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Japan's Role in Multilateral Economic Cooperation

—Ahead of the Osaka G20 Summit—

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I. Current World Economic Situation

1. Rise of protectionism: America First Policy, Increase tariff rates, Denial of multilateralism, Increasing protectionist measures in the world
2. Rise of China: GDP, Catch-up in the high-tech sectors, unfair economic practices (violation of intellectual property right, forced technology transfer, state capitalism, Belt and Road Initiative, etc)
3. Dysfunction of the World Trade Organization (WTO): Trade liberalization, making trade rules, dispute settlement mechanism

II. Likely Agenda at G20 Summit in Osaka, Judging from the Speeches by Prime Minister Abe at World Economic Forum (Davos Forum) in January 2019 and the Future of Asia Conference in May 2019.

(PM Abe's speech)

1. Establishment and strengthening of a Free and Fair Global Trading system:
 - a) Conclusion of Regional Comprehensive Economic Partnership (RCEP) negotiation. RCEP should be ambitious and high-level agreement.

(Desirable policy and Japan's role: Urata)

Important to finish RCEP negotiation and enact the agreement

Japan needs to play a constructive role by working with like-minded countries like Australia and Singapore

b) WTO reform

(Desirable policy and Japan's role: Urata) Initiate discussions involving major players (US, China, EU, Japan, etc), Free trade

agreements, (Mega-regional agreements), plurilateral agreements on specific subjects such as e-commerce, services trade, updating the existing rules such as rules on subsidies

Reconsider the DSM of the WTO: Appellate body

Fight against rising protectionism: negative impacts on the global economy, no country would benefit from protectionism (China-US trade war)

2. Digital economy:

(PM Abe) Increasing importance of the digital economy in the global economy. Important to establish a mechanism/environment for free flow of data/information. Proposing establishment of a framework called “Data Free Flow with Trust: DFFT) Osaka track

(Desirable policy and Japan’s role: Urata)

Data flow: avoid digital protectionism

Data governance: privacy, security, deal with market failure,

Taxation

Set the goal, draw a roadmap, and start Osaka track with like-minded countries

3. Promotion of innovation to tackle environmental problem

In order to deal with environmental problems, regulation and innovation play important roles. Green innovation summit will be held in October. Important to share knowledge through free information flow

III. Other possible agendas (Urata)

1. Correcting global imbalances

Global imbalance is one of the factors behind protectionism. Bilateral trade imbalance is a reason for US imposition of tariffs on imports from China. Protectionism does not solve the problem but has negative impacts on the global economy. Macroeconomic cooperation/adjustment and structural reform are needed to deal with

global imbalance.

2. US-China trade war

All the countries suffer from US-China trade war. Another objective of US imposition of tariffs on imports from China is to correct China's alleged unfair trade practices. US policy may yield expected outcome but the cost of such policy is huge. Better to cooperate with like-minded countries such as Japan and the EU

IV. US-Japan Trade Agreements Negotiation (not at G20, maybe on the sideline)

Trade agreement on goods (TAG)

US demand (Japan's reaction): Increase exports of agricultural products (tariff reduction on agricultural products is limited to the level agreed by earlier FTAs), Increase exports of cars (?), Restriction of car imports (increase investment)

Japan's demand: elimination of the tariffs on automobiles and auto parts (as agreed in the TPP)

Issues of concern: linking trade issues with non-trade issues such as North Korea issues

V. Japan's role

II.1 Conclude RCEP negotiation, enlarge CPTPP(TPP11), formulate concrete plans to promote WTO reform

II.2 Digital economy: Construction of rules (Start Osaka Process)

III.1 Global imbalance: Start discussions on concrete actions concerning macroeconomic policy coordination and structural reform with like-minded countries, cooperating with the IMF.

III.2 US-China trade war: Convince President Trump of the importance of stopping trade wars. Set up a trilateral meeting involving Messers Abe, Trump and Xie.

IV. US=Japan Trade Agreement

Refuse to agree on the measures such as export quantity restrictions that are illegal under the WTO. end