

A world map with a light blue background. The map is overlaid with various national flags, including the United States, Canada, the United Kingdom, and Australia. The text is centered over the map.

# **Expectations of the OECD in an Increasingly Complex World -On the 60th Anniversary of Japan's Accession to the OECD- (Abstract)**

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Keidanren (Japan Business Federation)



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- This year marks the 60th anniversary of Japan's accession to the OECD in 1964. Japan serves as Chair of the OECD Ministerial Council for the first time in 10 years.
- Japan has a great responsibility to steer global governance. At the same time, this is an excellent opportunity to enhance its international presence by exercising leadership in rebuilding a free and open international economic order.



- Since its founding in 1961, OECD is contributing to free and open international economic order by presenting standards for developed countries, based on its research, analysis and recommendations.



- By increasingly confrontational and divisive world, free and open international economic order faces at great danger.
- As the share of OECD members in the world economy declines with the emergence of the Global South, the nature of global governance, including OECD, is being questioned.

- While Japan conducts responsibilities after joining the OECD, Japan realized high growth through benefiting from the free and open international economic order.



- Japan is at a turning point, which determine whether it can maintain its status as advanced nations.
- Japan must shape its future so that we can look back on the sixty anniversary as an opportunity to remain an advanced nation by re-committing itself to globalization “re-globalization” and making its economy and society stronger.

We sincerely hope that the OECD is an organization which contributes to maintaining and strengthening free and open international economic order on which Japan depends.

# 1. International Environment and Japan's Current Situation

- In a world with intertwined issues, overcoming confrontation and division and rebuilding a free and open international economic order is like undertaking a voyage without a chart.
- To secure as much predictability as possible, the followings are necessary; (a) evidence-based policy making, (b) selecting most appropriate policy based on objective evaluation of the impact, (c) fostering, formulating, and implementing norms and rules.

## International Tensions

- Various restrictions are being imposed on trade and investment
- Measures violating national treatment have been taken
- Globalization have been highlighted as causes of widening disparities and adverse effects on employment



## Economic Activities

- Trade volume growth slows, but companies operate globally
- Cross-border data distribution volume has increased significantly
- Appropriate use of technologies that are advancing rapidly and non-linearly is an important issue

## Japan

- Japan is not immune to the changes in the international environment
- With declining population, it is essential for Japan to capture overseas demand as well as a stable supply of food energy resources

**To overcoming confrontation and division, and rebuilding a free and open international economic order is like a Voyage without a Chart**

- ① Formulate policies based on concrete evidence to understand the reality of complex situations as accurately as possible
- ② Formulate multiple measures to address the issue, evaluate their impact, and select the most appropriate policy
- ③ Formulate and implement norms and rules to promote cooperation among countries and regions and avoid unnecessary conflicts

## 2. The Current Status of the OECD and Japan's Position

- The OECD currently consists of 38 countries. Two-thirds are in Europe.
- The OECD examines issues in a variety of fields in each of its policy committees. The outcomes contribute to the formation of international norms and rules.
- As the functions of other institutions decline, the OECD, which shares values, is a valuable forum for constructive discussion.
- Japan is expected to play an important role in introducing Asian views and bringing universality to OECD standards

### ■ OECD Members and Candidates



(38 member countries)



- Japan
- UK
- USA
- Canada
- Germany
- France
- Italy
- EU

- Netherlands
- Belgium
- Luxembourg
- Finland
- Sweden
- Austria
- Denmark
- Spain
- Portugal
- Greece
- Mexico
- Australia
- New Zealand
- Switzerland
- Ireland
- Czech Republic
- Hungary
- Norway
- Iceland
- Türkiye
- Korea
- Poland
- Slovakia
- Estonia
- Chile
- Israel
- Colombia
- Costa Rica
- Slovenia
- Latvia
- Lithuania

### Candidates

- Croatia
- Brazil
- Bulgaria
- Peru
- Romania
- Argentina
- (Accession discussions opened in Jan. 2022)
- Indonesia
- (Accession discussions opened in Feb. 2024)


\* India Begins Accession discussions to IEA

### 3. Role Expected of the OECD

#### (1) Supporting policy establishment through collection, analysis, and provision of evidence

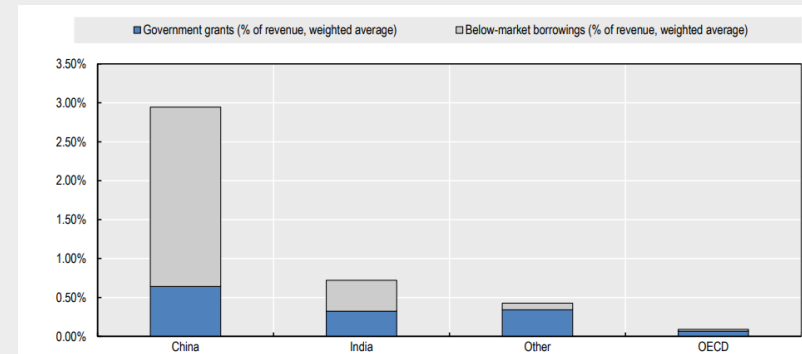
- In this complex world, where conflict and cooperation are intertwined, it is important to accurately grasp the actual situation and visualize the problems.
- The OECD collects data in various fields from governments and international organizations, enabling international comparisons. In addition, even for issues that have not yet been defined internationally, the OECD monitors and analyzes the policies of each country and provides evidence by classifying them.
- Now is the time to fully demonstrate and strengthen its think tank function.

#### e.g. Trade in Value Added (TiVA)

- Widening disparities within member states became headwinds of trade liberalization and decarbonization becomes an important issue
  - The OECD uses TiVA statistics to show the impact of other countries' demand on employment through trade and CO2 emissions associated with the production of imported goods
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- Useful in eliminating protectionism and promoting trade liberalization as well as aiding deeper discussion of trade and the environment.

#### e.g. Market-distorting subsidies

- It is difficult to ascertain the actual market-distorting subsidies, since the WTO obligation to notify subsidies is not complied with and measures taken by countries lack transparency
- The OECD has identified government supports for industries



Note: Data are expressed relative to the sales revenue of the firms covered in the study over the period 2005-19.  
Source: OECD (2021<sup>[10]</sup>).

- Efforts should be made to raise public awareness of such evidence, as well as to grasp the reality of new issues that arise in severe international situations (e.g., deterring acts of economic coercion).



### 3. Role Expected of the OECD

## (2) Contributing to better policy formation through assessment of policy impact

- The OECD's modeling and other analyses using data and evidence can predict the impact of various policies and contribute to evaluating policies objectively. This is expected to contribute to better policy selection by each country.
- OECD's ability to share best practices will enable each country to select better policy.
- By establishing a certification framework based on objective assessment of policy impact, countries could be encouraged to adopt better policies.
- Peer review is an effective way to ensure accountability and effectiveness, but reviewer's objectivity is a prerequisite.

#### Policy Impact Assessment e.g. Moratorium on imposition of customs duties on electronic transmissions

- Some countries raised objections to the current practice of not imposing tariffs on electronic transmissions
- The OECD has estimated that the potential impact of tariff revenues reduced by the moratorium is small
- Expect the OECD will work with the WTO to make the moratorium permanent.

#### Sharing Best Practice e.g. IFCMA

- Allowing various pathways is necessary to tackle climate change.
- Expectations of the IFCMA is high, whose objective is to measure climate change policies and promote multilateral dialogue.
- Expect that effective climate change measures compatible with economic growth will be shared.

#### Certification Framework e.g. Reduction of illicit trade

- The OECD pointed out the importance of ensuring transparency in free trade zones to reduce illicit trade.
- The OECD has advocated the establishment of a framework to certify free trade zones
- Expect that the spread of the certification framework will increase transparency in free trade areas and reduce illegal trade

### 3. Role Expected of the OECD

#### (3) Leading international rule-making

##### (i) Rule-making in new fields

- OECD discusses measures to address new issues requiring international coordination.
- If each country takes its own countermeasures, there is a risk of regulatory overlap, inconsistency, or loopholes among countries. The significance of formulating internationally applicable rules through the OECD is high.
- Even if political attitudes that encourage divisions among member countries are evident, it is expected that the OECD will quantify the negative effects and encourage the adoption of better policies.

##### e.g. International taxation

- Inclusive framework with over 140 countries promotes international taxation rule making based on the opinions of the business.
- OECD, which has accumulated discussions including non-member countries, should continue to examine the issue and reach a conclusion. The discussion should not be shifted to other fora.
- Companies need to invest money to deal with new rules. Its practical burden should be reduced, and predictability should be increased
- Unilateral tax measures such as digital service taxes or country-specific national reporting should be withdrawn.

##### e.g. DFFT

- Regulations on cross-border data flow differ from country to country.
- We welcome the establishment of an international framework in the OECD to implement DFFT.
- Expect that concrete rules will be formulated through discussions to eliminate bottlenecks in each working group with participation from the business community
- Expect that discussions will be initiated to strengthen the structure and involvement of member countries.

##### e.g. AI

- As countries consider rules on AI, international coordination is necessary to avoid excessive suppression of AI usage and innovation, and to avoid inconsistencies or loopholes in rules
- The OECD AI Principles are expected to reflect the outcomes of the G7 Hiroshima AI Process



### 3. Role Expected of the OECD

#### (ii) Ensuring the effectiveness of international rules (promoting the adoption of OECD rules by non-member countries)

- To ensure the effectiveness of international rules, cooperation with non-OECD countries is essential. It is also necessary to advocate the merits of adopting OECD rules to non-OECD countries.
- This will ensure a level playing field between OECD and non-OECD countries.
- Implementing support measures such as capacity building or showing the necessity of adopting and complying with international rules in to participate in the global supply chain is needed.

#### Supporting the adoption of rules e.g. International taxation

- To facilitate the smooth implementation of the project on taxation challenges associated with the digital economy, the OECD is working to build capacity and provide technical assistance to tax administrations in developing countries. (The OECD provides a 2-3 year support program for developing countries aiming to introduce a system to address BEPS-related issues)
- This is an important effort to remove or reduce obstacles to the adoption of rules based on OECD discussion with non-member countries

#### Ensuring the effectiveness of rules e.g. Official Export Credit Arrangements

- Export Credit Arrangement regulates the terms of official support to ensure that such support does not lead to excessive competition
- Ensuring a level playing field with countries not participating in the Arrangement is an issue
- International Working Group including China was established in 2012. However, since there was no progress in the formulation of the rules, its activity was suspended
- The Arrangement was revised last year considering competitive conditions with non-participating countries
- It is essential to work with the western countries and the EU to ensure fair competitive conditions with non-participating countries.

# 4. OECD Organization and Management

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## (1) Improving global governance by expanding membership

- To improve global governance, it is critical for the OECD to strengthen relationships with non-member countries beyond individual rules.
- One way of achieving this is to expand membership.

- Considering the shifting center of global power, Global South countries that have made certain contributions to ensuring global governance through fora such as the G20 would be candidates.

- Sharing the fundamental values (freedom, democracy, the rule of law, and respect for human rights), a key characteristic of the OECD, and maintaining like-mindedness among members to prioritize a free and open international economic system, will be prerequisites to making appropriate decisions.

- In the accession process, in order not to make membership expansion itself an objective, candidate countries should be encouraged to make necessary reforms, and their willingness and capacity to abide by OECD rules should be checked thoroughly.
- If these prerequisites are not confirmed, engagement with such countries should be enhanced, and they should be called upon to adopt and comply with OECD rules in individual sectors.

# 4. OECD Organization and Management

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## (2) Presenting better alternatives by reflecting views of business community

- For OECD outcomes to contribute to resolving practical economic issues, it is essential to go beyond statistical analysis and listen to the opinions of business, which is a key player in the economy.
- OECD should prioritize the opinions of BIAC, whose opinions reflect the interests of the business community rather than individual companies.
- In listening to opinions of various other stakeholders, the OECD should consider imposing a certain level of accountability on stakeholders to ensure public interest.

### e.g. Guidelines for Multinational Enterprises

- The OECD Guidelines for Multinational Enterprises were revised in 2023.
- Original draft included unrealistic items, such as requiring due diligence in the value chain, including consumers.
- Based on input from business, guidelines were revised to what companies can comply.
- In revising the guidance, business (BIAC) should be involved from early stages of discussion to ensure that content is realistic and companies can comply.

### e.g. Early 4 AdMa\*

- OECD Working Party on Manufactured Nanomaterials (WPMN) decided to accelerate discussion of new chemical management provisions for advanced materials.
- Early4AdMa was developed to identify safety, sustainability, and regulatory issues.
- In promoting the development of sustainable and useful materials and substances, it is important to appropriately identify risks to be avoided, and to proceed with discussion based on data provided by each country.

\*Early awareness and action system for advanced materials

# 4. OECD Organization and Management

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## (3) Responding to complex issues via cross-sector discussions

- As complex cross-sector issues increase and the need for relevant committees to work together increases, the OECD is responding by establishing joint meetings.
- Committees' mandates should mention collaboration with other committees as necessary to address cross-sector issues.

## (4) Establishment and dissemination of norms and rules through cooperation with the G7, G20, and other bodies

- OECD is contributing to G7 discussions by providing evidence and policies.
- Expect that a virtuous cycle in which consensus reached at G7 will be developed to rules at the OECD.
- It is important to deepen cooperation with the G20 to lead to the adoption of OECD rules by non-member countries

## (5) Improving awareness by strengthening public relations functions

- Since the OECD is engaged in various areas with specific and specialized content, it does not necessarily have a high degree of public awareness compared to its extensive contribution to policy discussions
- It is important to further publicize its recommendations and reports so that they can be properly evaluated.

## Collaboration with the G7, G20, etc.

- At the G7 last year, the OECD provided basis for intergovernmental discussions, including a report on government support for the industrial sector and the results of a study on data localization measures
- Expect that G7 agreement, such as G7 Hiroshima AI Process will be disseminated to the OECD members.
- OECD estimation and presentation of the impact of trade liberalization is expected to have the effect of encouraging them to take liberalization measures.

# 5. Expectations of the Japanese government

## (1) Active engagement in rule formation

- Japan needs to engage more in rule formation from initial stages to reflect Japan's values and contribute to strengthening Japanese companies' competitiveness.
- it is important to materialize last year's G7's results.
- More efforts is necessary to obtain committee chair posts and increase the number of Japanese staff.

## (2) Bridging gaps to achieve agreement

- When Europe and the US take different stances, it becomes difficult to reach agreement within the OECD.
- In such situations, Japan needs to bridge the gap between the two and contribute to the formation of an agreement.

## (3) Reflection of Asian viewpoint

- Japan should showcase the merits of complying OECD rules and share knowledge, provide support to countries that showed willingness to comply OECD rules.
- Outreach activities through the Southeast Asia Regional Program are significant.
- It is also important to reflect Asian perspectives in OECD rules.

## Reflecting an Asian Perspective: [The Blue Dot Network](#)

- The Blue Dot Network can be an important tool for promoting the benefits of quality infrastructure.
- The current draft contains wide-ranging and detailed criteria to verify the quality of infrastructure, which could place excessive burdens on companies and result in underutilization. Thus, screening items should be simplified as much as possible.
- From the viewpoint of encouraging various and steady efforts toward decarbonization in developing countries, technologies in the transition stage such as co-firing and mono-firing of hydrogen and ammonia in thermal power generation should also be included

# 6. Activities of Keidanren and BIAC

- BIAC expresses its views in a wide range of areas to ensure that OECD's research, analysis, and policy recommendations reflect the realities of the economy and contribute to free and open international economic order.
- Keidanren will continue to actively participate in BIAC activities and provide input from the perspective of the Japanese business
- Keidanren will advocate the benefits of adopting and complying to the OECD rules in dialogues with the business communities of countries that have indicated their intention to join the OECD



**BUSINESS**atOECD



- Established in March 1962
- 47 associations from 38 countries participate
- Run by private finance including contribution from member organizations

- **Recommend/dispatch suitable personnel from companies/business associations to BIAC activities**
- **Comment/reflect to BIAC's policy proposals.**

## Members of BIAC

- Keidanren (Japan Business Federation) participate from Japan
- Business organizations from non-OECD members, such as accession candidates, participate as observers (14 associations from 12 countries)