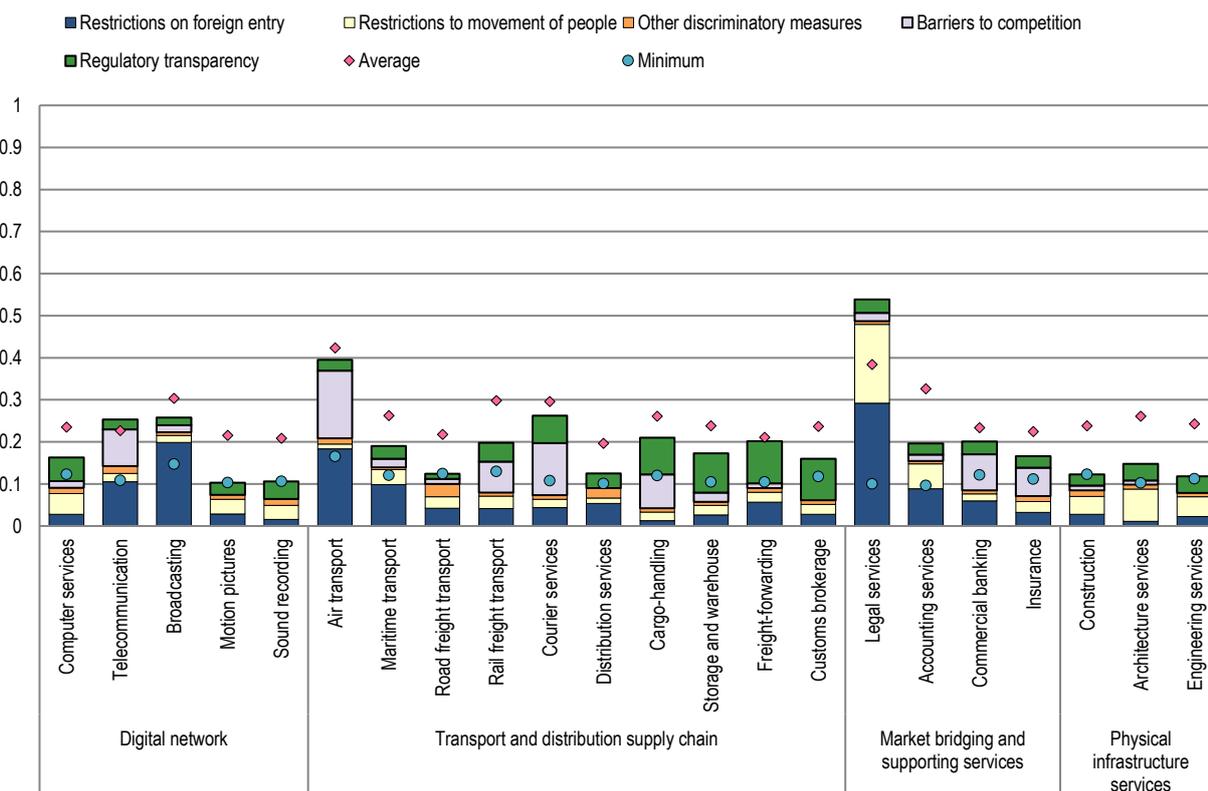


OECD Services Trade Restrictiveness Index (STRI): Japan

Japan exported services worth USD 180 billion and its services import value was USD 189 billion in 2017. Other business services and intellectual property are Japan's largest services export and also the largest services imports category. Japan's score on the STRI index in the 22 sectors covered by the STRI project is shown below along with the average and the lowest score among the 45 countries included in the STRI database for each sector.

STRI by sector and policy area



Note: The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which contains information on regulation for the 36 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Malaysia, Russia and South Africa. The STRI database records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

Horizontal policy measures

Japan has a lower score on the STRI than the average in 20 out of 22 sectors. Horizontal regulations that contribute to the STRI in all sectors mainly relate to temporary services suppliers. Wage parity with local employees is required for contractual services suppliers and at the manager level for intra-corporate transferees. In addition, the work permit for contractual services suppliers is conditioned on a university degree or over 10 years professional experience. The scope of temporary services providers is limited to skilled labour in Japan. Local presence is required to operate continuously in the country though a foreign company's representative does not need to be its director. Procedures to register a company are significantly more numerous, costly or longer than best practice. Personal data can be transferred abroad if the destination country ensures an adequate level of protection similar to that of Japan.

The sectors with the relatively lowest STRI scores

Motion pictures, engineering services and sound recording are the three sectors with the lowest score relative to the average in Japan. The scores in all three sectors are attributed to horizontal regulations contributing to all sectors. In motion pictures and sound recording sectors, copyrights are protected and royalties are allocated in a non-discriminatory manner. A local copyrights management body is open to foreign rights holders.

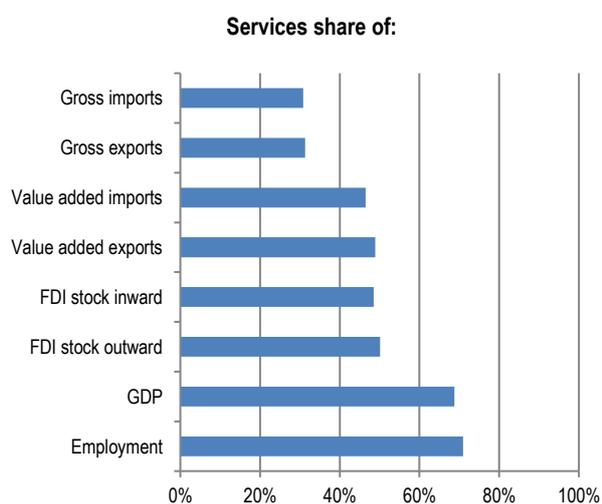
The sectors with the relatively highest STRI scores

Legal services, telecommunications and air transport are the three sectors with the highest score relative to the average in Japan. Legal services comprise the practice of domestic law and international law, both of which are regulated professions in Japan. Foreign lawyers may obtain a local licence to practice domestic law provided that they pass local examinations. The only legal form permitted for law firms is unlimited liability entities in which all members and owners must be locally licensed lawyers. For international law, only sole proprietorship and unlimited liability partnership are allowed as legal forms. Non-locally licenced lawyers are required to principally stay in Japan more than 180 days per year to practice. In telecommunications, the relatively high score is largely related to the investment regime in publicly controlled firm (NTT Corporation), which maintains a cap of 30% foreign equity as well as prohibits foreign people to become a board member in NTT Group. In air transport, Japan employs foreign equity restrictions and nationality requirements for board members. Air carrier alliances are partly exempted from anti-trust legislation and regulations on airport slot allocation and slot trading further contribute to the score in this sector. In broadcasting, there is a nationality requirement for managers and board of directors.

Recent policy changes

In 2017, Japan has amended the Customs Business Act which removed economic needs test for licenses given to customs brokers. Besides, customs brokerage firms are no longer required to place at least one qualified customs specialist at each office.

Efficient services sectors matter



Services account for 31% of Japan's gross exports, but for half of value-added exports, indicating that Japan's exports of goods rely intensively on services inputs. However, the contribution of services to exports is still lower than the OECD average. The STRI can be used as a tool for exploring to what extent regulations explain this outcome.

The information and communication technology revolution opens new opportunities for inclusive growth in a services economy like Japan. Innovation and adoption of technology relies on access to knowledge and to the networks, people, goods and services that carry the knowledge around the world. In this context, Japan could benefit from more open markets for services trade.

More information

- » Access all of the country notes, sector notes and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Read more about services trade policies and their impacts in this publication: [Services Trade Policies and the Global Economy](#)
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org