

OECD Services Trade Restrictiveness Index (STRI)

JAPAN – 2020

Key findings

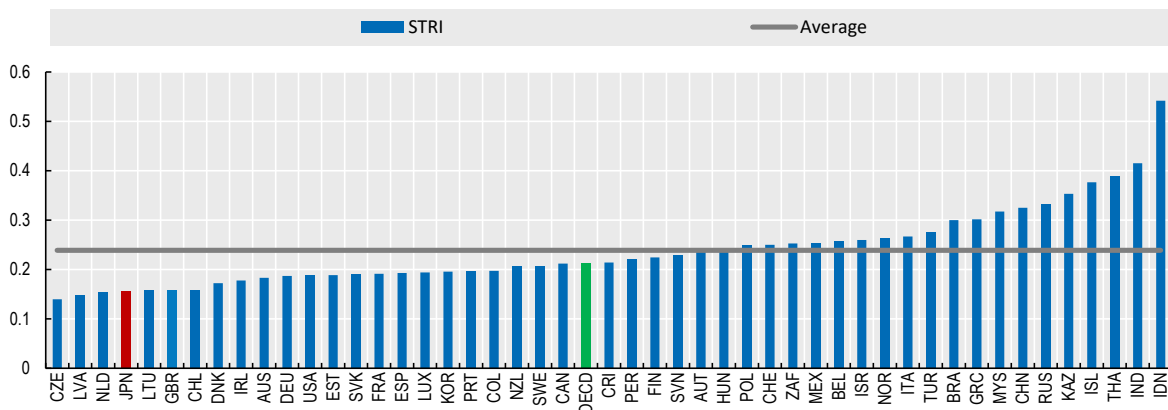
- The 2020 STRI of Japan is well below the OECD average and the fourth lowest among all countries for which the STRI is available, demonstrating that the regulatory environment for trade in services is relatively open.
- Regulations in most of the sectors appear to be less strict in Japan than in most countries. However, the regulatory environment for legal services is relatively restrictive.
- The regulatory environment was stable in 2020. Over the years, Japan introduced several reforms in services, resulting in more open regulations in key sectors such as transport and financial services.

Recommendation

- 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.

The 2020 STRI of Japan is the fourth lowest among all countries for which the STRI is available and well below the OECD average (Figure 1).

Figure 1. Average STRI across countries, 2020



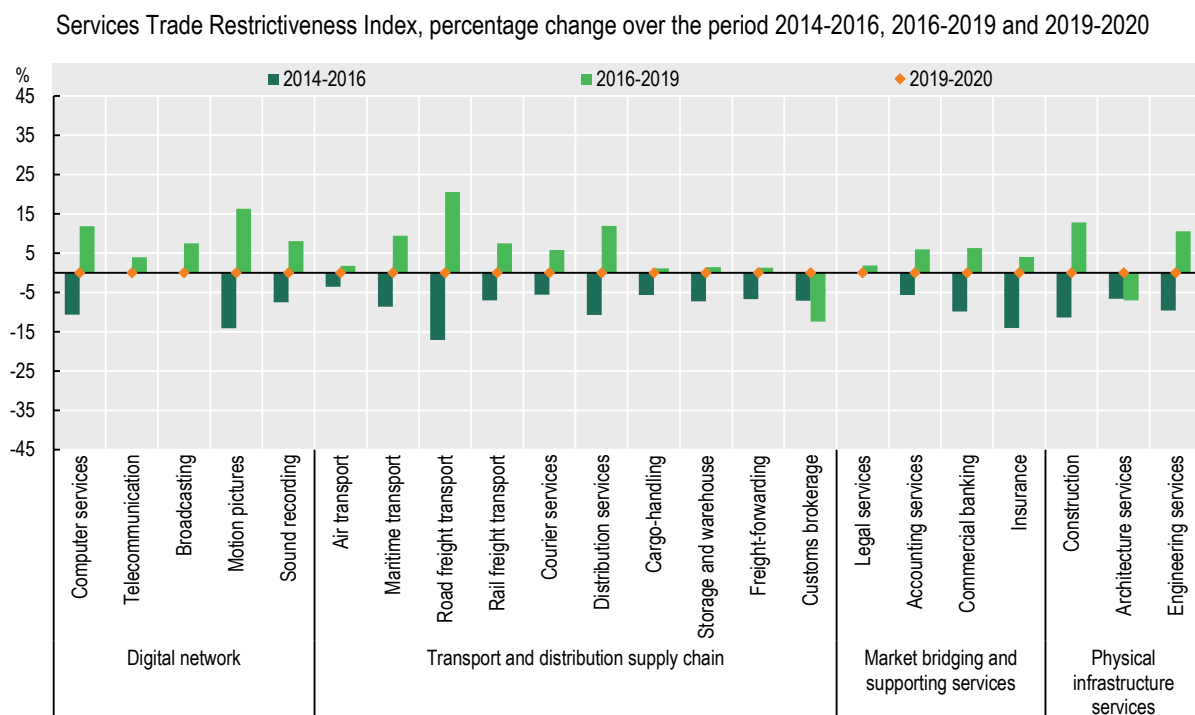
Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2020. The STRI regulatory database covers the 37 OECD countries, Brazil, China, Costa Rica, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, South Africa, and Thailand.

Source: OECD STRI and TIVA databases (2020).

Regulations on movement of natural persons apply to all sectors horizontally and contribute to the STRI score. Japan applies labour market test for accepting contractual services suppliers and intra-corporate transfers and does not permit unskilled labour by temporary services suppliers. Local presence is necessary for providing cross-border services in most sectors. Registering a company needs more steps and is more costly than in other countries.

In 2020, there was no major reform contributing to a significant change in the services sectors covered by the STRI. While the score changes shifted towards more liberal in most of the sectors in 2014-2016, the score in 2016-2019 shifted towards more restrictive. Most reductions in the index values were in road freight transport services, financial services, motion picture services, and distribution services (Figure 2).

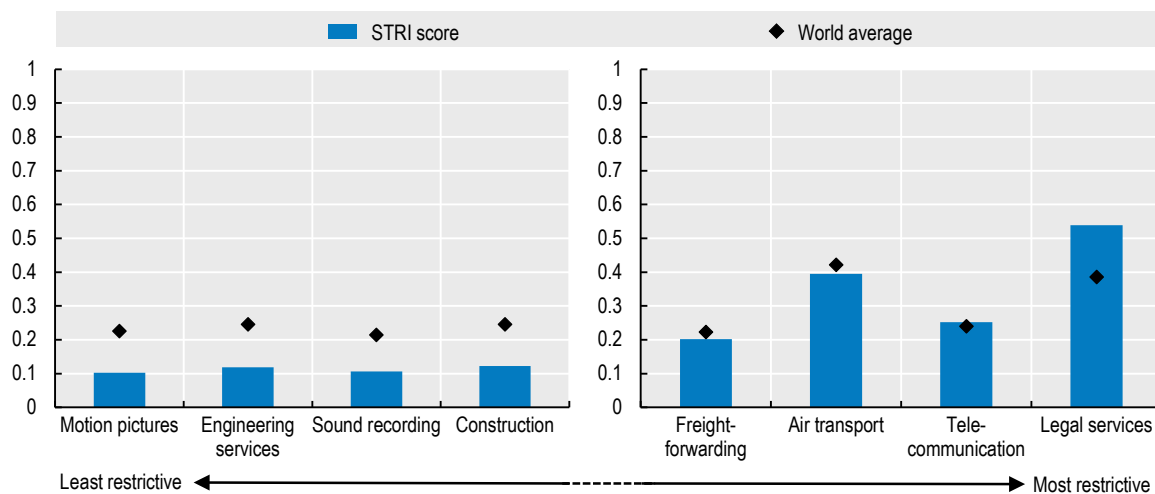
Figure 2. Evolution of STRI scores by sector in Japan



Source: OECD STRI database (2020).

Motion pictures, engineering services, sound recording, and construction in Japan are sectors with the lowest score and below the world average. Logistics freight forwarding, air transport, telecommunications, and legal services are the most restricted sectors in Japan but only legal services are higher than the world average. (Figure 3). On the latter, restrictions on foreign entry and restrictions to the movement of people hamper its openness including limitations on the duration of stay and domicile requirement for licence to practice.

Figure 3. Sectoral breakdown – The least and most restricted sectors in Japan



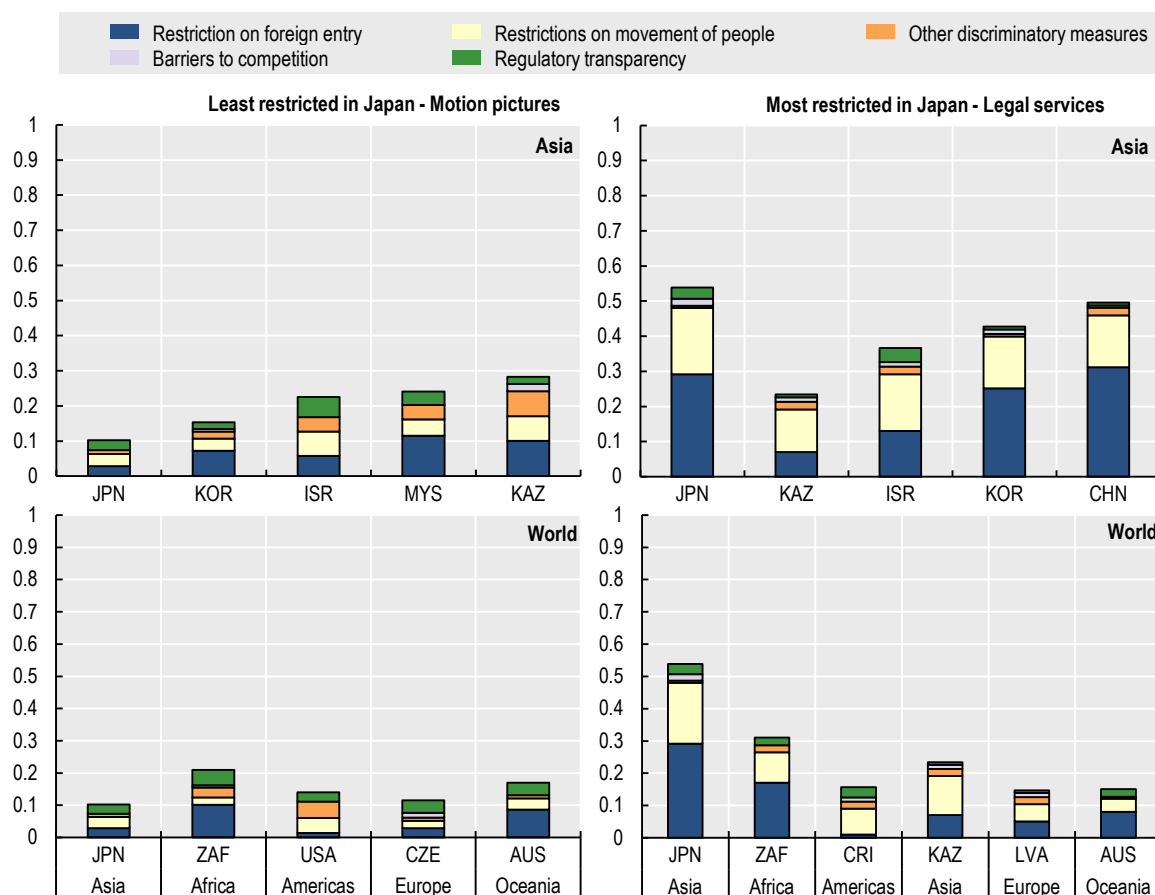
Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference

i.e. $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$

Source: OECD STRI database (2020).

Motion picture services are relatively open even when compared to the best performers in the world. Fewer restrictions on foreign entities contribute to its lower score. Legal services, the most restricted services sector in Japan, are considerably more restrictive with a score that is over five times higher than the lowest of the world's best performers (Figure 4).

Figure 4. Japan compared to Asia and World's best performers

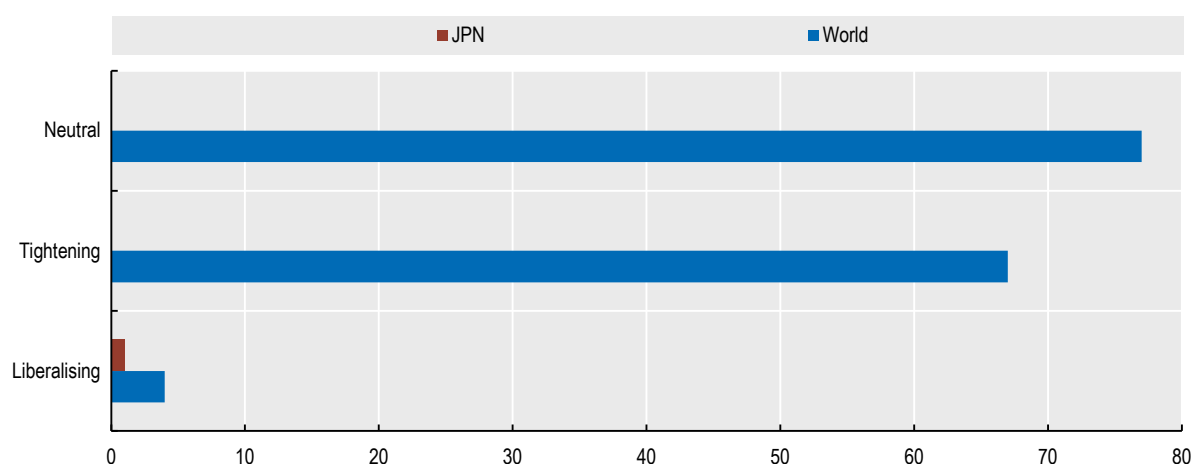


Source: OECD STRI database (2020).

Special focus: Impact of COVID-19-related measures on the stringency of services regulations

Many countries have adopted measures in response to the COVID-19 crisis and it contributes to mostly tightening regulations. Japan has relaxed the customs process requirements, allowing for the acceptance of electronic documents, reducing the need for the submission of certain documents in physical format such as declarations (Figure 5).

Figure 5. COVID-19 related measures in Japan and in the world



Source: OECD (2020). STRI database.

Key reforms

In 2017, Japan amended the Customs Business Act which removed the economic needs test for licenses given to customs brokers. Customs brokerage firms were no longer required to place at least one qualified customs specialist at each office. Besides, a new data protection law entered into force in 2017.

More information

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