



# Japan strives for the WTO reform

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To begin with....,

Why are stakes of reforming the WTO so high for Japan?

Why does Japan strive for it by spending so much policy resource?

Outline: Is “Age of Innocence” Over?

I. 5 Major Undercurrents Debilitating the WTO System

II. Paralysis of 3 Functions: Reform without the Gordian Knot

III. 4 Reasons Why Japan Can Lead the Reform

*This policy briefing is intended for, not only updating the audience on the current state of play at the WTO, but also exchanging views with multiple stakeholders in order to make Japan’s economic diplomacy more relevant and resilient.*

# I. 5 Major Undercurrents Debilitating the WTO System

## A) Negative consequences & risks caused by globalization

Proactive interventions and regulatory frameworks based on multilateral policy coordination are more needed than ever against “market failure”.

## B) Aggravated concerns over economic security

Vulnerability in global supply chains has become clear by digital transformation and COVID-19 (e.g. semiconductors, medical products)

## C) Complicated nexus between trade and other issues

Trade&-: Development; Environment; Gender; Health; Human Rights, etc.

## D) Emerging economies: Economic rise & growing political influence

i) Level Playing Field”; ii) “Plurilateral” approach (vs. Consensus by 164)

**E) Abuse of unilateral trade tools to achieve political goals** (e.g. unilateral tariffs, anti-dumping measures, disapproval of M&As, etc.)

## II. Paralysis of 3 Functions: Reform where there's no Gordian Knot

It's imperative to enhance free trade & rejuvenate multilateral trading system. But **the WTO's 3 functions are caught in a vicious cycle:**

**A) Negotiating function:** Updating/Modernizing rules

e.g. Fisheries subsidies (SDGs 14); E-commerce (Japan is a co-convenor of the on-going negotiation in Geneva participated by 86 members); "S&DT" (Special and Differential Treatment" enjoyed by 2/3 members including some OECD countries); COVID-19 (Prerequisites imposed on export restrictions; Potential TRIPS waiver for vaccine manufacturing)

**B) Implementing function:** Monitoring each other

e.g. Trade Policy Review (every 3 years for Japan. July 2020, immersed w.650 questions); Proposed reform on Reporting system ("name & shame" coupled w/ aides)

**C) Dispute Settlement:** Appellate Body paralyzed since Dec. 2019

US criticizes AB's "overreach", while EU prefers the AB of judicial nature.

# III. 4 Reasons Why Japan Can Lead the Reform

## A) No country knows better benefits & costs under the GATT/WTO

Through many negotiating rounds for liberalization, Japan has recognized the gains of opening market and the pains of promoting structural reform. Japanese enterprises overseas are exposed to risks under unfair business environment.

**B) Japan is second to none in promoting bilateral/regional economic partnership strategically** (*TPP, Japan-EU, -UK, RCEP, etc.*), spearheading new frontiers of rules (digital trade, gender, labor, environment, etc.)

**C) Japan has rich experience and good track record of assisting developing nations.** Reforming institutions & capacity building to help implement WTO obligations (e.g. *Japan-Vietnam Joint Initiative* in 2003)

**D) Japan is best positioned in agenda-setting at various vehicles to promote trade agenda** (e.g. OECD, TPP, APEC, RCEP, G7, G20, World Customs Organization, Asia Development Bank, etc.)