



TRADE POLICY DEVELOPMENTS PAPER NO. 61

TRADE POLICY MONITORING REPORT

OF

JAPAN

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VOLUME XI

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ABBREVIATIONS

AD	-	Anti Dumping
ASEAN	-	Association of South East Asian Nations
ATA	-	Air Transport Association of America
BIT	-	Bilateral Investment Treaty
BIT	-	Bilateral Investment Treaty
BNC	-	Bi-Regional Negotiations Committee
Bq	-	Becquerel
BTI	-	Binding Tariff Information
CCT	-	Common Customs Tariff
CEPA	-	Comprehensive Economic Partnership Agreement
FDI	-	Foreign Direct Investment
FIR	-	Foreign Investment Regime
FTA	-	Free Trade Agreement
GATT	-	General Agreement On Tariff And Trade
GDP	-	Gross Domestic Product
GM	-	Genetically Modified
GMOs	-	Genetically Modified Organisms
GPA	-	Government Procurement
GSP	-	Generalized System of Preferences
ICT	-	Information and Communication Technology
IMF	-	International Monetary Fund
JRC	-	Joint Research Centre
JICA	-	Japan
LDCs	-	Least Developed Countries
METI	-	Ministry of Trade, Economy & Industry
MOFA	-	Ministry of Foreign Affairs
PRC	-	People's Republic of China
SMA	-	Single Market Act
SPS	-	Sanitary and Phytosanitary measures
SVHCs	-	Seven Substances of very High Concern
TACs	-	Total Allowable Catches
TBR	-	Trade Barriers Regulation
TBT	-	Technical Barriers to Trade
TEC	-	Transatlantic Economic Council
TI	-	Binding Tariff Information
TKM	-	TonneKilometre Benchmark
USDOC	-	United States Department Of Commerce
VAT	-	Value Added Tax

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EXECUTIVE SUMMARY

ECONOMY

- Japan's GDP growth rate has declined to 1.9% in this quarter as compared to 3.8% of growth calculated in the previous quarter.
- Industrial Competitiveness Enhancement Act was enacted during this quarter. The purpose of this legislation is to simplify foreign investments into Japan's.
- The q-o-q growth of Japan's industrial production from October to December was 1.5%.
- The y-o-y growth of Japan's unemployment rate from October to December was 4%.
- Japan's inflation, measured in Consumer Price Index (on all items less fresh food), has also increased by 0.7% during the quarter.
- The Bank of Japan has continued to implement its policy on Quantitative easing.
- Real exports in Japan have declined by 1.1%, whereas real imports have increased by 2.6%.

TRADE & INVESTMENT AGREEMENTS

- Japan has supported the agreement on trade facilitation at WTO Bali Ministerial round that took place on 3 December 2013.
- Japan has entered into negotiations with EU, China, Republic of Korea, Columbia, Canada and Mongolia for possible trade agreements.
- Japan and Myanmar have signed an investment agreement.
- Japan has entered into a total of 12 agreements during this quarter, which includes Official Development Assistance loan agreements and Grant Agreements.

TRADE POLICY BY MEASURE

Customs: Japan and Spain have entered into a mutual customs agreement.

Anti-dumping: The METI and the Ministry of Foreign Affairs have decided to extend the 'period of review' of alleged anti-dumping on electrolytic manganese di-oxide (EDM).

Competition Law: Japan's Antimonopoly Act was amended during this quarter.

TRADE POLICY BY SECTORS

Agriculture: Agitations by Japan's farming community against Japan's participation in the Trans-Pacific Partnership.

Aviation: Japan has introduced a new regulation for Japanese business aircraft charter based on the US Federal Aviation Regulation to encourage foreign investments.

JAPAN AT THE WTO

- Japan requested for consultations with Ukraine with regardsto Ukraine's measure on motor vehicles. Japanalleged that the measure is to be inconsistent with the provisions of the GATT, 1994 and the Safeguards Agreement.

TRADE POLICY MONITORING REPORT OF JAPAN

FOR THE QUARTERLY PERIOD: JANUARY - MARCH 2012

I. INTRODUCTION

This is the eleventh Quarterly Trade Policy Monitoring Report prepared by the Centre for International Trade and Economic Laws (CITEL), Jindal Global Law School. This report will monitor and discuss the trade and macroeconomic policy developments that took place in Japan during the period of October-December 2013.

II. ECONOMIC AND TRADE ENVIRONMENT

Japan's GDP growth declined considerably to 1.9% in this quarter as compared to the 3.8% growth rate calculated in Q2 2013.¹ Unemployment rates have remained at the same levels recorded in the previous quarter. In 2012, Japan's GDP had grown by 2%, but as per recent IMF estimates there will be a 0.3% decline in Japan's annual growth rate in 2014.² The Bank of Japan's quantitative easement measures have provided a stimulus to the economy despite this expected decrease in growth rate.³

The Industrial Competitiveness Enhancement Act (ICE Act) was enacted on 4 December 2013. This legislature aims at securing implementation of measures that have been included in the Japan Revitalization Strategy.⁴ ICE Act had earlier been approved by the cabinet on 14 June 2013. It forms an important part of a series of steps presented by Japanese Prime Minister S. Abe to

¹ WTO-OECD-UNCTAD, *10th G-20 Trade and Investment Measures Report* (2013), available at <http://www.oecd.org/daf/inv/investment-policy/10thG20report.pdf>.

² IMF, *Japan and the IMF*, <http://www.imf.org/external/country/jpn/index.htm?type=9998> (last visited Dec. 9, 2013)

³ Ben McLannahan, *Bank of Japan pledges to maintain easing policy*, FINANCIAL TIMES, <http://www.ft.com/cms/s/0/918e8b22-6925-11e3-bb3e-00144feabdc0.html#axzz2wD3uEMYx>

⁴ Press Release, Ministry of Trade and Industry, Industrial Competitiveness, Government of Japan available at http://www.meti.go.jp/english/policy/economy/industrial_competitiveness_act/index.html; *See also, Introduction to Industrial Competitiveness Enhancement Act*, CLIFFORD CHANCE, available at http://www.meti.go.jp/english/policy/economy/industrial_competitiveness_act/index.html

revitalize the economy (also known as *Abenomics*).⁵The Government has noted that it is important for Japan to correct the distortions in its economy such as over-regulation, under-investment and delay in consolidation to enhance its competitiveness.⁶ This Act is expected to facilitate approaches to renovation of industries, business restructuring aiming at a significant increase in profits, and promotion of venture businesses.⁷

II.A. CONSUMPTION INDICATOR

The index of consumption expenditure levels in a household with two or more persons recorded an increase by 1.8% over the previous quarter. This increase in household consumption, however, did not reflect in the quarterly sales at department stores where growth rate declined by 2.2% from the previous quarter. Sales at supermarket, however, increased by 0.2% during Q3 2013. Over the financial year of 2013, an interesting trend has begun to develop with respect to sales at department stores and supermarkets. An increase in the quarterly sales of one has led to decline in quarterly sales of the other.

Table 1: Quarter-wise comparison of Sales at Department stores and Supermarkets in 2013

Category	Q1 2013	Q2 2013	Q3 2013
Sales at department stores	1.5% q/q	1.1% q/q	-2.2% q/q
Sales at supermarket	-1.9% q/q	0.3% q/q	0.2% q/q

⁵*Japan & Abenomics: Taxing Times*, THE ECONOMIST, Oct 5., 2013, <http://www.economist.com/news/asia/21587242-prime-minister-raises-controversial-tax-needs-be-bolder-yet-taxing-times>; *Abenomics: The objectives and the risks*, BBC NEWS, <http://www.bbc.com/news/business-23339712>.

⁶ Paul Krugman, *What is wrong with Japan*, MIT blog, MIT University, <http://web.mit.edu/krugman/www/nikkei.html>; *2012 Investment Climate of Japan*, BUREAU OF ECONOMIC AND BUSINESS AFFAIRS, US DEPT OF STATE, available at <http://www.state.gov/e/eb/rls/othr/ics/2012/191172.htm>

⁷ Monthly Report of Recent Economic & Financial Developments (December 2013), BANK OF JAPAN, p.2.

Further, as per the Report of Current Survey of Commerce Report of 2013, sales of household electrical appliances have also recorded a decline by 2.5% from the previous quarter.⁸

II.B. INDUSTRIAL PRODUCTION, MINING & MANUFACTURING

Growth in the construction sector (private, non-dwelling) declined by 4.1% during the present quarter as compared to the previous quarter when the sector had recorded a growth of 12.5%. The Mining & Manufacturing sector grew by 8.9% over the previous quarter (Q2 2013: -9.9%). Industrial production grew by 1.7% during Q3 2013 in quarterly comparisons. In the previous quarter too, Industrial production had recorded an increase by 1.5% in quarter-quarter terms (q/q).

II.C. REAL EXPORTS & IMPORTS

Real exports declined by 1.1% during Q3 2013 as compared to Q2 2013, when growth was recorded at 3.5%. This overall decline in real exports during the quarter was despite an increase of growth by 2.4% noted in the month of October 2013. The Bank of Japan has anticipated an increase in real exports for Q4 2013. This anticipation is based on the moderate recovery of the US economy, and increase in exports to China and the European Union. The Bank of Japan has also noted that exports to ASEAN countries have declined considerably during the quarter.

Real imports grew by 2.6% during the quarter. There was no growth or decline recorded in Q2 2013 with real import maintaining the same levels as was recorded in Q1 2013. The Bank of Japan attributed increase in real imports to IT-related goods, especially demand pressure for new smartphone models.⁹ The Bank of Japan also noted an increase in import of other consumer goods such as motor vehicles. Volatility in foreign exchange rates has resulted in decline of imports of intermediate goods such as chemicals, iron and steel, etc.

II.D. SHIPMENTS

There was an overall growth by 0.6% in q/q terms in the shipment sector. This growth is recorded in the backdrop on decline in shipments in the previous quarter by 1.9%. Shipments of capital goods and durable consumer goods have also increased during the quarter. Shipments for motor vehicles (such as motor parts, iron and steel, chemicals) have remained steady from the previous quarter.

⁸Report of Current Survey of Commerce Report of 2013, MINISTRY OF ECONOMY, TRADE AND INVESTMENT, GOVERNMENT OF JAPAN, http://www.meti.go.jp/english/statistics/tyo/syoudou_kakuho/index.html.

⁹ Supra n. 7 at p.4.

However, the Bank of Japan has noted that shipments of electronic parts (decline for 10 previous quarters) grew during Q3 2013. This has led to an overall growth in shipment during the quarter.¹⁰

II.E. GDP

The Real GDP of Japan declined to 1.9% in this quarter as compared to the 3.8% growth rate calculated in Q2 2013.¹¹ The IMF has calculated Japan's expected GDP growth rate for 2014 at 1.6%. It is noteworthy that all three quarters of the financial year 2013 till now have recorded positive growth.

Table 2: Components of GDP in Q1, Q2, Q3 2013:

	2012		2013		
	Q3	Q4	Q1	Q2	Q3
Real GDP	-0.9	0.1	1.1	0.9	0.5
[Annual rate]	[-3.7]	[0.6]	[4.3]	[3.8]	[1.9]
Domestic demand	-0.4	0.3	0.7	0.8	0.9
Private demand	-0.5	0.0	0.6	0.4	0.5
Private consumption	-0.2	0.2	0.5	0.4	0.1
Non-Resi. investment	-0.4	-0.2	0.0	0.1	0.0
Residential investment	0.0	0.1	0.1	0.0	0.1
Private inventory	0.0	-0.2	-0.0	-0.1	0.4
Public demand	0.2	0.3	0.1	0.4	0.4
Public investment	0.1	0.2	0.1	0.2	0.4
Net exports of goods and services	-0.5	-0.1	0.4	0.1	-0.5
Exports	-0.6	-0.4	0.6	0.4	-0.1
Imports	0.0	0.3	-0.2	-0.3	-0.4
Nominal GDP	-1.2	0.2	0.7	1.1	0.4

Source: Bank of Japan's Monthly Report of Recent Economic & Financial Developments, December 2013

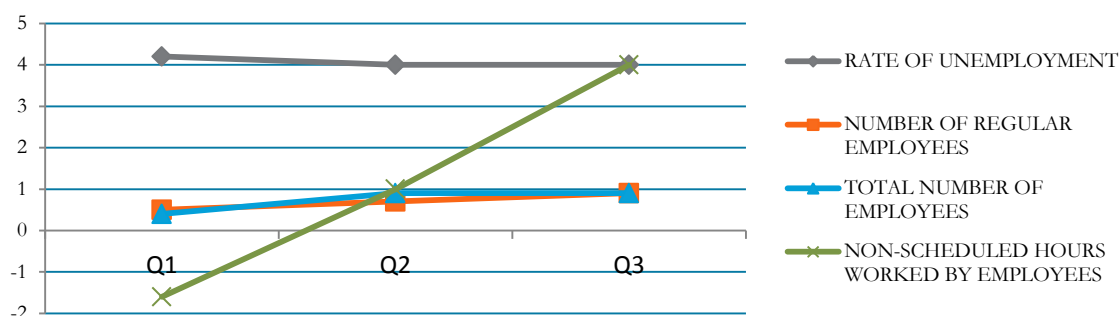
II.F. EMPLOYMENT

The active job openings-to-applicants ratio grew by 0.95% in Q3 2013 in year-on-year terms (y/y). However, unemployment rate also recorded an increase by 4% in y/y terms during this quarter. The number of regular employees increased by 0.9% in y/y terms and the nominal wages per person declined by 0.4% from the same quarter in 2012.

¹⁰*Id.* at 13.

¹¹*Supra* n. 1 at p. 26.

Table 3: Change in rate of unemployment and related factors over 3 Quarters of FY 2013:



Quarter	Rate of Unemployment	Number of Regular Employees	Total Number of Employees	Non-Scheduled Hours Worked by Employees
Quarter 1 2013	4.2%	0.5%	0.4%	-1.6%
Quarter 2 2013	4%	0.7%	0.9%	1%
Quarter 3 2013	4%	0.9%	0.9%	4%

Source: Bank of Japan's Monthly Report of Recent Economic & Financial Developments, December 2013

II.G. CONSUMER PRICE INDEX

The consumer price index (CPI) on all items less fresh food increased for the first time in financial year 2013 by 0.7% y/y during the present quarter. In Q2 2013, CPI was at the same levels that were recorded in Q2 2012, and CPI in Q1 2013 had declined by 0.3% when compared to the same quarter in 2012. However, according to the Bank of Japan, inflationary expectations appear to be on the rise.¹²

Inflation at the end of Q3 was 1.6% against the target of 2%. Core inflation hit five year high at 1.3%.¹³ The government is also set to increase VAT for the first time in 15 years in order to tackle debts.¹⁴

¹²Report of Current Survey of Commerce Report of 2013, MINISTRY OF ECONOMY, TRADE AND INVESTMENT, GOVERNMENT OF JAPAN, http://www.meti.go.jp/english/statistics/tyo/syoudou_kakuho/index.html.

¹³Focus Economics, Japan Inflation Highest Levels in 5 years, available at: http://www.focus-economics.com/en/economy/news/Japan-Inflation-Core_inflation_hits_highest_level_in_over_five_years-2014-01-31.

II.H. QUANTITATIVE EASING

The Bank of Japan is attempting to support the country's economy with aggressive money printing. Japan's stance over its monetary policy remained unchanged during the quarter. It decided to continue its money market operations so that the monetary base increases by JPY 60 to 70 trillion annually. Yen depreciated to a four year low during December showing signs of recovery towards inflation.¹⁵

At the monetary policy meeting held on 20 December 2013, the BOJ set the following guidelines with regard to asset purchases.¹⁶

- (a.) The Bank will purchase Japanese government bonds 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 and Japan real estate investment trust so that their amounts outstanding will increase at an annual pace of 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.

III. TRADE AND INVESTMENT POLICY FRAMEWORK

Statement by Japanese Minister on successful conclusion of the Bali package¹⁷

Japanese Minister Motegi appreciated the leadership shown by Director General Azevedo and Chairman Gita towards the conclusion and said that the agreement on trade facilitation will enhance the global business activities of Japanese firms by simplified and increased transparency of customs procedures. He also welcomed the agreement for being the first agreement between all the members since the establishment of the WTO.

¹⁴The Independent, Japan Inflation rises in fastest over 5 years, available at: <http://www.independent.co.uk/news/business/news/japanese-inflation-rises-at-fastest-pace-in-over-five-years-at-13-in-2013-9098964.html>.

¹⁵Focus Economics, available at http://www.focus-economics.com/en/economy/news/Japan-Monetary_Policy-Bank_of_Japan_keeps_monetary_policy_unchanged;_yen_depreciates_to_four_year_low-2013-12-20

¹⁶ Statement on Monetary Policy, Available at: http://www.boj.or.jp/en/announcements/release_2013/k131220a.pdf.

¹⁷METI Press Release, available at: <http://www.meti.go.jp/english/speeches/20131207.html>.

The Minister also said that Japan will continue to cooperate with key Members to further strengthen the Multilateral Trading System which, with the WTO at its core, constitutes a solid basis for trade in goods and services around the globe.

III.A. TRADE AND INVESTMENT NEGOTIATIONS DURING THE QUARTER

III.A.1. Japan-EU Economic Partnership Agreement: Third Round of Negotiations

The Japan-EU Economic Partnership Agreement (EPA) entered into third round of negotiations from 21-25 October 2013 in Brussels, Belgium. Ambassador Jun Yokota, who is the Special Representative of the Government of Japan in charge of the Japan-EU EPA negotiations, led the Japanese delegation which also included representatives from other relevant ministries.¹⁸ Discussions took place on areas relating to trade in goods, trade in services, investment, intellectual property rights, non-tariff measures and government procurement. It was decided that the following round of negotiations will take place on 27 January 2014.

III.A.2. Japan, China and the Republic of Korea Free Trade Agreement: Third round of Negotiations

A preparatory meeting for negotiations on Free Trade Agreement (FTA) among China, Japan and the Republic of Korea (collectively termed as CJK) was held in Seoul, South Korea on 22-23 October 2013. Delegations of the three countries discussed preparations for the third round of the negotiations on CJK FTA that was held later in the quarter in Tokyo, Japan from 26-29 November 2013.¹⁹ In subsequent negotiations that took place, areas such as Trade in Goods, Trade in Services, Investments, Competition Policies, and Intellectual Property were discussed.²⁰ Interestingly, tensions between China and Japan over a territorial dispute relating to the *Senkaku Islands* on the East-China Sea that had threatened to disrupt negotiation proceedings of this FTA was overlooked by both

¹⁸ METI & MOFA Joint Press Release, Third Round of Negotiations on the Japan EU Economic Partnership Agreement (EPA), Oct 25 2013, http://www.meti.go.jp/english/press/2013/1025_02.html.

¹⁹ METI & MOFA Joint Press Release, Preparatory Meeting for the Negotiations on Free Trade Agreement (FTA) among Japan, China and the ROK, Oct 23 2013 http://www.meti.go.jp/english/press/2013/1023_01.html.

²⁰MOFA Press Release, available at: http://www.mofa.go.jp/press/release/press4e_000112.html.

countries. The next round of negotiations is likely to take place in Seoul, Republic of Korea in February 2014.²¹

III.A.3. Japan-Colombia Economic Partnership Agreement: Third Round of Negotiations

The third round of negotiations for the EPA between Japan and Colombia took place in Tokyo, Japan from 28 October 2013 to 1 November 2013.²² The Ministry of Foreign Affairs of Japan (MOFA) noted that progress had been achieved in areas such as Trade in Goods, Cooperation, and Improvement of Business Environment, Government Procurement, Sanitary and Phytosanitary Measures (SPS), and Technical Barriers to Trade (TBT).²³ The fourth round of negotiations is scheduled to take place on 3 February 2014.

III.A.4. Japan-Canada Economic Partnership Agreement: Fourth Round of Negotiations

The fourth round of the Canada-Japan EPA took place from 12-14 November 2013 and concluded on 15 November 2013 with a press conference address in Ottawa, Canada. As per the press conference address, progress was recorded by both parties in financial services, TBT and intellectual property.

Earlier, the *Joint Study on the Possibility of a Canada-Japan Economic Partnership Agreement*²⁴ by the Government of Canada had reported that a trade agreement with Japan could translate into real GDP surplus of Canadian \$3.8 billion per year for Canada, which is equivalent to almost 25,000 new jobs. The study also found that an agreement could increase Canada's exports to Japan by as much as 67%. An agreement is expected to strengthen export opportunities in many areas, including agricultural products, fish and seafood, and natural resources.²⁵

²¹*Id.*

²² Ministry of Foreign Affairs, Summary of the Third Round of Negotiations for the Japan-Colombia Economic Partnership Agreement, Nov 1 2013, <http://www.japanportal.jp/article/420473.html>.

²³ Summary of the Third Round of Negotiations for the Japan-Colombia Economic Partnership Agreement Nov 1 2013, http://www.mofa.go.jp/press/release/press22e_000005.html.

²⁴ Government of Canada, Department of Foreign Affairs, Trade and Development, Report of the Joint Study on the Possibility of a Canada-Japan Economic Partnership Agreement, Mar 17 2012, http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/japan-japon/study-report_rapport-etude.aspx.

²⁵*Id.*

Japan is the world's third-largest national economy and Canada's fourth-largest merchandise export market.²⁶ Japan has been deemed as a priority market under the present Canadian government administration.²⁷ In the previous financial year of 2012-13, the total value of Canadian exports to Japan reached nearly Canadian \$10.4 billion.²⁸

III.A.5. Japan-Mongolia Economic Partnership Agreement: Fifth Round of Negotiations

The Fifth Round of negotiations for the Japan-Mongolia EPA took place in Ulaanbaatar, Mongolia from 16-19 December 2013 and on 24 November 2013.²⁹ The Japanese delegation was led by Mr. Jun Yokota, and the Mongolian delegation was led by Mr. Ochirbat Chuluunbat, Vice Minister for Economic Development of Mongolia. Experts from relevant ministries and agencies of both sides also participated in the meetings. Areas such as Trade in Goods and Investment, E-commerce, Rules of Origin, Customs Procedures, Competition law and policy, Dispute Settlement, SPS and TBT were scheduled to be deliberated upon. This is reported to be Mongolia's first ever EPA.

III.A.6. Signing of the Japan-Myanmar Investment Agreement

Japan and Myanmar signed the *Agreement between the Government of Japan and the Government of the Republic of the Union of Myanmar for the Liberalization, Promotion and Protection of Investment* (Japan-Myanmar Investment Agreement) on 15 December 2013 at Tokyo, Japan. Japanese Prime Minister Shinzo Abe and President of Myanmar, Thein Sein were present at the event. The primary purpose of the agreement was to stipulate rules for investment protection and the development of the investment environment. It has been noted that improving the legal stability of the investment environment in Myanmar is expected to encourage investment activities by Japan's enterprises in the country.

Japan has attempted to strengthen the Japan-Myanmar trade and investment relationship with the understanding that Myanmar is making efforts to achieve democratization, enhanced rule of law, national reconciliation, and economic reforms.

²⁶*Id.*

²⁷*Id.*

²⁸*Id.*

²⁹METI, Press Release, The Fifth Round of Negotiations for the Japan-Mongolia Economic Partnership Agreement (EPA) Dec 13 2013, available at: http://www.meti.go.jp/english/press/2013/1213_01.html.

III.A.6.1. Background to the Agreement

In December 2011, Japan and Myanmar agreed to launch an investment agreement. This decision was followed by two rounds of negotiations that took place on December 2012 and March 2013 respectively.

III.A.6.2. Key points of the Agreement

1. National treatment and Most-Favored-Nation treatment:

- The provision guarantees that investors from the contracting countries will enjoy national treatment and most-favored-nation treatment, not only in the post-investment process, but also in the pre-investment process.
- National treatment has been defined as “an obligation under which a contracting country should treat an investor from the other contracting country and such investor’s investments no less favorably than the contracting country’s own investors and their investments.”
- Most-favored-nation (MFN) treatment has been defined as “an obligation under which a contracting country should treat an investor from another contracting country and such investor’s investments no less favorably than investors from a third country and their investments.”

2. Extensive prohibition of the performance requirements

- This provision prohibits the contracting countries of the agreement (Japan and Myanmar) from requiring the investor to provide the countries with certain performances including export restriction requirements, local content requirements, technology transfer requirements and interfering in technical license contracts as a condition for investments activities of an investor of the other contracting country.

3. Transparency of the administrative procedures

- With an aim of enhancing transparency in administrative procedures (for example, an investor acquiring necessary permission to commence business), the agreement also includes the provisions that the contracting country should endeavor to notify its decision to the investor of the other contracting party within a reasonable period of time. Further, the agreement explicitly clarifies that the Host State should endeavor to establish and publicize the criteria for deciding on such requests.

4. “Umbrella Clause” & Settlement of Disputes

- When an investment contract related to infrastructure projects, resource development, and other business is cancelled without reasonable cause, investors have been provided with the right to lodge a complaint due to the violation of the agreement against the counter party through an international arbitration procedure.

III.A.7.Approach in TPP Negotiations:

Japan has taken an aggressive stance in the TPP negotiations. It is keen over protecting its market for rice, wheat, beef and poultry, dairy products and sugar which means that the liberalization ratio would be 90% against the target of 96%. This has created differences between US and Japan and has become a barrier for sealing the deal. While the countries praised Japan’s initially aggressive approach, US said that not enough progress has been made by Japan and it had not lived up to the high expectations of the TPP as the two countries failed to find a solution on how to treat agricultural and other products. Japan said that it would continue to do its best to reach the high level agreement.³⁰

III.B. OTHER TRADE & INVESTMENT ARRANGEMENTS

III.B.1. Establishment of a Consortium for development of Thilawa Special Economic Zone

The Thilawa Special Economic Zone (SEZ) is located at approximately 20 km southwest of the Myanmar capital, Yangon. It occupies 2400 hectares of land. The Government of Japan has accepted assisting in a development project in this region. This was in response to a request for

³⁰Financial Times, US and Japan differences stall Pacific Rim trade deal: <http://www.ft.com/intl/cms/s/0/22256554-618b-11e3-b7f1-00144feabdc0.html#axzz2wVxp3cAR>.

cooperation made by President of Myanmar, H.E. U TheinSein in 2011.³¹ The total available Yen-loan amount for this project has been estimated at 20 billion Yen for the development of electricity systems, ports, and other related infrastructure.

On 29 October 2013, private companies from Japan and Myanmar signed an agreement to establish a consortium for the development of the Thilawa SEZ with the Government of Myanmar. The key points that emanated from this agreement were as follows:

- **Total investment ratio:** 51% of the investment will be made by Government of Myanmar and local enterprises and 49% will be made by Japanese companies (*Mitsubishi Corporation, Marubeni Corporation, and Sumitomo Corporation*);
- **Construction:** Construction work is consigned to a consortium established by a Japan-based firm, *Penta-Ocean Construction Co., Ltd.*, and a construction company based in Myanmar.

III.B.2. Distribution Policy Dialogues with Indonesia and Viet Nam held in Japan

Japan has maintained favorable economic relationships in the distribution and logistics sector with Viet Nam and Indonesia. However, it has been noted that despite the increase in the number of Japanese distributors and retailers expanding business in Viet Nam and Indonesia, obstacles to further business development in the form of regulations imposed on foreign companies by these countries have been identified as barriers to growth.

With this as a background, the METI decided to host a Director-General Level Policy Dialogue on Distribution and Logistics (Distribution Policy Dialogue) with both the Ministry of Trade of Indonesia and the Ministry of Industry and Trade of Viet Nam independently. The Distribution Policy Dialogue with the Ministry of Trade, Indonesia was held on 7 November 2013. On 23 November 2013, the METI held a Distribution Policy Dialogue with the Ministry of Industry and Trade of Viet Nam. The aim of these public-private dialogue forums was to achieve further development with Indonesia and Viet Nam in the distribution and logistics sector.³²

³¹METI Press Release, Establishment of a Consortium for the development of the Thilawa SEZ . Oct 30 2013, http://www.meti.go.jp/english/press/2013/1030_03.html.

³²METI Press Release, Distribution Policy Dialogues with Indonesia and Viet Nam will be Held in Japan, http://www.meti.go.jp/english/press/2013/1030_02.html;The Second Japan-Viet Nam Policy Dialogue on Distribution and Logistics was Held, Nov 25 2013, http://www.meti.go.jp/english/press/2013/1125_01.html.

At the meeting that took place on 7 November 2013 with the Ministry of Trade (Indonesia), Japan requested Indonesia to relax investment regulations and other rules imposed on foreign distributors. In response, Indonesia explained the necessity for the current regulations and mentioned that it would consider revising such regulations when necessary.³³

III.B.3. Sixth Japan-ASEAN Information Security Policy Meeting

The METI, National Information Security Center (NISC), and the Ministry of Internal Affairs and Communications (MIC) jointly held the Sixth Japan-ASEAN Information Security Policy Meeting in Manila on 9-10 October 2013.³⁴ At the meeting, participants exchanged views on enhancing international cooperation between Japan and ASEAN countries in the field of information security. The primary point of discussion at this meeting was to strengthen technological cooperation and human resource development. It is pertinent to note that this meeting was a follow-up of the Japan-ASEAN Ministerial Policy Meeting on Cyber Security Cooperation that was held in Tokyo in September 2013. The eventual aim of this meeting was to safeguard the information and communication technology (ICT) in Japan and the ASEAN region. Some of the important points that were discussed included:

- 1. Strengthening Japan-ASEAN collaboration in technological cooperation:** Concerning the measures for strengthening the Japan-ASEAN collaboration in technological cooperation and human resource development, Japan presented future policies for addressing such measures and clarified the intention and needs of ASEAN members.
- 2. Promoting efforts for raising information security awareness in Japan and ASEAN countries:** With a view to raise awareness of information security for improving the security levels in Japan and ASEAN countries, the countries agreed to evaluate the joint efforts taken for such awareness-raising programmes. These evaluations are to be conducted jointly in October every year.

³³*Id.*

³⁴METI, Press Release, Sixth Japan-ASEAN Information Security Policy Meeting was Held in Manila, Oct 11 2013, http://www.meti.go.jp/english/press/2013/1011_02.html.

3. **Strengthening Japan-ASEAN information sharing system for information security:** To address cyber threats, the participants decided to continue cyber communication exercises aimed at promptly dealing with cyber incidents through collaboration among the countries at frequent intervals.
4. **Further strengthening Japan-ASEAN cooperation:** The Japanese delegation presented a report titled “The International Strategy on Cybersecurity Cooperation —j-initiative for Cybersecurity”. This report had been endorsed by the Information Security Policy Council on 2 October 2013.

Japan also introduced new cooperative efforts, including further promoting the cooperative activities between Japan and the ASEAN Computer Security Incident Response Teams (CSIRTs), implementing training concerning the Information Security Management System (ISMS) as well as control system security, countermeasures against spam emails, and expert-exchange programs. In response, the participants confirmed that they will continue to enhance the global cooperation in order to make the business environment as well as the ICT environment safe and secure in Japan and the ASEAN region.

III.B.4. ASEAN-Japan Economic Forum

The ASEAN-Japan Summit was held from 13-15 December 2013 in Tokyo, Japan in commemoration of the 40th Anniversary of ASEAN-Japan Dialogue Relations.³⁵ At the event, METI had organized the ASEAN-Japan Economic Forum and the ASEAN Fair 2013 where ministers of governments, business leaders and members of the academic community of both Japan and ASEAN countries exchanged views and insights to enhance the economic relationship between ASEAN and Japan. The ASEAN Fair also provided an opportunity for information exchange amongst participants to promote mutual trade and investment between ASEAN and Japan by introducing Japanese products and services that will be of high interest to ASEAN countries and showing the attractiveness of investment and tourism to ASEAN region.

³⁵METI Press Release, The ASEAN-Japan Economic Forum Commemorating 40th Anniversary Year and the ASEAN Fair 2013 Nov 20 2013, http://www.meti.go.jp/english/press/2013/1120_01.html.

III.B.5. Public-Private Coordination Meeting for Promoting Japan-Russia

A Public-Private Coordination Meeting for Promoting Japan-Russia Relationship was launched on 4 October 2013.³⁶ Encouraging discussions between representatives of the private-sector and government officials to share information among members was the primary purpose of this forum. Japan and Russia have traditionally been strong trading partners and have expressed desire to further strengthen trading relations. Earlier, on 13 September 2013 Japan had hosted a meeting that promoted Japan-Russia Economic Relationship which had witnessed the attendance of vice-ministerial and director-general level officials from related ministries and agencies attending of both countries. It is understood that the purpose of hosting dialogue forums such as this is for promotion of mutual visits of important persons in the Japanese and Russian public and private sectors to broaden the Japan-Russia interchange activities. These activities have been conducted by the Government of Japan, Japanese universities and the private sector.

III.B.6. Japan-Saudi Arabia Joint Petroleum Stockpiling Base Project-Renewal of Contract

A contract to renew a tank lease agreement concerning the Japan-Saudi Arabia Joint Petroleum Stockpiling Base Project was signed between Saudi Aramco (Saudi Arabia's state-owned oil company) and Japan Oil, Gas and Metals National Corporation (JOGMEC) on 16 December 2013 at the Japan-Arab Economic Forum.³⁷ Apart from this, the forum also facilitated the outline of the Joint Petroleum Stockpiling Base Project between the two countries. Under the project, the JOGMEC will lease private crude oil stockpiling tanks in Japan to Saudi Aramco, with the assistance from the Government of Japan. Saudi Aramco will utilize the sites as bases for transmitting crude oil to and stockpiling it for the East Asian region. Notably, Japan will receive priority of supply of such oil in tanks if Japan faces an oil-supply shortage. This project was proposed by Prime Minister Abe to King Abdullah of Saudi Arabia in 2007 and has since been renewed twice.³⁸

³⁶METI Press Release, Public-Private Coordination Meeting for Promoting Japan-Russia Relationship was Launched, Oct 4 2013, http://www.meti.go.jp/english/press/2013/1004_03.html.

³⁷METI Press Release, http://www.meti.go.jp/english/press/2013/1217_01.html.

³⁸ First renewal took place in 2010, and the second renewal took place in 2013.

III.B.7. Fifth Japan-U.S. Clean Energy Policy Dialogue

METI held the fifth Japan-U.S. Clean Energy Policy Dialogue in California, USA on 12 December 2013 to discuss future Japan-U.S. cooperation on clean energy.³⁹ The Japan-US Clean Energy Policy Dialogue is a ‘high working-level talk aiming to encourage the development and spread of renewable energy, smart grids and other technology in the field of clean energy’. The first meeting between the two countries at this forum took place in February 2011. The fifth Japan-US Clean Energy Policy Dialogue was based on an agreement in the Joint Statement concerning Bilateral Cooperation in the Energy Field dated 24 July 2013. A summary of the policy dialogue is as follows:

- Participants shared updated information on Japan-U.S. energy policies. Based on the shared information, both countries exchanged views concerning the cooperation fields stipulated in the Joint Statement;
- Discussions on progress made in the cooperative efforts between the two countries, including the Okinawa-Hawaii Partnership on Clean and Efficient Energy Development and Deployment, the Tohoku Green Community Alliance, and the Cooperation in Basic Research;
- Discussion on the current situation of the global LNG market

III.B.8. Second US-Japan Renewable Energy Policy Business Roundtable

METI, the US Department of Energy (DOE) and the U.S. Department of Commerce (DOC) jointly hosted the Second US-Japan Renewable Energy Policy Business Roundtable Conference (roundtable conference) at the Lawrence Livermore National Laboratory, California, US.⁴⁰ Participants at this roundtable conference included representatives of businesses from both countries, government officials and academicians. Deliberations were centered on Japan-US cooperation and interchange at the public-private level in the fields of renewal energy and energy efficiency. This roundtable conference was a follow-up of the first roundtable held in Tokyo in December 2012.

³⁹METI Press Release, http://www.meti.go.jp/english/press/2013/1216_01.html.

⁴⁰METI Press Release, http://www.meti.go.jp/english/press/2013/1209_02.html.

Japanese enterprises that are developing businesses in the field of Renewable Energy including *Toshiba Corporation*, *The Power Grid Solution Ltd.*, and *Shimizu Corporation* exchanged views with US enterprises to seek clarity in the potential for their cooperation.

III.B.9. Japan and Costa Rica: Conclusion of Low Carbon Growth Partnership Agreement

A document concerning the Joint Crediting Mechanism (JCM) between Japan and Costa Rica was signed on 9 December 2013. Both countries have sought to establish a joint committee to operate the JCM. Under this mechanism, Japan will implement various projects that will reduce greenhouse gas emissions in Costa Rica by utilizing Japan's low-carbon technology. The Government of Japan has stated that this endeavor will contribute not only to Costa Rica's environment and economic growth but also to international efforts to prevent global warming.

III.B.9.1. Outline of the bilateral document

- In an attempt to promote the Low Carbon Growth Partnership between Japan and Costa Rica, both sides will establish the JCM. Japan and Costa Rica will also establish a Joint Committee to operate it.
- Both sides have mutually recognized that verified emission reductions or removal by the mitigation projects under the JCM can be used as a part of their own internationally pledged greenhouse gas mitigation efforts.
- Both sides have ensure transparency and the environmental integrity of the JCM and that neither side will use any mitigation projects registered under the JCM for the purpose of any other international climate mitigation mechanisms.

III.B.9.2. Background of the JCM programme

The JCM programme relates to Japan's contribution to reduce and remove greenhouse gas emissions in partner countries by transferring Japan's low-carbon technology. Evaluations are made in form of credits for such contribution. Presently, the Ministry of Foreign Affairs (MOFA), the METI and the Ministry of the Environment (MOE) are jointly proceeding with bilateral negotiations with countries that are interested in the mechanism. The Japan-Costa Rica partnership is the

9th partnership signed by Japan and the first partnership in the Latin America region.⁴¹ Previously partnerships have been signed with Mongolia, Bangladesh, Ethiopia, Kenya, the Maldives, Viet Nam, Lao PDR (also known as Laos) and Indonesia.

III.B.10. Cool Japan Fund Inc. to invest in foreign television channels and retail property

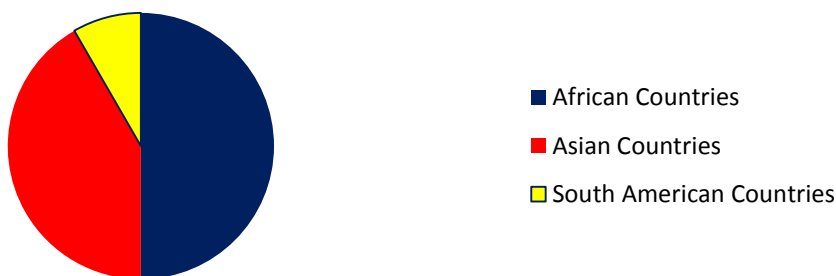
The Cool Japan Fund Inc. is a public-private partnership fund with 57.5 billion yen trying to nurture the growth of the country's creative industries by expanding them abroad because of the shrinking domestic market. The fund would consider buying television channels and investing in retail property abroad to showcase the country's cuisine, fashion and animation.⁴²

III.C. AID FOR TRADE

During the quarter, Japan entered into a total of 12 Official Development Assistance loans and Grant Agreements during this quarter. Of this, 6 were entered into with Asian countries including India, 5 with African Countries and one with South American Countries.

Chart:

Distribution of ODA Loan Agreements & Grant Agreements



Source: MITI website

III.C.1. Japan- Socialist Republic of Viet Nam: ODA Loan Agreement

The Japan International Cooperation Agency (JICA) signed an Official Development Assistance (ODA) loan agreements amounting to 46.653 billion Yen (two loan agreements in total) with the

⁴¹METI Press Release, http://www.meti.go.jp/english/press/2013/1209_01.html

⁴²Bloomberg, COOL Japan led by ex-Carlyle Manager, <http://www.bloomberg.com/news/2013-12-02/cool-japan-led-by-ex-carlyle-manager-promotes-sushi-to-pop-music.html>.

Government of Vietnam on 24 December 2013.⁴³ Japan noted that Vietnam's economic growth has progressively increased since the 1990's, and its poverty rate has recorded a decline by 13.2% from 37.4% (1998) to 14.2% (2010).⁴⁴ The ODA is aimed at improving public hygiene, adaptation of climate change measures, development of economic infrastructures which are indispensable for strengthening Vietnam's competitiveness particularly to improve the investment environment. Some of the major projects under the ODA are as follows:

- **Hanoi City Ring Road No. 3 Construction Project:** In Hanoi City, Viet Nam the increase of traffic volume has caused severe traffic congestion, which is adversely affecting efficiency of social and economic activities. The project is expected to mitigate traffic congestion in the city and facilitate the logistics with the neighboring industrial complexes and areas such as HaiPhong City.
- **Terminal 2 Construction Project in NoiBai International Airport:** This project envisions the construction of the second terminal building for international passengers in NoiBai International Airport. The project intends to expand the overall capacity of the Airport and improve convenience and safety. JICA will provide technical cooperation in order to improve the maintenance capacity and facilitate the operation under the supporting system through the public-private partnership.

III.C.2. Japan-India: ODA Loan Agreement

JICA signed a Japanese ODA Loan Agreement with the Government of India in New Delhi, India on 12 November 2013 to provide up to 13 billion Yen for the Tamil Nadu Investment Promotion Program. This loan is JICA's first Program Loan that has been extended to India.⁴⁵

The objective of the Tamil Nadu Investment Promotion Program is to support policy implementation to improve the investment climate in the state of Tamil Nadu, thereby reducing business hurdles for foreign investors. The program also supports the State to develop infrastructure which would directly benefit those investors including road, power supply, water and sewerage systems. Japan has noted that despite economic growth, India ranked 132nd amongst 185 countries

⁴³JICA, Press Release, http://www.jica.go.jp/english/news/press/2013/2013/20131224_01.html.

⁴⁴ Source: General Statistics Office "Vietnam Living Standards Survey".

⁴⁵JICA, Press Release, http://www.jica.go.jp/english/news/press/2013/20131112_01.html.

worldwide in the World Bank's Doing Business 2013 Report. Japan has further noted that it is critical for India to make policy and institutional improvements, and to develop quality infrastructure to attract more foreign direct investment (FDI).

Under the said program, JICA and the Government of Tamil Nadu will jointly monitor the progress and achievement of the pre-defined policy actions such as:

- Making improvements to policy, organization and procedures relating to the investment environment (reviewing the investment application process and land acquisition system, as well as promoting industrial human resources development), and
- Making improvements to roads, power, sewers and other infrastructure, which are a part of the policy position of Tamil Nadu State as expressed in its Vision Tamil Nadu 2023, the state's long-term strategy. JICA will make disbursement in stages based on the achievement of the policy actions in each fiscal year to promote improvement of the investment environment through policy reforms of the State.

III.C.3. Japan-Republic of the Philippines: ODA Loan Agreement

On 14 December 2013, JICA signed ODA loan agreement with the Government of Philippines to provide loans of up to a total of 18.732 billion Japanese Yen for '*Maritime Safety Capability Improvement Project for the Philippine Coast Guard (PCG)*'.⁴⁶ Japan has recognized that Philippines is an archipelagic state with a world's 5th longest coastline (approximately 36,000 km) and therefore, maritime transportation is crucial to the economic and social development of the country. The Project aims to improve the capabilities of Philippines Coast Guards (PCG) to quickly and appropriately respond to maritime incidents such as search and rescue, maritime law enforcement, etc. by providing finance necessary to procure vessels for PCG.

III.C.4. Japan-Kingdom of Morocco: ODA Loan Agreement

On 6 December 2013, JICA signed an ODA loan agreement with the Government of Morocco in Rabat, Morocco. This loan agreement will provide approximately 8.899 billion Yen for the Basic Education Sector Support Project in Morocco.⁴⁷ The objective of the project is to correct disparities

⁴⁶JICA, Press Release, http://www.jica.go.jp/english/news/press/2013/131216_01.html.

⁴⁷JICA, Press Release, http://www.jica.go.jp/english/news/press/2013/131209_01.html.

in Morocco's basic educational sector by providing assistance for policy and system reforms and improvement with respect to access, quality and governance, as well as support for the construction of educational facilities.

Notably, the project will also contribute to the Japan's 'human resource development' and 'support for fair political process and government' policies that are present within the Deauville Partnership.⁴⁸ It must be recalled here that the Deauville Partnership was initiated by the G8 post-the 'Arab Spring' uprising. Further, 'creation of an inclusive society for growth' is one of the areas of focus in the Yokohama Action Plan that was created at the Fifth Tokyo International Conference on African Development held in July 2013. In addition, this project will contribute to achieving the Millennium Development Goals in the area of universal primary education.

III.C.5. Japan-Republic of Indonesia: ODA Loan Agreement

On 2 December 2013, JICA signed a Japanese ODA loan agreement with the Government of Indonesia to provide up to 19.848 billion Yen for the Connectivity Development Policy Loan in Indonesia.⁴⁹ The policy actions relate to a series of policy reforms to be furthered by the Indonesian government pertaining to infrastructure development and investment environment improvement. This loan is also being co-financed by the World Bank and the Asian Development Bank. Progress of the project will be monitored by the World Bank, the Asian Development Bank and the Government of Indonesia.

III.C.6. Japan-Republic of Mozambique: ODA Loan Agreement

JICA signed a Japanese ODA loan agreement with the Government of Mozambique in Maputo, Mozambique to provide a loan of up to 6.773 billion Yen for assistance for the Mandimba-Lichinga Road Upgrading Project. This project will improve the national road between Mandimba and Lichinga in Niassa. Niassa is a province located in the northwest region of Mozambique on the border of Malawi and Tanzania. The objective of the project is to improve distribution efficiency, thereby boosting the economy of the region around the Nacala corridor and improving the livelihoods of local residents. This project is being co-financed by the AfDB.

⁴⁸World Bank, Deauville Partnership, <http://star.worldbank.org/star/ArabForum/deauville-partnership-arab-countries-transition>.

⁴⁹JICA, Press Release, http://www.jica.go.jp/english/news/press/2013/20131204_1.html.

III.C.7. Japan-Mongolia: ODA Loan Agreement

JICA signed a Japanese ODA loan agreement with the Government of Mongolia in Ulaanbaatar, Mongolia to provide a loan of up to 4.201 billion Yen for assistance for the Ulaanbaatar Thermal Power Plant No.4.⁵⁰ This project will install new equipment and update existing equipment at Ulaanbaatar Thermal Power Plant No.4, which has the largest power generating capacity in Mongolia. This will improve the power generation efficiency at the power plant along with stabilizing the power supply, contributing to stable socio-economic growth in the country.

III.C.8. Japan-Pakistan: Signing of Grant Aid Agreement

JICA signed a grant agreement with the Government of Pakistan to provide grant aid of up to 1,946 million Yen for assistance for the Project for Improvement of Airport Security on 31 October 2013.⁵¹ This project will provide necessary security testing equipment, including devices to scan hand baggage, at three major international airports located in Karachi, Lahore and Islamabad, boosting the level of security to meet international requirements.

III.C.9. Japan-Tanzania: Signing of Grant Aid Agreement

JICA signed a grant agreement with the Government of Tanzania to provide grant aid of up to 1792 million Yen for assistance for the Project of Rural Water Supply in Tabora Region, Tanzania.⁵² This water supply project will construct hand pump wells in 114 locations and public water taps in four locations around Tabora Region in the central-western part of Tanzania. The grant agreement also envisages the development of underground water resources to improve access to safe drinking water. The water access rate of Tabora Region was 49.1% as of 2009.

⁵⁰JICA, Press Release, http://www.jica.go.jp/english/news/press/2013/131205_03.html.

⁵¹JICA, Press Release, http://www.jica.go.jp/english/news/press/2013/131205_02.html.

⁵²JICA, Press Release, http://www.jica.go.jp/english/news/press/2013/2013.11.21_1.html.

III.C.10. JICA-Inter-American Development Bank Memorandum on Emerging and Sustainable Cities Initiative

JICA signed a memorandum of understanding (MOU) with the Inter-American Development Bank (IDB) on 7 November 2013 regarding the Emerging and Sustainable Cities Initiative (ESCI) for Latin American and Caribbean (LAC) countries.⁵³ The memorandum has two objectives:

- The first is to spread knowledge about the “Future City” Initiative that the Government of Japan has been promoting.
- The second is to stimulate the formulation and implementation of programs and projects for sustainable urban development, one of the most important issues in the region, through JICA assistance including technical cooperation.

III.C.11. Signing of Grant Agreement with the Independent State of Papua New Guinea

JICA signed a grant agreement with the Government of Papua New Guinea to provide grant aid of up to 1004 million Yen for assistance for the Project for Rehabilitation of Madang Town Market, Papua New Guinea.⁵⁴ The project will provide high-quality services in Madang Town Market by ensuring an environment that allows local agricultural and fisheries products to circulate efficiently and in a sanitary manner, and an objective of the project is to contribute to local sustainable economic development by responding to the needs of sellers and local residents.

III.C.12. Japan-Cape Verde: ODA Loan Agreement

JICA signed a Japanese ODA loan agreement with the Government of the Republic of Cape Verde in Praia, Cape Verde to provide a loan of up to 15.292 billion Yen for assistance for the Water Supply Development Project in Santiago Island, Cape Verde.⁵⁵ Santiago Island faces problems of insufficient water. This project will construct and install desalination and water transmission facilities to interconnect the water supply systems of local island governments, stabilizing the supply of drinking water and improving access to safe water, thereby improving the living environment for residents and stimulating the economy of Cape Verde. Under this project, the water supply capacity

⁵³JICA, Press Release, http://www.jica.go.jp/english/news/press/2013/20131107_01.html.

⁵⁴JICA, Press Release, http://www.jica.go.jp/english/news/press/2013/20131114_01.html.

⁵⁵JICA, Press Release, http://www.jica.go.jp/english/news/press/2013/20131224_02.html.

is predicted to increase to 40,000 m³/day when installation is complete (expected date is 2019). The population with access to safe water is expected to increase from 151,000 people in 2012 to 274,000 people in 2020, an improvement in the water supply connection rate from 54.6% to 95.0%.

III.C.13. Japan-Nicaragua: ODA Loan Agreement

JICA signed a Japanese ODA loan agreement with the Government of Nicaragua in Managua, Nicaragua to provide a Japanese ODA loan of up to 1.496 billion Yen for the National Sustainable Electrification and Renewable Energy Project. This ODA loan agreement was signed in October 2013. The aim of the project is to promote energy conservation by constructing four small hydroelectric plants to electrify remote villages around Nicaragua with renewable energy, and by replacing streetlights, and public facility and residential lighting fixtures with energy-saving devices, such as sodium-vapor lights, light-emitting diodes (LEDs) and bulb fluorescent lights. It is expected that this initiative will promote renewable energy use and energy conservation in Nicaragua while reducing the impact energy use has on climate change.

IV. TRADE POLICY AND PRACTICE BY MEASURE

IV.A. CUSTOMS

IV.A.1. Japan, Spain sign Agreement on Mutual Customs Assistance

Japan and Spain signed the *Agreement between the Government of Japan and the Government of Spain Regarding Cooperation and Mutual Assistance in Customs Matters* in Tokyo, Japan on 3 October 2013.⁵⁶ This agreement is seen as an endeavor to strengthen economic ties between Spain and Japan. It must be noted here that as per the IMF, Spain is set to exit from recession in 2014. Some salient features of the Mutual Customs Assistance Agreement are as follows:⁵⁷

- The parties, by way of their respective Customs Authorities, are to assist each other under the terms set out in the Agreement in order to facilitate the lawful movement of goods and to ensure proper application of the customs legislation.

⁵⁶ To know more about Customs Mutual Assistance Agreements, please visit <http://www.cbp.gov/border-security/international-initiatives/international-agreements/cmaa>

⁵⁷Ministry of Finance, Govt. of Jaopan, http://www.mof.go.jp/customs_tariff/trade/international/cmaa/ka20131003e.pdf.

- Emphasis has been stressed to make cooperative efforts for simplification and harmonization of their customs procedures.
- Upon request of the Requesting Authority, the Requested Authority shall provide the Requesting Authority with any useful information related to: (a) the proper application of the customs legislation and substantial changes in the customs legislation; (b) the accurate assessment of customs duties; and (c) the prevention, investigation and repression of customs offences.

IV.B. ANTI-DUMPING ACTIONS

Japan made little use of contingency measures during this review period. However, China, Australia, Canada and the United States initiated anti-dumping actions against Japan.

IV.B.1. Anti-dumping actions by Japan

IV.B.1.1. Extension of the Period of the Expiry Review of Anti-Dumping Duty on Electrolytic Manganese Dioxide

The METI and the Ministry of Foreign Affairs have decided to extend the period of review of alleged anti-dumping on electrolytic manganese di-oxide (EDM) for five months (until 29 March 2014) in order to further investigate the evidence and information such as the evidence additionally submitted by interested parties. The period of imposing the anti-dumping duty on EDM originating from South Africa, China and Spain was stipulated from 1 September 2008 to 31 August 2013. However, it would be continued to be imposed till the investigation is completed. The expiry review started on 30 October 2012.

IV.B.2. Anti-dumping actions against Japan

Anti-dumping actions against Japan by Canada, United States, China and Australia are mentioned in **Annexure A.**

IV.C. COMPETITION LAW& POLICY UPDATES

IV.C.1. ‘Cease and Desist’ Orders issued by JFTC in Bidding for Overhead Transmission Facility Works Ordered by Tokyo Electric Power Company

The Japan Fair Trade Commission (JFTC) issued a cease and desist order and surcharge payment order against the engineering companies participating in bidding for particular overhead transmission facility works on 20 December 2013. It was found by the JFTC that engineering companies substantially restrained competition in the fields of the works by designating successful bidders and managing to have the designated successful bidders win the biddings. This was done in concert with each other. The total amount of the surcharge to be paid is 746.62 million Yen.

The JFTC further noted that Tokyo Electric Power Company (TEPCO), the government body responsible for the overhead transmission facility works, had induced and/ or facilitated the violations in ways so as to only invite certain enterprises to the biddings. The JFTC therefore urged TEPCO to improve its order system as well as to take appropriate measures to prevent recurrence of the conducts mentioned above.

Notably, before issuing the cease and desist orders and the surcharge payment orders, the JFTC notified the said enterprises of the contents of the planned orders and provided them with opportunities to present their opinions and submit evidence. The JFTC issued the orders taking the opinions and the evidence submitted into consideration.

An “overhead transmission facility work” means an engineering work on overhead transmission facilities, including that on accessories to overhead transmission facilities and that ordered together with other engineering works.

IV.C.2 . JFTC closed review on Proposed Integration in Thermal Power Generation Systems Businesses of Mitsubishi Heavy Industries, Ltd and Hitachi, Ltd.

In October 2013, JFTC received a notification from MH Power Systems Ltd. (MHPS), a subsidiary of Mitsubishi Heavy Industries, Ltd. (MHI) and Hitachi Ltd. (Hitachi) concerning integration in thermal power generation systems businesses. On 12 December 2013, JFTC reviewed the planned integration and concluded that the transaction would not substantially restrain competition in any particular fields of trade. Accordingly, the JFTC notified MHPS and Hitachi that it would not issue a

‘cease and desist’ order, resulting in the completion of its review. This reporting is based on a tentative translation on the JFTC website.

IV.C.3. Enactment of the Bill to Amend the Antimonopoly Act

The bill amending the Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act), which was submitted to the National Diet on 24 May 2013 for certain amendments including abolition of the JFTC’s hearing procedure for administrative appeals was approved by the House of Councilors and enacted on 7 December 2013. The act was promulgated on 13 December 2013. The act is to become effective 18 months after the promulgation.

IV.C.3.1. Outlines of the Enacted Act

- To abolish the JFTC’s hearing procedure for administrative appeals; as well as to eliminate the provision which stipulates that the jurisdiction of the first instance over any appeal suits pertaining to decisions of the JFTC shall lie with the Tokyo High Court.
- To introduce a system in which any appeal suits pertaining to ceaseand desist orders, etc. shall be subject to the exclusive jurisdiction of the Tokyo District Court, and a panel of three or five judges in the Tokyo District Court hears the cases, with a view to ensuring expertise in the court.
- To ensure procedural fairness, among others, providing a defendant with an explanation on the contents of expected cease and desist order, etc., and allowing them to inspect and photocopy evidence use by the JFTC, during the procedure for hearing prior to issuing the cease and desist order, etc.

IV.D. TAXATION

IV.D.1. Additional Statement to modify FATCA Implementation Statement between U.S. and Japanese Authorities

The Financial Services Agency of Japan, the Ministry of Finance and the National Tax Agency of Japan in collaboration with the U.S. Department of the Treasury have jointly released the ‘Additional Statement to Modify Certain Parts of the Statement of Mutual Cooperation and Understanding between the US Department of the Treasury and government authorities of Japan to Improve International Tax Compliance and to Facilitate Implementation of FATCA (the Foreign Account Tax Compliance Act of the United States)’. This Statement modifies certain parts of the ‘Statement of Mutual Cooperation and Understanding between the US Department of the Treasury and the Authorities of Japan to Improve International Tax Compliance and to Facilitate Implementation of FATCA’ which was released 11 June 2013. The reason for this additional statement was because the U.S. had postponed implementation of FATCA by 6 months.

IV.E. INTELLECTUAL PROPERTY RIGHTS

IV.E.1. IP delegation to Myanmar, Thailand & Singapore

Japan Intellectual Property Association (JIPA) dispatched a delegation comprising of 8 members of JIPA to Myanmar, Thailand and Singapore from 14-19 December 2013. The sending of this delegation to South-East Asian countries is reflective of the growing demand for strengthening of Japan-ASEAN relationship & ASEAN Intellectual Property (IP) related information. As has been noted earlier, this year marks the 40th anniversary of Japan-ASEAN partnership.⁵⁸

- a) **Myanmar:** In Myanmar, the objective of the delegation was to collect IP and license related information necessary for Japanese companies to launch business in Myanmar.
- b) **Thailand:** The delegation sought to understand the progress of the draft revision of the Patent Law and the Trademark Law of Thailand.

⁵⁸JICA, Press Release, http://www.jipa.or.jp/english/topics/view.php?topics_id=1f9b93ff1af8144cb943d4c5c4ca03aa.

- c) **Singapore:** The delegation inquired progress of the ASEAN Working Group on Intellectual Property Cooperation (AWGIPC) in which the Singapore Patent Office acts as a chairperson.

IV.E.2. Japan Patents Office to establish a Support Team for Organizing Myanmar's Intellectual Property System

IV.E.2.1. Background and purpose

Japan has noted that despite attracting considerable economic interest from developed and developing economies, the Intellectual Property (IP) system in Myanmar is lacks clarity and organization. This perceived lack of development of an IP system poses as a challenge Japanese companies to expand business activities in Myanmar.⁵⁹

The Japan Patent Office (JPO) established a public- private support team for organizing Myanmar's Intellectual Property System. This team consists of representatives of industries and businesses. Earlier, in August 2013, the METI Minister T.Motegi had visited Myanmar and expressed his intention to enhance cooperation to establish an IP office.

IV.E.2.2. Outline of Major Activities

Concerning the following requirements for organizing an IP system in Myanmar, the support team will ascertain needs in Myanmar through dialogues with officials from the government, and will provide advice and suggest approaches required to fulfill such needs:

- Establishing an IP law and detailed regulations
- Establishing organizations and services of an IP office scheduled to be established
- Formulating an IP strategy
- Establishing industrial associations related to IP and associations of patent attorneys

⁵⁹METI, Press Release, http://www.meti.go.jp/english/press/2013/1002_04.html.

IV.E.2.3. Japan Patents Office begins FY2013 Anti-Counterfeiting Campaign

- a) **Objectives:** Japan has recognized that counterfeit and pirated products have become complex and widespread in nature owing to increase in sophistication of piracy techniques. There is a notable trend among consumers to purchase counterfeit products due to economic and other reasons. In furtherance of this, a special public opinion poll was conducted by the Cabinet Office of Japan in 2012. The results consolidated view of the government when results of the poll indicated that approximately half of the respondents accepted purchase of counterfeit products due to the reason that they are cheaper than genuine products.⁶⁰

In December 2013, the JPO introduced a campaign under the slogan of ‘Grow up for REAL.’ Through this slogan, the JPO aims to contribute to providing young people with accurate knowledge on counterfeit products so as to help them be mature customers who do not accept such products.

b) **Campaign Outline&Website advertisement (for personal computers & smartphones)**

- Comprehensive portal website: From 16-23 December 2013 Yahoo! Japan will carry advertisements of the campaign.
- Price comparison website: From 16 December 2013- 31 January 2014 Kakaku.com will carry advertisements.
- Auction websites: 16 December 2013- 15 January 2014 Yahoo! Auction and Rakuten Auction will carry banner advertisements of the slogan.

⁶⁰METI Press Release, http://www.meti.go.jp/english/press/2013/1202_02.html.

IV.E.3. TM5 Agreed to Enhance the Cooperation in the Trademark Field Focusing on Users during the second annual meeting⁶¹

Twelve joint projects were discussed during the second annual meeting of the TM5 at Seoul attended by the officials from the JPO, KIPO, OHIM, SAIC, USPTO. The major results of the meeting were in the fields of Trademarks and Designs viz.

- New project to improve convenience of applicants of the Madrid Protocol by enriching information provision
- Continuation/expansion of the bad faith project
- Co-operation in goods and services identifications
- TM5 agreed to decide whether and how a design drawing catalogue is shared with users from the view point of improving user-friendliness for enterprises that intend to file international applications.

V. TRADE POLICY BY SECTOR

V.A. AGRICULTURE

Japan trying to protect its agricultural sector from the ambitious TPP agreement in favour of its ageing agricultural population has become a key issue as it has become a barrier to the sealing of the agreement. However, with the statement of a Japanese minister after the Ministerial conference in Singapore saying “Japan would continue to do its best to reach this high-level agreement” it is likely that Japan might ease tariff restrictions on agricultural products which it has been resisting.

The Japanese Prime Minister has pledged drastic reforms for the agriculture sector to make it more globally competitive and double annual exports to \$1trillion.⁶²

⁶¹METI Press Release, http://www.meti.go.jp/english/press/2013/1206_03.html.

⁶²Financial Times, Agriculture in Japan, <http://www.ft.com/intl/cms/s/0/22256554-618b-11e3-b7f1-00144feabdc0.html#axzz2wVxp3cAR>.

V.B. AVIATION

V.B.1. Japan eases restrictions on foreign aircraft operators⁶³

With a view to attract more foreign companies and operators, Japan has eased some of its operational restrictions in business aviation. Japan, which earlier had only 58 business aircrafts registered and only three domestic charter operators, is hopeful of adding few more numbers to the list with lesser restrictions. The foreign operators will now be able to make multiple s’/-tops within Japan with same travellers on board. However, the ‘cabotage’ rules are still applicable.

Restrictions on aircrafts with fewer than 30 seats and a maximum payload of 3,400 kg have also been eased. The JCAB has introduced a new regulation for Japanese business aircraft charter operators based on the US Federal Aviation Regulation Part 135.

VI. WTO DISPUTES

VI.A. Ukraine - Safeguard Measures Imposed on Certain Passenger Cars (Complainant: Japan) Request for Consultations

It has been reported that the Government of Ukraine has been imposing additional duties such as safeguard measures on motor vehicles for three years since 13 April 2013. As per Japan’s estimations, Ukraine’s Inter-Departmental Commission for International Trade decided to impose safeguard duties at the rate of 6.46% have been imposed on vehicles under the category of 1000–1500 cubic centimeter (cc) displacement, and 12.95% have been imposed on vehicles with 1,500–2,200 cc displacement.

Japan considers the said measures to be imposed inconsistently with the provisions of the General Agreement on Tariffs and Trade (GATT) and the WTO Safeguards Agreement in terms of defects in the approval of the requirements for imposing the measure (increased imports, serious injury to the domestic industry, causal links, etc.) and defects in procedural requirements for imposing the measures. Japan requested a consultation with the Government of Ukraine under the WTO Agreement.

The thrust of Japan’s arguments are as follows:

⁶³Aviation News, NBAA Convention, <http://www.ainonline.com/aviation-news/nbaa-convention-news/2013-10-21/japans-message-air-charter-operators-were-open-business>.

- Ukraine did not immediately notify the Committee on Safeguards and did not provide adequate opportunity for prior consultations with WTO members
- It failed to publish a report setting forth its findings and reasoned conclusions and a detailed analysis of the case under investigation, and applied the safeguard measures two years after the end of the investigation period
- Ukraine applied the safeguard measures beyond the extent necessary to prevent or remedy serious injury

Japan, at the meeting of the WTO Committee on Safeguards on 22 October 2013, had expressed serious concerns over the large-scale effects of Ukraine's measures on Japanese auto exports. It is estimated that the tariffs cause the Japanese automakers around US \$20 million.⁶⁴

⁶⁴ Ukraine: Protests over protection dated 04-11-2013. Available at: <http://www.eiu.com/industry/article/1741136558/ukraine-protests-over-protection/2013-11-04>

ANNEXURE A

**UNITED STATES DEPARTMENT OF COMMERCE, INTERNATIONAL TRADE
ADMINISTRATION (ITA)**

CASE NUMBER	ITEM	STATUS
A-570-601	Chlorinated isocyanurates from Japan	Initiation of ADD investigation
A-588-850	Certain large diameter carbon and alloy seam-less standard, line, and pressure pipe (over 4 ½ inches) from Japan	Final results of ADD administrative review
A-588-857	Welded large diameter line pipe from Japan	Continuation of ADD order
A-428-842	Grain-oriented electrical steel from Japan	Initiation of ADD investigations
A-588-872	Non-oriented electrical steel from China, Ger-many, Japan, S. Korea, Sweden, and Taiwan	Initiation of ADD investigations
A-588-869	Diffusion-annealed, nickel-plated flat-rolled steel products from Japan	Preliminary determination of sales at LTFV and postponement of final determination
A-588-804	Ball bearings and parts thereof from Japan and the UK	Notice of reinstatement of ADD orders, resumption of administrative reviews, and advance notification of sunset reviews
A-588-845	Stainless steel sheet and strip in coils from Japan	Initiation of expedited changed circumstances review, and preliminary results of changed circumstances review

UNITED STATES INTERNATIONAL TRADE COMMISSION (USITC)

CASE NUMBER	ITEM	STATUS
731-TA-1226	Chlorinated isocyanurates from Japan	Institution of AD and CVD investigations and scheduling of preliminary phase investigations.
731-TA-1231-1237	Grain-oriented electrical steel from Japan.	(Preliminary) Institution of ADD and CVD investigations and scheduling of preliminary phase investigations
731-TA-919	Certain welded large diameter line pipe from Japan	(Second Review) Determination that revocation of the ADD order would likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.
701-TA-506-508 731-TA-1238-1243	Non-oriented electrical steel from China, Germany, Japan, Korea, Sweden, and Taiwan	Institution of AD and CVD investigations and scheduling of preliminary phase investigations
701-TA-501 731-TA-1226	Chlorinated isocyanurates from China and Japan	(Preliminary) Determinations that there is a reasonable indication that an industry in the US is materially injured by

reason of imports that are alleged to be sold in the United States at LTFV and subsidized by the Government of China

CANADIAN INTERNATIONAL TRADE TRIBUNAL (CITT)

CASE NUMBER	ITEM	STATUS
AD/1402 4214-41	Certain steel plate originating in or exported Japan and S. Korea	Notice of initiation of investigation
PI-2013-003	Hot-rolled carbon steel plate originating in or exported from Brazil, Chinese Taipei, Denmark, Indonesia, Italy, Japan and S. Korea	Preliminary determination of injury

AUSTRALIAN ANTI-DUMPING COMMISSION - CUSTOMS AND BORDER PROTECTION SERVICE

CASE NUMBER	ITEM	STATUS
ADN 2013/67	Hot rolled plate steel exported from Japan.	Termination of part of investigation.

CHINA MINISTRY OF COMMERCE (MOFCOM)

CASE NUMBER	ITEM	STATUS
62 of 2013	Pyridine originating in India and Japan	Notice extending the AD cases
55/2013	Bisphenol A originating in Japan	Measures applicable to final review determination
65/2013	Methyl ethyl ketone originating in Japan and Taiwan	AD measures applicable to the determination of the announcement of the final review – continuation of ADD

ANNEXURE B
WTO TBT Notifications

NOTIFICATION NUMBER	DATE OF NOTIFICATION	NOTIFICATION COMMENTS
JPN/441	23/9/2013	Relating to water supply devices; Materials and equipment of water supply facilities
JPN/442	12/9/2013	Relating to labelling of cosmetic products
JPN/443	10/10/2013	Relating to polymers of styrene (HS 3921.11), - Slag wool, rock wool and similar mineral wools, (including intermixtures thereof), in bulk, sheets or rolls (HS 680610), - Mats (HS 7019.31), - Other (HS 7019.39) Glass wool insulating material, extruded polystyrene foam insulating material and rock wool insulating material
JPN/444	25/10/2013	Relating to Pharmaceutical Products (HS 30)
JPN/445	31/10/2013	Relating to Narcotics
JPN/446	13/11/2013	Relating to Drugs (HS 30)
JPN/447	2/12/2013	Relating to Chemical Substances
JPN/448	16/12/2013	Relating to Food, beverages and other agricultural, forestry and fishery products (including processed products) other than alcoholic beverages and pharmaceuticals.

JPN/449

20/12/2013

Relating to Substances with probable effects on
the central nervous system