

7th WTO Ministerial (Geneva)

Speech by Mr. Naoshima
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Chairman Velasco, fellow Ministers, Director-General Lamy, ladies and gentlemen,

I would like to start by expressing my sincere thanks to President Merz, Federal Councillor Leuthard and the people of Switzerland for hosting the 7th WTO Ministerial.

(What a Change of Power means: Creating a “New Japan”)

As a result of the general elections held in August, Japan has realized a change of power. The birth of a new Administration is a chance to resolve longstanding problems and build a “New Japan”. With the mandate given us by the people of Japan, we will overcome entrenched interests and undertake policies that will truly benefit the people as a whole.

The new Administration has promised to restore a sense of security to the daily lives of the Japanese people. We must rebuild trust in the social safety net and secure employment. Japan needs a strategy to create new demand, both domestic and external, and ensure sustainable mid- to long-term growth.

(A New "Growth Strategy": Further Opening Up Japan)

A central pillar of that strategy is to open up Japan further to the world while at the same time stimulating domestic consumption, so as to make Japan more attractive to people, goods and money around the world. Through this, Japan will facilitate the growth and integration of the economies of the Asia-Pacific, and grow together with the region as a whole.

Next year, Japan will develop a growth strategy for the Asia-Pacific as the chair of APEC. The two strategies will operate in tandem to secure growth in this region.

To revitalize the world economy, we have to conclude the Doha Round and strengthen the multilateral trade system. This is the foundation for the growth strategies for both Japan and the Asia-Pacific region.

(Trade as the Engine of Development)

The Doha Round is a "Development Round".

In Asia, nations at various stages of development have increased the competitiveness of their manufacturing sectors through a division of labor within the region, and have followed each other onto a path of self sustaining development. For the future of the world economy, we need to see developing countries, not only in Asia but throughout the globe, enter this growth trajectory. Trade is the engine to achieve this.

As the Doha Round stalls, free trade agreements are being concluded with countries that have strong growth potential and large domestic markets. Less developed countries tend to be left behind.

It is my hope that all developing countries actively participate in maintaining and strengthening the multilateral trade system. Japan's "One Village, One Product" Initiative has assisted the development and marketing of goods from developing countries. We will continue our active efforts to help developing countries believe in the benefits of trade.

(Taking Stock of the WTO's Activities: (1) Monitoring Trade Policies)

The WTO has three main missions.

The first is monitoring trade policies. Since the financial and economic crisis erupted last year, the world has been fortunate not to suffer a chain reaction of protectionism as in the 1930s. With high unemployment all over the world, however, there are many cases, even today, of "buy local" provisions in government procurement and of trade remedies being applied too readily.

I highly appreciate the fact that the WTO has dissuaded many Members from taking protectionist measures through its surveillance of trade policies. I hope the WTO will maintain its vigilance, and call on Members and observers to refrain from protectionist measures and to rectify those already in place.

((2) Administrating the Dispute Settlement System)

The second role of the WTO is to administer the dispute settlement system. Just a few weeks ago, the 400th case since the establishment of the WTO dispute settlement system in 1995 was submitted. At the outset, the developed countries were the main users of this system, but today, developing countries are using it in increasing numbers too.

In the past, Japan has seen power politics dictate the way many trade disputes were handled. Today, resolving disputes in accordance with established rules, without unduly politicizing them, has become the accepted practice. Japan welcomes whole-heartedly the high reputation that this system has secured.

This system, however, can easily lose its effectiveness if its findings are not respected by Members. All Members have a duty to implement decisions promptly, even if they are unfavorable to themselves.

((3) Advancing Trade Rounds)

For the past few years, Members have been expending a vast amount of their energy into the third aspect of the WTO, that is, the multilateral negotiations to liberalize trade. Unfortunately, the Doha Round has not yet reached the finish line. We must all strive further to achieve an early conclusion.

This Round will bring the benefits of growth and development through trade liberalization to all 153 Members of the WTO. It will improve market access by reducing or removing tariff and non-tariff barriers and liberalizing trade in services. It will also strengthen trade

rules, reinforcing the free trade system. In this regard, I am keen to make anti-dumping disciplines stricter and more effective.

The Doha Round includes negotiations on the liberalization of environmental goods and services. This will help spread products and technologies that reduce the environmental load, and is a vital part of combating climate change. I would like to stress that liberalizing trade in energy efficient products is especially effective in this regard.

Some like-minded nations, including Japan, are considering conducting discussions with a view to achieving an early agreement to liberalize trade in environmental goods. I hope that other interested Members will join these discussions, and provide fresh impetus to the Round as a whole.

With momentum building to advance climate change policies, we must show, through concrete actions, that trade is an important part of policies to combat climate change.

(The Future of the WTO: Evolving in Step with the World Economy)

Lastly, I will touch upon mid- to long-term issues beyond the Doha Round. Nearly 15 years have passed since the WTO was established. During that time, great changes have occurred in the world, such as the evolution of globalization, the growth in importance of climate change policies, and the rise of the emerging nations.

(Harmonizing Domestic Regulations)

Globalization has changed business activities in a profound way. In the past, entering foreign markets meant exporting goods and services. Today, globalization has reached a new stage, with the greater and more active movement of people and direct investment by companies providing goods and services.

To better deal with these circumstances, we must not only reduce barriers at the border, but also harmonize domestic regulatory systems that affect the movement of people and direct investment.

At times, regulations can become obstacles in unexpected ways. For instance, business alliances have been halted by the competition authorities of a third country. In order to facilitate the smooth international operation of firms, domestic regulatory frameworks should be coordinated to a greater extent, while leaving room for states to pursue different national policies based on their different circumstances.

It may seem that harmonization of widely differing domestic regulation schemes could be more realistically pursued through bilateral FTAs or as part of regional integration than with the 153 Members of the WTO at once. The ultimate goal, however, is the removal of barriers to trade and investment in the whole world. The WTO should actively shape discussions concerning investment and competition policy.

(Trade and Environment)

Next week, key meetings on the climate change negotiations will begin in Copenhagen. As the minister responsible for industry and energy as well as trade, I am deeply involved in those negotiations, too.

As climate change policies begin to have a real impact on the international competitive environment, we must ensure that there is no proliferation of protectionism under the guise of protecting the environment. At the same time, we must avoid a flood of trade disputes from arising due to uncertainty as to which measures are allowed to protect the environment, and which are not. The WTO must refine the rules in the area of “Trade and Environment”.

(Sharing Responsibility between Developed and Developing Countries)

The third great change is the rise of the emerging nations. The days when the principal developed countries could establish the framework of international negotiations by themselves are over. Negotiations have become even more complicated than before.

Whether we look at the Doha Round or the climate change negotiations, a common theme is what responsibilities the emerging economies will shoulder to match their increasing presence on the world stage.

Global media coverage tends to focus on the confrontation between developed countries, with weakening economies and a tendency to turn inwards, and the emerging countries, that wish to avoid any greater international burden as much as possible.

If we can, however, keep in sight our common goal of realizing a better future, we should be able to conclude these difficult negotiations. The key lies in a shared sense of responsibility among developed and developing nations.

Without concluding the Doha Round, there is little hope of establishing an agreement on new issues. Recalling the common objective of finalizing the DDA in 2010, I would like to ask the other ministers to consider a stock-taking exercise in early 2010. Let those of us gathered here today, move the Round towards a conclusion, through our combined political will.

I thank you for your kind attention.