

I Changes in the Trade and Investment Environment

Fears of a Shift to a Bloc Economy

- ◆ The global economy has shifted from “integration” to “dispersion.” If the world were divided into blocs, the world would lose about 2.5-7% of its GDP. Action is required to avoid further “dispersion.”

Growing Importance of Economic Security

- ◆ The security scope has extended to the economic field. Excessive dependence on specific countries and regions should be avoided. It is necessary to strengthen supply chains by enhancing cooperation with like-minded countries and to establish rules aimed at deterring economic coercion.

Growing Importance of Sustainability

- ◆ Countermeasures against climate change sometimes create tension with free and fair trade and investment. Supply of some essential GX goods depends heavily on specific countries and regions. It is necessary to create rules for smooth trade and to strengthen supply chains by enhancing cooperation with like-minded countries.

The time has come to reconstruct a free and open international economic order. This proposal goes into the details of the “reconstruction” and **seeks to stimulate domestic and international debate** by presenting the basic direction for the reconstruction and current possible measures. **The knowledge gained through these discussions will be utilized in the formulation of the “Future Design 2040”.**

II Basic Direction for the Reconstruction of the Free and Open International Economic Order

1) Free and fair trade and investment (Fairness and Equity)

- Achieving free and fair trade and investment in plurilateral and bilateral agreements
- Ensuring the highest possible level of content, in terms of both market access and rules
- Paying attention to ensuring national treatment
- Promoting WTO Reform

Strengthening Ties with the Global South

(※refer to the proposal in April 2024)

2) Economic security (Resilience)

- Deterring economic coercion while the dispute settlement mechanism is not functioning
- Strengthening supply chains to correct excessive dependence

To promote free and fair trade and investment, economic security, and sustainability in an integrated and mutually reinforcing manner

3) Sustainability

- Smooth distribution of environmentally friendly goods and services
- Diversifying supply chains to avoid excessive dependence

III Maintaining and Strengthening Free and Fair Trade and Investment

- ✓ EPA/FTA
 - CPTPP (Expanding the Membership, improving its rules, etc.)
 - RCEP (Ensuring implementation by the participating countries, expanding tariff reduction targets and expediting the schedule for elimination)
 - Accelerate negotiations for Japan-China-Republic of Korea FTA
 - EPAs/FTAs with the Global South (Mercosur, EPA with GCC, etc.)
- ✓ Investment Agreements (with Latin America, Africa, etc.)

IV Realization of a Resilient Trade and Investment Environment Incorporating Elements of Economic Security

- ✓ Emphasis on National Treatment
- ✓ Addressing Economic Coercion, etc. (Establishing a new provision in the CPTPP)
- ✓ Review of Security Exceptions (Consider developing rules that will lead to the curbing of trade restrictive measures)
- ✓ Collaboration with Like-Minded Countries and Others to Strengthen Supply Chains

V Expanding Free and Fair Trade and Investment through Ensuring Sustainability

- ✓ Ensuring Regulatory Transparency and Promoting Regulatory Cooperation
- ✓ Promoting Trade in Environmental Goods (Resuming negotiations on the Environmental Goods Agreement)
- ✓ Forming International Agreement on Carbon Border Adjustment, etc. (Efforts to reach an agreement on carbon pricing and the calculation methods for emissions embodied in products)

VI Promoting WTO Reform

- ✓ Restoring the Dispute Settlement Function
- ✓ Strengthening the Rule-Making Function (Realizing DFFT, Ensuring a Level Playing Field, etc.)
- ✓ Strengthening the Monitoring Function for Agreement Implementation