

European Union, United States Raise Shared Concerns on Japan Post

Geneva – Today, European Union (EU) Chargé d’Affaires John Clarke and U.S. Ambassador to the World Trade Organization (WTO) Michael Punke met in Geneva with Japanese Ambassador Shinichi Kitajima to express long-standing and serious concerns that are shared by the EU and the United States regarding the lack of a level playing field between Japan Post and private sector companies in the insurance, banking, and express delivery sectors.

“We met jointly with Japan to underscore the deep level of concern that we both share regarding Japan’s preferential treatment of Japan Post in light of Japan’s national treatment commitments under the WTO,” explained Ambassador Punke.

Mr. Clarke and Ambassador Punke stated that both the United States and the EU remain neutral on whether Japan Post should be privatized, believing this to be a decision for Japan to make. However, they expressed disappointment that the draft postal reform legislation submitted to the Diet does not address U.S. and EU concerns about the preferential treatment that Japan Post currently receives compared to private sector companies. They also raised common concerns regarding provisions in the draft legislation that give Japan Post additional competitive advantages, including less rigorous regulation of Japan Post operations.

In addition, Mr. Clarke and Ambassador Punke cautioned that they are troubled by provisions that open the door for the Japan Post insurance and banking companies to expand the scope of their businesses before a level playing field is established.

“We strongly urge Japan to address our shared level playing field concerns and to live up to its WTO obligations as it proceeds with its postal reform legislation,” Mr. Clarke said. The two diplomats emphasized that the United States and the EU both look forward to continuing to work together with Japan to address these concerns.

BACKGROUND

Neither Advocating nor Opposing Privatization, Concerns about a Level Playing Field

The EU and the United States remain neutral on whether Japan Post should be privatized. However, reforms to Japan Post could have serious ramifications for competition, so both the EU and the United States continue to call on the Japanese government to take all necessary measures to achieve a level playing field between the Japan Post companies and private sector participants in Japan’s banking, insurance, and express delivery markets, consistent with its World Trade Organization (WTO) obligations.

Long-Standing Concerns Regarding Japan Post

The EU and the United States have for many years raised the issue of advantages conferred upon Japan Post’s insurance, banking, and express delivery operations as compared to private sector suppliers of the same services. We are concerned that these advantages have tilted the playing field in favour of the Japan Post operations in a way that is harmful to private companies, including foreign companies. For example, Japan Post Insurance’s preferential access to the postal network gives it a tremendous advantage over private financial companies. The critical objective is to establish equivalent conditions of competition between the Japan Post companies and the private sector, in a manner consistent with Japan’s WTO obligations.

New Concerns Regarding Japan’s Draft Legislation on Postal Reform

The EU and the United States are deeply concerned that proposals in the draft legislation will give Japan Post new competitive advantages that would further tilt the playing field in favour of Japan Post companies. One example is a provision that may allow less stringent auditing and reporting requirements for Japan Post.

Further and separately, we have also urged Japan to retain existing limitations on the Japan Post entities' insurance and banking operations until there is a level playing field. The draft legislation makes it easier for Japan Post to expand the scope of its business. Allowing Japan Post to issue new or modified products without first eliminating its competitive advantages would make the current problems worse and cause direct harm to private companies that currently sell competing products.

WTO Concerns

Under the WTO's General Agreement on Trade in Services, Japan has full national treatment commitments for insurance services. The EU and the United States urge Japan to address our shared level playing field concerns and to abide by its WTO obligations as it proceeds with its postal reform legislation.