

COLUMN:

COOPERATION AMONG LIKE-MINDED COUNTRIES ON ECONOMIC COERCION—RECENT DEVELOPMENTS—

1. RECENT DEVELOPMENTS IN COOPERATION AMONG LIKE-MINDED COUNTRIES ON ECONOMIC COERCION

In recent years, the international debate on economic coercion has accelerated with the backdrop of growing interest in economic security. In this column, the focus will be on the G7 debate as a major example.

At the G7, “economic coercion” was taken up as a theme for the first time at the G7 Trade Ministers’ Meeting (with Germany holding presidency) in September 2022, and a joint statement was adopted in which serious concerns about trade-related economic coercion and exploration of coordinated approaches were announced.

Joint Declaration of the G7 Trade Ministers (Excerpt) (September 2022)

We are seriously concerned by the use of trade-related economic coercion, which undermines economic security, free and fair trade in the multilateral trading system, global security and stability and aggravates international tension. In order to fight attempts at economic coercion, reaffirming the G7 Leaders’ commitment, we will enhance cooperation and explore coordinated approaches to address economic coercion both within and beyond the G7 in relevant fora to improve assessment, preparedness, deterrence, and response to such actions.

During the G7 in 2023 where Japan served as presidency, addressing economic coercion continued to be one of the key themes. At the G7 Trade Ministers’ Meeting held online by the Minister of Economy, Trade and Industry and Minister for Foreign Affairs in April 2023, discussion was made on the importance of demonstrating the G7’s willingness to jointly respond to economic coercion to deter and mitigate its impact, the need for a coordinated response among governments and industries, and cooperation among like-minded countries beyond the scope of the G7, including developing countries, and the following statement was announced.

Joint Declaration of the G7 Trade Ministers (Excerpt) (April 2023)

We express serious concern with economic coercion that interferes with legitimate choices of another government. We strongly oppose any unilateral attempt to change the status quo by economic coercion. It is often imposed via trade and investment-related measures, and it undermines economic security and a free, fair and rules-based international order. We will utilize our respective existing tools and develop new ones as needed to deter and counter the use of economic coercive measures. Recognizing the importance of existing joint efforts including at the WTO, we will enhance cooperation and strengthen coordination with each other and other likeminded partners beyond the G7 to increase our collective preparedness, resilience and deterrence to economic coercion. We will also collectively explore responses, as appropriate, to counter coercive economic measures and to mitigate their harm.

At the G7 Summit held in Hiroshima in May 2023, leaders discussed the theme of “economic resilience and economic security” and issued a comprehensive and concrete message thereon as an independent statement by the leaders. This was the first time such an announcement was made by the G7. In the statement, serious concern about economic coercion was reiterated, and an agreement to launch the “Coordination Platform on Economic Coercion (Coordination PF)” and to strengthen cooperation among the G7 was announced.

While this was a movement outside the scope of the G7, in June 2023, leveraging the momentum of the above-mentioned independent leaders' statement, the six countries of Japan, Australia, Canada, New Zealand, the United Kingdom and the United States held a ministerial-level meeting in Paris, France, and issued the "Joint Declaration Against Trade-Related Economic Coercion and Non-Market Policies and Practices" confirming concerns regarding economic coercion and the need to strengthen international cooperation.

G7 Leaders' Statement on Economic Resilience and Economic Security (Excerpt) (June 2023)

The world has encountered a disturbing rise in incidents of economic coercion that seek to exploit economic vulnerabilities and dependencies and undermine the foreign and domestic policies and positions of G7 members as well as partners around the world. We will work together to ensure that attempts to weaponize economic dependencies by forcing G7 members and our partners including small economies to comply and conform will fail and face consequences. We express serious concern over economic coercion and call on all countries to refrain from its use, which not only undermines the functioning of and trust in the multilateral trading system, but also infringes upon the international order centered on respect for sovereignty and the rule of law, and ultimately undermines global security and stability. At our respective domestic levels, we will use our existing tools, review their effectiveness and develop new ones as needed to deter and counter the use of coercive economic measures. Recognizing the importance of existing joint efforts including at the WTO, we will enhance collaboration by launching the Coordination Platform on Economic Coercion to increase our collective assessment, preparedness, deterrence and response to economic coercion, and further promote cooperation with partners beyond the G7. Within this Coordination Platform, we will use early warning and rapid information sharing, regularly consult each other, collaboratively assess situations, explore coordinated responses, deter and, where appropriate, counter economic coercion, in accordance with our respective legal systems. We will also coordinate, as appropriate, to support targeted states, economies and entities as a demonstration of solidarity and resolve to uphold the rule of law.

In addition, the Minister of Economy, Trade and Industry and the Minister for Foreign Affairs held the G7 Trade Ministers' Meeting in Osaka-Sakai in October 2023. As the ministers responsible for trade, they expressed their commitment to progress in the works of the Coordination PF and shared their recognition of the importance of communicating with industries about the possibility of unintentionally contributing to coercing countries. After the meeting, the following statement was issued.

G7 Trade Ministers' Statement (Excerpt) (October 2023)

We reiterate our shared concerns regarding coercive economic measures and threats thereof, which interfere with the legitimate sovereign choices of another government, and are disturbed by the growing recurrence of such measures. We welcome the ongoing work by our trade officials that contributes to the Coordination Platform on Economic Coercion. Pursuant to the commitment made by our Leaders at the Hiroshima Summit, we commit to continue supporting the work of the Platform and making further progress on this issue.

We will continue our joint efforts, including at the WTO, to address economic coercion, ensure rapid information sharing, and collectively explore responses, as appropriate and in line with our respective legal systems and in conformity with international law. This includes further examining our tools and levers, analyzing supply chains, and seeking to cooperate in deterring and countering economic coercion, as well as exploring ways to mitigate its harm, with a view to supporting each other and partners beyond the G7.

We are firmly committed to upholding the free, fair, open and transparent economy driven by market

principles. We will therefore enhance our collective efforts in communication to boost business preparedness against economic coercion. We will also endeavor to raise the awareness of businesses of the G7 and beyond, concerning the possibility of contributing inadvertently to enabling trade-related coercive measures through trade with and investment in countries willfully violating common international trade rules and norms, so that they can factor in this information when making business decisions.

As above, during Japan's presidency for the G7 in 2023, building on the achievements during the year of German presidency, discussions progressed to more concrete cooperation regarding economic coercion. It is expected that discussions on economic coercion and cooperation among like-minded countries will continue in 2024 (Italian presidency) and 2025 (Canadian presidency). The Government of Japan will continue to actively promote cooperation with like-minded countries, making effective use of the framework of like-minded countries including the G7 and opportunities for bilateral talks.

2. WTO FUNCTIONS THAT MAY BE UTILIZED: WTO DISPUTE SETTLEMENT PROCEDURES AND OTHER FUNCTIONS

As noted in the G7 Trade Ministers' Statement above, economic coercion often takes place through trade or investment-related measures. With regard to trade-related measures, in addition to negotiations with the relevant countries, the relevant committees of the WTO, which performs deliberative and monitoring roles for the WTO, may also be utilized to seek remedies or repeal of policies. Furthermore, as trade-related measures taken as tools for economic coercion are often likely to be inconsistent with WTO Agreements, rules-based dispute settlement in accordance with the WTO dispute settlement procedures may be possible. In disputes concerning measures suspected of being economic coercion, such as the Canadian canola case (DS 589) and the Australian wine and barley case (DS598, DS602), the measures were repealed after the establishment of panel was requested.

In addition, it would be beneficial to respond by actively cooperating with like-minded countries through participation as a third country in individual WTO disputes. Japan is already responding in this manner, strengthening cooperation with like-minded countries by participating in WTO dispute settlement cases of suspected economic coercion as a third country.⁵

Many of the trade-related measures suspected of economic coercion are not transparent. For example, there are cases in which trade is suspended for unclear reasons even while no official measure is implemented, resulting in de facto import restrictions (suspected violation of the prohibition on import restrictions under GATT Article XI). The issue of how to deal with such measures whose existence is difficult to prove remains to be addressed.

3. EXAMPLES OF THE DEVELOPMENT OF DOMESTIC LAWS IN EACH COUNTRY: THE EU ANTI-COERCION INSTRUMENT

On the issue of economic coercion, the EU is developing Anti-Coercion Instrument (ACI) laws separately in addition to the cooperation among like-minded countries described in the previous sections. The ACI was proposed by the European Commission in December 2021, and entered into force on December 27, 2023 after deliberations in the European Parliament and the Council of European Union. The ACI enables the EU to take trade and investment measures for coercion against the EU and member states. See Part II, Chapter 15, Unilateral Measures for details. In any case, it is necessary to continue to pay close attention to domestic systems and specific measures that each country considers in response to economic coercion, including from

the perspective of consistency with rules such as those under the WTO Agreements.