

# Proposals for Japan's Trade Strategy—Outline

April 19, 2011  
Nippon Keidanren

## 1. Basic Approach to Trade Strategy

### (1) Current Situation and Challenges: The Urgent Need to Reformulate Japan's Trade Strategy

Foreign countries: Strategically tackling trade issues in pursuit of sources of growth and employment

Japan: Concerned about widening gap with South Korea in competitive conditions. Unable to take initiative in regional economic integration due to slowness in deciding to join TPP negotiations

→ **Japan urgently needs to clearly define the foundations of trade policy and implement it proactively and strategically with all due speed.**

### (2) The Focus of Trade Policy: Creation of Smooth Global Supply Chains

- With the increasing globalization of supply chains, companies require a trade and investment environment where the same rules are applied in as many countries and regions as possible.
  - To ensure growth of the Japanese economy, it is essential for Japanese companies to develop global supply chains while keeping core bases for production and development in Japan to maintain their domestic technologies and employment.
- **Japan should promote a trade strategy of creating smooth global supply chains including domestic bases.**

### (3) The Trade Strategy Japan Should Promote

**[WTO] Promote the expansion of various rules, incorporate the disciplines of diverse FTAs and regional agreements, and aim to harmonize and integrate them.**

→ Avoid problems arising from coexistence of different rules

→ Expand scope for application of higher level disciplines

**[EPA/Regional Economic Integration]**

**Proactively introduce new rules. Apply rules stipulated in agreements over a wider area.**

→ Ensure conformity with WTO

→ Link with efforts to expand and improve WTO rules

### Specific Measures

## 2. Expansion and Improvement of WTO Rules

### Basic Approach

**[Main Point]** The best way of creating smooth global supply chains is to expand and improve the WTO rules applied in all its member countries, which total over 150.

**[Challenge]** The most important challenge is to conclude within this year the Doha Round, now in its 10th year since the beginning of negotiations, and expand and improve WTO rules on this basis.

In doing so, it will be necessary to pursue the following objectives:

- Maintain and strengthen the WTO's dispute settlement system (quasi-judicial function) and mutual monitoring of agreement observance (administrative function)
- Refer other countries' measures that are inconsistent with WTO rules to the dispute settlement procedures
- Review the decision-making system of the WTO such as the consensus principle to enable the rapid establishment of rules

### Specific Measures

- (1) Conclusion of the Doha Round Within This Year
- (2) Expansion and Improvement of Rules (Post-Doha Round Issues)
  - 1) Disciplines concerning export restrictions on resources and foods
  - 2) Investment
  - 3) Electronic commerce
  - 4) Others
- (3) Promoting Membership (China) of the Agreement on Government Procurement
- (4) Promotion of WTO Membership (Russia, etc.)

## 4. Improvement of the Systemic Framework to Supplement the WTO and EPAs

### (1) Improvement of Legal Framework for Investment

- 1) Expansion and improvement of investment treaties
- 2) Expansion of the tax treaty network and improvement of existing tax treaties
- 3) Promotion of conclusion of social security agreements

### (2) Expansion of International Rules and Cooperation on Measures Against Counterfeit and Pirated Goods

### (3) Restructuring the Export Control System

### (4) Reconciling Facilitation of Trade with Security

### (5) Achieving Compatibility of Corporate Social Responsibility with Smooth Supply Chains

## 3. Extending the Reach of EPA Rules

**Basic approach:** Establishment of an ideal business environment putting Japanese companies on an equal footing with those of other countries

Promotion based the following frameworks including the USA, China, and EU, which account for the highest percentages of Japan's trade:

**[Trans-Pacific Partnership (TPP)]**

**[ASEAN+6]** As important as the TPP as a pathway to the FTAAP. By serving as a bridge between China and the USA, Japan can also meet the expectations of ASEAN countries.

**[Japan-EU Economic Integration Agreement (EIA)]** In order that the EU-South Korea FTA does not place Japanese companies in a disadvantageous position in the EU market for a long period, it will be essential to agree to launch negotiations at the Summit in May.

### Need for early participation in the TPP negotiations

- TPP, together with ASEAN+3 and ASEAN+6, is positioned as a basis for building the Free Trade Area of the Asia-Pacific (FTAAP) (Yokohama APEC Leaders' Declaration 2010)
  - Of these three, only the TPP is at the negotiation stage and close to realization. The USA has joined negotiations, and the TPP accounts for 25% of Japan's total trade and 41% of its direct investment balance.
- **If Japan does not join:** Sales of Japanese companies in TPP member countries would decrease, and domestic production bases for finished products and essential components would be transferred to TPP member countries.
- **If Japan joins:** Japan's point of view can be reflected in the creation of new rules for the 21st century and, through the FTAAP, these rules may become the global rules of the Asia-Pacific region and the WTO. This will increase business opportunities and help to maintain domestic production bases.

## 5. Promotion of Domestic Reforms to Withstand Growing Global Competition

### Basic Approach

To respond to increasingly fierce global competition resulting from the liberalization of trade and investment, Japan must rapidly implement radical domestic reforms.

→ Vigorous efforts toward realization of a strong agricultural sector

→ Fostering and securing of wide-ranging human resources to enhance competitiveness

→ Development of business environment that places Japan on an equal footing with other countries through reforms of regulations and systems