

Japan's International Trade Policy since the Establishment of the World Trade Organization (WTO)

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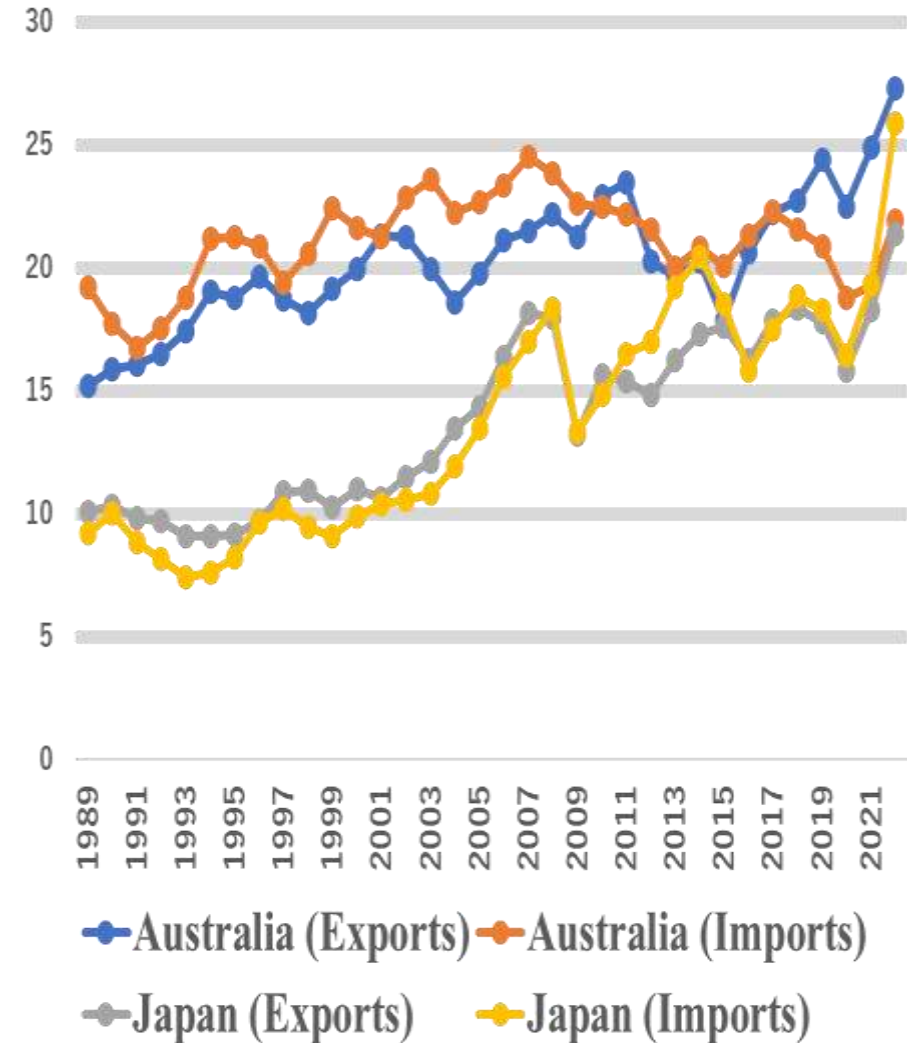
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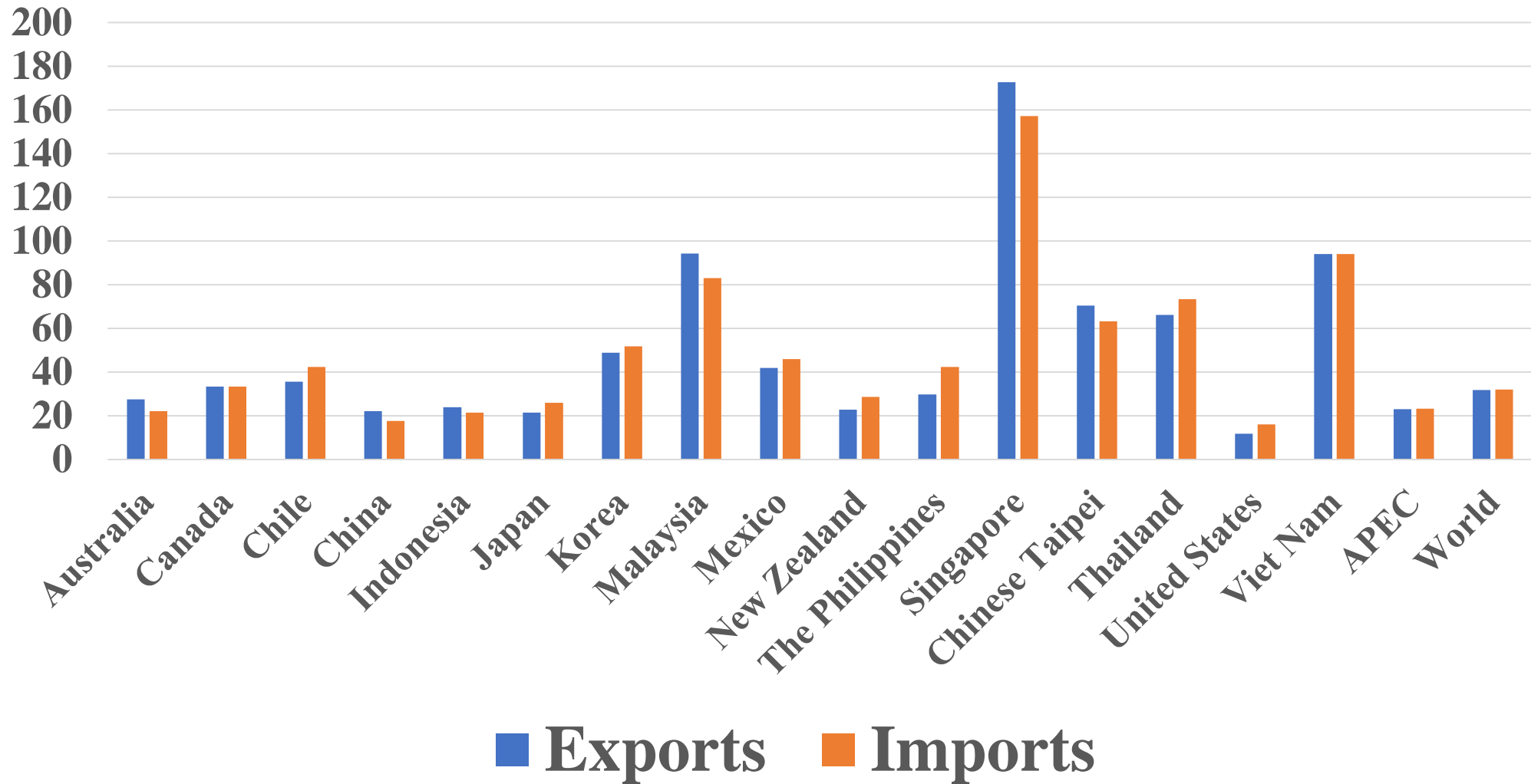
1. Introduction

Trade (goods and services)/GDP Ratios: Australia and Japan

- Japan's ratios increased rapidly to become comparable to those for Australia
- Getting heavily involved in division of labor with East Asian countries through supplying chains

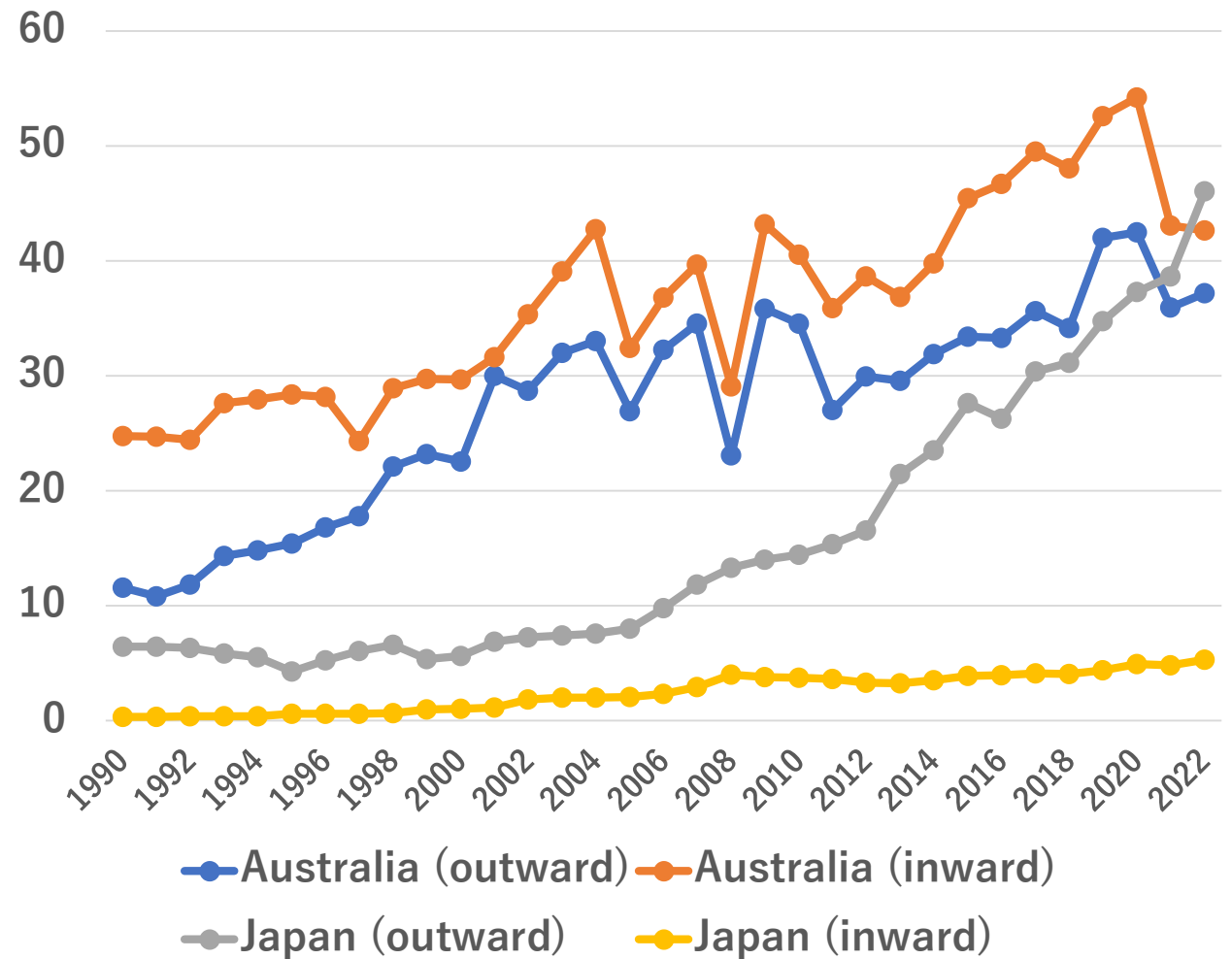


Trade-GDP Ratios (%): Selected APEC Economies, 2022

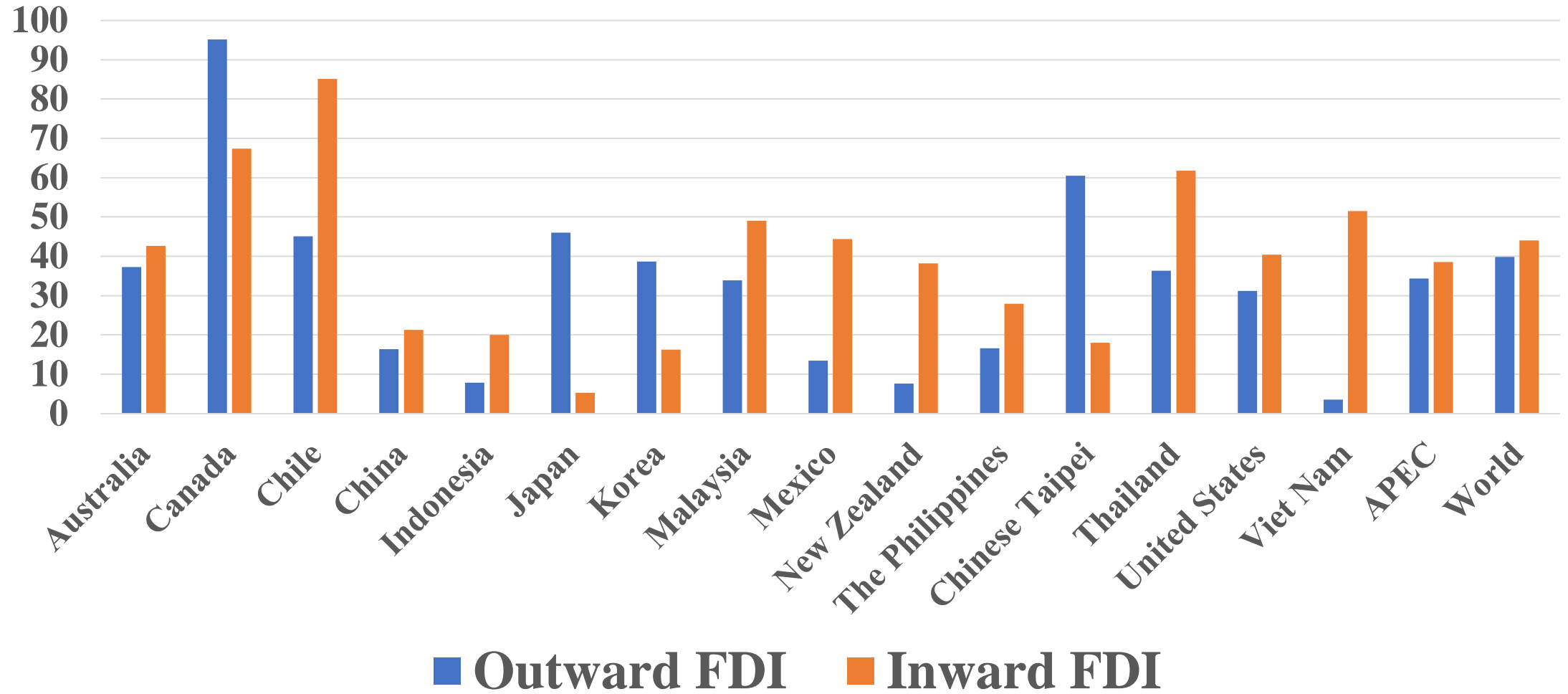


FDI Stock-GDP Ratios (%): Australia and Japan

+ Foreign direct investment (FDI) increased its importance in economic activities in Australia and Japan, except inward FDI for Japan



Outward and Inward FDI Stock-GDP (%): Selected APEC Economies, 2022



Japan's Population Projection

+Japan's population began to decline in 2005 after reaching a peak at 128 million

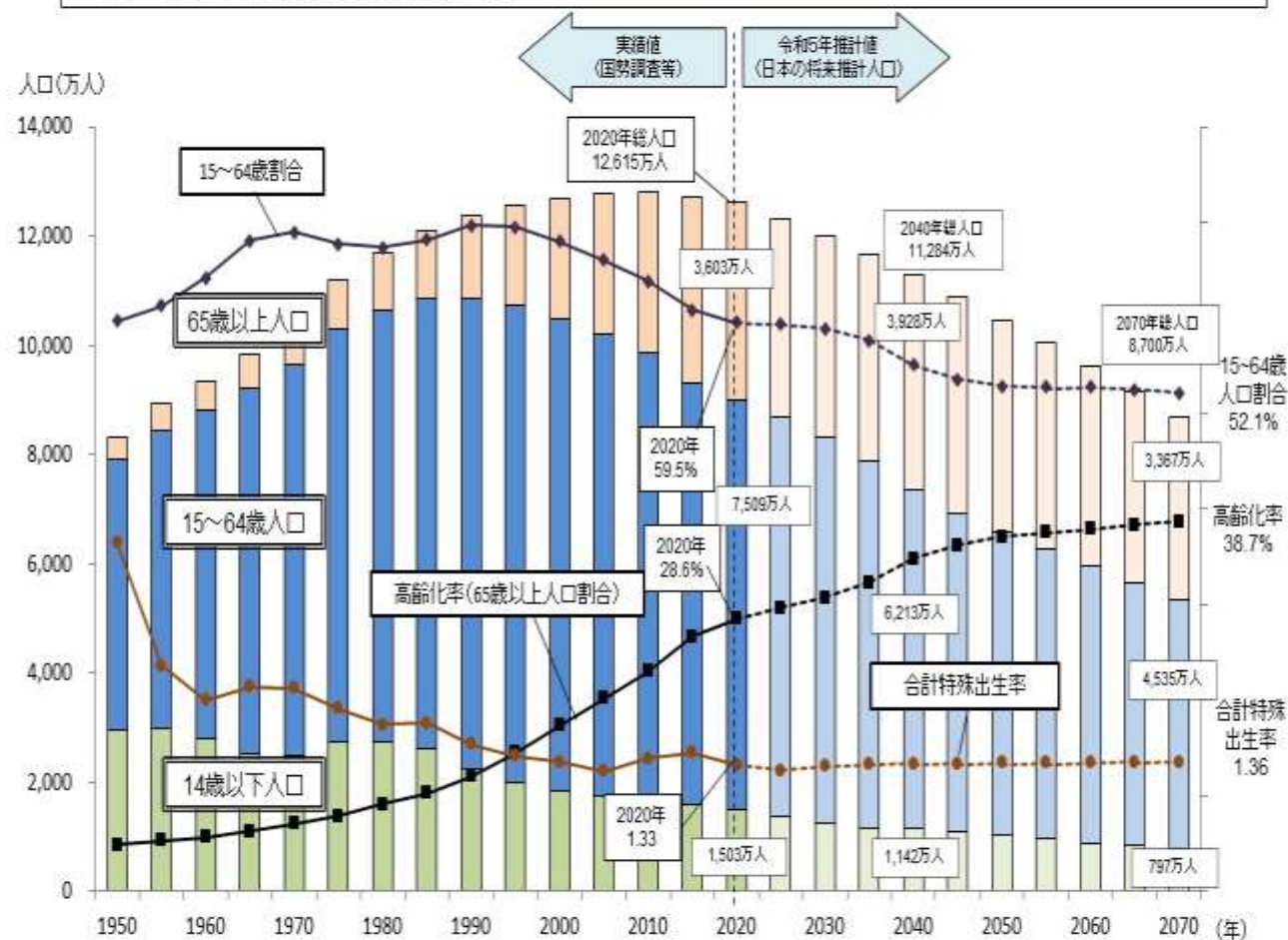
+Fertility rate is 1.20 (2023)

+90 million in 2070

+Shrinking domestic market

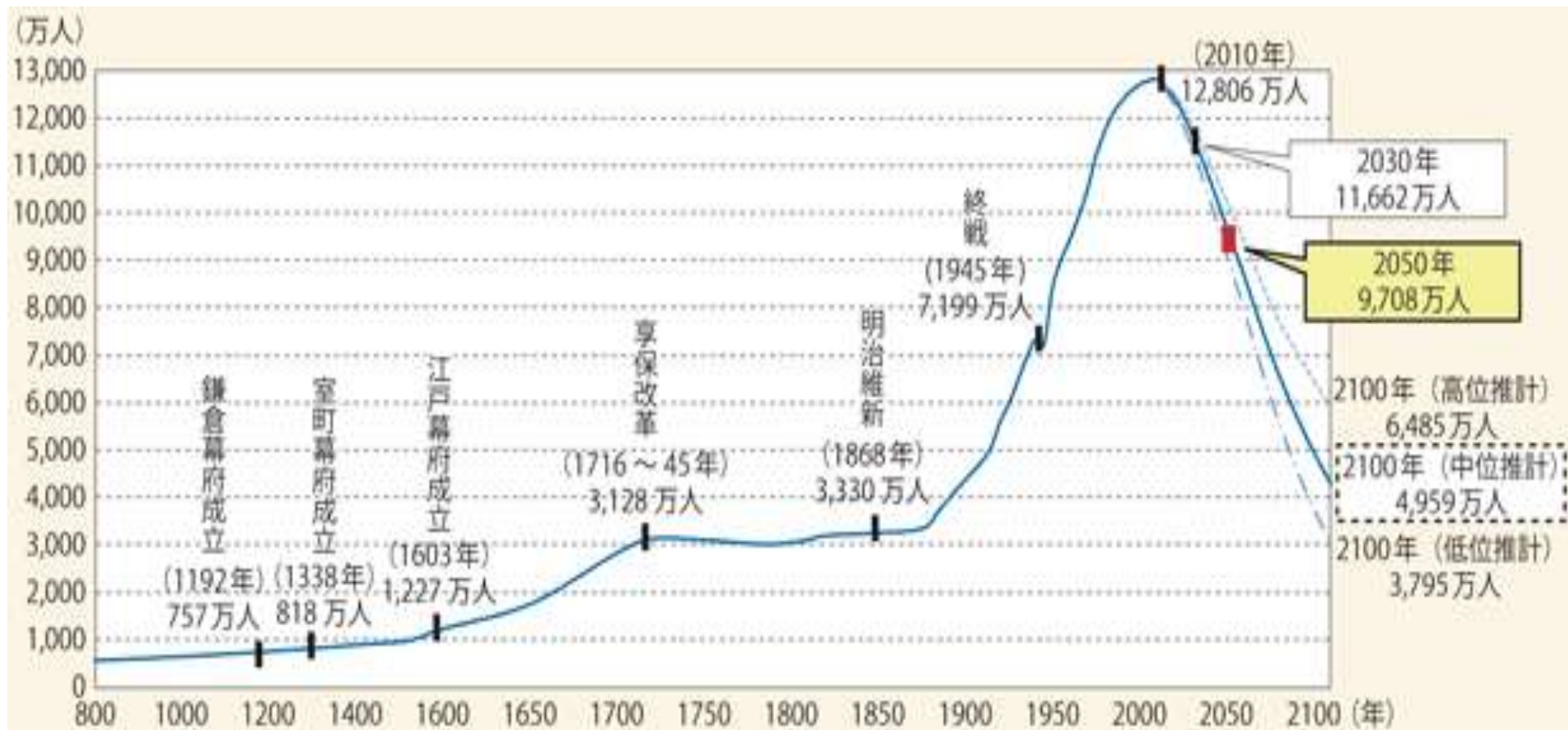
日本の人口の推移

○ 日本の人口は近年減少局面を迎えている。2070年には総人口が9,000万人を割り込み、高齢化率は39%の水準になると推計されている。



(出所) 2020年までの人口は総務省「国勢調査」、合計特殊出生率は厚生労働省「人口動態統計」、
2025年以降は国立社会保障・人口問題研究所「日本の将来推計人口(令和5年推計)」(出生中位(死亡中位)推計)

Japan's Population: 800~2100

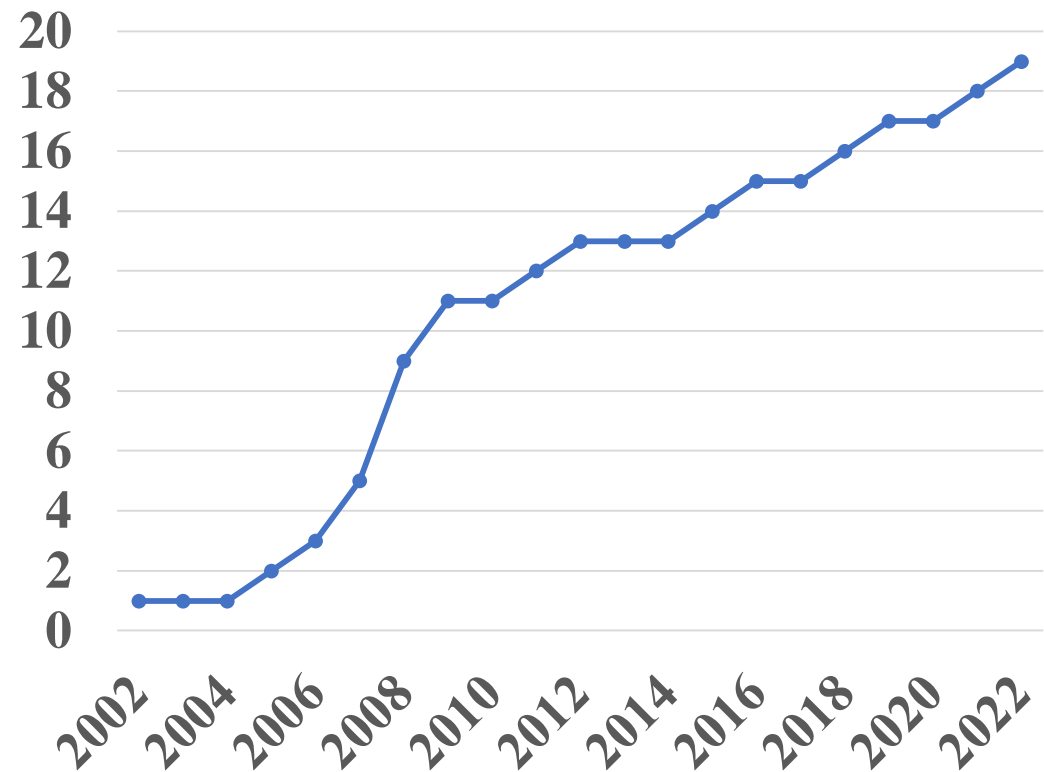


資料) 2010年以前は総務省「国勢調査」、同「平成22年国勢調査人口等基本集計」、国土庁「日本列島における人口分布の長期時系列分析」(1974年)、2015年以降は国立社会保障・人口問題研究所「日本の将来推計人口(2012年1月推計)」より国土交通省作成

2. Japan's FTAs/EPAs

- Bilateral FTAs =>
Plurilateral FTAs =>
Regional FTAs
- 19 FTAs (Sept. 2024)
- Cover approximately 80% of Japan's overall trade (65% excluding the US)
- Australia (20 including RCEP)

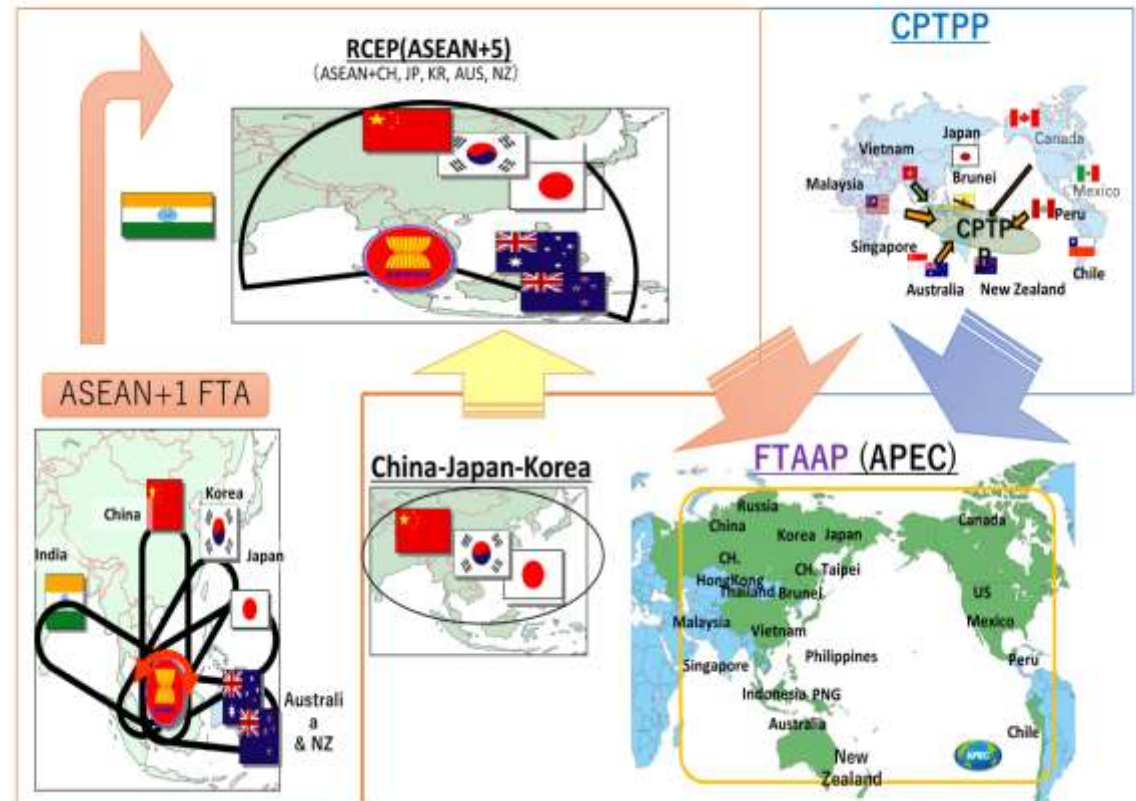
Cumulative number



Japan's FTAs/EPAs (continued)



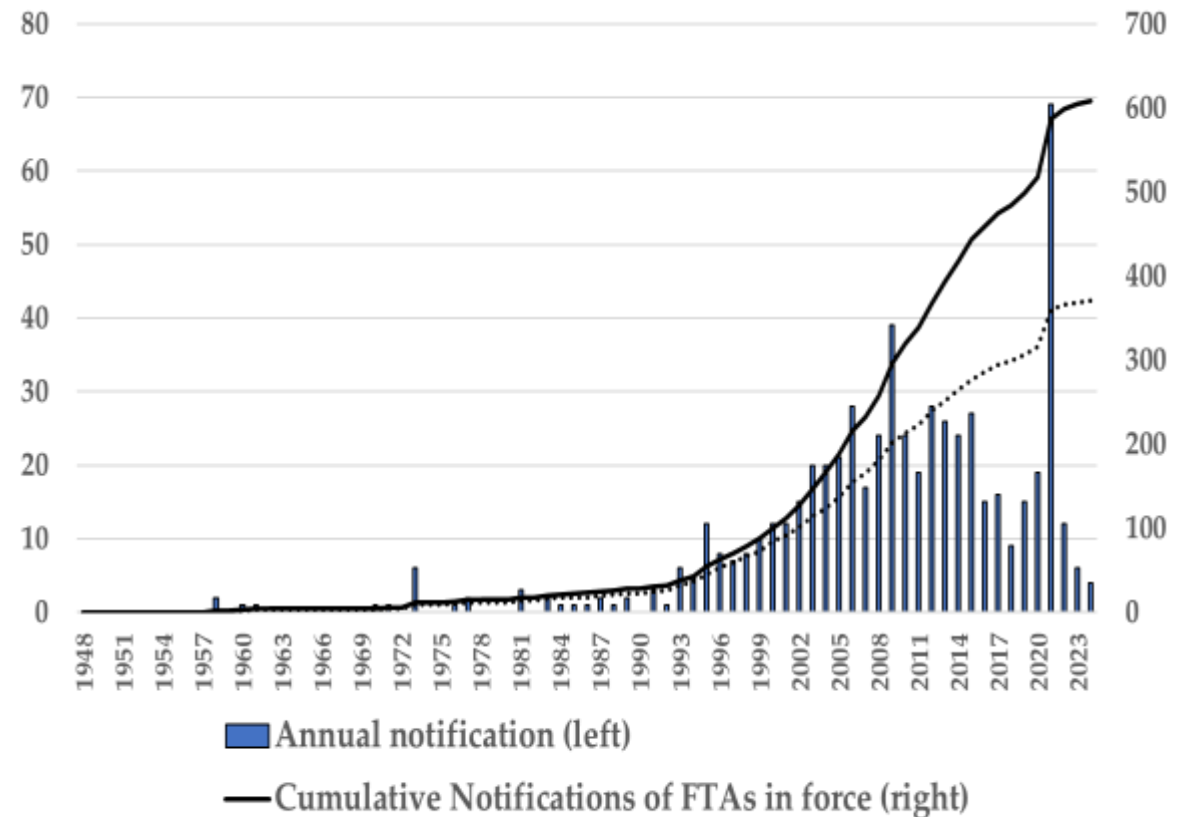
Region-wide FTAs in East Asia:
RCEP, CPTPP, China-Japan-Korea (CJK) FTA



Motives behind Japan's FTA Strategy

- WTO is not functioning as expected
- Increase market access for Japanese firms (exports and outward FDI)
- Promote domestic policy reform (by opening Japan's market)
- Contribute to establish an open, rules-based trade environment (WTO)
- Play a leadership role in establishing regional framework

FTAs in the World

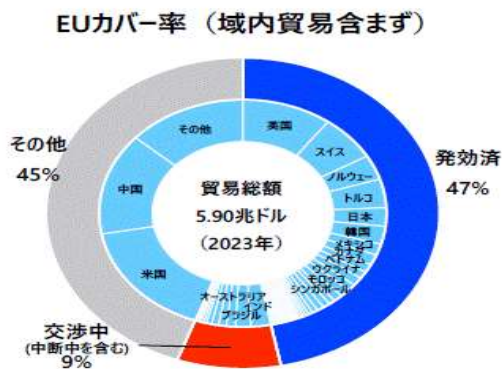
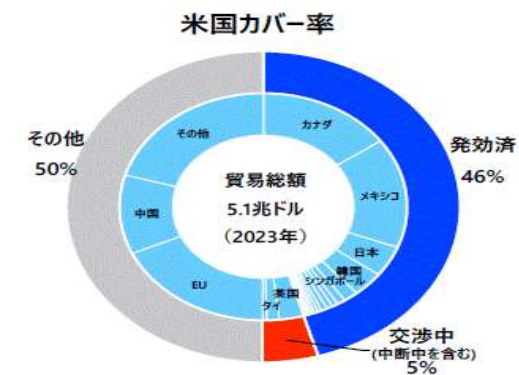
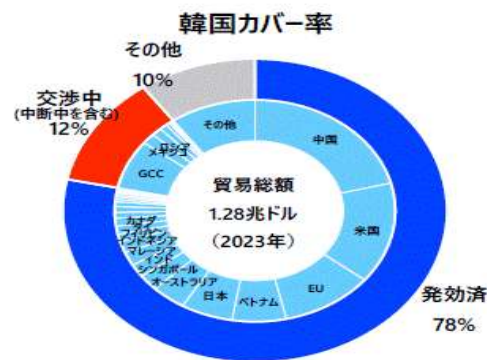
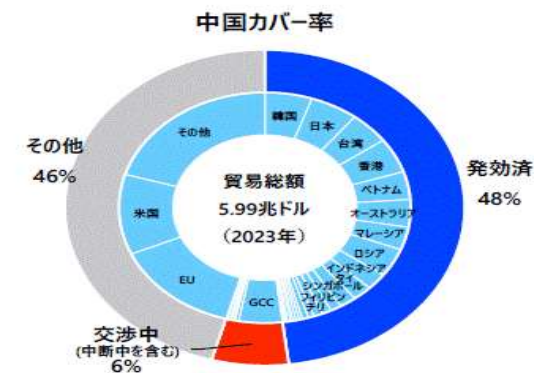
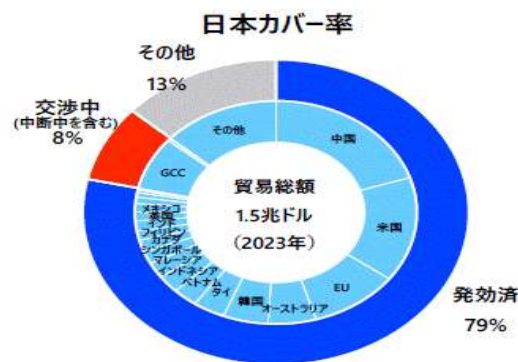


Evaluation of Japan's FTAs/EPAs

- Country coverage (trade): FTA Coverage Ratios
- Issue coverage: Comprehensive coverage
- Tariff elimination
- Utilization of FTAs/EPAs
- Impacts on trade

FTA Coverage Ratio (Share of Trade with FTA partners in Overall Trade): 2023

- Japan: 79%
- China: 48%
- Korea: 78%
- US: 46%
- EU: 47%



Issue Coverage: Comprehensive (WTO+, WTO-X)

- CPTPP(TPP): WTO+(plus), WTO-X(extra), 27 issues including trade in goods and services, investment, e-commerce, state-owned enterprises (SOEs), labor, etc
- RCEP: WTO+, WTO-X, excluding SOEs, labor, transparency and corruption, etc

	TPP	RCEP	WTO
Market Access for Goods	●	●	●
Rules of Origin and Origin Procedures	●	●	●
Textiles and Apparel	●	●	●
Customs Administration and Trade Facilitation	●	●	●
Trade Remedies	●	○	●
Sanitary and Phytosanitary Measures	●	●	●
Technical Barriers to Trade	●	●	●
Investment	●	●	▲
Cross Border Trade in Services	●	●	●
Financial Services	●	●	●
Temporary Entry for Business Persons	●		●
Telecommunications	●	●	●
Electronic Commerce	●	●	
Government Procurement	●		▲
Competition Policy	●	●	
State-Owned Enterprises and Designated Monopolies	●		
Intellectual Property	●	●	●
Labor	●		
Environment	●		
Cooperation and Capacity Building	●	●	
Competitiveness and Business Facilitation	●		
Development	●	●	
Small and Medium-Sized Enterprises	●	●	
Regulatory Coherence	●		
Transparency and Anti-corruption	●		
Administrative and Institutional Provisions	●	●	
Dispute Settlement	●	●	●

Tariff Elimination: CPTPP

- Japan: High level of tariff elimination, considering its commitment to the WTO, that is, 34.1% for agricultural products and 55.9% for non-agricultural products (WTO, World Tariff Profiles 2017)
- Low level of tariff elimination compared to other CPTPP members

	Total	Agricultural products		Manufactured products	
	Eventual elimination	Immediate elimination	Eventual elimination	Immediate elimination	Eventual elimination
Australia	100	99.5	100	91.8	99.8
Brunei	100	98.6	100	70.2	96.4
Canada	99	86.2	94.1	96.9	100
Chile	100	96.3	99.5	94.7	100
Japan	95	51.3	81	95.3	100
Malaysia	100	96.7	99.6	78.8	100
Mexico	99	74.1	96.4	77	99.6
New Zealand	100	97.7	100	93.9	100
Peru	99	82.1	96	80.2	100
Singapore	100	100	100	100	100
Viet Nam	100	42.6	99.4	70.2	100

FTA/EPA Usage Ratios for Japan's Imports: share of imports using FTAs/EPAs in dutiable import value (% , 2023)

- FTAs/EPAs usage ratios range between 70% and 97% for many countries except China, Korea, Singapore, and the US
- For low income countries Cambodia, Lao PDR, Myanmar, the share of GSP is very high

	RCEP	Bilateral	AJCEP	CPTPP	GSP	Other	FTAs/EPAs
AUS	0.0	42.7	0.0	53.3	0.0	4.0	96.0
BRN	0.0	72.6	0.0	19.9	0.0	7.4	92.6
CAN	0.0	0.0	0.0	89.1	0.0	10.9	89.1
CHE	0.0	76.0	0.0	0.0	0.0	24.0	76.0
CHL	0.0	77.0	0.0	19.5	0.0	3.5	96.5
CHN	58.3	0.0	0.0	0.0	0.0	41.7	58.3
IDN	7.5	64.1	13.2	0.0	0.0	15.2	84.8
IND	0.0	77.6	0.0	0.0	1.1	21.3	77.6
KHM	0.9	0.0	13.5	0.0	80.9	4.7	14.4
KOR	22.6	0.0	0.0	0.0	0.0	77.4	22.6
LAO	4.3	0.0	25.1	0.0	64.5	6.2	29.3
MEX	0.0	30.1	0.0	62.8	0.0	7.1	92.9
MMR	0.0	0.0	7.6	0.0	90.4	1.9	7.6
MNG	0.0	89.8	0.0	0.0	0.0	10.2	89.8
MYS	2.2	53.3	22.9	0.0	0.0	21.7	78.3
NZL	2.4	0.0	0.0	91.0	0.0	6.6	93.4
PER	0.0	55.2	0.0	27.5	0.0	17.3	82.7
PHL	0.5	86.0	4.4	0.0	0.1	9.0	90.8
SGP	0.2	15.5	20.0	25.8	0.0	38.6	61.4
THA	3.8	81.1	4.7	0.0	0.0	10.4	89.6
USA	0.0	46.5	0.0	0.0	0.0	53.5	46.5
VNM	14.2	14.3	57.5	7.9	0.1	5.9	94.0

Impacts of Japan's FTAs on Japan's Trade

- Out of 17 FTAs, 64.7 percent of FTAs had positive impacts on Japan's exports, while the corresponding share for Japan's imports was 35.3 percent.

	Exports		Imports	
	# of FTAs	Share (%)	# of FTAs	Share (%)
+	11	64.7	6	35.3
?	4	23.5	9	52.9
-	2	11.8	2	11.8
Total	17	100	17	100

3. Plurilateral Trade Agreements (rules in new issues)

- Single issue with a large number of countries
- Government procurement code, trade in civil aircraft (Tokyo round)
- Enacted
- Information Technology Agreement (ITA, 1997), Financial Services and Basic Telecommunication Services Agreements (1997), Anti-Counterfeiting Trade Agreement (ACTA)
- Joint Statement Initiatives (JSIs) (WTO, 2017)
- Under negotiation (Japan is participating in the following JSIs)
- Electronic commerce (Japan co-chair with Australia and Singapore)
- Investment facilitation for development
- Micro, small and medium-sized enterprises (MSMEs)
- Services domestic regulation

4. Economic Security

- Export control: Foreign Exchange and Foreign Trade Act (FEFTA), METI ordinance, List control and Catch-all control
- Weapons of mass destruction: Wassenaar Arrangement for conventional weapons, the Nuclear Suppliers Group for nuclear weapons, the Australia Group for chemical and biological weapons, and the Missile Technology Control Regime.
- Conventional weapons: computers, electronics, advanced materials, etc. (dual-use technology)
- Supply chain resilience: international cooperation such as IPEF, bilateral agreements

5. Concluding Remarks

- Given the current difficult international trade environment, i.e. malfunctioning of the WTO, violation of trade rules by the US, China, etc., Japan has contributed to maintaining and establishing an open, rules-based trade system, but it should do more.
- Japan's active FTA policy has contributed to expansion of its exports and FDI
- Cooperate with like-minded countries such as Australia to further development of an open rules-based trade environment, e.g. WTO reform, discussion on economic security and trade
- Open market and society: Educate young students to understand the need to go abroad to improve and use their skills to fulfill their potential, and to contribute to achieving peace and prosperity in the world.