



GLOBAL  
TRADE  
ALERT

# Briefing on Japan's TPR: Evidence from the Global Trade Alert

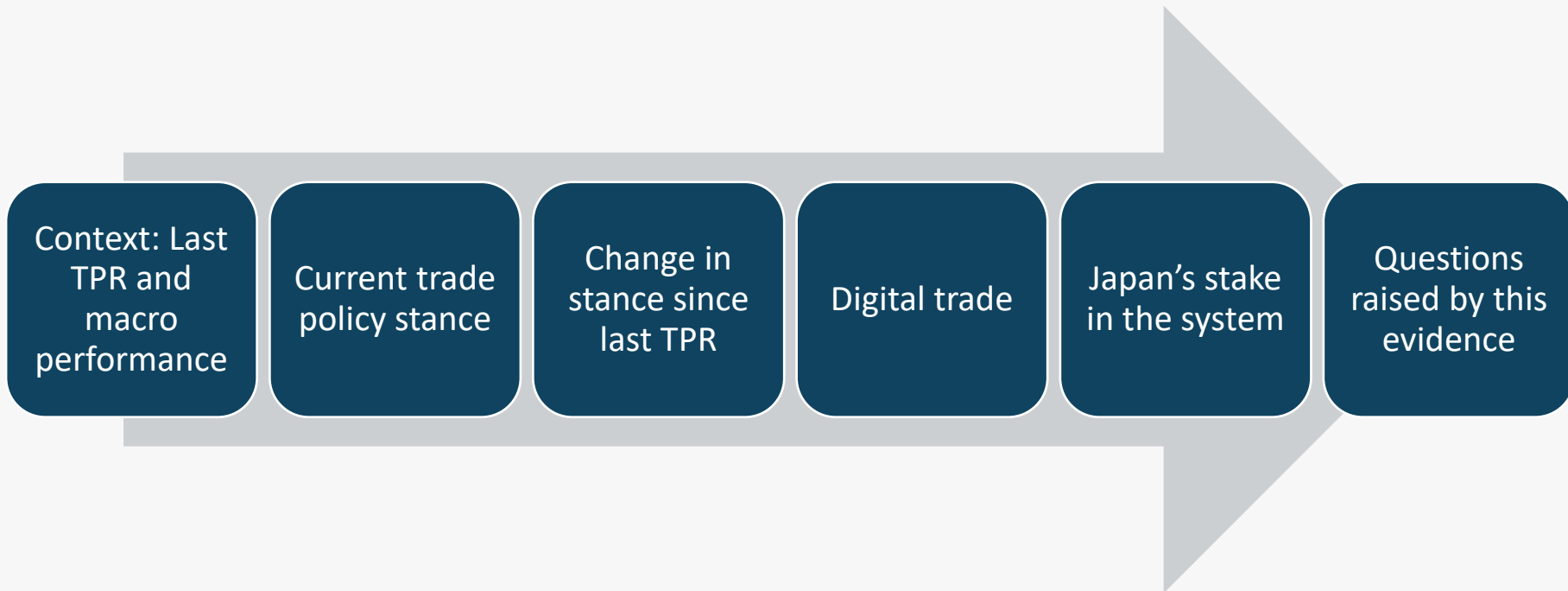
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Briefing to the Friends of Multilateralism Group  
21 February 2023

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21 February 2023

**St.Gallen  
Endowment**  
for Prosperity through Trade

# Organisation of this presentation



# Recap from the Chair's conclusions in respect of the Japan' last TPR

- The last TPR took place in July 2020. The Chair's concluding remarks included the following observations:
  1. Members expressed concerns about FDI screening and incentives offered to repatriate supply chains.
  2. "...reforms relating to digital privacy and medical care should not unduly disadvantage foreign firms."
  3. "Agriculture remained highly protected by tariff and non-tariff (e.g. SPS) measures, and supported by subsidies."
  4. "Whereas industrial tariffs were generally low, non-tariff barriers affected market access of certain goods (e.g., automotive, electrical appliances and pharmaceuticals)." The NTBs were not specified.
  5. Japan's formal compliance with WTO notification requirements was praised.
  6. Japan was urged to ease access to key service sectors and to cut fishery subsidies.

# Japan's GDP has peaked—so has traditional trade with the world economy.

- Japanese GDP peaked in real terms in 2018. Stagnation since despite Abenomics and very lax monetary policy.
- Japanese GDP per capita managed to rise a little over the past decade, while hourly compensation now is lower than in 2015.
- Very low levels of unemployment; high wage gender gap.
- Measured in US dollar terms, total Japanese exports and imports of goods and services peaked well before the COVID-19 pandemic.

# What is Japan's commercial policy stance today?

- The Japanese tariff regime has complete binding coverage, limited tariff binding overhang in non-agricultural goods, and a significant share of products bound at zero tariffs.
- For every measure by Japan that favours foreign commercial interests, the Global Trade Alert team has found there are 12 that harm trading partners.
- Most trade reforms take the form of import tariff cuts. Most trade distortions take the form of subsidies to local firms and to Japanese firms operating abroad.
- Just under 80% of Japan's harmful measures are concentrated in 20 goods and services sectors.

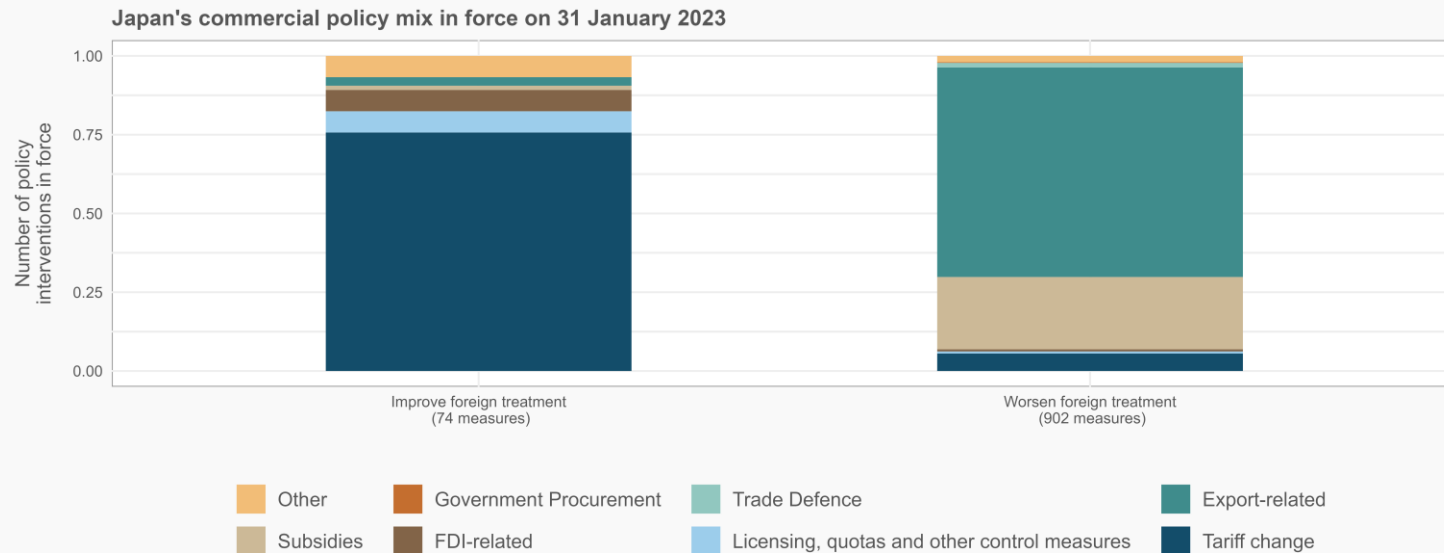
# Coverage of current Japanese commercial policy stance in the Global Trade Alert database



Metric	Last TPR (08.07.2020)	Now (31.01.2023)
Total number of policy interventions by Japan that harm the commercial interests of trading partners	748	902
Total number of commercial policy reforms by Japan	68	74
Total number of policy interventions by trading partners that harm the commercial interests of Japan	5670	6498
Total number of foreign commercial policy reforms likely to benefit Japan	1309	1569

Note: At the end of January 2023, the GTA database contained 976 (=902+74) reports on measures taken by Japan that are currently in force. **Only 4 (less than 0.5%) such reports are based on non-official sources.**

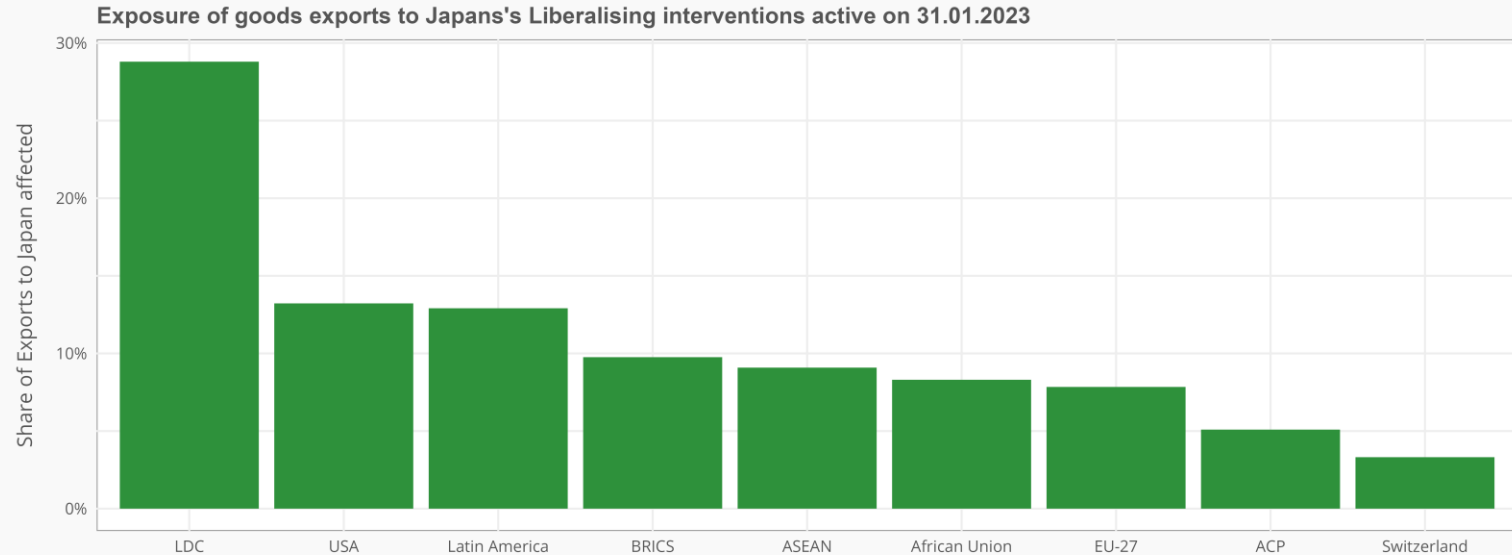
# Current state of play: 976 measures in force— 92% harm trading partners' interests



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Note: Since November 2008 a total of 976 policy interventions by Japan have been recorded in the GTA database, of which 119 were tariff or trade defence measures. The WTO [TMDB](#) currently contains 27 goods-related actions and 13 service sector measures taken by Japan.

# Exposure to Japan's trade reforms is limited

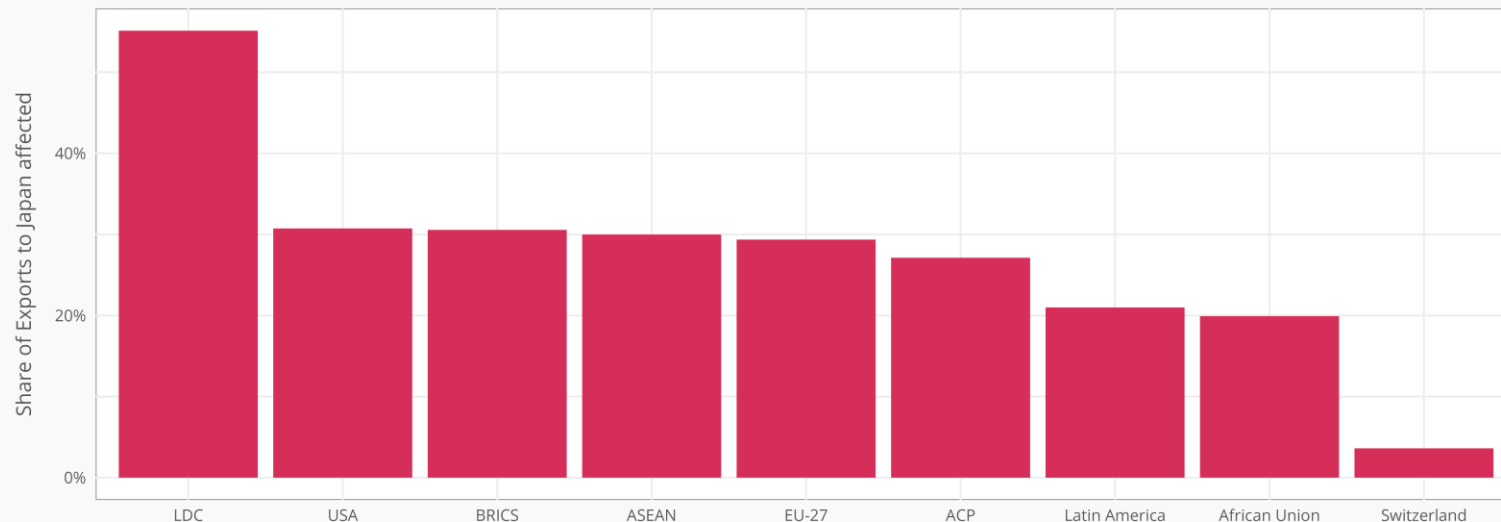


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# Market access risk from Japanese measures are highest for LDC countries (52% of exports)

Exposure of goods exports to Japan's Harmful interventions active on 31.01.2023



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# 79.2% of Japan's harmful measures are concentrated in 20 sectors

Most frequently affected sectors  
Top 20 CPC 2-digit Sectors

Basic chemicals (CPC 34) 7.9%	Medical appliances, precision & optical instruments, watches & clocks (CPC 48) 3.4%	Machinery & goods rental services (CPC 73) 2.8%	Office, accounting & computing machinery (CPC 45) 1.7%	Pulp, paper & printing products (CPC 32) 1.7%
	Supporting transport services (CPC 67) 3.4%		Radio, television & communication equipment & apparatus (CPC 47) 2.2%	
Transport equipment (CPC 49) 10.7%	Glass products, ceramics, cement & stones (CPC 37) 3.9%	Pharmaceuticals & toiletries, man-made fibres & paint (CPC 35) 2.8%	Agriculture support services (CPC 86) 2.2%	Fabricated metal products, except machinery & equipment (CPC 42) 2.2%
	Special-purpose machinery (CPC 44) 4.5%	Metal ores (CPC 14) 2.8%		Rubber & plastics products (CPC 36) 2.8%
Others (CPC 000) 20.8%	Basic metals (CPC 41) 5.1%	General-purpose machinery (CPC 43) 4.5%	Crude petroleum & natural gas (CPC 12) 4.5%	
		Electrical machinery & apparatus (CPC 46) 5.1%	Electricity, steam & gas (CPC 17) 5.1%	

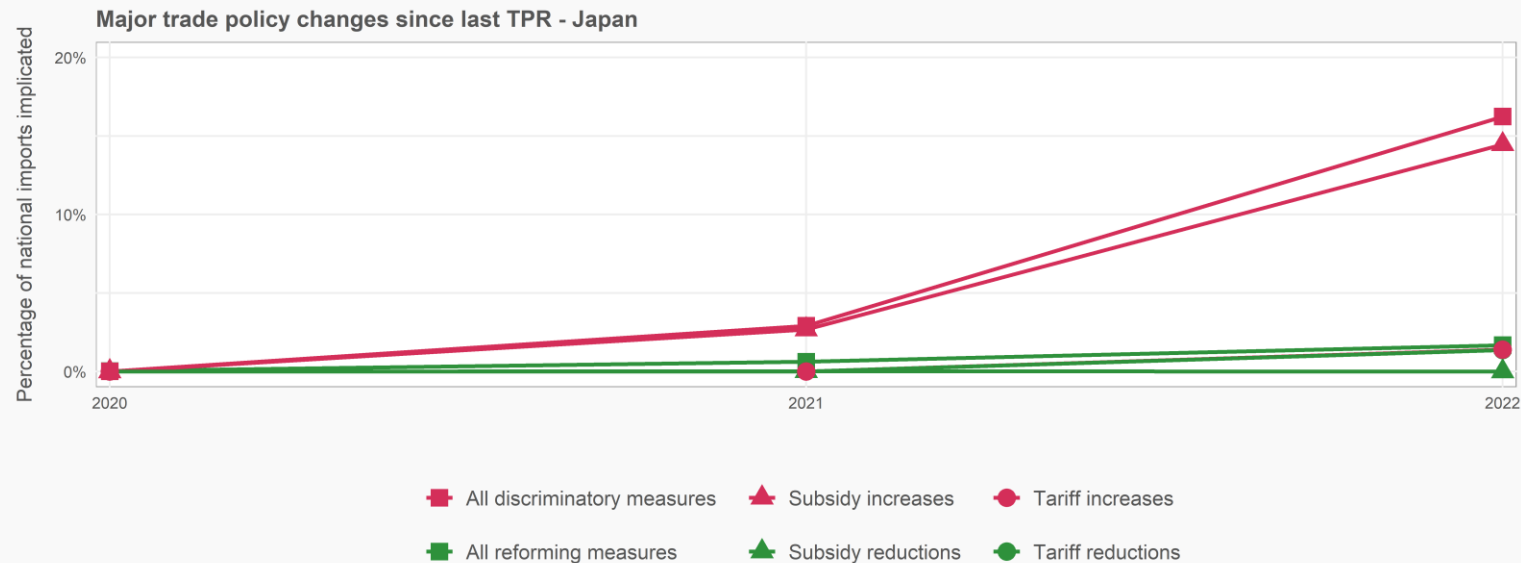
■ Manufacturing ■ Others ■ Services

# Evolution of Japan's commercial policy since its last TPR



- Since its last TPR Japanese trade reforms covered less than 2% of its goods imports.
- In contrast, new Japanese trade restrictions and subsidies covered over 15% of its goods imports.
  - This is likely an underestimate—see the discussion later on subsidy reporting.
  - HS chapters 27 and 85—two of the top 5 import flows into Japan—faced above average exposure to new trade restrictions and distortions.
- More goods imports were put at a competitive disadvantage by Japanese corporate subsidies than by any other policy instrument.
- The sectors favoured by Japanese commercial policy have not changed since the last TPR.

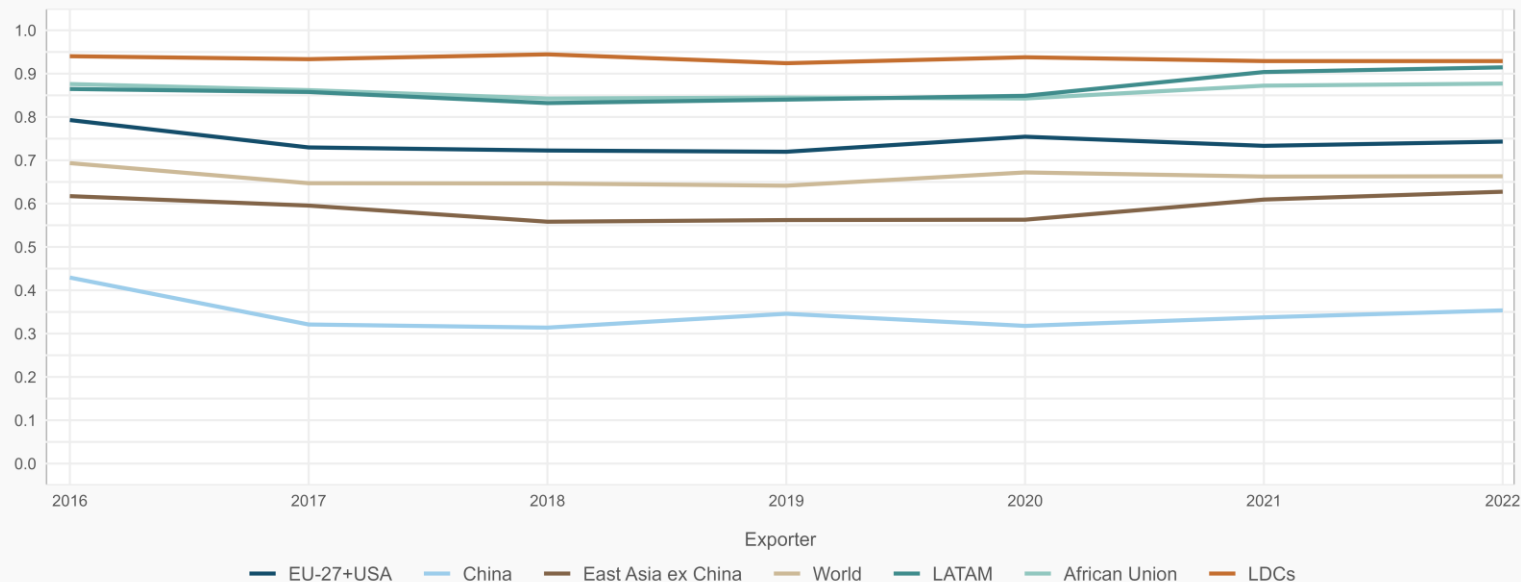
# Goods market access changes since the last TPR: scale of harmful measures > > reforms



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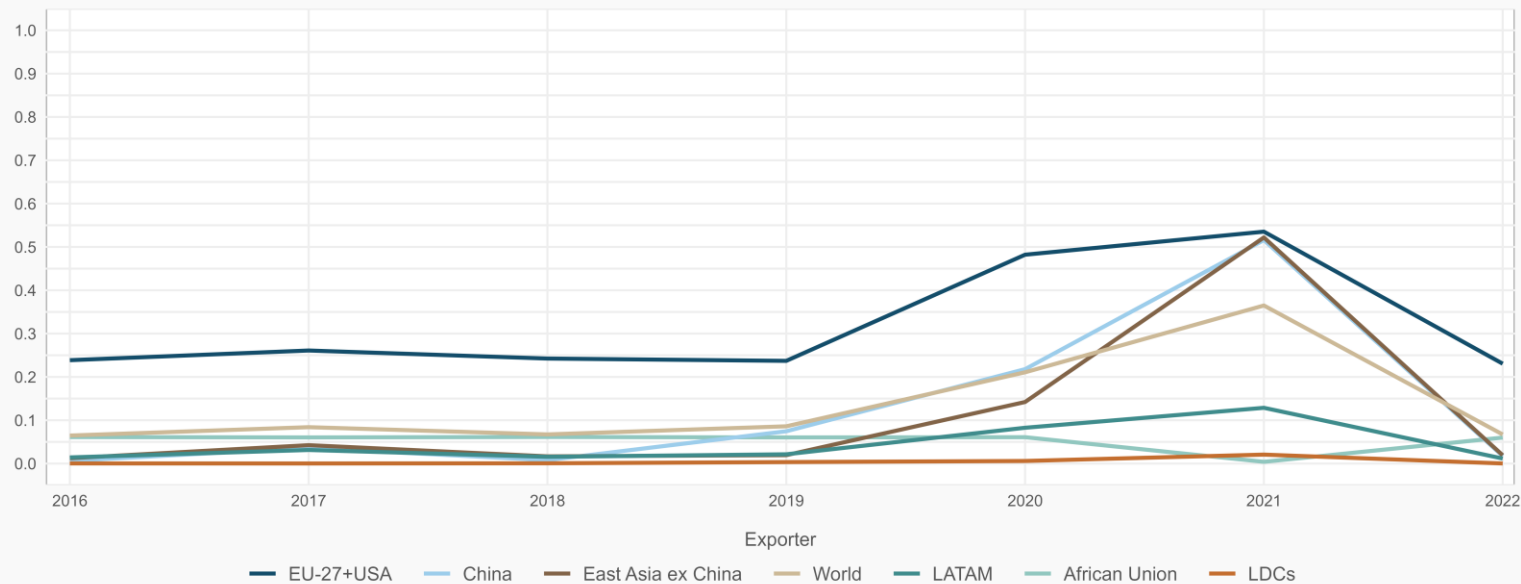
# Each year Japan enacts new SPS regulations covering large shares of ag imports

Share of Japanese Agricultural Imports Covered by New SPS Regulations

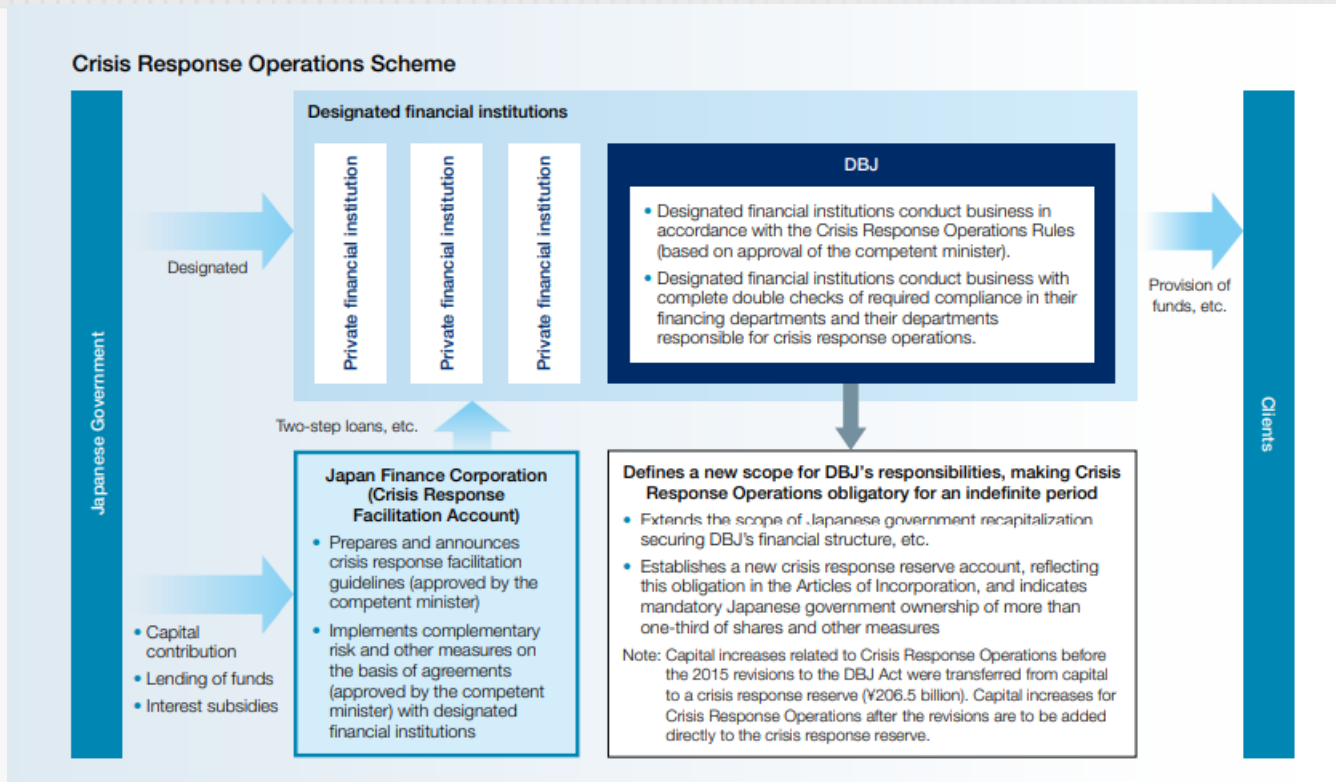


# The share of NAMA imports covered by new TBT regulations rose sharply during COVID

Share of Japanese Non-Agricultural Imports Covered by New TBT Regulations



# Considerable Japanese state aid is dispensed through the banking system



# DBJ dispersal of funds during «Crisis Response Operations»

## Accomplishments and Initiatives to Date



### Main events that were designated as a crisis:

- Turmoil in international financial markets (Global financial crisis)
- Great East Japan Earthquake
- Damage from heavy rainfall during Typhoon No.18 in 2015
- Kumamoto earthquakes in 2016
- COVID-19 pandemic

### Total funds raised by the government in Crisis Response Operations

¥206.529 billion

(As of March 31, 2022)

### Total loans for Crisis Response Operations, loans with loss guarantee agreements, and commercial paper purchases

- Loans: ¥8,715.2 billion (1,652 projects)
- Commercial paper acquisitions: ¥361.0 billion (68 projects)

### Total Crisis Response Operations related to the COVID-19 pandemic

¥2,495.7 billion (492 projects)

Total for mid-tier companies and large companies in restaurants and hotels sector since March 29, 2021

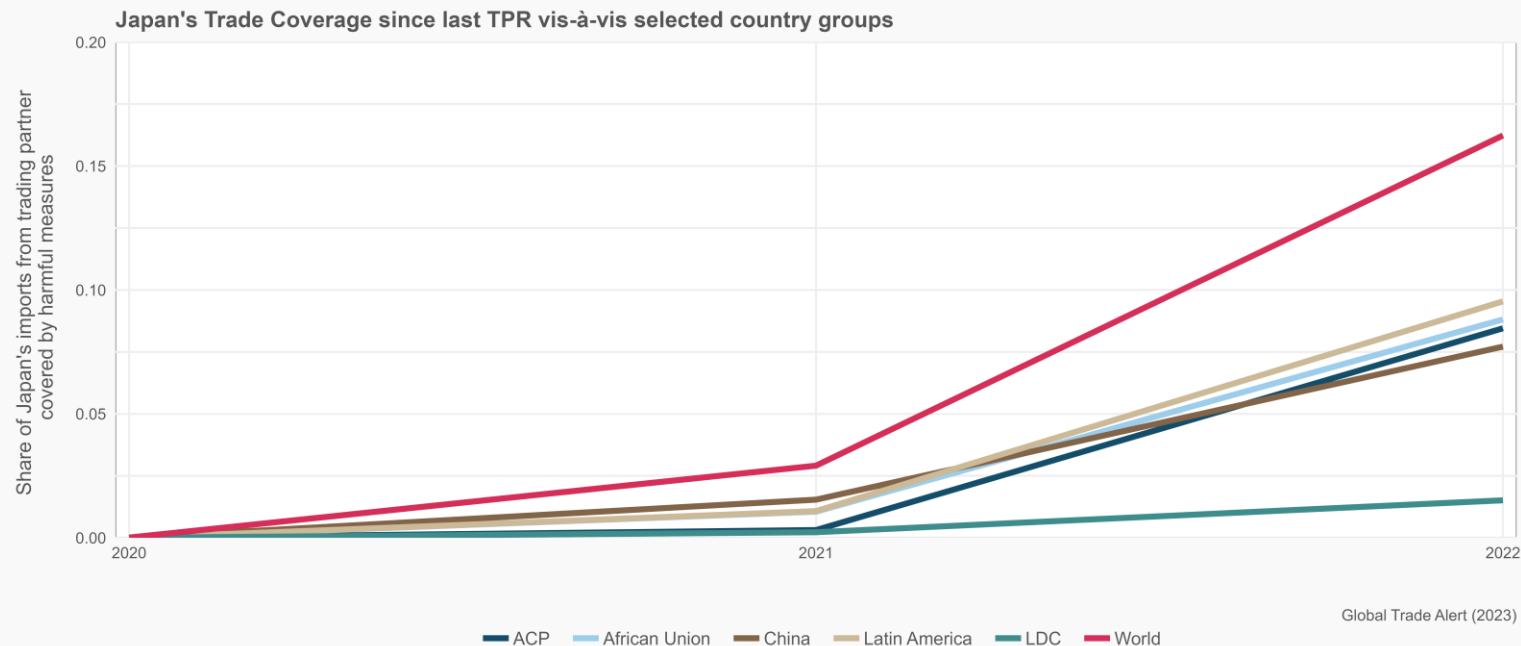
¥249.6 billion (100 projects)  
(As of March 31, 2022)



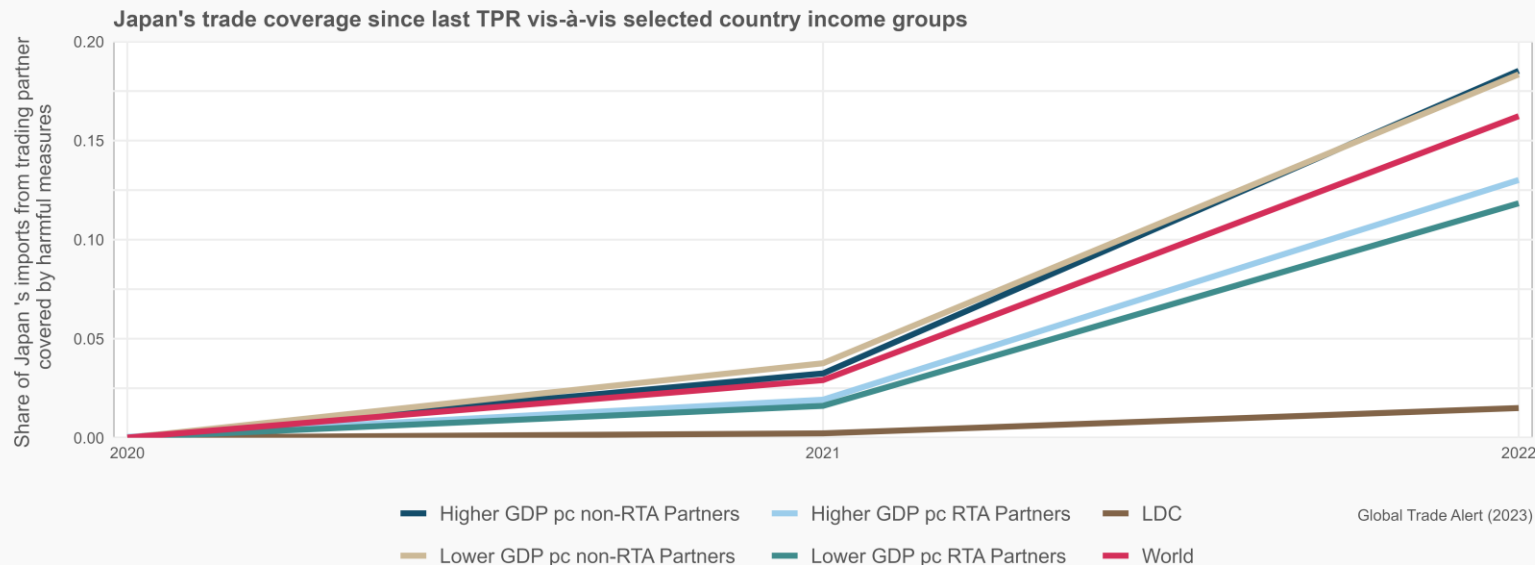
# Which trading partners are most exposed to Japan's commercial policies?

- China plus groups of Developing Country WTO members are relatively less exposed to reported Japanese trade distortions than other nations.
- It pays to have a RTA with Japan: exposure to new trade distortions since last TPR tends to be lower.
- Fuel and electrical machinery from developing countries are relatively more exposed to harmful Japanese measures.
- 20 economies have seen more than \$1 billion of their exports put at risk by measures the Japan has taken since its last TPR that favour local firms.
  - G20 members are not the only ones with large amounts of exports at risk.

# Threats to Developing Country access to Japan's market below world average



# Japan's harmful measures cover more of the exports from non-RTA partners



# 20 nations have >\$1bn exports at risk from Japan's harmful policy changes since last TPR



Note: Calculations based on trade weights for 2019.

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# Japan has been an active proponent of digital trade norms and cooperation



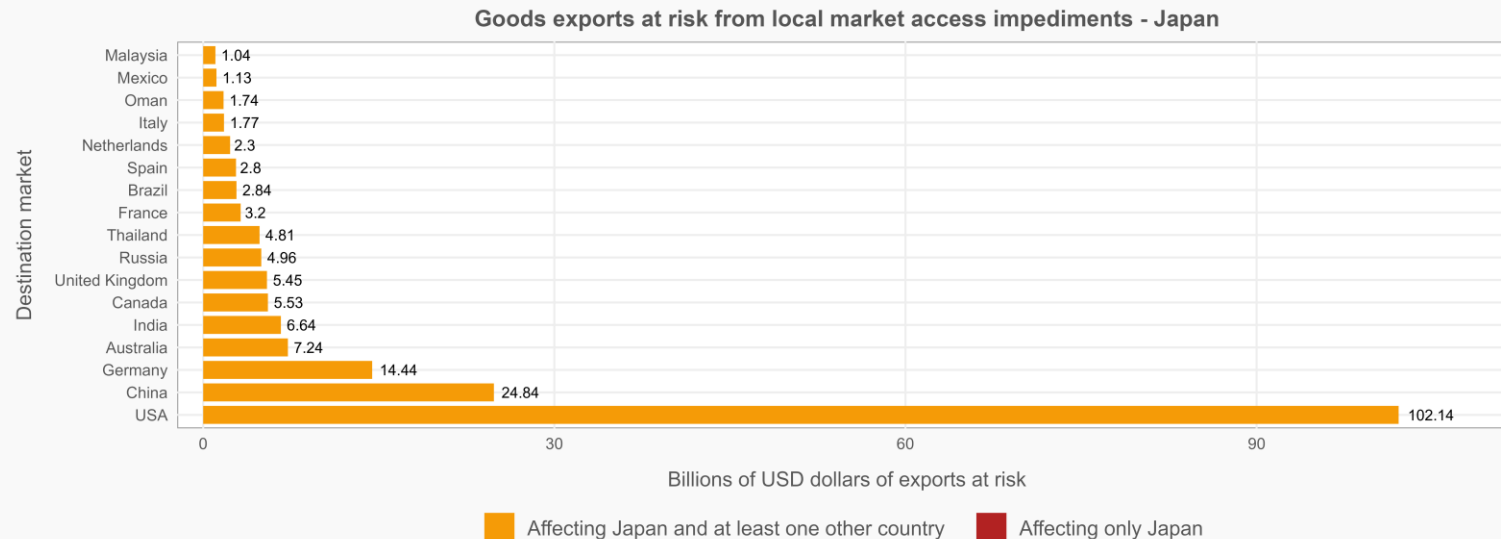
- (Preliminary remark: Information here is sourced from the Digital Policy Alert, which tracks the legal and regulatory developments affecting the digital economy in the members of the G20 and the EU and by Switzerland. That monitoring started in 2020.)
- Since its last TPR, Japan has been actively legislating on the digital economy.
- Japan has prioritised cross-border data flows in its commercial diplomacy, including in its G7 Presidency («Data Free Flow With Trust»).
- Japan now incorporates e-commerce chapters into its regional trade agreements.

# Japan's diminished stake in the world trading system



- Since its last TPR, trade reforms abroad have occurred in products and markets that created opportunities for nearly 15% of Japanese exports (by value).
- Half of Japanese goods have seen foreign market access conditions deteriorate since the last TPR—largely on account of awards of corporate subsidies.
- Since its last TPR, 17 of Japan's trading partners have taken steps that crimp the competitiveness of more than \$1 billion of goods exports.
  - 7 trading partners imperil more than \$5 billion of Japanese goods exports.
  - Measures that target only Japan are very rare.

# Seven trading partners account for 80% of the threats to Japanese goods market access



Note: Destination countries are only included if more than USD 1B of exports from Japan are affected by harmful interventions.

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Calculations based on trade weights for 2019

# Questions raised by the evidence in this presentation

- Other than promoting digital trade, what strategy does Japan have to advance living standards at home through openness of other sectors of its economy?
- Why did the share of Japanese NAMA imports covered by new TBT measures rise so much during the COVID-19 pandemic? What assurances can Japan give that these new measures were not a disguised form of protectionism?
- What purpose is served by Japan issuing so many new SPS measures each year that cover very large shares of its agricultural imports?
- What steps can Japan take to improve the transparency of the state aid it provides directly to firms or indirectly via state-development banks?
- Are there any lessons for the multilateral trading system of Japan's attempt to bridge differences within the G7 relating to digital regulation?