

The United States and Japan
in a Globalizing World
Japan Economic Foundation:
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Session II: Toward Stronger, Rule-Based Globalization

WTO and Beyond

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Sakuma's presentation does not necessarily
represent the views of Nippon Steel Corporation.

Key Questions

1. Are WTO and other international trade/investment agreements important to business?
2. Do those trade and investment regimes reflect modern business practices?
3. How could the US-Japan-China relationship be developed in favor of rule-based-system?

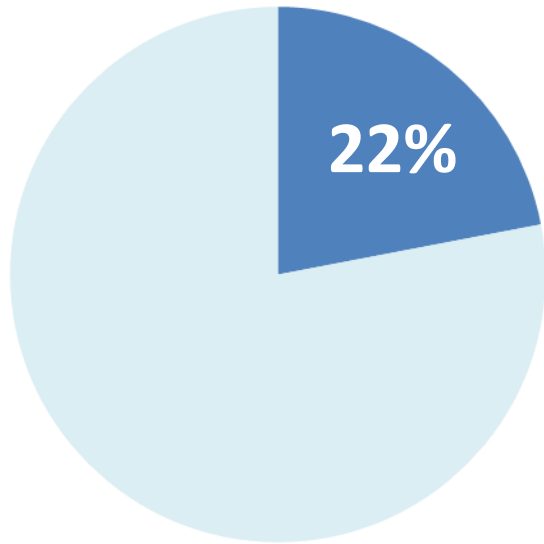
1. WTO and other international trade/investment agreements important to business?

- Very important
 - US-the 1916 antidumping law case (2000)
 - China-stainless seamless pipe antidumping case (2015)
- Growing unilateralism and increasing skepticism toward WTO
- Must be preserved and improved: DSU

2. Do WTO and other regimes reflect modern business practices?

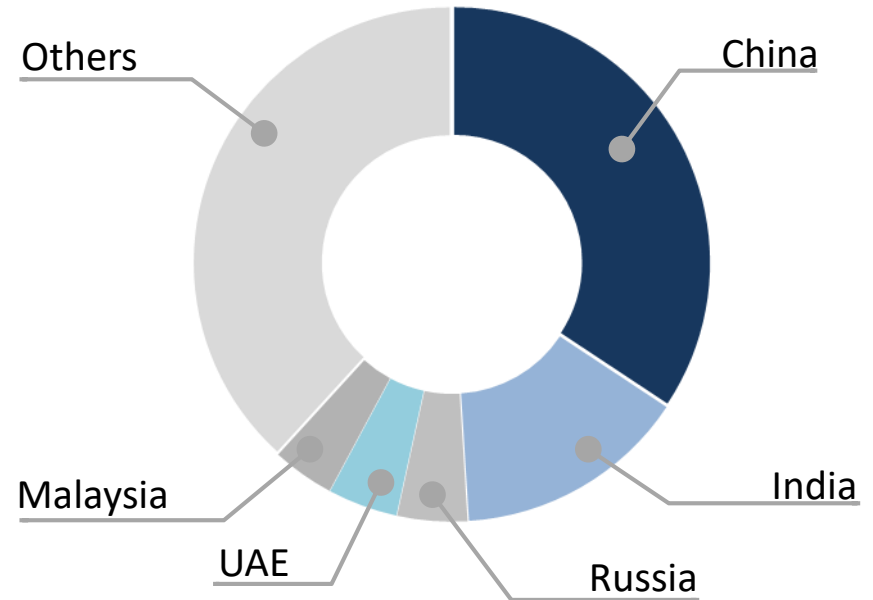
- Regulatory vacuum created.
- 5Ds:
 - Digitalization
 - Decentralization/GVCs
 - Decarbonisation
 - Diffusing SOEs
 - Diversifying security risks

SOEs flourish



22% of the world's largest 100 firms are now effectively under state control.

Source: OECD (2016): State-Owned Enterprises as Global Competitors.

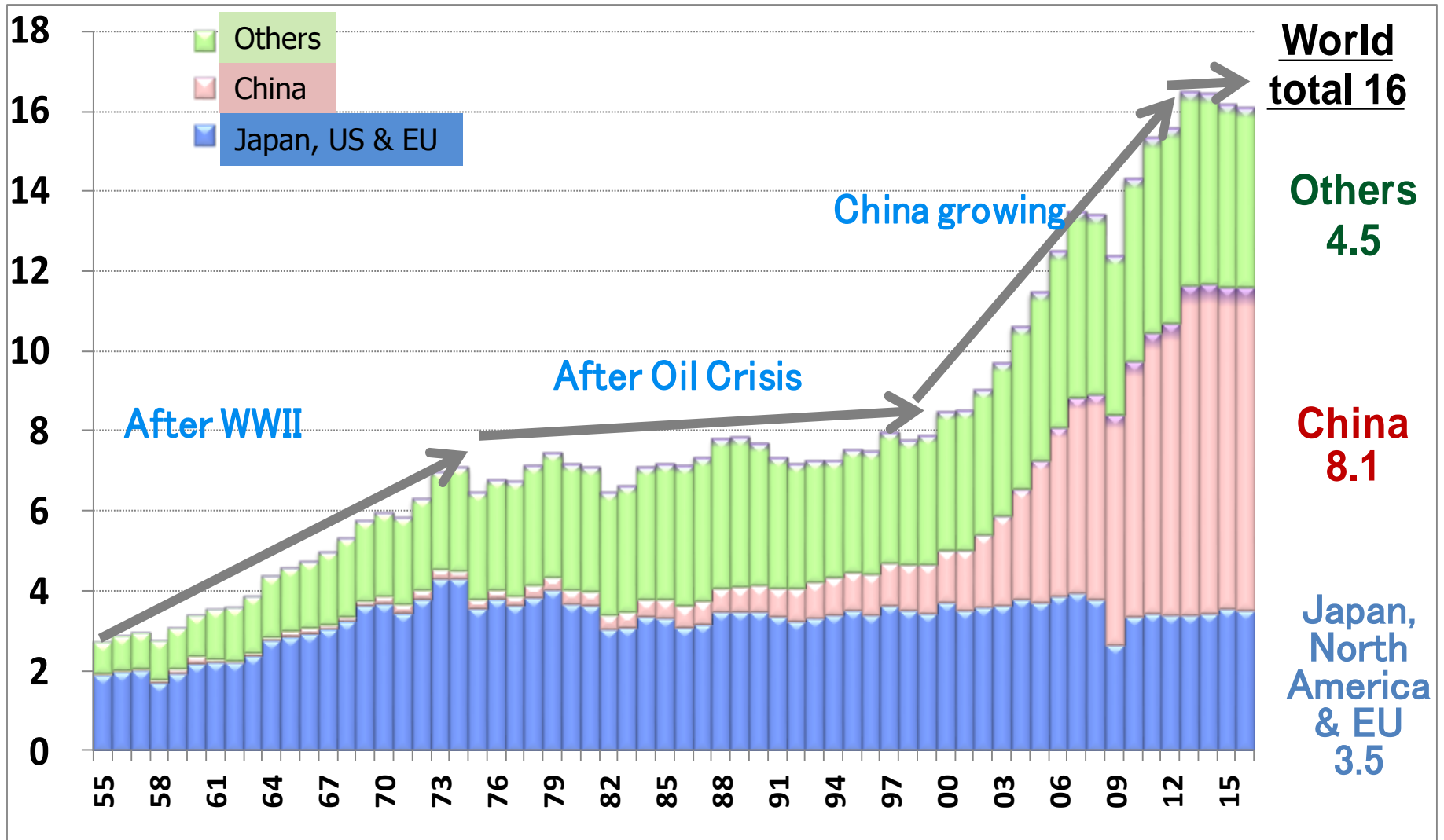


Of the world's largest 204 SOEs, China is leading the list (70 SOEs), followed by India (30), Russia (9), the UAE (9) and Malaysia (8).

Source: OECD (2013): Kowalski, P. et al.: State-Owned Enterprises: Trade Effects and Policy Implications.

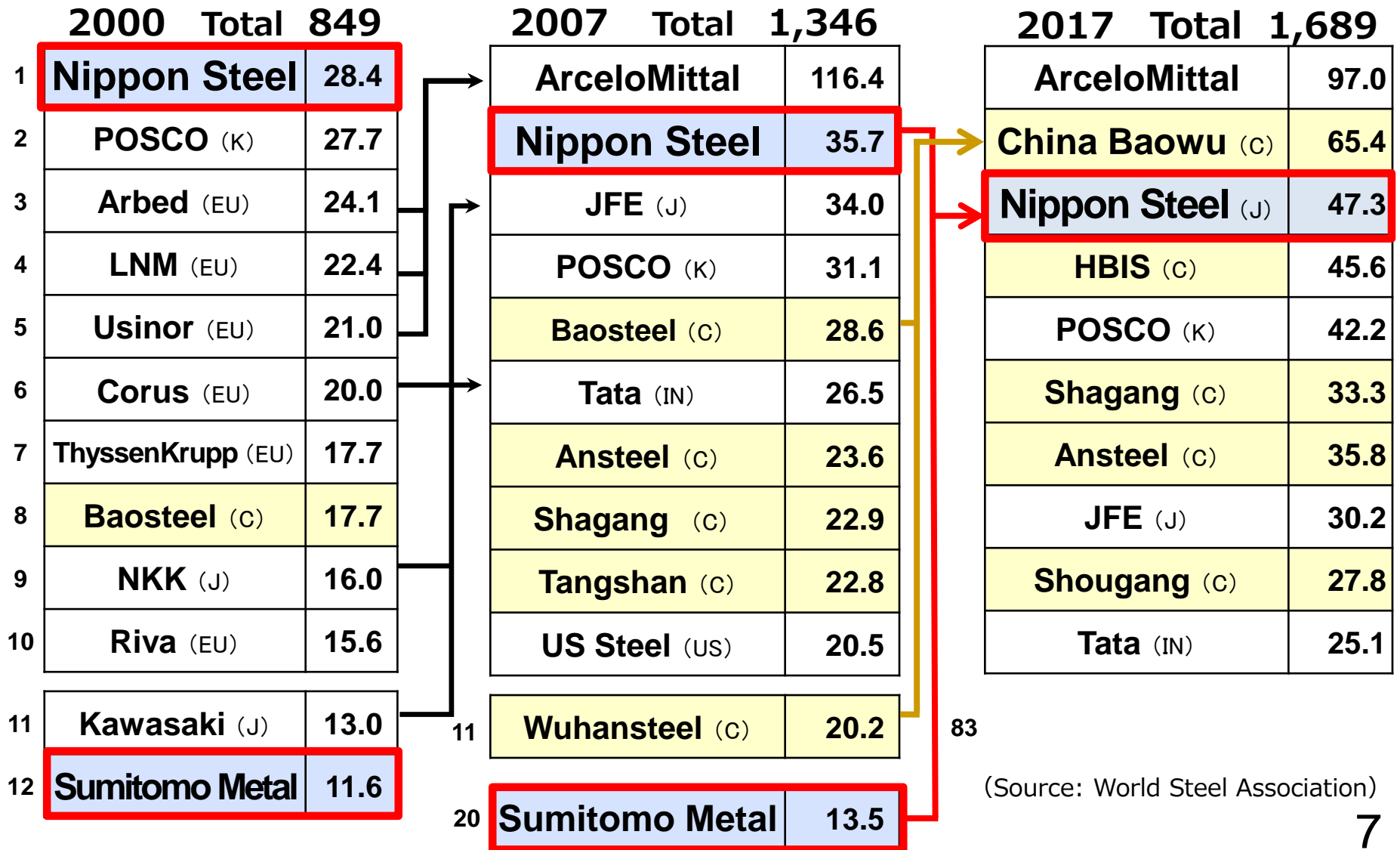
World steel production

(100 million tons / year)



Top steel-producing companies

(steel production million tons)



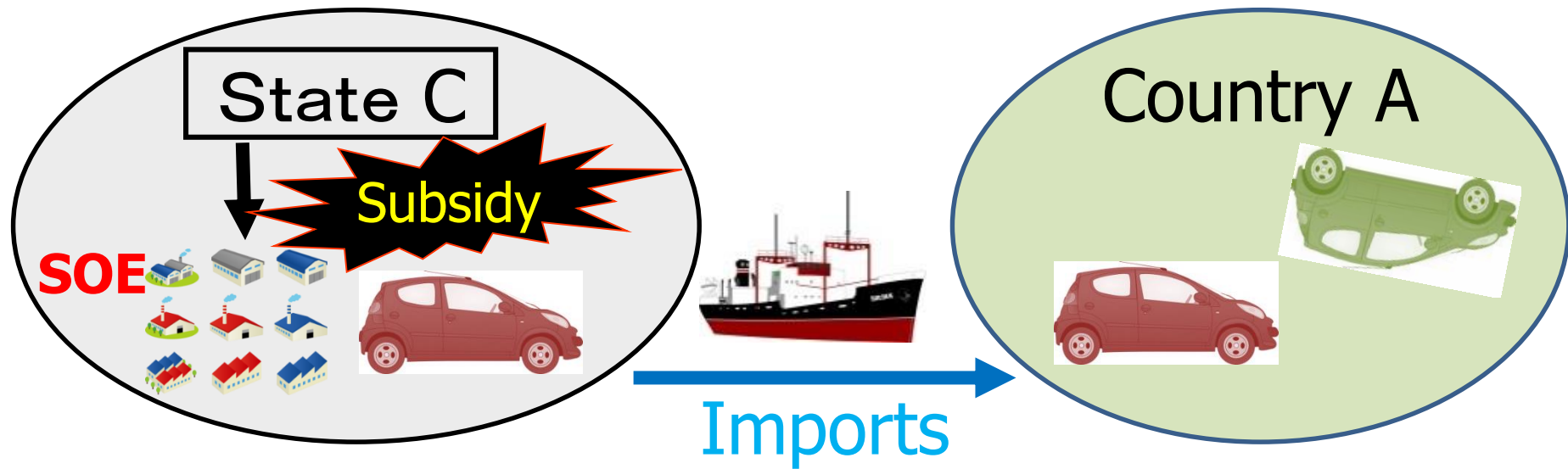
(Source: World Steel Association)

Distorting effects of SOEs

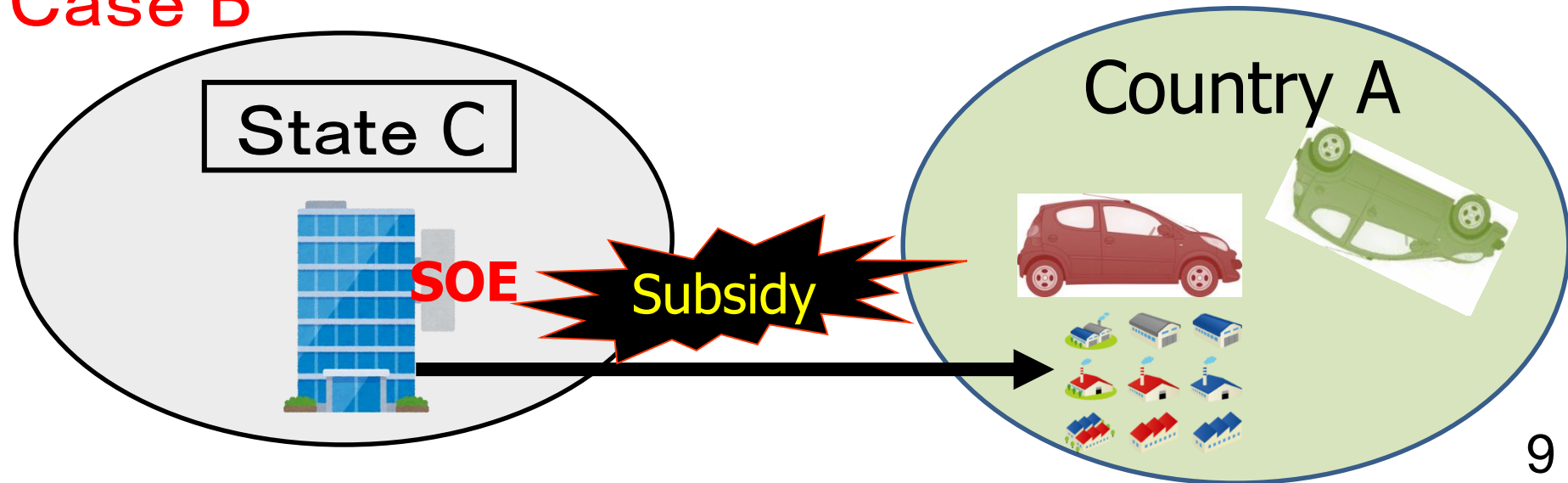
SOEs: Frequently emerge as **players in cross border transactions**, including M &A, purchase of natural resource and FDIs.

- Competitive advantage granted by government that undermines a level playing field.
- Negative excess capacity spillovers
- Enjoy double standards in the application of competition regulation.
- Sovereign immunity
- Partiality towards SOEs, especially in litigation.

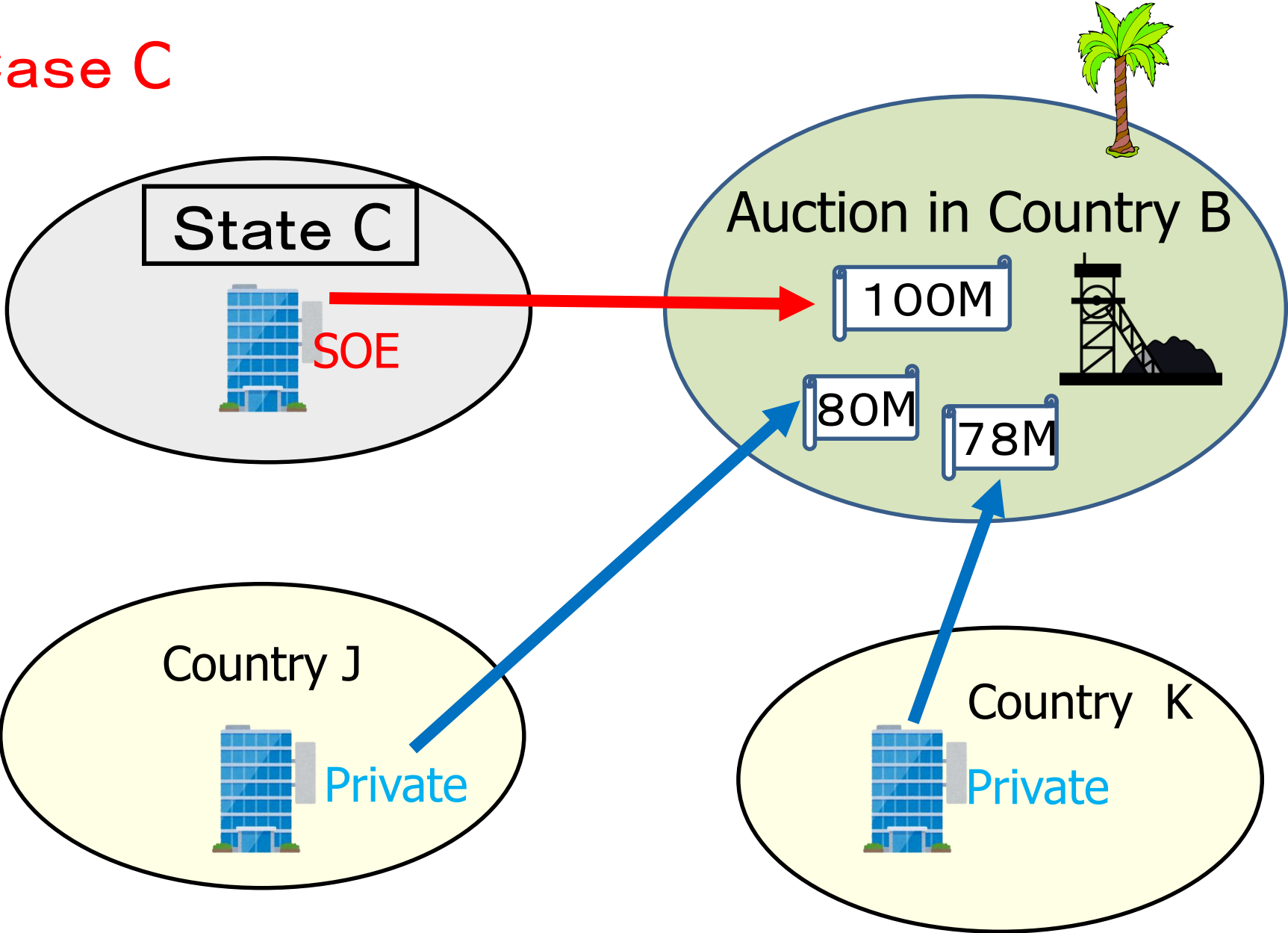
Case A



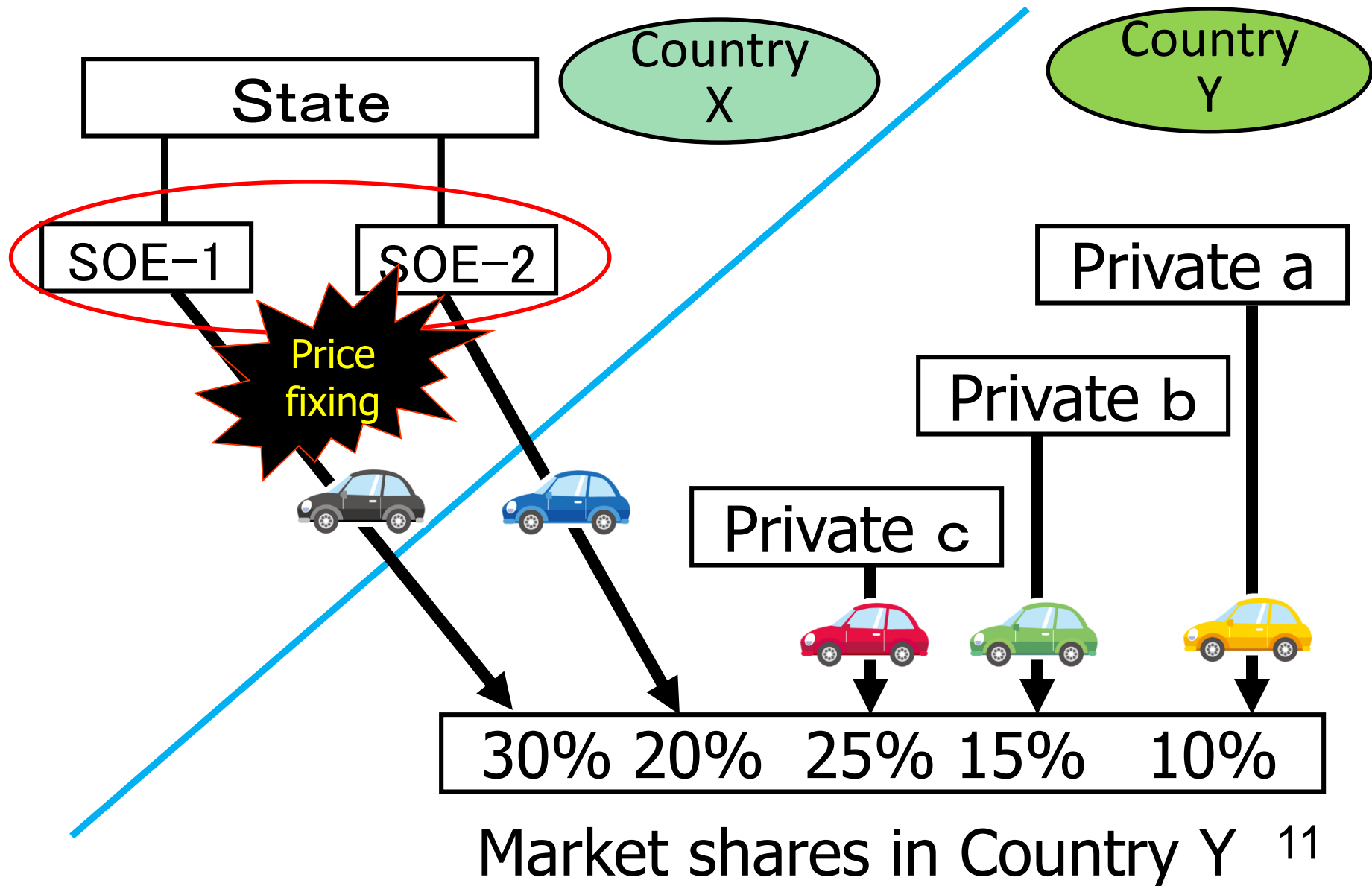
Case B



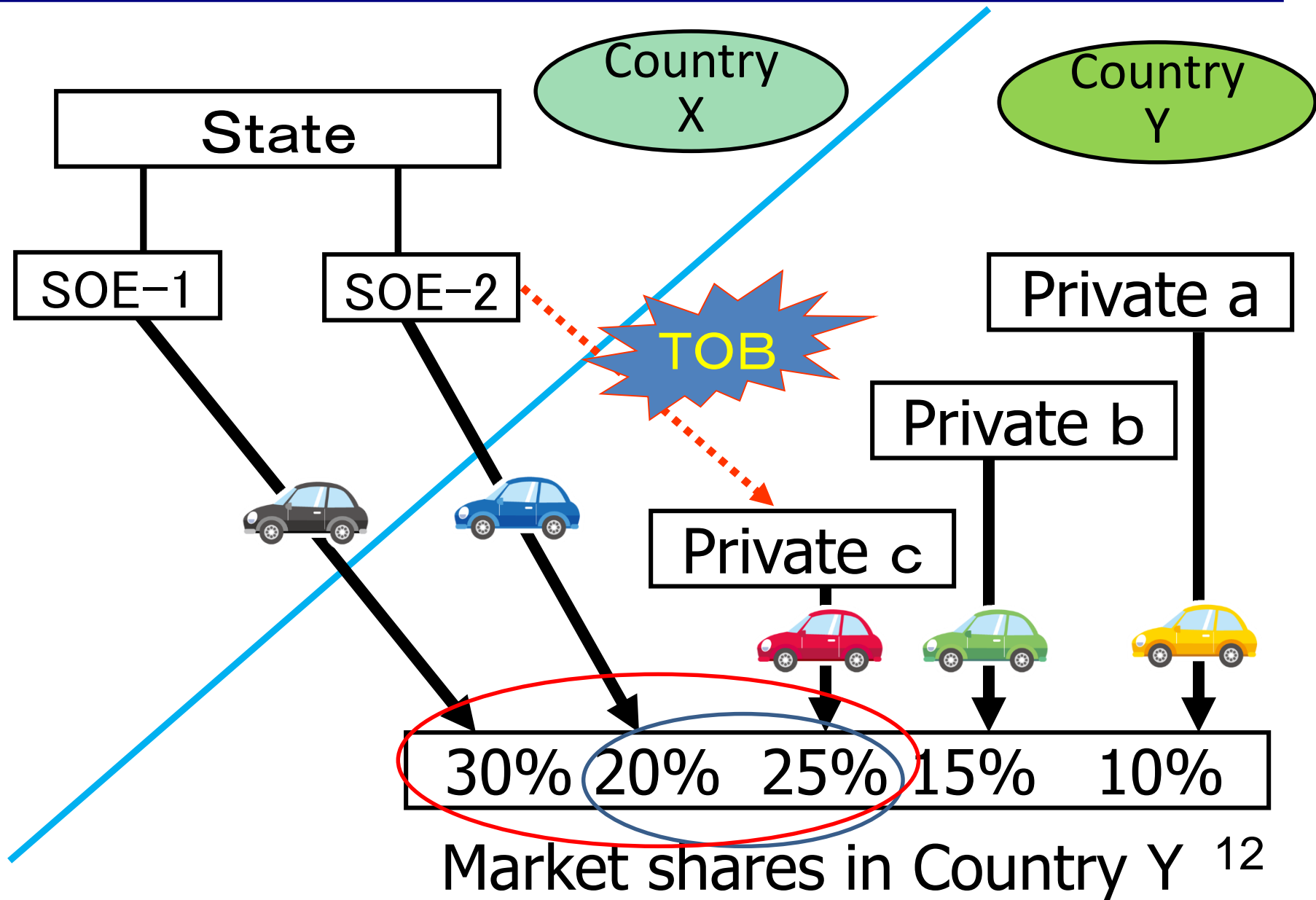
Case C



May enjoy double standards in the application of competition law



May enjoy double standards in the application of competition law



3. How could the US-Japan-China relationship be developed in favor of rule-based-system?

- China
 - No single day of democracy in its 4000 years of history.
 - Face “面子”
- Japan and US
 - High standards on a plurilateral and open basis
 - National regimes to address the issues arising from SOEs, diversified security risks
- China
 - Generous standards on a multilateral basis

When in Rome, do as the Romans do.

