

“2011 Report on
Compliance by Major Trading Partners
with Trade Agreements – WTO, FTA/EPAs ,and BITs”
and
“METI Priorities on the 2011 Report”

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Trade Policy Bureau
Ministry of Economy, Trade and Industry

International Economic Dispute Resolution

Using the Report on Compliance by Major Trading Partners with Trade Agreements

Report on Compliance by Major Trading Partners with Trade Agreements

- Experts (“Subcommittee on Unfair Trade Policies and Measures” under the Industrial Structure Council, chaired by Mr. Kazunori Ishiguro, Professor of Graduate Schools for Law and Politics at the University of Tokyo) analyzed problems with trade policies and measures of major trading partners based on international rules, including WTO agreements.
- The report has been published every year since 1992. The 2011 report is the 20th edition.
- The United States and the EU also publish the same kind of report every year.



METI Priorities

- Select priority issues from among measures analyzed in the report.
- Publish government actions taken for priority issues and their achievements.

14 issues listed in METI's Priorities.

131 issues listed in the report

Avoid unnecessary trade friction

Action taken from METI Priorities

- Investigate consistency with international rules
- Develop strategies
- Request the abolishment of measures through bilateral consultation
- Raise the issues in multilateral forums
- Utilize dispute settlement mechanisms including WTO

Promote collaboration between govt. and private sector

Foreign governments

Point out inconsistencies with the international rules

Provide information Request assistance

Industries

Present strategies Report results

Point of 2011 Report and METI Priorities


Report on Compliance by Major Trading Partners with Trade Agreements


1. Points out the actual or potential inconsistencies with international rules of 131 policies/measures of 14 countries and territories. Nine policies/measures are newly listed.
2. Although the spread of protectionism after the global economic crisis has been prevented, there is concern about the increase of measures giving preference to domestic production or products for temporarily securing employment and promoting key industries. Especially, the following can be observed this year:
 - measures influenced by growing interest in rare mineral resources and renewable energy
 - measures imposing excessive regulatory burdens in light of their objective without using international standards or global practices
3. Introduces the recent movement toward the formation of WTO-plus rules among interested countries (ACTA and TPP).

METI Priorities


Select 14 priority issues from among measures the report addressed.

1. Issues on which Japan urges prompt implementation of the WTO recommendations

 U.S.: Unfair AD methodology called “Zeroing” *Japan’s bearing industry has paid approx. ¥1 billion in undue AD duties every year. METI urges prompt implementation of proposed modification of the U.S. AD methodology.*

 EU: Unfair customs duty imposition on IT products covered by the WTO/ITA *Japanese multi-functional machine industry pays approx. ¥14 billion in undue duties annually. METI urges the EU’s implementation by the end of June.*


2. Issues already referred to in the WTO dispute settlement mechanism

 Canada: “Local Content Requirement” in the Ontario’s Feed-in Tariff Program

It significantly affects exports of solar panels. Japan will solve the problem through the WTO Dispute Settlement Procedure.

3. Issues to be solved by high-level bilateral/multilateral consultations and invoking WTO DS mechanism

 China: Export restrictions on raw materials

 China: Discrimination in the national indigenous innovation product accreditation system and other government procurement regulations and practices

 Argentina: Import licensing system

Special Feature(1) : China's Rare Earth Policy

Analysis of the Background and Objectives of the Measures from Multiple Angles

- China had focused on the value of rare earths from the 1960s. It promoted mine development and conducted research on production skills. In 1989, China became the world's largest producer.
- China aims at changing its industrial structure toward a highly value-added one through a combination of securing resources, restrictions on production and exports, promotion of technology transfer, and restructuring industry.
- China has been trying to justify export restrictions from the perspective of protecting the environment and conserving natural resources. METI continues to pay close attention to whether the measures resulted in undue favorable treatment to domestic industry in light of international rules.
- The impact on policy decision by a country can spread all over the world through the supply-chain. This case presents a challenge on how countries should establish competitive or cooperative relations with each other in a globalized economy with growing mutual dependence.

China's Rare Earth Policy Package

Securing
Resources

Restrictions on
Production

Restrictions on
Exports

Promotion of
Technology
Transfer

Restructuring
Industry

Special Feature (2): Efforts for WTO-plus Rule making among Interested Countries

Anti-Counterfeiting Trade Agreement (ACTA)

- Regardless of north-south conflicts over views on enforcement of intellectual property rights, 11 interested countries acceded an international agreement which will become a standard model for strengthening IPR enforcement.
- **ACTA presents a new possibility of making WTO-plus rules in plurilateral format.**
- Future target is to promote accession to ACTA of non-members including Asian, Middle-Eastern and Latin-American countries as well as substantial expansion of member countries by inserting ACTA clauses into EPAs.

Attempt to Make Cross-Cutting Trade Rule in TPP negotiations

Traditional negotiating agenda in EPAs such as rules of origin, investment and service are examined horizontally to address the following challenges:

- **Regulatory Coherence:** Establish a cooperation framework among regulatory authorities and promote cooperation for standardization of high-end technologies
- **Strengthening Supply-Chain Connectivity:** Simplification and acceleration of customs procedures, etc.
- **Promotion for the use of EPAs by SMEs:** Integration of information on procedures for export, simplification and unification of documents, etc.

Actions for Measures including Import Restrictions Adopted by Foreign Governments based on the Nuclear Power Plant Accident

METI takes the following measures to avoid overreaction of foreign governments or companies toward the spread of radioactive materials based on the spirit of WTO agreements, which calls for respecting scientific evidence when considering import restrictions.

1. Monitor import restrictions and the situation of business transactions of industrial and agricultural products by each country and examine whether the government's measures are inconsistent with WTO agreements or not.
2. Request that unreasonable import restrictions not be imposed and that excessive inspection be avoided. Provide accurate information on the spread of radioactive materials and Japanese measures against it through briefing and the website.
3. Support exporters including giving advice, introducing radiation inspection agencies in cooperation with JETRO, disseminating information on certification services by chambers of commerce and industry. Subsidize the cost of radiation level inspections of exports conducted by the inspection agencies designated by the Japanese government (FY2011 Primary Supplementary Budget 700 million yen).

METI, in cooperation with related ministries, embassies and JETRO, continues to gather information on the reaction in foreign countries and to make every effort to have foreign governments and companies calmly deal with the situation based on scientific evidence.