


1. Emerging Trade Friction under the Current WTO

—Need for reform of the WTO, to restore its pull as an international body that responds to members' issues of concern

The WTO's multilateral trading system is the foundation of the global trade order (curbing protectionism, contributing to global economic development, reduction of poverty)

- ◆ U.S-China trade friction
Background (1) **Market-distorting measures** (State-Owned Enterprises, industry subsidies)
(2) **Trade-restricting measures** (data localization, forced technology transfer)
- ◆ There is considerable **divergence in current economic conditions and original WTO rules** (technological innovation, expansion of digital trade)
- ◆ United States' blocking of appointments to the Appellate Body in the WTO's dispute settlement system (quasi-judicial proceedings) (Reason: Appellate Body overstepping its authority under the WTO Agreement)
- ◆ United States' approach of seeking the address of trade measures it considers unfair through **the imposition of tariffs based on its domestic laws**
→ **Escalation of trade friction**

 Growing momentum for reform of the WTO (G20 Buenos Aires Summit Declaration: Support the necessary reform of the WTO to improve its functioning)
WTO members should participate in sincere and constructive discussions, to achieve reforms that will enable the WTO to function effectively as the foundation of a rule-based international economic order

2. Reforms of Systems for the Restoration of WTO's Functions — Toward inclusive economic growth around the world

(1) Reinvigorating trade liberalization and rule-making functions

- a. **Promotion of new methods of trade liberalization and rule-making (WTO doha Round in deadlock)**
 - i) **Electronic commerce**
Exploratory work by like-minded countries should lead to the **initiation of actual negotiations at the early stage**
Aim for many participating countries and disciplines of a high standard
Free flow of cross-border data, prohibition of mandatory requirements by the government to locate computing facilities within its territory, prohibition of requirements for disclosure of source codes, etc., permanent obligation not to impose customs duties on electronic transmissions, non-discriminatory treatment of digital products, etc.
 - ii) **Other liberalization and rule-making approaches**
Services Domestic Regulation, Information Technology Agreement (ITA), Government Procurement Agreement (GPA), Environmental Goods Agreement (EGA), new Trade in Services Agreement (TISA)
- b. **Promotion of a level playing field**
Reinforcement of disciplines concerning **market-distorting industrial subsidies and State-Owned Enterprises**
Development of rules concerning **forced technology transfer**
- c. **Elevation of EPA/FTA disciplines to the WTO**
Consider consolidating various agreements into disciplines under WTO agreements
- d. **Active promotion of plurilateral negotiation (approach for sector-specific negotiation among several countries)**
On the premise that those negotiations are open to other members to join at a later stage, **members that do not agree must not be allowed to block the initiation of negotiations** (Overcome the principle of consensus)
- e. **Definition of developing countries and clarification of special and differential treatment**
Adoption of clear economic criteria
Emerging countries with large economies should immediately undertake full commitments in various agreements
- f. **Expansion of Secretariat support for the advancement of negotiations**
Provide preparation/proposal of possible solutions, collection/analysis of objective data

(2) Strengthening of implementation monitoring function

- Strengthening of disciplines regarding notification requirements**
 - **Strengthening of the notification requirements regarding subsidies, etc.** (for late notifications, encourages explanation of the reasons for the delay and the anticipated time-frame for notification, **application of penalties**)
 - Reinforcement and thorough implementation of notification requirements for members' disclosure regarding application of trade remedies
- Active utilization and reinforcement of activities of regular committees, etc.**
 - Actively raise issues at the respective Council or committee and participate in constructive discussion
 - Take reference from other committees' activities that have proven effective and review Councils' and committees' implementation monitoring activities

(3) Reform of the dispute settlement system

— Expectations for concrete discussions toward the immediate restoration of the functions of the Appellate Body

- Hope for serious engagement by the United States and other interested members
- Concerns raised by the United States: Concrete discussions that address those concerns, including the scope of the Appellate Body's authority
- Functions needed to ensure the steady implementation of WTO agreements should not be undermined
- Call for improvements that will contribute to the early resolution of disputes, taking the speed of business into consideration

3. Promotion of Economic Partnerships, etc. to Supplement the WTO

— Continued liberalization and expansion of progressive rules through economic partnership agreements (EPAs), etc.

Japan, as President of the G20 for 2019, must leverage the outcomes of the CPTPP (TPP11) (entered into force in December 2018) and the Japan-EU EPA (enters into force in February 2019) and advocate the importance of a rule-based, free and open international economic order

- **RCEP, Japan-Turkey EPA**: Conclude with comprehensive, high-quality contents in 2019
- **Japan-China-ROK FTA**: Early realization to a high standard
- **EPA with Mercosur**: Early initiation of negotiations
- Pursue conclusion of investment agreements, tax treaties, and social security agreements
- **TPP11**: Pursue expansion of TPP11 participants by welcoming others that share the same values; Hope for return of the United States
- **Trade talks with the United States**: Expectations that it will contribute to expansion of U.S.-Japan trade and to the economic development of the region

4. Roles of Japan and its Business Sector

— Hopes for Japan's leadership as G20 President

- **Trade and investment are the wellspring of economic growth**, and every country, including developing countries, must **create an environment in which its citizens can widely enjoy the benefits of that growth**
- It is essential for all countries to **maintain and strengthen rule-based, free and open business environments** under the WTO's multilateral trade system, **curb any protectionist and trade-restricting measures and unilateral actions** that are not based on rules
- During its presidency of the 2019 G20, it is important that Japan promote the reform of the WTO and display leadership through various forums, including its trilateral talks with the United States and the EU
- To pursue these endeavors in a proactive way, the Japanese business sector should strive to **communicate the significance** of a rule-based, free and open, **multilateral international economic order, which will contribute to the SDGs**