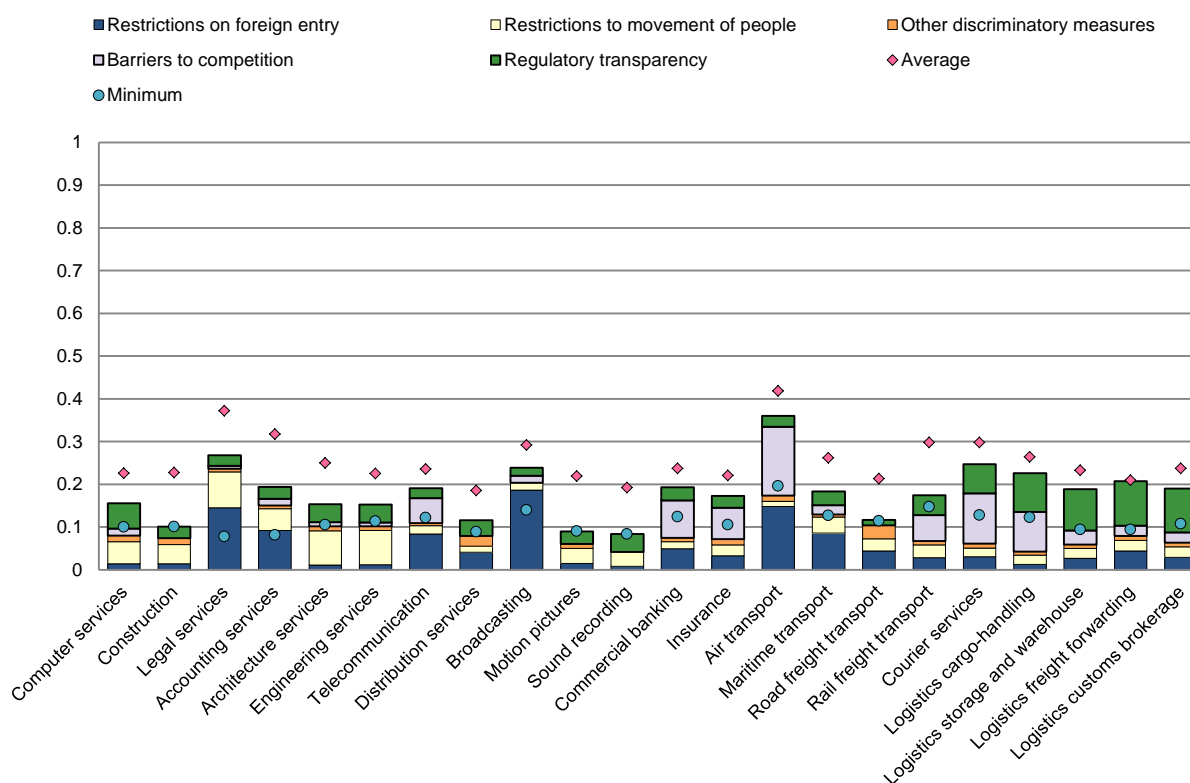


OECD Services Trade Restrictiveness Index (STRI): Japan

Japan exported services worth USD 157 billion and its services import value was USD 173 billion in 2015. 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 44 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 35 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Lithuania, 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 all 22 sectors and records the minimum score in three sectors. Horizontal regulations that contribute to the STRI in all sectors mainly relate to temporary services suppliers who may stay in the country up to five years on their first entry. 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 more, 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.

The sectors with the relatively lowest STRI scores

Construction, motion pictures and accounting services are the three sectors with the lowest score relative to the average in Japan. There are few sector-specific restrictions in construction. At least one engineer must be locally licensed for the issuance of construction permits. Procedures to obtain a construction permit are considerably more numerical and longer than best practice. The score for motion pictures is attributed to horizontal regulations contributing to all sectors. Copyrights are protected and royalties are allocated in a non-discriminatory manner. A local copyrights management body is open to foreign rights holders. Like in most countries a licence is required to practice auditing in Japan. Foreign auditors are required to take a local examination and domicile to obtain licence. An accountant is, in contrast, unregulated profession.

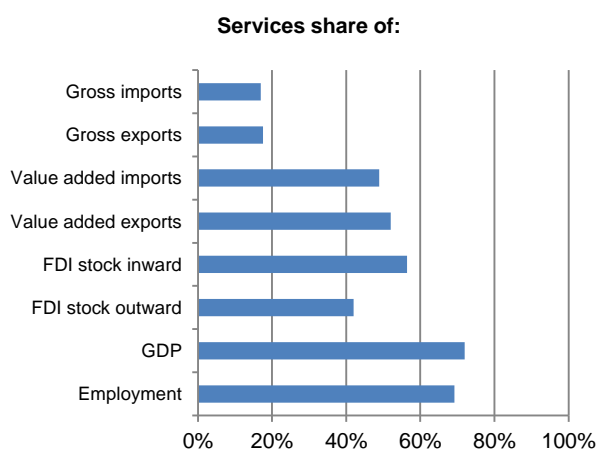
The sectors with the relatively highest STRI scores

Logistics freight forwarding, logistics cargo-handling and commercial banking are the three sectors with the highest score relative to the average in Japan. In logistics freight forwarding services, foreign providers are not allowed to operate domestic air freight forwarding services in Japan. Commercial presence is required if foreign providers wish to operate door-to-door freight forwarding services by combining road transportation with other transportation modes. While Japan employs regulations that promote competition among suppliers in logistics cargo-handling services, some pro-competitive regulations are missing. There is no effective measure to prevent cross subsidisation from the airport or port management body to its relating cargo-handling operator. Shorter duration of landing permission for crew than best practice and complexity of licensing procedures also contribute to the score. In commercial banking, foreign banks are required to have a branch in Japan to obtain licence. Contractual interest rates on loans are regulated not exceeding 15% to 20% depending on the amount of lending. Independence of the supervisory authority is insufficient. The authority is a part of the government and the term of heads of the authority is not limited.

Recent policy changes

In 2015, Japan has lifted a residency requirement for at least one board member of a domestic corporation. It has also strengthened the measures to prevent transfer of criminal proceeds in 2016 to fully comply with the recommendation of Financial Action Task Force on Money Laundering.

Efficient services sectors matter



Services account for 18% of Japan's gross exports, but for more than half of value-added exports, indicating that Japan's exports of goods rely intensively on services inputs. Cost effective state of the art services are therefore of utmost importance for the competitiveness of the Japanese industrial sector. 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. Japan can further improve the efficiency of its economy by prioritising reforms that enhance competition in services markets, particularly in the professional and transport related sectors that are essential to value chains.

More information

- » Access all of the country notes, sector notes and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org