

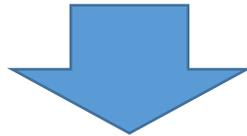
Session 2

Rule-based Trade System

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I. Japan-US Trade Relations

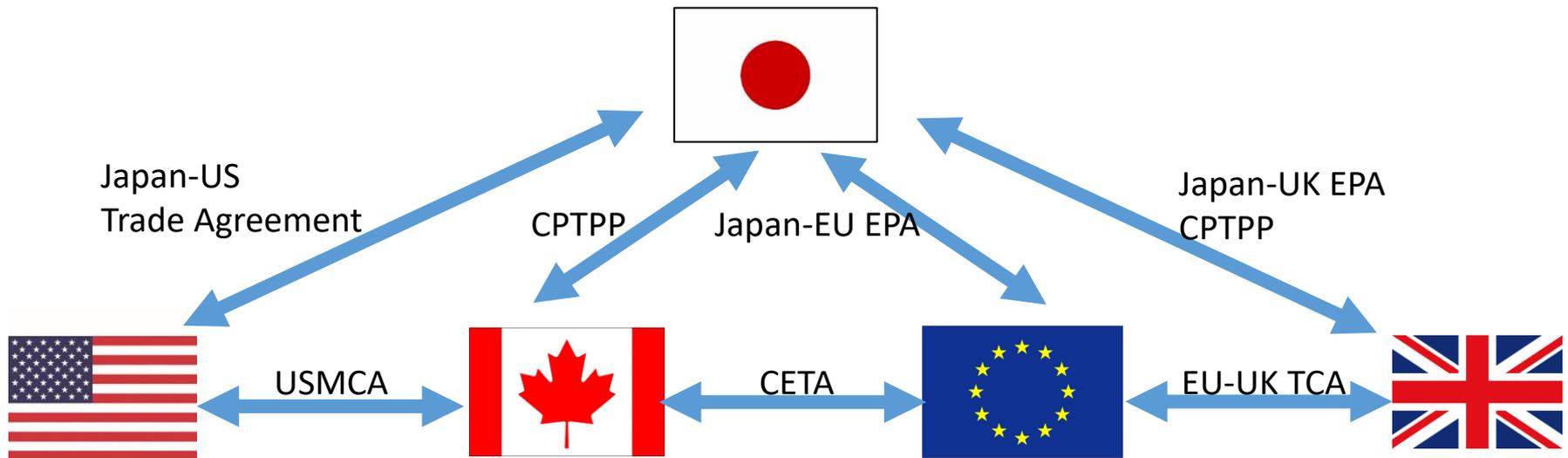
1. Launch of the TPP Negotiations (March 2010)
2. Japan's participation in the TPP Negotiations (July 2013)
3. Signing of the TPP (February 2016)
4. Withdrawal of the United States from the TPP (January 2017)
5. Launch of the Negotiations on Japan-US Trade Agreement on Goods [TAG] (September 2018)
6. Entry into force of the Japan-US Trade Agreement (January 2020)



1. Business sector of Japan expects the United States to return to the TPP before starting any talks on China's participation.
2. Rules should be established between Japan and the US in the digital sector (such as personal data protection and government access).
3. Commitment by the US to free and open economic order through IPEF is anticipated. However, IPEF is insufficient since it does not include market access.

II. Proposed “Free Trade and Investment Club”

1. With the G7 Hiroshima Summit in mind, Keidanren proposes the establishment of a high-level trade and investment framework with the G7 (including EU Member States) at its core, building upon existing EPA/FTAs.
2. The framework shall be open to all countries and regions committed to meeting several criteria, such as elimination of tariffs on substantially all industrial goods, prohibition of performance requirements for FDI, ensuring free cross-border data transfer and prohibition of data localization requirements etc.



III-1. Relations with China (RCEP)

1. RCEP, the first and only trade arrangement with China, went into force in January 2022, and has been utilized by Japanese companies.
2. Promoting free trade and investment with China is important, however, there are security concerns. RCEP may contribute not only to free trade and investment but also to economic security. For example, RCEP has clauses on “prohibition of compulsory technology transfer requirements” and “prohibition of data localization requirements”.
3. When restricting trade and investment from a security perspective (such as export control and investment screening), they shall be targeted to the minimum that is truly necessary (negative list approach). Under this approach, Japan and the US shall play a central role to enhance the effectiveness of measures and the predictability.

III-2. Relations with China (CPTPP)

1. China applied for joining the CPTPP in September 2021.
2. CPTPP calls for the elimination of almost 100% of tariffs on industrial goods. If China is to apply for the CPTPP accession, it must not only steadily implement RCEP, but also be ready to eliminate tariffs ahead of schedule.
3. E-commerce Chapter of the CPTPP includes clauses on non-discriminatory treatment of digital products and prohibition of disclosure of source code in addition to free cross-border data transfer and prohibition of data localization requirements. Complying with these provisions is compulsory.

III-3. Relations with China (Human Rights)

1. Human rights issue in XUAR is a concern for both Japan and the US.
2. Targeted sanctions on entities and officials involved in human rights infringement, such as sanctions under the Global Magnitsky ACT can be effective.
3. Import controls under the UFLPA shall be implemented in a way not overburdensome for importers.

IV. WTO

1. WTO plays the key role in providing multilateral rule-based trade system.
2. The Appellate Body issue must be addressed. If the current situation prevails, the decision of the Panel would be undermined, resulting in "resolution by force" such as unilateral sanctions.
3. The MPIA could be an option to prevent "appealing into the void," where a defendant party refuses to settle the dispute by appealing to a non-functioning Appellate Body.
4. While the MPIA never leads to the ultimate solution of the Appellate Body issue, there are points which can be useful as Members work towards restoring its function.
5. For example, considering the criticism that the Appellate Body tends to issue advisory opinions or *obiter dicta* which are not relevant to dispute resolution, the MPIA stipulates that the arbitrators shall *only address those issues that are necessary for the resolution of the dispute*.