



TRADE POLICY DEVELOPMENTS PAPER NO. 49

TRADE POLICY REVIEW REPORT

OF

JAPAN

VOLUME. IX

(APRIL- JUNE 2013)

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This report has been prepared under a consultancy project awarded by the Centre for WTO Studies, Indian Institute of Foreign Trade (IIFT), New Delhi

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Executive Summary

- Japan has rebounded strongly from its 2012 recession, led by fiscal and monetary policy stimulus. The industrial output in Q2 showed an overall growth though the output was lower in June compared to May.
- METI established the “Committee on Consumption Intelligence” in order to utilize consumer trends and consumption data to effectively increase consumption per person.
- The Bank of Japan announced that money market operations would be conducted to increase the monetary base by 60-70 trillion yen annually.
- The METI Priorities Report has been published pursuant to the 2013 Report on Compliance by Major Trading Partners with Trade Agreements: WTO, FTA/EPAs, and BITs.
- Japan submitted new and full notification in compliance with its obligation under Article XVI:1 of the GATT and Article 25 of the ASCM. Japan indicated that certain ‘subsidies’ may not constitute ‘subsidies’ under Article 1 ASCM and how they may not be specific under Article 2 of the ASCM.
- Japan notified its new intellectual property law to the WTO.
- The Japanese Patent Office has launched a pilot programme of the Patent Prosecution Highway on June 1, 2013 in collaboration with the Directorate General of Intellectual Property Rights (DGIPR) of Indonesia.

Agenda for Next Report

- Update on a possible WTO disputes between Japan and Russia concerning latter's "recycling fee" imposed on motor vehicles.
- An examination of Japan's offers under the proposed "Trade in Services Agreement" (TISA).
- Japan's position on various sectoral issues under the TPP negotiations
- Summary of the dispute settlement cases involving Japan

Trade Policy Monitoring Report of Japan for the Quarter April- June, 2013

I. Economic Conditions

Japan has rebounded strongly from its 2012 recession, led by fiscal and monetary policy stimulus. A number of factors including the fiscal package introduced in early 2013, a new monetary policy framework aimed at achieving the 2% inflation target and a weakening yen, are boosting output and confidence. Aided by a recovery in world trade, output growth is projected to be close to 1½ per cent in 2013 and 2014, which will help to push inflation into positive territory.

Japan reported a growth of 2.6% in the April-June quarter which was however lower than the estimated growth rate of 3.6%.¹ While a cheaper currency initially provided a boost to Japanese exports, in June, Japan reported a trade deficit of \$ 1.82 billion. The exports saw a 7.4% increase till June which was less than the estimation of 10.3%.² Though exports are predicted to increase from a short term perspective, their growth may be stalled due to downturn in overseas economy.³ The Government of Japan has noted that overall, the industrial output showed a growth in the second quarter.⁴ The trade deficit stood at 598.7 billion yen till June.⁵ It was anticipated that the economic growth in the April-June quarter would have received a boost due to the investments made in 2012, with a sharp increase in the public investment component (by 20%).

Japan's gross public debt is a staggering 220% of GDP in 2012. Japan is considering increasing the consumption tax rate to 10% by 2015. The Bank of Japan's new "quantitative and qualitative monetary easing" should continue until the new 2% inflation target has been sustainably achieved to ensure a definitive exit from deflation. The growth strategy to be announced in mid-2013 should include bold regulatory reform measures to help boost potential growth.

The Cabinet introduced the Contract Policy of the Government regarding SMEs under the Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium-sized Enterprises on June 25, 2013, in order to provide increased opportunity to SMEs and micro enterprises to receive contracts from the public sector.⁶

¹Japan Misses Growth Forecast in the Second Quarter, available at <http://newsonjapan.com/html/newsdesk/article/104005.php>.

²Japan Export Slowdown Raises Concern on China's Economy, July 25, 2013, available at <http://newsonjapan.com/html/newsdesk/article/103763.php>.

³ Monthly Economic Report, available at <http://www5.cao.go.jp/keizai3/getsurei-e/2013may.html>.

⁴ *Id.*

⁵Asian Economic News, available at <http://www.rttnews.com/2156614/japan-has-y180-77-billion-trade-deficit-in-june.aspx>.

⁶Small and Medium Enterprise Agency, available at http://www.meti.go.jp/english/press/2013/0625_02.html

1. Private Consumption and Business Investment

Due to increase in consumer confidence, private consumption saw an upward trend in the month of April.⁷ This was despite no corresponding increase in the level of income. Moreover, there is also an increase in the demand for houses in April and the same was predicted to continue over the short term period.⁸ Public investment has also been relatively steady as the public work orders in April-May, 2013 were higher than reported during the previous year.⁹ While the prices of domestic corporate goods have been on the rise in June, 2013, the consumer price in terms of the “core core”, that is, general, excluding fresh food, petroleum products and other specific components, is declining, though at a slow rate.¹⁰ As it has been concluded, this shows that the economy still faces mild deflationary pressures, irrespective of the changes reflected.¹¹

In order to overcome deflation that has been plaguing the Japanese economy for quite some time, METI established the “Committee on Consumption Intelligence” in order to utilize consumer trends and consumption data to effectively increase consumption per person. In this context, the following measures have been described by the Committee to address deflation:¹²

“1. Necessity of changing business strategies

It is necessary to change business strategies, designating the idea of "understanding consumers" as a starting point.

Brainstorming ideas in the order of who, what, how, and how many

Properly conducting segmentation of consumers (classification of consumers by preference) Properly understanding the variety of consumers in the world.

2. Improving the competitive environment

Toward the shift from "goods production" (business battles based on prices and functions) to "value creation" (the value consumers seek other than price), it is significant to promote innovation through cooperative relationships between manufacturers and distributors.

However, under the Guidelines concerning Distribution Systems and Business Practices under the Antimonopoly Act, which was enacted in 1991, as operation guidelines under the Anti-Monopoly Act, arrangements between manufacturers and distributors on marketing in general (prices, ancillary services, etc.) are illegal in principle, on the premise that manufacturers' power to control the market is always stronger than that of distributors. This also heavily constrains a business strategy of enterprises aiming at "value creation."

⁷ Monthly Economic Report, available at <http://www5.cao.go.jp/keizai3/getsurei-e/2013apr.html>.

⁸ *Id.*

⁹ Monthly Economic Report, available at <http://www5.cao.go.jp/keizai3/getsurei-e/2013jun.html>.

¹⁰ Monthly Economic Report, available at <http://www5.cao.go.jp/keizai3/getsurei-e/2013jun.html>.

¹¹ Monthly Economic Report, available at <http://www5.cao.go.jp/keizai3/getsurei-e/2013jun.html>.

¹² A Report Compiled by the Committee on Consumption Intelligence, available at http://www.meti.go.jp/english/press/2013/0619_01.html.

This regulation is significantly severer than similar ones in the West, and it is necessary to ease the regulation to the same level as those of the West.”

2. Employment

Overall, the unemployment rate dropped to 3.9% at the end of June. The unemployment rate was 4.1% in March. As regards unemployment rate for persons in the age group of 15-24 years, it stood at 8.1%.¹³ Further, the number of employed as well as the unemployed persons have been on a rise.¹⁴ Moreover, due to new job offers, the ratio of job offers to applicants has also been on a rise along with an increase in the number of overtime hours in the manufacturing sector.¹⁵ An improvement in the wages has also been reported.¹⁶ While employment in manufacturing, medical and health care, education recovered, employment in transport, wholesale & retail, financial and real estate dropped substantially.¹⁷

3. Announcement of Monetary Policy

The Bank of Japan announced on April 26, 2013 that money market operations would be conducted to increase the monetary base by 60-70 trillion yen annually.¹⁸ Further, on 22 May 2013, the Bank of Japan announced that pursuant to its market operations to increase the monetary base, it plans to purchase Japanese Government Bonds, Exchange Traded Funds, Japan Real Estate Investment Trust and corporate bonds.¹⁹ While noting the improvement of the Japanese economy with respect to exports, business fixed investment, public investment, and industrial production, the Bank announced that it would continue with its qualitative and quantitative monetary easing in order to achieve its price stability target of 2%. It noted that such measures would enable Japan overcome deflation.

Box 1: Statement on Monetary Policy: June 11, 2013

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, by a unanimous vote, to set the following guideline for money market operations for the intermeeting period. The Bank of Japan will conduct money market operations so that the monetary base will increase at an annual pace of about 60-70 trillion yen.
2. With regard to the asset purchases, the Bank will continue with the following guidelines:
 - a) The Bank will purchase Japanese government bonds (JGBs) so that their amount outstanding will increase at an annual pace of about 50 trillion yen, and the average remaining maturity of the Bank's JGB purchases will be about seven years.
 - b) The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) so that their amounts outstanding will increase at an annual pace of

¹³ Monthly Economic Report, available at <http://www5.cao.go.jp/keizai3/getsurei-e/2013jun.html>.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Credit Suisse, Japan Economics/Fixed Income Weekly, August 1, 2013.

¹⁸ Bank of Japan, Statement of Monetary Policy, April 26, 2013, http://www.boj.or.jp/en/announcements/release_2013/k130426a.pdf.

¹⁹ Statement of Monetary Policy, May 22, 2013, available at http://www.boj.or.jp/en/announcements/release_2013/k130522a.pdf.

- about 1 trillion yen and about 30 billion yen respectively.
- c) As for CP and corporate bonds, the Bank will continue with those asset purchases until their amounts outstanding reach 2.2 trillion yen and 3.2 trillion yen respectively by end-2013; thereafter, it will maintain those amounts outstanding.

Source: Bank of Japan

II. Free Trade Agreements and Arrangements

Japan- EU FTA

The EU and Japan are pushing ahead with their negotiations for a Free Trade Agreement (FTA). The aim is for a comprehensive agreement in goods, services and investment eliminating tariffs, non-tariff barriers and covering other trade-related issues, such as public procurement, regulatory issues, competition, and sustainable development. The first round of talks was held in Brussels from 15 to 19 April this year and was felt to have made a good start to the negotiations

The first round of negotiations on Japan and EU Economic Partnership Agreement was held in Brussels, Belgium from April 15-19.²⁰ Discussions also took place with respect to trade in goods and services, intellectual property rights, non-tariff measures. Negotiations between Japan and EU with respect to Japan- EU Economic Partnership Agreement were to be held in Tokyo from June 24 to 3 July 2013.²¹ The highlight of the meetings was expected to be matters with respect to trade in goods and services, non-tariff measures etc. It is expected to increase exports to Japan by a third.²² One of the major concerns remain the imposition of non-tariff measures by Japan. Similar negotiations for Economic Partnership Agreement have been held between Japan and Colombia in Cali, Columbia on May 20-24, 2013. It has been reported that these negotiations led to considerable developments with respect to issues like trade in goods and services, rules of origin, custom procedure etc.²³

Japan- Mongolia EPA

Discussion between Japan and Mongolia with respect to the Japan-Mongolia Economic Partnership Agreement (EPA) was held from July 2- July 5, 2013 in Tokyo wherein negotiations in respect of issues such as trade in Goods, Rules of Origin, Customs Procedures, Dispute Settlement, Investment, Competition, Government Procurement, Sanitary and Phytosanitary (SPS), Technical Barriers to Trade (TBT), E-Commerce were

²⁰Joint Press Release with the Ministry of Foreign Affairs, First Round of Negotiations on a Japan-EU Economic Partnership Agreement, available at http://www.meti.go.jp/english/press/2013/0419_02.htmlhttp://www.meti.go.jp/english/press/2013/0419_02.html.

²¹ Joint Press Release with Ministry of Foreign Affairs, Second Round of Negotiations on the Japan EU Economic Partnership Agreement, available at http://www.meti.go.jp/english/press/2013/0614_01.html.

²² The EU Free Trade Agreement- Where Are We?, June 18, 2013, available at http://europa.eu/rapid/press-release_MEMO-13-576_en.htm.

²³Summary of the Second Round of Negotiations for Japan-Columbia Economic Partnership Agreement, available at http://www.meti.go.jp/english/press/2013/0527_01.html.

held.²⁴ Japan also held talks with Canada with respect to Economic Partnership Agreement in Ottawa from April 22- April 26, 2013.²⁵ Pursuant to the meeting in New Delhi on April 17, 2013, Japan and India agreed to hold the “India-Japan Energy Forum 2013” from September 10-14, 2013 in New Delhi. This Forum will be jointly hosted by JETRO, NEDO and TERI.²⁶

Japan-Kenya Low Carbon Growth Partnership

On June 12, 2013, Japan and Kenya signed the Japan-Kenya Low Carbon Growth Partnership on June 12, 2013 wherein Japan commits to reduce its greenhouse emissions in Kenya. A Joint Committee to operate the Agreement will be set up. The Agreement recognizes “the transparency and integrity of the JCM” and that the “mitigation project registered under the JCM shall not be used for the purpose of any other international climate mitigation mechanisms”.²⁷ On May 18, 2013, the Second East Asia Low Carbon Growth Partnership dialogue was held in Tokyo. The theme of the dialogue was to achieve practical methods of ensuring low carbon growth in East Asia.²⁸ Some of the important aims of the dialogue were to enhance technology transfer, examine market mechanisms that would help in reduction of carbon etc.²⁹

Further, in order to boost Japanese investment in Mozambique, Japan and Mozambique signed the Agreement between the Government of Japan and the Government of the Republic of Mozambique for the Liberalization, Promotion and Protection of Investment (Japan-Mozambique Investment Agreement) on June 1, 2013.³⁰ Some of the key points of the agreement are as follows:³¹

- a. Enjoyment of national and MFN treatment to contracting parties in the pre-investment and post-investment period.
- b. Provision of an opportunity to the investor country to raise its claim through arbitration in case of violation of the agreement.

Similar investment agreement was signed between Japan and Saudi Arabia for the “Promotion and Protection of Investment” to improve the “legal stability of the investment environment” in Saudi Arabia.³² Some of the features include national treatment and MFN

²⁴Joint Press Release with the Ministry of Foreign Affairs, available at http://www.meti.go.jp/english/press/2013/0628_01.html.

²⁵Joint Press Release with Ministry of Foreign Affairs, available at http://www.meti.go.jp/english/press/2013/0411_01.html.

²⁶Expansion of India-Japan Energy Forum, 2013, available at http://www.meti.go.jp/english/press/2013/0417_01.html.

²⁷Joint Press Release with the Ministry of Foreign Affairs and the Ministry of the Environment, available at http://www.meti.go.jp/english/press/2013/0612_01.html.

²⁸Second East Asia Low Carbon Growth Partnership Dialogue, available at http://www.meti.go.jp/english/press/2013/0419_03.html.

²⁹ *Id.*

³⁰Signing of the Japan-Mozambique Investment Agreement, available at http://www.meti.go.jp/english/press/2013/0601_01.html.

³¹ *Id.*

³²Signing of the Japan-Saudi Arabia Investment Agreement, available at http://www.meti.go.jp/english/press/2013/0501_02.html.

treatment in the post investment process, transparency of laws and regulations and settlement of investment disputes.³³ Moreover, a Preparatory Meeting for the Negotiations on Free Trade Agreement (FTA) among Japan, China and the Republic of Korea was held in Tokyo on June 3 and 4. The agenda was with respect to the second round of negotiations on CJI FTA to be held in China.³⁴

Japan and the Maldives signed a document concerning the JCM (the Japan-Maldives Low Carbon Growth Partnership) on June 29, 2013, pursuant to which, both countries shall establish a joint committee to operate the Joint Crediting Mechanism (JCM). JCM is primarily a mechanism through which Japan's contribution to the reduction of carbon emissions is measured through its transfer of low carbon technology and products.³⁵ Japan has signed similar agreements with Mongolia, Bangladesh, Ethiopia and Kenya.³⁶

Pursuant to the endorsement of Japan and Africa in its bilateral meeting in 2012 to undertake a joint study on economic cooperation, the two countries sought to discuss the report in course of their meeting on June 2, 2013 in Japan. The study was undertaken by the Mitsubishi Research Institute, HUDA Consulting and Mthente Research and Consulting Services with particular focus on autos and auto components, mineral beneficiation and agro processing.³⁷

Japans Applies to Join APEC Cross- Border Privacy Rules System

Japan has applied to join the APEC Cross-Border Privacy Rules system with the aim of certifying measures that are used to protect cross-border private information held by business and other organizational entities. The certification is received based on the compliance with the APEC Information Privacy Principles in 2004.³⁸

In the future, if Japan is admitted to the system and the neutral certification organization is authorized, enterprises and other entities certified by this organization will be able to prove that the handling process of private information in their companies is compatible with the APEC Information Privacy Principles.

The Japan-Africa Ministerial Meeting for Resources Development was held on May 18, 2013 in Tokyo with invitation to persons across 15 countries.³⁹ It was the first attempt to discuss

³³ *Id.*

³⁴Preparatory Meeting for the Negotiations on FTA among Japan, China and the ROK, available at http://www.meti.go.jp/english/press/2013/0604_01.html.

³⁵Japan and Maldives Signed a Low Carbon Growth Partnership, available at http://www.meti.go.jp/english/press/2013/0629_01.html.

³⁶ *Id.*

³⁷ Statement by Ministers of Trade and Industry at a Bilateral Meeting to Discuss the Outcomes of the South Africa- Japan Joint Study on Economic Cooperation, available at <http://www.meti.go.jp/press/2013/06/20130617002/20130617002-2.pdf>.

³⁸The Government of Japan Applied to Join the APEC Cross- Border Privacy Rules System, available at http://www.meti.go.jp/english/press/2013/0607_03.html.

³⁹Agency for Natural Resources and Energy, available at http://www.meti.go.jp/english/press/2013/0522_03.html.

approaches to resource development between the two countries. The four basic policies for supporting mineral resources development in Africa were outlined as follows:⁴⁰

- “(i) promoting investment for infrastructure and resources development in Africa,
- (ii) strengthening the basis of African resources industry and human resource development,
- (iii) promoting sustainable resources development in terms of environment / safety, and
- (iv) encouraging symbiosis with local communities. Participants discussed related issues based on the policies.”

The meeting also marked an opportunity of greater Japanese investment in Africa.

Pursuant to the 2013 Report on Compliance by Major Trading Partners with Trade Agreements- WTO, FTA/EPAs, and BITs, which examines the measures undertaken by various countries in light of their commitment under WTO and other international laws, the METI Priorities Report has been published.⁴¹

Japan and TPP

Japan's participation in the Trans-Pacific Partnership (TPP) is expected to start from July 2013. The Trans-Pacific Partnership (TPP) is an FTA currently being negotiated by eleven countries (Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam), with Japan scheduled to join the negotiations in July. Under the Trade Act of 1974, the U.S. will be prevented from making any tariff offers until the International Trade Commission (ITC) has completed a confidential assessment on the economic impact of tariff cuts. The report is due to the Office of the U.S. Trade Representative on 21 August 2013. According to reports, the U.S. will not table any tariff offers until the report is received and USTR has performed interagency and congressional consultations, according to a USTR spokeswoman.⁴² The Japanese government has apparently urged the United States and other countries participating in the Trans-Pacific Partnership (TPP) talks to delay the July negotiating round until Tokyo can formally join the negotiations at the end of that month, according to Assistant U.S. Trade Representative Barbara Weisel.

⁴⁰ *Id.*

⁴¹ METI Priorities Based on the 2013 Report on Compliance by Major Trading Partners with Trade Agreements, available at http://www.meti.go.jp/english/press/2013/pdf/0422_01b.pdf.

⁴² World Trade Online, InsideUSTrade, (June 20, 2013)

Box II: Auto Sector and Japan under the TPP

In anticipation that Japan will join the Trans-Pacific Partnership (TPP) talks, the United Autoworkers (UAW) late outlined a list of nine outcomes that it says the Office of the U.S. Trade Representative must secure from Tokyo before sealing a final TPP agreement that includes Japan. These demands go far beyond the commitments taken on by Japan thus far, which USTR said were sufficient to allow the United States to support Japan joining the talks.

Among the list of UAW demands are that Japan immediately stop manipulating the value of its currency, even before it is permitted to join the ongoing negotiations. Moreover, UAW calls for "binding commitments" in TPP to guard against future manipulation and a "tariff snapback" mechanism that would increase U.S. tariffs facing Japanese exports if Tokyo restarted manipulation. The USTR announcement last week, by contrast, made no mention of currency at all.

UAW also said Japan must agree to take on new commitments in the areas of competition and restructuring; labor standards; compliance with global business practices; maintenance of tariffs under certain conditions; elimination of non-trade barriers; removal of customs barriers; removal of distribution barriers; and non-discrimination for incentive programs, according to its April 12 press release.

The major U.S. auto companies, which are represented by the American Auto Policy Council (AAPC). Mr. Blunt stressed that AAPC is still sticking to its position that a TPP deal should be closed with the current participants before Japan is allowed to join. In its April 12 formal reaction to the USTR announcement, AAPC simply urged the administration to reconsider its position on Japan's entry and argued that allowing Japan to join TPP at this time "risks unraveling the entire free trade agreement and will certainly delay its completion." A formal endorsement from all TPP members of Japan joining the talks could happen as soon as this weekend at a summit of Asia-Pacific Economic Cooperation (APEC) members.

On currency, the UAW notes that the Japanese yen has depreciated by 23 percent since October 2012. In addition to the snapback mechanism -- which would increase U.S. car tariffs that were lowered pursuant to a TPP agreement -- it proposes that any manipulation by Japan that occurs before those U.S. tariffs are lowered would mean that the U.S. delays the car tariff phaseouts for Japan to which the U.S. had agreed in the TPP negotiations.

Currency matters are not addressed in the terms of reference for the bilateral U.S.-Japan auto negotiations that will take place parallel to the TPP talks. However, USTR did state that the U.S. could invoke some sort of snapback mechanism if Japan fails to comply with the outcome of the U.S.-Japan negotiations on automotive issues.

UAW has also called for an "aggressive competition policy" to account for the fact that Japanese brands control almost 95 percent of the market and "have a well-known relationship with supplier networks," although the union does not provide specific suggestions as to how this could be addressed.

UAW also wants Japan to enact legislation that would fully implement the anti-bribery convention of the OECD and "other relevant international commitments against corruption and bribery." UAW calls this an "essential improvement" for Japan and the U.S. to collaborate on achieving the highest standards of compliance in global business practices.

UAW's demand on non-tariff barriers center on the requirement that the Japanese government should recognize U.S. safety and environmental standards as compliant in the Japanese market, with a snapback of duties in the event of non-compliance. While USTR is seeking to address issues related to non-tariff barriers in its parallel talks with Japan, it has not said that Japan must recognize U.S. safety and environmental standards as equivalent.

UAW's another demand is for a full review and elimination of any customs or port barriers and the establishment of a binational oversight body within TPP to ensure enactment and enforcement on this issue.

UAW also calls for a full review and elimination of any barriers to the establishment of a robust distribution network for vehicles imported to Japan. In the bilateral auto talks, the U.S. and Japan generally agreed that issues related to distribution and servicing of vehicles need to be addressed.

Finally, UAW seeks non-discrimination for any industry or consumer incentive applied to autos by requiring it to be reviewed and approved by both parties.

Source: InsideUSTrade

Ford and other U.S. automakers have been staunchly opposed to Japan's participation in TPP over allegations that the Japanese government is purposefully decreasing the value of the yen. U.S. auto companies and auto workers also argue that Japan maintains systemic regulatory and distribution barriers that effectively keep out U.S. vehicles, leading to a steep auto trade imbalance.⁴³

Box III: METI Priorities Report

METI has identified the following measures having trade issues/ concerns for priority focus, wither through bilateral or multilateral forums, including WTO standing committees, and the WTO dispute settlement mechanism.

China: Correction of Inappropriate Regulation/Implementation of Anti-dumping (AD) Investigations

Indonesia: Elimination of Export Restrictions on Mineral Resources (i.e. Nickel etc.) and Related Local Content Requirements.

Russia: Correction of Discriminatory System/Implementation of Transport Vehicle Recycling Fee.

Brazil: Correction of Discriminatory System/Implementation of Automobile Industrial Product Tax (IPI).

⁴³ World Trade online, Inside U.S. Trade, June 28, 2013, Vol. 31, No. 26

Ukraine: Revocation of Safeguard Measures against Automobiles.

The United States of America: Improvement of Sunset Review Practice and Early Termination of Inappropriate Long-Standing AD Duty Orders on Japanese Products.

Issues Already Referred to the WTO Dispute Settlement Mechanism

The following issue has already been referred to the WTO dispute settlement procedures by Japan. Japan will keep seeking improvements of the measures concerned through the WTO mechanism.

China: (a) Elimination of Export Restrictions on Raw Materials (i.e. Rare Earths etc.)
(b) Elimination of AD Duty Measures on High-Performance Stainless Steel Seamless Tubes Originated in Japan.

Canada: Abolition of Local Content Requirements in the Ontario's Feed-in Tariff Program for Renewable Energy.

Argentina: Elimination of Import Restrictions on Wide-Ranging Items.

Issues on which Japan Urges Prompt Implementation of the WTO Recommendations

With regard to the following issues as a result of recourse made by Japan and other Members to the WTO dispute settlement procedures, the WTO Dispute Settlement Body (DSB) adopted recommendations that require the United States and the EU to bring their measures into conformity with relevant WTO Agreements. Japan will continue urging these two Members to implement the WTO recommendations promptly and fully and to take appropriate action in accordance with the recommendations.

The United States

- (a) Confirming Abolition of Zeroing
- (b) Halt of Distribution of Duty Revenues Collected through AD and Countervailing Duty Measures to U.S. Companies Based upon the Byrd Amendment
- (c) Prompt Implementation of the WTO Recommendations on AD Duty Measures on Hot-Rolled Steel Products from Japan

EU

(a): Elimination of Import Duties Imposed on IT Products Specified as Non-Dutiable by the WTO Information Technology Agreement.

Source: METI

III. Safeguards

Japan has not initiated any safeguard measures during the review quarter.

Japan, along with a number of other nations, expressed its concerns to the Committee on Safeguards with respect to Ukrainian safeguard action on motor vehicles that has not been reported to the Committee.⁴⁴

IV. Subsidies and Countervailing measures

Japan submitted new and full notification in compliance with its obligation under Article XVI:1 of the General Agreement on Tariff and Trade 1994 ("GATT 1994") and Article 25 of the Agreement on Subsidies and Countervailing Measures ("Agreement"). As per the communication dated 28 June 2013, Japan indicated that certain 'subsidies' may not constitute 'subsidies' under Article 1 of the Agreement on Subsidies and Countervailing Measures and 'subsidies' which may not be 'specific' under Article 2 of the said Agreement.⁴⁵ Some of the said subsidies include Subsidy of Expense to Investigate the Development of Next Generation Airplanes, Subsidy for the Bekko (Tortoiseshell) and Ivory Crafts Industries, Subsidy for the Leather and Leather Goods Industries, Subsidy for Supporting the Manufacture of Traditional Craft Products.

V. Sanitary and Phytosanitary measures

In a two day meeting of the WTO's Sanitary and Phytosanitary measures Committee held on 27-28th June, 2013, the members discussed six new trade specific concerns and ten issues that were discussed previously. One of the issues related to the import restrictions due to the Japanese nuclear power plant accident. In this regard, Japan stated that the radiation levels were within the normal safety levels and that import restrictions were lifted by a number of countries. It noted, however, that import restrictions continued to be imposed by Hong Kong and China. Japan also noted that any seriously contaminated food products would not be traded.⁴⁶

VI. Technical Barriers to Trade

In the meeting of the Technical Barriers to Trade Committee held on June 17- June 20, 2013, the Members discussed various methods to implement the TBT Agreement. In the next meeting, the concerns previously expressed by Japan with respect to India's notification on Pneumatic tyres and tubes for automobile vehicles and China's notifications with respect to the Administration of Cosmetics Application Acceptance Cosmetics Label Instructions Regulations and Guidance for the Cosmetics Label Instructions, shall be taken up.⁴⁷

The TBT notifications submitted by Japan are provided in **Annex I**.

⁴⁴ Committee Reviews Safeguard Actions, April 27, 2010, available at http://www.wto.org/english/news_e/news12_e/safe_27apr12_e.htm.

⁴⁵ Committee on Subsidies and Countervailing Measures, Subsidies, July 8, 2013.

⁴⁶ Sanitary and Phytosanitary Measures, June 28, 2013, available at http://www.wto.org/english/news_e/news13_e/sps_28jun13_e.htm.

⁴⁷ Technical Barriers to Trade: Formal Meeting, June 17-20, 2013, available at http://www.wto.org/english/news_e/news13_e/tbt_17jun13_e.htm.

VII. Imposition of restrictions

1. North Korea

On April 5, 2013, Ministry of Economy, Trade and Industry (METI) imposed a ban on all exports to, and all imports from North Korea. However, goods exported for 'humanitarian purposes' have been excluded from these restrictions. The ban has been imposed for two years and is in consonance with the "Measures against North Korea pursuant to the Foreign Exchange and Foreign Trade Act".⁴⁸

VIII. Anti-Dumping Measures

Based on a complaint filed by eight Japanese paper manufacturing companies in May 2012 for imposition of anti-dumping duties on uncoated certain cut sheet paper; HS 4802.56,ex-4802.62; 29062012-1 originating from Indonesia, the METI and MOF conducted an investigation and found no evidence of dumping.⁴⁹ Hence, no anti-dumping duty was imposed on the product.⁵⁰

IX. Intellectual Property Rights

Japan notified its updated Intellectual Property Laws to the WTO: On 10 April 2013 Japan notified its updated texts of Trademark, Patent, and Design legislations to the WTO.⁵¹

Launch of Patent Prosecution Highway: The Japanese Patent Office and the Directorate General of Intellectual Property Rights (DGIPR) of Indonesia agreed to launch a pilot programme of the Patent Prosecution Highway on June 1, 2013.⁵² Through this programme, Japanese companies will be able to acquire patent rights through an accelerated procedure in Indonesia. Further, the JPO can conduct "international searches and international preliminary examinations for PCT international applications filed with the DGIPR".⁵³

Further, at the third Japan-ASEAN Heads of Intellectual Property Offices Meeting held in Kyoto on April 14, 2013, the JPO and ASEAN IP Offices agreed to include the following new items in the cooperation program:⁵⁴

⁴⁸Extension of Ban on Imports from and Exports to North Korea, pursuant to the Foreign Exchange and Foreign Trade Act, available at http://www.meti.go.jp/english/press/2013/0405_04.html.

⁴⁹ Joint Press Release with Ministry of Finance, METI and MOF did not find Dumping of Imports of Cut Sheet Paper Originating in the Republic of Indonesia, available at http://www.meti.go.jp/english/press/2013/0626_01.html.

⁵⁰ *Id.*

⁵¹ Notification of Japan to the WTO, IP/N/1/JPN/12, 12 June 2013, <https://docs.wto.org/dol2fe/Pages>.

⁵² JPO and Indonesia's DGIPR to Advance Cooperation in Patent Examination, available at http://www.meti.go.jp/english/press/2013/0415_04.html.

⁵³ *Id.*

⁵⁴ Results of the Third ASEAN-Japan Heads of Intellectual Property Offices Meeting Held in Kyoto, available at http://www.meti.go.jp/english/press/2013/0415_03.html.

Agriculture

Japan and South Korea both suspended imports late last week after the U.S. Department of Agriculture (USDA) announced on May 29 that it had detected the presence of "Roundup Ready" wheat engineered by the biotechnology firm Monsanto growing at an Oregon farm, despite the fact that it has not been approved. Oregon produces mostly soft white wheat and exports 90 percent of its wheat production, much of it to Asia.

Japan's Ministry of Agriculture, Food and Fisheries -- which is in charge of wheat purchases -- temporarily suspended tenders on soft white wheat in reaction to the news, but did not block imports of other wheat varieties, the National Association of Wheat Growers and U.S. Wheat Associates said in a June 6 update.

WTO Dispute Settlement

DS454: China — Measures imposing anti-dumping duties on high-performance stainless steel seamless tubes (“HP-SSST”) from Japan.

Further, Japan requested the establishment of a panel under the WTO Agreement on April 11, 2013 with respect to China's measure of imposing anti-dumping duties on high-performance stainless steel seamless tubes (HP-SSST) imported from Japan on the grounds that the said duties are in violation of WTO Anti-dumping Agreement (Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994) because of “flaws in the determination of injury and a causal relationship between the dumped imports and the injury and in the investigation procedure”.⁵⁵ On May 24, 2013, the said WTO panel was constituted.⁵⁶

On May 6, 2013, the Appellate Body submitted its Report in an appeal filed by Japan and Canada with respect to the Panel Report submitted on December 19, 2012. In this dispute, Japan claimed that the domestic content requirements were imposed by Canada on generators of electricity utilizing solar photovoltaic and windpower technology, wherein they were required to comply with the design and construction of electricity generation facilities to qualify for the guaranteed prices offered under the Feed-In-Tariff programme, since its inception in 2009. Japan alleged that such measures and conditions were against the principles of national treatment obligation under Article 3(4) of GATT, prohibitions under Article 2.1 of TRIPS Agreement and prohibition on import substitution subsidies prescribed in Articles 3.1(b) and 3.2 of the SCM Agreement. While the two arguments under Article 3(4) and Article 2.1 were accepted, the argument under the SCM Agreement was

⁵⁵ A panel under the WTO Agreement was established regarding China's measure of imposing Anti-dumping Duties on Certain High-performance Stainless Steel Seamless Tubes from Japan, available at http://www.meti.go.jp/english/press/2013/0524_01.html.

⁵⁶ Japan requests the establishment of a panel under the WTO Agreement regarding China's measure imposing Anti-dumping Duties on Certain High-performance Stainless Steel Seamless Tubes from Japan, available at http://www.meti.go.jp/english/press/2013/0411_02.html.

rejected. The findings of the Panel with respect to the violations of Article 3(4) of GATT and Article 2.1 of TRIPS were upheld.⁵⁷

Japan, Ministry of Health, Labour and Welfare notified to the WTO two newly authorized food additives, namely, 3-Ethylpyridine [CAS No. 536-78-7] (used for flavouring) and Pyrimethanil [CAS NO. 53112-28-0] (used on apple, apricot, citrus fruits).⁵⁸

⁵⁷ Dispute Settlement, Canada- Certain Measures affecting the Renewable Energy Sector, available at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds412_e.htm.

⁵⁸ Chemlinked, Japan notified two New Food Additives to WTO, available at <http://chemlinked.com/en/news/other-news/japan-notified-2-new-food-additives-wto>.

Annex-I

Regular TBT Notification number	Notification Date	Description of Content	Objective and Rationale
G/TBT/N/JPN/422	02/04/2013	The proposed draft for partial revision of the Quality Labeling Rules for Miscellaneous Manufactured Goods includes the following changes: (1) "Precautions for use" is added to the labeling matters for Umbrellas. (2) "Precautions for use" is added to the labeling matters for Chairs (limited to those for infants).	To provide consumers with appropriate information to urge safety consideration with respect to Umbrellas and Chairs
G/TBT/N/JPN/423	12/04/2013	Under the provision of the Poisonous and Deleterious Substances Control Law, Ministry of Health Labour and Welfare designates new substances as poisonous and/or deleterious substances.	To prevent accidents caused by poisonous and deleterious substances.
G/TBT/N/JPN/424	24/04/2013	Revision of the standards of judgment under the Act on the Rational Use of Energy, the target fiscal year for meeting the standard, and the standard energy consumption (the energy consumption efficiency) of the products listed in column 4.	To promote the rationalization of overall energy consumption in Japan through popularization of machineries and equipment with high energy consumption efficiency, which could contribute to cope with the recent increase of energy consumption in commercial/residential sector, with the global warming problem and so forth.
G/TBT/N/JPN/425	24/04/2013	In response to recommendations of the 9th and the 11th	In order to take necessary measures to reduce exhaust emission

		Reports of the Central Environment Council “the Future Policy for Motor Vehicle Emissions Reduction” in 2008 and 2012, emissions regulations for non-road special motor vehicles powered by diesel engines (“diesel off-road vehicles”) are to be partially amended.	gas from diesel off-road vehicles with the primary objective of improving air quality.
G/TBT/N/JPN/426	25/04/2013	The Safety Regulation for Road Transport Vehicle (Ordinance of the Ministry of Transport, No. 67 of 1952 and the Public Notice that Prescribes Details of Safety Regulations for Road Transport Vehicle (Public Notice of MLIT, No. 619 of 2002) are to be partially amended in order to introduce tighter regulation of exhaust emissions from diesel-powered special motor vehicles.	In order to take necessary measures to reduce exhaust emission gas from diesel-powered special motor vehicles with the primary objective of improving air quality.
G/TBT/N/JPN/427	03/05/2013	The Minimum Requirements for Biological Products are to be partially amended to add the standards for 2 vaccines to be newly approved.	To establish the standard for manufacturing process, properties, quality, storage and others. of drugs to which special attention must be paid for the attainment of public health and sanitation (Biological products)
G/TBT/N/JPN/428	08/05/2013	The Pharmaceutical Affairs Law is to be partially amended to strengthen safety measure, to introduce new provisions for	Partial amendment of the Pharmaceutical Affairs Law in order to put in place necessary measures for establishing the

		medical devices and to establish new regulation for regenerative medicine.	system ensuring safer supply of drugs, medical devices and regenerative medicine in a more timely manner.
G/TBT/N/JPN/429	13/05/2013	The Act on Ensuring Regenerative Medicine Safety is to be established in order to ensure safety of regenerative medicine	In order to ensure safety of regenerative medicine, the Act on Ensuring Regenerative Medicine Safety is to be established to stipulate necessary procedures and others.
G/TBT/N/JPN/430	22/05/2013	Proposed “Shitei Yakubutsu” (designated substances), and their “proper uses” designated under the Pharmaceutical Affairs Law	In order to prevent the abuse of substances with probable effects on the central nervous system and to clarify the regulation under the Pharmaceutical Affairs Law, the Minister of Health, Labour and Welfare of Japan designates such substances as “Shitei Yakubutsu”. Manufacture, import and sale of “Shitei Yakubutsu” are banned except for the “proper uses” designated under the Law. The newly proposed “Shitei Yakubutsu” are abused substances which no longer have medicinal use nor industrial use, and effects on the current international trade activities will be minimal. (See the attachment for the “proper use”.)
G/TBT/N/JPN/431	12/06/2013	The Enforcement Order of Industrial Safety and	In order to prevent health impairment of

		Health Law and related ordinances are to be partially amended to place obligations on the business operators relating to 1,2-Dichloropropane.	workers due to harmful chemical substances.
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