

APEC'S LIBERALIZATION AND IMPEDIMENTS IN JAPAN: OVERVIEW OF SERVICES TRADE

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1.1 APEC's Liberalization Plan and Need for Independent Analyses

APEC (Asia Pacific Economic Cooperation forum) has launched an important deepening process for the past few years. In 1994 Bogor Declaration set the ambitious target of 'achieving free and open trade in the region by 2010 and 2020'. In 1995 Osaka Action Agenda (OAA) provided a guideline for implementing policy measures to reach this target. Last year APEC leaders adopted Manila Action Plan for APEC (MAPA) in which all APEC members submitted their Individual Action Plans (IAPs) to be implemented next year and afterwards. It will tell us how strongly our leaders and ministers committed themselves to achieving the Bogor target. Their credibility is being tested now. This paper attempts an independent analysis of the IAPs, especially the liberalization of selected services trade.

In order to assess the IAPs we have to begin with major characteristics of its guideline, Osaka Action Agenda, and its unique modality of implementing liberalization.

First the OAA has a comprehensive coverage of 15 areas, including both border and domestic measures. Liberalization commitments take different forms between areas. Second the 18 APEC members differ greatly in their current level of impediments to trade and investment. Although all members will start liberalizing simultaneously next year, two tracks are set, one for developed members finishing by 2010 and the other for developing members finishing by 2020. Third it has set a unique modality based on unilateral announcement of liberalization commitments by individual members. This modality is very consistent with the economics teaching and ideal but its effectiveness is yet to be tested. In reality the IAP

package contains a variety of commitments inevitable in the case of unilateral announcement.

All these forbid us any straight forward comparison of IAPs across 18 members and 15 areas. A member's IAP can only be assessed properly based on profound knowledge of its current level of impediments. Own country assessment is highly recommended for economists in APEC members. However, it may be still worthwhile attempting a quick comparative review of the IAPs as the preliminary analysis.

Individual members' 'commitment's in their IAPs can be assessed against the common format of IAPs in a matrix of 15 areas times 3 time frames (short, intermediate, and long-term). Three types of responses are identified; (a) some members commit concrete measures with clear time frame, while others either (b) just state of intent that they would make efforts to achieve the Bogor target or (c) they would examine their current measures for possible amendment. By and large many members committed (a) in their short term measures, while (b) and (c) prevail in intermediate- and long-term measures. Indeed we cannot expect detailed implementation plans covering 15 to 25 years. However, do their short-term measures assure us with sufficiently strong dash to achieve the Bogor target in 2010 and 2020?

How much tariff reduction have APEC members committed?

Our test is best illustrated for tariff reduction. Most members indicate their plans for tariff reduction over next several years. Some members attach time schedules for reducing down to zero or sectoral details. Many members commit the Uruguay Round (UR) plus alpha, but a significant difference is witnessed between members.

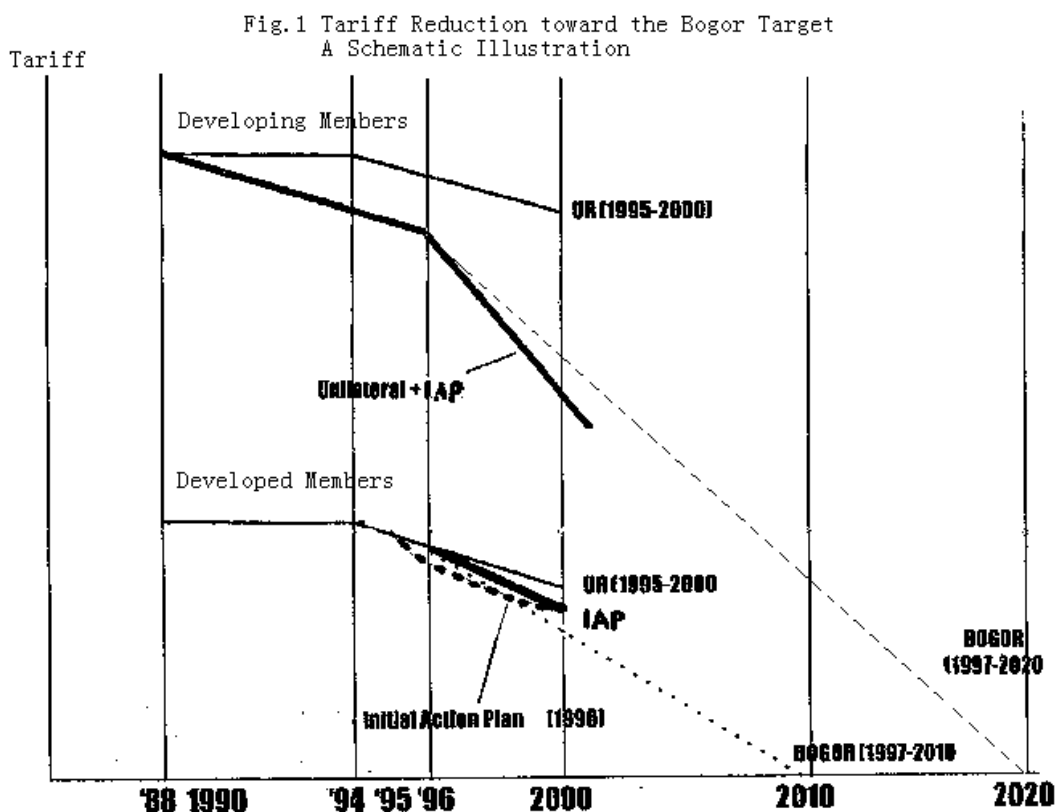
US and Japan committed little more than their UR commitments. Japan accelerated its implementation by two years but it has made no further commitment beyond that. In addition, Japanese tariff levels increased because of the tariffication of agricultural products. The IAP commitment of the two are short of their Bogor targets. NZ, Australia, and Canada committed some additional tariff reduction to their UR commitments, accelerating their reduction in comparison with the Bogor line.

ASEAN countries committed greater IAP reductions, apparently thanks to their

AFTA reduction, and lower their IAP curves far below the Bogor target. China and Chile commit greater tariff reduction, sufficient to achieve the Bogor target, reflecting their eagerness to join the WTO and NAFTA respectively. On the other hand, IAP commitments by Korea, Chinese Taipei, and Mexico are short of their Bogor targets.

Generally speaking, while developed members committed a tariff reduction of ‘UR plus a small alpha’ but still short of achieving the Bogor target, developing members committed a ‘UR plus a large alpha’ and sufficient for achieving their Bogor target. this can be illustrated in the following schematic diagram. The dotted lines show linear tariff reduction over 15 and 25 years, while the solid lines show ‘actual reduction (until 1995) plus IAP commitment (1996-2000)’. Here the ‘developed members’ represent US and Japanese, while the ‘developing members’ represent ASEAN and China¹.

Figure 1-1 Tariff Reduction toward the Bogor Target



¹ PECC et. al.(1996) contains the illustration of this comparison of IAPs with UR and Bogor targets for

It will clarify the relationship between UR commitment, Bogor target, and APEC/IAP (as well as unilateral reduction and Initial Actions) in both their time length and tariff levels and help assess individual members IAP commitments within this complicated context of tariff reductions. It also shows the two track approach by APEC.

Following remarks should be added to the commitment in terms of average tariffs. First the unweighted average tariffs of developed members have already reduced to such a low level as below 5% that they can abolish it at once instead of linear cut over many years. However, developed members still maintain 15-30 % tariffs on textiles and some other industrial products and they need to prepare their gradual reduction over some years. High tariffs remaining on selected products in spite of declining average tariff rates also hold for some developing members and should be addressed properly in the review and monitoring process.

This is also the case for developing members. Many developing members commit their IAP tariff reduction in terms of average tariffs and do not specify detailed tariff structure. Current high tariffs on selected products may remain under the “infant industry protection” in spite of decreasing average tariffs. All members should be encouraged to submit their plan of how high tariffs be reduced.

Other Liberalization Measures

As regards Non-Tariff Measures, developed members, Chile, Hong Kong, and Singapore claim that they have no NTMs inconsistent with WTO. Nevertheless, Canada and U.S. state that they will phase out MFA quota restrictions by 2004. Japan, Korea, and Philippines excepted rice from their liberalization package. Korea committed to eliminate most of the current NTMs by 2001. Other developing members do not refer any specific NTMs but state that they will study and review their NTMs and gradually reduce the number.

It will help confirming and monitoring these statements if we introduce a common quantitative measures of NTMs. The NTM database compiled by UNCTAD and frequency

individual APEC members.

measures calculated from it (PECC 1995) serve for this purpose. The similar liberalization curves can be drawn for NTMs.

Services: All members seem to be more cautious here partly because services trade are more regulated than commodities in many members and partly because some services are now being negotiated at the WTO. Some members clearly outline their liberalization in many services, while many members refer to selected sectors such as telecommunication, transport, tourism, financial services, and business services. However, the submission of IAPs urges APEC members to get more engaged in this area and helps the WTO liberalization.

Quantified measures are also available for impediments to services. PECC's Impediment Survey calculated frequency for individual sectors in individual members based on the notification to GATS and we may be able to draw the liberalization curves for services as well.

Investment: Developed members have already achieved liberalization beyond APEC's Non-Binding Investment Principles and are ready to adopt MAI by OECD, while developing members are still cautious about improving their investment regimes. However, since FDI has been a prime engine of the continued growth of the Asia Pacific economies, the investment liberalization needs to proceed the liberalization in other areas. Slow liberalization over 25 years suggested by some developing members may fail them to attract sufficient FDIs needed for their development.

Here too a set of check list for liberalization has been agreed upon. We may be able to quantify individual members' liberalization commitments in terms of frequency and draw the liberalization curve for investment as well as NTM and services.

Facilitation measures

Facilitation areas are concerned with "reducing the cost of doing business" in Asia Pacific and equally important in the APEC process. They are implemented jointly as Concerted Action Plans (CAPs) as well as individually. However, no agreed check list has been established yet and straight forward comparison is difficult. Nevertheless I expect the 'nugget' of the APEC liberalization may be found in these areas. In these areas a member has

to (a) establish domestic rules or legal frameworks, (b) give sufficient information and make them transparent to both local and foreign firms, and then (c) either mutually recognize each others rules and frameworks or adjust its own to international rule and framework. Developed members have already passed (a), commit (b), and express their intention to proceed to (c). However, many developing members have to achieve (a) first and take time to proceed to (c). Individual IAPs in these areas reflects this difference in their current preparedness.

Prospect differs between different facilitation measures. Clear progress is made in Customs Procedure, Standard and Conformance, and Mobility of Business Persons, followed by Intellectual Property Rights, Rules of Origin, and Government Purchase. Competition Policy and Deregulation cannot proceed beyond (b). The availability of facilitation and technical cooperation measures efficiently supporting liberalization measures is certainly an advantage of APEC over WTO.

Continued encouragement is needed

To conclude, APEC's unilateral liberalization has made a good first step. It could induce tariff reduction of 'UR plus' from most members and helps to maintain current momentum for liberalization in NTMs, services, and investment. However, the IAPs of most members has only assured us the progress over next several years. It needs to be encouraged so that its momentum will be maintained to enable all members reach their goals in time.

It has already introduced two mechanisms of encouragement. One is the "rolling plan formula" and another is incorporating business sectors into the APEC process. IAPs are not their final version but they will continue to be improved every year. Ministers invite business leaders to monitor and review jointly the progress of the APEC liberalization. I would like to add as the third mechanism "independent analysis by academia", which will help publicizing the APEC progress and attract supports by private sectors.

With its basic philosophy of consensus and voluntarism APEC cannot be a fast process. But both Bogor Declaration and Osaka Action Agenda have shown the future direction of changes in Asia Pacific economic order.

1.2 Japan's Action Plan

Tariffs

Japan committed at the Osaka Conference last year and accelerated reductions of 697 tariff items in two years. Nearly 700 items committed at the Uruguay Round have been implemented since April 1996. It is the major part of the down payment delivered at the Osaka meeting. There are various forms measuring the average tariff. We use simple average applied tariff. In 1996, it was 9.0% for Japan. It will be reduced to 7.9% by the year 2000. There is a very detailed program of reducing tariff. But this is the same as its Uruguay Round commitment.

Japanese tariff rates are as high as 9.0% and 7.9%. They often say that the Japanese tariff rate is so low and future reduction is not so easy and that the tariff rate is only 1.5% for industrial products. But simple average applied rate is 9.0% now. It may be recalled that in 1996, as the result of the Uruguay Round, quota restrictions were tarifficated around 30 items of agricultural products. It added almost 2 % to the average tariff committed at the Uruguay Round. That explains this high simple average applied tariff.

In detail, it is 26.3% for the agricultural products and 21.3% for leather. There is a very special reason for a very high tariff of leather products. For textile it is 8.7% and 0.3% for other industrial products.

Non-tariff measures

As regards non-tariff measures, the Japanese IAP says, as those of other developed members, that Japan has no non-tariff measures inconsistent with WTO. Under the Uruguay Round Japan abolished all quota restrictions on agricultural products and converted them into custom duty except fish, rice, and rice products. The quota restriction are allowed to remain on rice under the Montreal convention until it is tarifficated in 2000.

Services

As regards services some liberalization in telecommunication services is implemented and Japan will participate actively the continued WTO negotiation on maritime transport and financial services.

Investment

On international investments, it says Japan is to promote inward foreign investments by such measures as lifting prior notification requirements in mining and easing restrictions on foreign telecommunication carriers.

Facilitation measures

Other remaining areas are all facilitation measures; aligning product standards like JIS (Japan Industrial System) and JAS (Japan Agricultural Standard) with international standards, expediting import inspection by strengthening the animal and plant quarantine system, which has been mentioned a few times already by officials of the Ministry of Finance adopting the HS convention and introducing standardized customs procedures, reinforcing the Fair Trade Commission, enhancing transparency on government procurements, revising the "Deregulation Action Program". The Deregulation Action Program has become the main economic policy issue in Japan and many Japanese agree that it will be the only way to revive the Japanese economy from the current depression.

1.3 Framework of Independent Analysis

To establish confidence in the effectiveness of the IAP approach, all members need to be committed to regular and objective monitoring and review. The monitoring of IAPs by all APEC members will provide increasingly convincing evidence of (1) the consistent commitment of all participants to agreed targets and guiding principles and (2) the economic benefits to all participants from the co-ordinated decisions already implemented. Regular reviews of progress will also confirm that as long as all participants perceive mutual benefit

from implementing jointly agreed proposals, formal treaties are not essential to ensure consistent domestic decision-making.

Impediments Survey and Mapping Exercise

APEC has not adopted a particular procedure of reviewing and monitoring yet but its CTI commissioned PECC/ Trade Policy Forum two studies regarding impediments to trade and investment in the region in 1995 and their interim reports were submitted to the APEC Osaka Ministerial Meeting in November. They are Survey of Impediments to Trade and Investment in the APEC Region (or to be short Impediment Survey) (APEC/PECC 1995a) and Milestones in APEC Liberalization: A Map of Market Opening Measures by APEC Economies (or Mapping Exercise) (APEC/PECC 1995b). Impediments Survey attempts to “develop a comprehensive picture of impediments to regional trade and investment by type of trade barriers and sector” (APEC/PECC 1995a), while Mapping Exercise maps the progress already achieved so far in liberalization by individual members. Although their aims differ, the two studies rely on by and large the same data. They are supplementary and currently only sources of information regarding trade and investment impediments of the APEC members in comparable form.

For a diplomatic reason Impediments Survey refrains from stating explicitly impediments of individual members but reports on the overall structure of impediments of the APEC members as a whole. Its terms of reference says as follows;

“The proposed survey is intended largely as an information gathering exercise. It will not pre-judge how the identified impediments will be addressed, nor will it focus on specific economies. It will, however, give APEC members an essential point of reference in planning and setting priorities for implementation of the Bogor Declaration.” (APEC/PECC 1995a, p.127)

This cautious attitude is unavoidable because the report submitted to APEC and this is the first attempt of this kind. However, it handicaps the report in identifying the structure of protection by individual members. APEC members differ in their resource endowments and stage of development, and thus has different structure of protection. Group averages convey

only limited information when group member differ greatly. The report has turned out to achieve the first important step to the reviewing and monitoring process. It has identified important patterns of protection shared commonly by many APEC members, which are summarized as follow;

(1) Tariff levels differ greatly between members. Developed economy members have around 5% on many lines. Developing economy members have tariffs of 10-20%., while a few developing economy members have over 30% tariffs on many lines. In both developed and developing economy members, higher tariffs still remain on textiles, leather goods, wood products (15-20% in developing economy members and 25-60% in developing economy members).

(2) NTBs are imposed on agriculture, labour-intensive manufactures, steel and automobiles in many members. Adding the NTB elements, tariff equivalent rates (excess of domestic prices over import prices) reach to very high levels especially in agricultures.

(3) Services trade amounts to a third of the commodity trade of APEC. However, many trades sectors are regulated and some are completely closed. Variation in remaining regulations is observed between members. Developed economy members have the score of 100 in three to seven areas, while developing economy members have the same score in more than half areas.

(4) FDIs are still restricted in market access and national treatment and are subject to fiscal incentives (subsidies and tax exemption) and performance requirements (local content requirements, export requirements, and foreign exchange balancing conditions).

(5) Most members have made changes to existing domestic legal structures to put in place substantive intellectual property protections. Despite these initiatives there still remains a substantial variance in it and many developing members have some distance to travel to meet their Trade Related Intellectual Property (TRIP) obligations under the WTO.

The two studies have provided us with a set of impediments figures of tariffs, NTBs, barriers to services trade and investment of almost all APEC members before the IAPs start to be implemented.

Need for self-assessment

As regards the next step toward the regular review process, a sharper analysis is needed in both data and analysis. Impediments of individual member economies should be analyzed. Figures of more disaggregated classifications are needed in order to identify real impediments precisely. Not only the incidence of regulations but also their probable impacts on trade and investment should be sought for. Otherwise it will be difficult to persuade policy makers, businessmen in related sectors, media, and all the public of the member economy concerned to eliminate impediments. This kind of analysis would better be conducted by economists in the member economies with good access to a variety of information and knowledgeable of policy background of their own economies.

This job would be better commissioned to neutral economists in private sectors rather than official economists directly in charge of policies. The job by private economists will be heuristic in the sense that their reviewing and monitoring will stimulate their interest in the existing impediments in their own economy and help them realize the need for further liberalization. This job will be a big challenge for academic economists in PECC and APEC Study centers.

Neither APEC nor PECC has moved toward this direction. But why should we not start it voluntarily? Unilateral action is consistent with the APEC process and a few pioneer studies of individual member economies in comparable form will endorse the necessity of the job and encourage other members to match the similar undertakings. The pioneer studies will help develop common format of reviewing and monitoring impediments and their liberalization and make it easier for other members to follow suit. This is the justification for our APEC liberalization study project at the APEC Study Center of the Institute of Developing Economies.

The IDE project has started since May 1995 in parallel with the two PECC studies commissioned by APEC mentioned above. For the 1995 fiscal year, it focused on the Japanese impediments to commodity trade. It measured differences between domestic and foreign prices and attempted to link the price differentials with tariffs and non-tariff measures.

The IDE was conducted independently from the APEC/PECC studies but benefited

from a set of pioneer studies by the Institute of International Economics, Washington D.C. The IIE study was initiated in 1994 by Fred Bergsten and Gary Hufbauer apparently for the similar objective of identifying trade impediments and highlighting the need for liberalization. They plan to cover several APEC member economies but two studies have so far been published, one for the United States (Hufbauer and Elliot 1994) and another for Japan (Sazanami, Urata, and Kawai 1995). They plan to warn policy makers against probable waste of GDP through impediments to commodity trade. They got an estimate of cost of protection, 1.5% for the United States and 3-4% for Japan. However, their analyses are confined to commodity trade and focus on measuring total probable impacts of tariffs and NTBs under a certain set of assumptions rather than identifying individual impediments at well disaggregated level.

The Japanese study mentioned above measured the difference between domestic and import prices based on the Input-Output Table of 1985 and, after some updating efforts, estimated the cost of protection for Japanese commodity trade as a whole for 1989. We have invited two of the authors to join us and revised their estimates of price differentials for a greater coverage based on the recently published I-O table of 1990. At the same time other researchers have conducted individual industry analyses to identify tariffs, official NTBs, business practices and distribution channels which are likely to affect the price differentials. These industry studies will help us interpret correctly the price differential estimates.

The measurement of price differentials has both merit and demerit. A difference between domestic and import prices of a product gives an effective measurement of impediments to the international trade of the product. The price differential reflects a net result from a variety of impediments and it can be an alternative way to indicating the existence of impediments and to estimating the probable impacts of the impediments. Impediments Survey identifies the existence of impediments but cannot go beyond the illustration of the probable impacts under certain assumptions. Furthermore the price differential appeal directly to the intuition of consumers in terms of cost of impediments. It has been evidenced in the 1990s when rapid appreciation of the yen has increased price differentials drastically so that consumers have felt very high domestic prices and urged rapid adjustment of structurally high prices.

However, how can we measure price differentials? It is never easy to measure it in order to serve the two purposes mentioned above. Two approaches have been resorted; (A) Calculate price differentials from a sample survey of domestic and import prices, and (B) Calculate price differentials from Input-Output data as was adopted by the Kawai Study cited above.

Both has its merit and demerit. The former enables to compare prices of domestic and imported products of matched quality and their overtime changes can be monitored without much time lag. But a comprehensive sample survey has only been conducted by Economic Planning Agency or the Bank of Japan. The latter is done on the basis of published data and accessible by academic researchers. It provides a comprehensive industry coverage. However, it is hard to secure price differentials of matching quality. Even at disaggregated level of ISIC 4 digit product mix of domestic and imported products still differ. Citing examples from the industry study above, imported bicycles are for races while domestic ones are for household use. Domestic lead includes recycled metals more costly than imports but still used. Punctual delivery and after care service by suppliers differentiate domestic products from cheap imported ones. Furthermore the I-O table is compiled every five years and suffers from timelags of four to five years.

In our research project at the IDE, we adopted (B) as a basic data but checked the matching of product mix of domestic and imported products by individual industry study. Individual industry studies also provide information of impediments at disaggregated level. Both help us to avoid a mechanical interpretation of price differentials compiled from the I-O table and produce a country study of impediment survey².

1.4 Impediments to services trade

² The result of the 1995 fiscal year project was released in a series of discussion papers at the IDE's APEC Study Center. They will be combined with the study of impediments

In the 1996 fiscal year the IDE study project of APEC liberalization focused on the impediments to services trade. Here too we have tried to link our detailed study of the Japanese impediments to the overall quick assessment by Impediment Survey.

Impediment Survey relied on the notification by individual members in the General Agreement on Trade in Services (GATS). “It is basically a standstill agreement, rather than a schedule of commitments to further liberalization and can be seen to reflect the extent of market access and national treatment commitments as of 15 April 1994. In effect, the GATS schedule provide a single registry of those service industries which have been liberalized and by default a single registry of those service industries that remain closed. These schedules provide the data that can be used to generate frequency-type measures of impediments to international service transactions.” (Impediments Survey, p.73)

The calculation of frequency ratios is as follows. All tradable services are classified into 137 groups and for each group it is checked whether the group is “bound” to GATS, that is there is no restriction to all services within the group either on national treatment or market access (two aspects) for four modes of supply (cross-border supply, consumption abroad, commercial presence, and presence of natural persons). Other groups are either wholly “unbound” or partially “bound” (some services are restricted, although otherwise bound in a group).

For qualification purposes a 1 is given for a “bound” group on a particular aspect/mode, while a 0 is given other wise. Dividing total score by 8 and deducting it from 1 gives a frequency ratio (in percentage) for the group. The frequency of 100% implies that the group is restricted in all aspect/mode, while lower frequency ratio implies that the industry is liberalized in many aspect/mode for the group as a whole or that a large part of the group is liberalized in all aspect/mode. Fig.1-2 summarizes the 137 groups into 28 sectors.

Fig.1-2 conveys interesting findings regarding the impediments to services trade before the APEC/IAP. First a common pattern of descending slope is observed for APEC average, Japan, and the United States, implying a broad similarity of restriction of services

to services trade in the 1996 year project and published in due course.

trade. Postal service and various domestic transport, health and social services are highly regulated (more than 90% for APEC average), while tourism, computer services, construction, and value-added telecommunications are much less regulated (50-60% for APEC average). This common pattern is clearer than in tariffs and NTBs.

Second the United States has the lowest frequency in many sectors, while Japan comes next. The difference between the three is clearer in the liberalized sectors. Departing from the common pattern, the United States has very low frequency for insurance, audiovisual, professional, and courier services, while it has nearly 100% frequency for auxiliary transport, maritime transport, internal waterway transport, basic telecommunications, and education services. Similarly Japan has very low frequency in basic telecommunication, while keeping high frequency for insurance, banking, road transport, and rental services.

Impediments Survey compares only patterns of restriction to services by 28 sectors between APEC member economies. For the purpose of reviewing restrictions to services in individual members we need to look into more details of the restrictions. First whether does a low frequency of a particular service sector result from greater liberalization over all aspect/mode for all groups in the sector, or more groups are liberalized in all aspect/mode while a few groups remain restricted. Second We need to go beyond checking the incidence or existence of restrictions but to analyze their probable impacts on service trade.

By means of the original 137 group data provided by the Impediments Survey group we can examine the restriction to services in Japan. The following groups are severely restricted in all aspect/mode, that is their frequency ratios are 100. They include voice telephone and telegraph in telecommunication, primary, secondary, and higher education; medical, dental, veterinary, and midwives & nurses in professional services; natural science and interdisciplinary R&D services; ships and aircraft rental services; passenger and freight transport of air, road, rail, maritime; radio and TV in audio visual services. On the other hand the following service groups are liberalized except for restricted presence of natural person (requiring professional licenses). They include a variety of engineering in professional services; computer services, advertising, market research, and market consulting in other business services; construction; distribution; tourism; and recreational services. Financial services, legal

and accounting belong to the third category, in which national treatment of cross-border supply and consumption abroad are fully liberalized while other aspect/mode are only partially bound.

1.5 IDE Study on Services

Some service sectors are not very efficient and weaken the competitiveness of the Japanese economy through their costly input to manufacturing and other sectors. This view has become widely shared by Japanese economists and a major focus of the current argument on deregulation is put on these service sectors. The IDE study on impediments to services trade covers seven services sectors selected from the GATS Commitment Tables (Table 1-1). They cover all service sectors often sited as inefficient and coincide with several service sectors identified by Osaka Action Agenda as its major focus.

Table 1-1 Sector Classification of Services Trade in GATS
Commitment Table

sectors	chapter no. and researchers
Professional	
Telecommunication	Ch.2 (Yamashita)
Construction	Ch.4 (Hiraki)
Distribution	Ch.8 (Oishi)
Education	
Environments	
Finance/Insurance	Ch.6 (Chano)
	Ch.7 (Okuda)
Health/Social business	Ch.5 (Yokota)
Tourism	
Leisure/Culture/Sports	

Transportation

Ch.3 (Terashima)

Individual researchers conducted in-depth studies according to a common format.

(1) First each researchers identified a sector under his or her charge in the WTO classification of services and examined current regulations the Japanese Government committed to the GATS. To be exact each researcher examined the frequency measures estimated for his or her sector by Impediments Survey against the rules and practices in Japan and revised the frequency measures if necessary.

(2) Each researcher also identified the price differentials or its equivalent measures reflecting the inefficiency or high cost of his or her sector. The he or she correlate the price differentials with the revised frequency measures of impediments mentioned above.

(3) Each researcher also assessed the ongoing liberalization efforts by the Japanese government, not only the APEC/IAP and continued negotiation under the WTO service negotiation but also its voluntary deregulation plans at home, and tried to identify how much will be liberalized and how much will still remain.

The following features of the frequency measures in the Impediments Survey were reported by many researchers as restricting its relevance to the current level of impediments in reality. (a) In some sectors its grading system based on the GATS Commitment Table is too mechanical to reflect the laws and practices in Japan. (b) Not all of four supply modes times two aspects are relevant for some Japanese service sectors. The total frequency figures should be calculated after eliminating these irrelevant mode and aspect. (c) The frequency measure of 0 to 100 percent does give the impression that all remaining regulations need to be removed someday, which does not fit the concept of the Commitment Table of GATS.

In addition to these in-depth studies, Kawai-Urata paper (Chapter 9) estimated the welfare cost of these services impediments to the Japanese economy as a whole using the Input-Output table. All eight chapters combined will make a pioneering effort of identifying impediments to services trade of Japan and their impacts on the Japanese economy as a whole. All readers are invited to refer to individual chapters in this discussion paper series.

Fig.1-2 Impediments to service trade by sectors for APEC average, Japan, and U.S.A. (indicators of the absence of commitments, %)

