

Towards the Implementation of Strategic Trade Policies –A Grand Design of Japan’s Policy as Nation Built on Trade–

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The Need for a Grand Design

Expansion of International Business and Trade Policies of Foreign Governments

- The globalization of business activities
 - An increase of international rules and standards influence in business activities
 - Active promotion of Free Trade Agreements, WTO liberalization and rule making by the EU and U.S.
- There has been inadequate discussion of Japan’s overall trade policy. Japan lacks a clear strategic vision to guide its business activities.

Future Outlook for Regional Economic Integration and the WTO

- The network of FTAs with various nations is expected to expand further.
 - The number of WTO members will increase and the issues discussed in new rounds of negotiations will continue to expand.
- In line with these trends, it is important for Japan to develop a ‘Grand Design’ of trade policies and to implement these policies strategically. Trade policies must create a business environment that enables firms to manage their resources effectively maximizing their productivity.

Trade Liberalization and Strengthening of Rules Within the WTO

Japan’s basic trade policy aims to promote the liberalization of trade and investment and to strengthen rules at the WTO, following the basic principle of free, multilateral and non-discriminatory trade with a fair dispute settlement mechanism.

It is important to launch a new round of comprehensive negotiations at the WTO Ministerial Conference in Doha, Qatar this November.

- General consensus of WTO members regarding the negotiating agenda should be reached before summer this year.
- In particular, more cooperation is needed between the public and private sectors in Japan to persuade developing countries to participate, to strengthen ties with Europe and to call upon the U.S. to increase its involvement in the next round of negotiations.
- Japan must work toward the inclusion of the following issues in the agenda of the negotiations: (1) The Built-in-Agenda (trade in services and agriculture); (2) Reduction of tariffs on industrial products; (3) Review of the Anti-Dumping Agreement; (4) Establishment of investment rules.

In order to assist developing nations in implementing the WTO agreements, it is necessary to undertake capacity building measures with financial and technical cooperation through both bilateral assistance and the schemes of international institutions such as APEC.

Strategic Trade Policies

Basic Guidelines for Trade Policies

Recognizing Japan is a Nation Built on trade and in order to ensure the overall welfare of the Japanese economy, it is imperative to develop strategic trade policies that contribute to strengthening the global competitiveness of Japanese industries.

- (1) Promote a multilateral trade system centering on the WTO while proactively concluding bilateral and regional trade agreements.
- (2) Remove barriers to free cross-border movement of business resources (people, goods, services, capital and information), maintain transparency and work towards achieving the harmonization of domestic business regulations with international standards.
- (3) Promote domestic structural and systemic reforms along with the realignment of trade policies through strong political leadership. Policies should utilize the experience and reflect the needs of the private sector.

Promoting Bilateral and Regional Agreements

Bilateral and regional agreements through FTAs should be promoted to enhance regional integration taking advantage of regional characteristics, allowing further liberalization and trade rules to be established, and to promote the WTO system.

1. East Asian Market Integration: An efficient network of production will be established in the Asian region, deepening the division of labor within industries. It will also strengthen the competitiveness of the entire East Asia region.
For the time being, (1) Japan should conclude an FTA with Republic of Korea; (2) Japan, Republic of Korea, and Singapore should conclude FTAs with other countries in the region; (3) Japan should give its full support to the completion of AFTA (ASEAN Free Trade Area). In line with these moves, Japan should engage in capacity building to assist China in following the WTO rules. In the long-term, the integration of markets in East Asia will be achieved with China’s participation.
2. Free Trade Agreement Between Japan and the U.S.: Japan should discuss concluding a FTA with its largest trade and investment partner, the U.S. On the other hand, it is worth considering, as a transitional measure, the formation of an ‘Agreement for Promotion of Economic Relations’, whereby the issue of trade in goods is excluded from an FTA.
3. Others
Latin America: Conclude FTAs with Mexico, Chile and other major nations to create a stronger foothold in the region
EU: Strengthen ties through expansion of Mutual Recognition Agreements (MRA)
APEC: Utilize APEC to promote the liberalization and facilitation of trade and investment

Domestic Structural and Systemic Reforms

Advancing Domestic Reforms

- (1) Promoting Adjustment of Industrial Structure: Globally uncompetitive industries must strengthen their competitiveness through self-help efforts. The government should promote adjustment of industrial structure in order to support management reform efforts. It is necessary for Japan to make radical regulatory reforms following the principle of “abolishing economic regulations and reducing social regulations to the minimum.”
- (2) Promoting Agricultural Policy Reform: Japan must abolish the price support policy, increase productivity and strengthen competitiveness through nurturing business-oriented full-time farmers, increasing the scale of production, and promoting the optimal use of land. A system stabilizing farmers’ business should be introduced consistently with the WTO Agreement on Agriculture. A crisis management system should also be created.

Creating Domestic Laws and Regulations Related to Trade Policies

- (1) Legal Process to Counter Against Unfair Trade Practices by Foreign Governments: Legal procedures, referring to the Trade Barrier Regulation of the EU, should be established to allow firms and industries that have suffered as a result of unfair trade practices by foreign governments in violation of WTO or other trade agreements to call upon their government to take some form of countermeasures.
- (2) Measures in Response to Damage from Foreign Imports: In the event of Japan’s enforcing of anti-dumping or safeguard measures as a response to further liberalization, it is important that these measures are consistent with WTO agreements and enforced through transparent legal procedures. In particular, in the event of safeguard measures, it is vital to consider national interests and to promote structural adjustments of the industry in question.