization of Employment of Elderly Persons, which came into effect in April 2021 and has since given an obligation to employers to make their best efforts to secure stable employment opportunities for workers aged between 65 and 70.

6.24. The amended Act requires employers make efforts to take various measures such as: (i) raising the retirement age up to 70; (ii) introducing a continued employment system until the age of 70; and (iii) abolishing a mandatory retirement system. If employers do not prefer to take any one of these three options, employers can take other measures after having sufficient discussions between staff and management, such as: (iv) introducing an outsourcing agreement with elderly workers until they reach the age of 70; (v) introducing a social contribution system for elderly workers to be able to continuously engage in social contribution projects carried out, either by (a) employers themselves or by (b) organizations that employers entrust or provide funds for, until elderly workers reach the age of 70. With regard to employees aged up to 65, employers are obliged to ensure stable employment opportunities as before.

6.25. The gender wage gap in Japan has been narrowing from the long-term perspective, however, it still remains large compared to other advanced economies. To further narrow this gap, the Japanese Government requires employers to formulate an action plan, which needs to stipulate its (i) specific planned period; (ii) numerical targets; (iii) targeted initiatives and efforts; and the (iv) timing of implementation. Those items need to be decided after assessing the current situation and investigating their challenges in terms of (a) the percentage of female workers among all employed workers; (b) the difference in the average length of service between men and women; (c) the average overtime hours and other working hours indicators; and (d) the percentage of female workers taking management positions. From April 2022, the scope of the obligation to formulate the

action plan is expanded from employers with 301 or more regular employees to those with 101 or more regular employees. In addition, from 8 July 2022, employers with 301 or more regular employees are required to identify and disclose their gender wage gaps.

## 6.8 Climate change and environmental sustainability

6.26. Japan has accelerated steps taken to achieve net-zero emissions to meet two ambitious goals: in October 2020, the Japanese Government declared its intention to achieve net-zero greenhouse gas (GHG) emissions by 2050; and, in April 2021 announced its new target to reduce its GHG emissions by 46% in fiscal year 2030 from its fiscal year 2013 levels and continue strenuous efforts in its challenge to meet the lofty goal of cutting its emissions by 50%.

6.27. The Japanese Government has accelerated taking measures towards the reduction of GHG emissions and stipulated future directions. It should take into account the Strategic Energy Plan, the Plan for Global Warming Countermeasures, and the Long-Term Strategy under the Paris Agreement, as well as other relevant Agreements.

- Establishment of the Sixth Strategic Energy Plan (decided by the Cabinet in October 2021): lays out specific measures to be taken by 2030 with a continued focus on the principle of "3E+S," which emphasizes ensuring of a stable energy supply (Energy Security), the economic efficiency of energy costs (Economic Efficiency), and environmental suitability from the point of view of climate and other elements (Environment), and energy source safety (Safety).
- Revision to the Plan for Global Warming Countermeasures (decided by the Cabinet in October 2021): Updates the Plan for Global Warming Countermeasures, which is initially set in May 2016, to present the Government's comprehensive plan based on the Act on Promotion of Global Warming Countermeasures. It puts forward a set of measures and policies for achieving the new target, describing a pathway toward it. Among the important tasks included in the revised plan is to create over 100 decarbonization leading areas that aim to achieve net-zero CO<sub>2</sub> emissions from electricity consumption in the household and business sector by fiscal year 2030.
- Revision to Japan's Long-Term Strategy under the Paris Agreement (decided by the Cabinet in October 2021): Updates the Long-Term Strategy to show the basic concept, visions, and measures for net-zero GHG emissions by 2050. With regard to realizing a virtuous circle of environment and growth, the Strategy includes promoting innovation for decarbonization technologies and cost reduction, green finance through TCFD disclosures and ESG finance, and business-led international application and cooperation.

6.28. In June 2022, the Government revealed plans to indicate a roadmap regarding investment in green transformation on the scale of JPY 150 trillion over the next decade under public-private partnerships, and according to the Plan, the Japanese Government will embody the vision for "Pro-Growth Carbon Pricing", which aims to maximize economic growth and GHG emissions reductions/absorption at the same time, and also consider raising funds through "GX Economy Transition Bonds (tentative name) backed by future financial resources".

## 6.9 Current situation and measures for radioactive materials in foods

6.29. Shortly after the accident at the Tokyo Electric Power Co. (TEPCO)'s Fukushima Daiichi Nuclear Power Station (FDNPS) in March 2011, the Japanese national government and prefectural authorities have taken a comprehensive set of measures such as decontamination of the farm land and fruit trees, control over feeds and agricultural inputs and introduced a risk-based food monitoring scheme, respectively.

6.30. In order to meet the intervention exemption level of the Codex Alimentarius Commission (Codex), which is a well-known international standard for the purpose of international trade, Japan set the maximum levels of radioactive cesium in food to be 1mSv/year that FAO and WHO jointly stated as a general standard for contaminants and toxins in food and feed and considered as safe for

the public, and in consideration of the released nuclides and with highly conservative and hypothetical assumption that 50% of the food intake is contaminated.<sup>4</sup>

6.31. According to the UNSCEAR 2020/2021 Report, in the first year after the accident, about 2.5% of the measured samples of marine fish caught off Fukushima Prefecture were found with radioactive cesium concentrations exceeding the guideline level (of 1,000 Bq/kg). However, in the second year, the number reduced to 0.3% and in the third year, only one sample was found and it further reduced by around 0.01%.<sup>5</sup>

6.32. Since the last sample in April 2013, none of the farm products and fishery harvests have ever exceeded the Codex guideline level defined as safe for human consumption, and even wild edible plants such as fungi, fern sprout and leaf buds have not exceeded the level for food with small consumed amounts, similarly for almost nine years.<sup>6</sup> The only harvests that still exceed the level are certain game meat, although the detection rate is very low, and those detected are neither distributed nor exported.

6.33. The Japan's domestic standard is much more stringent compared to the Codex. The Japanese Maximum Levels of radioactive cesium (JMLs) of food in general set by the Ministry of Health, Labour and Welfare is implemented as 100 Bq/kg in Japan<sup>7</sup>, while the corresponding Codex guideline level is 1,000 Bq/kg (CXS 193-1995).

6.34. Monitoring of food products, currently in Japan, is conducted in 17 prefectures to confirm compliance with the JMLs of 100 Bq/kg for radionuclides in food products, targeting radioactive cesium among the radionuclides that have relatively long half-lives and require consideration of their long-term effects. Based on domestic regulations, each municipality formulates and conducts monitoring plans. If the monitoring results exceed the JMLs, the entire lot is discarded. Japan's national laws mandate that food products which exceed these stringent JMLs be recalled and disposed of, and if a regional spread of exceeding the JMLs is recognized, shipment restriction measures are taken for that region based on the Government's instructions. As a result, food products originating from the restricted areas will not be distributed. Japan's regulatory framework thus ensures that food products exceeding the maximum level are neither distributed in the domestic market nor exported to overseas economies.

6.35. In this process, Japan reaffirmed that food products drastically exceeding the JMLs decreased in a few years after the accident and its detection rate has since been stable at minimal levels. The sampling is purposive to detect the contamination or to remove the restrictions and the majority of detections is limited to wild harvests monitored in areas where the distribution has already been restricted.

6.36. Above all, Japan needs to look at the dose in terms of human health. While food regulation is operationalized through maximum levels in food, what matters is the overall annual dose exposure from food. The biannual market basket surveys, which have been conducted since September 2011 at plural study sites including Fukushima, show that the estimated annual effective dose from radioactive cesium in food has been digits smaller than the intervention exemption level of 1mSv/year and is currently only detected at micro levels.<sup>8</sup> The effect is significantly lower for consumers in foreign countries, considering the committed share of Japanese food imports in total food consumption. The Japanese Government has been making efforts in eliminating import restrictions on agricultural, forestry, and food products from Japan and addressing reputational damage. As a result, import restrictions were lifted in Israel, Singapore and the United States in 2021, and the United Kingdom and Indonesia in 2022, and so far 43 countries and regions out of 55 have removed their restrictions. The combination of these comprehensive approaches makes sure that Japanese food is qualified to be consumed worldwide.

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<sup>4</sup> FAO and WHO, General Standard for Contaminants and Toxins in Food and Feed (Codex Alimentarius CXS 193), 27 November 2020. Viewed at: [https://www.fao.org/fao-who-codexalimentarius/sh-proxy/en/?lnk=1&url=https%253A%252F%252Fworkspace.fao.org%252Fsites%252Fcodex%252Fstandards%252FCXS%2B193-1995%252FCXS\\_193e.pdf](https://www.fao.org/fao-who-codexalimentarius/sh-proxy/en/?lnk=1&url=https%253A%252F%252Fworkspace.fao.org%252Fsites%252Fcodex%252Fstandards%252FCXS%2B193-1995%252FCXS_193e.pdf).

<sup>5</sup> NSCEAR, UNSCEAR 2020/2021 Report, p. 36 and p. 72 of Volume II: Scientific Annex B.

<sup>6</sup> None of them have exceeded the guideline level since the last case in September 2016.

<sup>7</sup> Provisionally 500 Bq/kg before April 2012.

<sup>8</sup> Maximum 0.0011 mSv/year in Sep. - Oct. 2018, 1/1,000 of the intervention exemption level.

6.37. The Joint FAO/IAEA Division stated on 6 September 2019 that Japan's "measures to monitor and respond to issues regarding radionuclide contamination of food are appropriate," and "the food supply chain is controlled effectively by the relevant authorities".<sup>9</sup>

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<sup>9</sup> IAEA, September 2020, "Japan's Reports on Conditions at TEPCO's Fukushima Daiichi Nuclear Power Station".