

Proposals for Redefining Trade Strategy

– Towards a proactive new trade strategy that takes the initiative to establish global rules –
[Outline]

1. Basic Approach

(1) Current Situation and Challenges

- a. With the WTO Doha Round in deadlock, **countries around the world are accelerating their efforts to establish new trade rules through free trade agreements including mega-FTAs (such as the Trans-Pacific Partnership(TPP), the Transatlantic Trade and Invest Partnership (a US-EU FTA) and the Trade in Services Agreement (TISA). Protectionism (including tariff increases and preferential treatment for domestic products) is on the rise, especially in emerging and developing countries, and there are concerns about ensuring compliance with existing multilateral trade rules.**
- b. **A growing number of situations are not covered by existing trade rules.** Services have come to represent a relatively higher proportion of economic activity, **value chains have become more important**, and **technological advances** such as cloud computing **have given rise to new business models.**
- c. **Delays in concluding EPAs/FTAs** has hampered competitive conditions in Japan and **restricted the number of global businesses choosing Japan as a base.**

(2) New Perspectives Required for Trade Strategy

- a. **Facilitation of global supply chains and value chains that incorporate Japan** and are suited to current business models.
- b. **Mitigation of the “spaghetti bowl” effect caused by coexistence of multiple trade rules** as Japan conducts several large-scale FTA negotiations simultaneously.
- c. **Maintenance and strengthening of WTO mechanisms aimed at deterring protectionism**, to ensure that confidence in the WTO multilateral free trade system is not undermined.



(3) The Trade Strategy Japan Should Promote

- a. **Pursue Regional FTAs** (TPP, Japan-China-Korea FTA, RCEP as a step towards FTAAP, Japan-EU EPA).
- b. **Establish a common approach as a “unified axis” for Japan to negotiate trade and investment rules to ensure coherency across Japan's various FTAs** with a view to establishing rules that can be adopted in the future multilateral regime (part of WTO agreement).
- c. **Proactively pursue issue/sector-specific agreements** (e.g., revision of WTO Information Technology Agreement [ITA], the Trade in Services Agreement [TISA]) and encourage developing country involvement in such agreements.
- d. **Continue utilization of WTO functions (compliance monitoring and dispute settlement)** and efforts to amend and formulate rules.
- e. **Supplement with investment treaties, tax treaties, and social security agreements**, and promote APEC initiatives, etc.

(4) Establish Trade Strategy Structure for Japan

- a. Structural improvement: **establish unified government structure for pursuing negotiations** on multiple large-scale FTAs and strengthen negotiating capabilities, including increasing the number and quality of negotiators.
- b. Measures for structural reinforcement: appoint a single designated **“Minister Responsible for Trade”**, establish a **“trade strategy headquarters”** and a **“trade policy advisory council”** (tentative names), and a **secretariat under the direct control of the minister and headquarters**. Strengthen control by the Prime Minister’s Office, assemble hand-picked officials, and utilize private-sector knowledge. Based on a road map and specific goals, build a cooperative structure between the public and private sectors while maintaining close links with negotiators.

2. FTA Initiatives with a View to Creating Multilateral Rules

FTAs enable Japan to actively create trade and investment rules that will regain and enhance Japanese competitiveness, maintain and expand domestic business bases, increase employment opportunities, and enhance economic growth.

- **Our goal is to create FTAAP by 2020**
- To achieve this goal, Japan should be **actively partake in establishing rules through TPP negotiations**, while also **promoting RCEP and a Japan-China-Korea FTA**.
- At the same time, Japan should pursue a **Japan-EU EPA** with the aim of **establishing global rules** while maintaining consistency with regulations under TPP and other regional agreements.
- Japan should swiftly conclude FTAs under negotiation (Australia, Canada, Colombia, Mongolia, Gulf Cooperation Council [GCC], Korea), promptly begin negotiations with Turkey, and revise existing FTAs (such as ASEAN).
- Establish TPP Project Team within Keidanren and contribute to negotiation process by making specific proposals

Towards multilateral WTO rules

Achieve harmonized rules among FTA frameworks through a coherent approach to negotiations as a "unified axis"

3. Expansion of Multilateral Rules Building on WTO

(1) Approach to Multilateral Free Trade System

- Reach agreement on aspects of the Doha Round, beginning with areas of consensus
- Develop FTAs and issue/sector-specific agreements into rules within WTO
- Request WTO dispute settlement procedures for infringements of the WTO agreement by other countries and work to address measures that are detrimental to trade liberalization

(2) Participation in Issue/Sector-Specific Rule Creation by Like-minded Countries

- Expand the coverage of the Information Technology Agreement (ITA) (add multifunctional products, digital network home appliances, and medical/healthcare products) and increase ITA membership (to include emerging countries in Latin America)**
- Conclude negotiations on a new Trade in Services Agreement [TISA] (achieve high-level liberalization, including developing countries)**
- Expand the Agreement on Government Procurement (quickly include China in membership)

4. "Unified Axis": Issue/Sector-Specific Coherent Approach with a View to Developing Multilateral Rules - What Japan Should Aim For (Example) - Items to be addressed in negotiations for FTAs, issue/sector-specific agreements, etc. with a view to creating shared multilateral rules as part of future WTO agreement (by strengthening Japan-US-Europe partnership, utilizing APEC)

(1) Liberalization of goods in which Japan has strengths (environmental goods, medical/healthcare products, etc.)

(2) Simpler and smoother customs procedures (rules of origin, single-window systems)

(3) Disciplines concerning export restrictions on natural resources and foods

(4) ICT services (e-commerce, telecommunications)

(5) Intellectual property rights (measures to deal with counterfeit and pirated goods)

(6) Investment protection and liberalization

(7) Prohibition of government restrictions on payment of royalties and overseas remittance

(8) Competition policy: ensuring level playing field for state-owned enterprises and private firms

(9) Trade measures and rules for preservation of the environment/biodiversity

5. Improvement of Frameworks to Supplement the WTO, FTAs, Issue/Sector-Specific Agreements

- Bilateral Investment Treaties:** [Under negotiation, discussion or preparation, and requiring swift conclusion] Saudi Arabia, Kazakhstan, Angola, Ukraine, Algeria, Mozambique, Uruguay, Myanmar, Oman, Morocco, Libya, Qatar [Requiring consideration] Brazil, South Africa, United Arab Emirates, Argentina, Venezuela, Nigeria, Iran, Bahrain, Panama, Bolivia, Israel
- Tax treaties:** [Requiring revision] China, India, Thailand, Indonesia, Singapore, Malaysia, Korea, Vietnam, Brazil, Germany, Russia [Requiring negotiation] Taiwan, Chile, Myanmar, Argentina, Venezuela, Colombia, Nigeria
- Social security agreements:** [Under negotiation or consultation and requiring swift conclusion] Hungary, Luxembourg, Sweden, Austria, Slovakia, Finland, China, Philippines, Turkey [Requiring negotiation] Portugal, Mexico, Russia
- Restructuring the export control system**
- Compatibility of corporate social responsibility with smooth supply chains**

6. Promotion of Domestic Reforms to Thrive in Global Competition

(1) Enhancing Competitiveness of Agriculture and Developing It into a Growth Industry

- Consolidate farmland to expand scale of operations and improve efficiency and reform direct payment scheme
- Promote agricultural-commercial-industrial collaborations, "Sixth Industrialization" (i.e., turning agriculture, forestry, and fisheries into value-added industries by integrating, among others, processing and/or retailing functions with them), and agricultural exports
- Obtain favorable terms to meet the national interest in its negotiations for the TPP and other FTAs and implement a comprehensive package of necessary domestic measures based on the progress of both domestic structural reforms and international negotiations

(2) Reform of Other Domestic Rules/Regulations and Systems

- Improve the business environment in industries including medical treatment, nursing care, childcare, agriculture, ICT, and smart cities
- Reform employment regulations to encourage labor market participation by women and older people and secure labor market mobility
- Improve systems and working environment to accept a wide range of foreign personnel