

Section 2 Efforts by the WTO

1. Significance of GATT/WTO

Based on the experience of block economies before World War II, the signatories to the General Agreement on Tariffs and Trade (GATT), which was established in 1948, had 8 rounds of multilateral talks in order to suppress protectionism and develop free and fair trade rules (see Figure 4-2-1).

Through several rounds of meetings¹, tariffs were reduced gradually and other trade-related rules were defined. After the conclusion of the Uruguay Round in 1995, the GATT was upgraded and transformed into the World Trade Organization (WTO).

The WTO is responsible for expanding its sectors to include agriculture, services trade and the trade aspect of intellectual property rights, in addition to what the GATT was already responsible for, including reducing tariffs and non-tariff barriers on trades of goods through round negotiations and enhancing and improving trade rules to increase foreseeability. The dispute settlement mechanisms of the WTO have also been enhanced dramatically, increasing both its coverage and effectiveness, compared with the GATT.

Since the launch of the WTO, the number of member countries and regions has increased from 76 in 1995 to 152 as of May 2008, as the WTO has transformed itself into a much more globalized entity in the 21st century. (China joined the WTO in 2001, Cambodia in 2004, Saudi Arabia in 2005, Vietnam in 2007 and Ukraine in 2008). Thirty other countries including Russia are applying for membership. The number of member countries is expected to increase further and the role of the WTO in supporting the fundamentals of the global free trade system will become increasingly important.

Figure 4-2-1 History of Round Talks

		# of participating countries/regions
GATT	• 1947 The 1st Meeting (Geneva)	23
	• 1949 The 2nd Meeting (Annecy)	13
	• 1951 The 3rd Meeting (Torquay)	38
	• 1956 The 4th Meeting (Geneva)	26
	• 1960-61 Dillon Round	26
	• 1964-67 Kennedy Round	62
	• 1973-79 Tokyo Round	102
	• 1986-94 Uruguay Round	123
WTO	• 2001- Doha Development Agenda	152
* Launched in 1995		
		* Ukraine joined on May 16, 2008.

Note: The number of participating countries/regions is the number of WTO member countries/regions as of May 16, 2008.

Source: WTO Website

¹ Since the 5th multilateral meeting (Dillon Round) in 1950, each multilateral meeting has been called the "XX Round."

(2) History of the Doha Round talks

The 4th ministerial meeting in Doha, Qatar, in 2001 was the start of the Doha Development Agenda (hereinafter the “Doha Round”), which was designed to discuss a broad range of trade issues in order to meet the demands of the new era of globalization and IT, including such issues as services trade rules, other trade rules including anti-dumping rules and issues concerning the environment, developing nations, and the liberalization of goods trade. The Round will help Japan by (1) reducing the tariffs of other developed and major developing countries, (2) making it easier for the Japanese services industry to enter foreign markets, (3) increasing foreseeability to prevent trade disputes by enhancing trade rules² and (4) providing impetus to promote domestic structural reforms in each member country and region.

[Column 39] History of the Doha Round

The Doha Round began in 2002 with the goal of reaching an agreement at the Cancun Ministerial Meeting in September 2003. However, the ministerial meeting dissolved after failing to narrow the gaps in many sectors in the member countries and regions, especially between developed and developing countries.

After continuous attempts to get the Round back on track, the General Council agreed on the negotiation framework for the Doha Development Agenda and the Doha Round talks resumed after the failure in Cancun. However, little progress was made through the negotiations due to conflicting interests among the member countries.

Under such circumstances, the Hong Kong Ministerial Declaration was adopted at the 6th Ministerial Meeting in Hong Kong in December 2005. The Hong Kong meeting failed to reach an agreement on important issues such as modality (detailed agreements on the method of reducing tariffs) in such major sectors as NAMA³ and agriculture, but succeeded in reaching an agreement on a sector of great interest to developing countries, that is, the development of supports for developing countries including exemption, in principle, of tariffs and import quotas on products from the least developed countries (LDCs).

However, it failed to narrow the gaps in other sectors and WTO Director-General Pascal Lamy declared the suspension of the talks in June 2006. After about six months, the talks resumed in January 2007 in the form of the ministerial and high level “small group process” but soon ended. Then, the persistent process of multilateral talks resumed in Geneva, where the WTO Secretariat is located, and the talks proceeded steadily, led by negotiating chairmen. The Agriculture/NAMA negotiating chairman’s text on which discussions were to be held was released in July 2007 and revised in February and May 2008, and the discussions are underway to reach a consensus of opinion. Concerned about a possible stalemate in the talks due to the election of a new U.S. President and the ensuing inauguration of a new U.S. administration in January 2009, member countries are having serious

² Trade frictions are expected to increase if the Round fails.

³ NAMA: Non-Agricultural Market Access

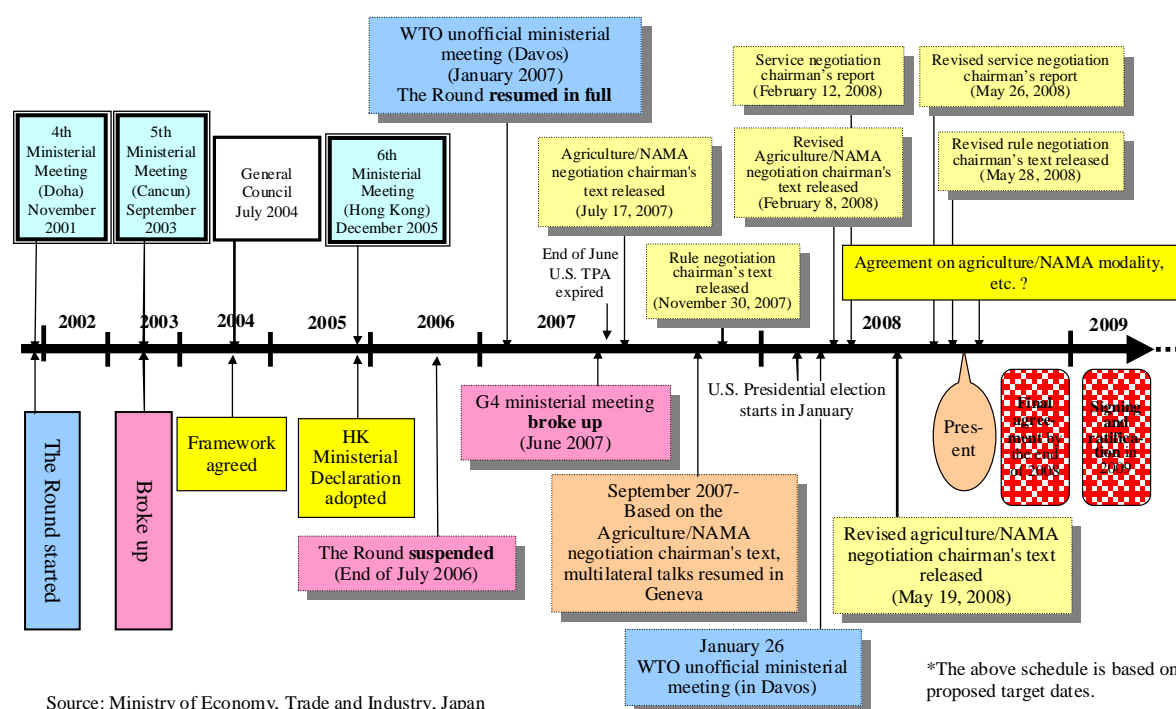
discussions in the hope of reaching an agreement by the end of 2008.

The Round is a complex and difficult process of reaching an agreement among the 152 member countries and regions that are in different stages of development and have differing interests and views.

The previous Uruguay Round reached a successful conclusion after 8 years of winding and persistent negotiations by negotiators of the member countries. The Doha Round is in its 7th year and has entered the final stage (see Figure 4-2-2). Japan and the rest of the world should make constant efforts to reach a successful conclusion by the end of 2008, as this country can benefit from the success of the Round.

The Doha Round is currently underway in many sectors of trade including NAMA (see Figure 4-2-3).

Figure 4-2-2 Doha Round Negotiation Schedule



Source: Ministry of Economy, Trade and Industry, Japan

Figure 4-2-3 Status of Negotiations by Sector

Agriculture	Reducing national subsidies in the U.S.A., market access in major countries (tariff cuts), considerations for developing countries
NAMA (Non Agricultural market Access)	Coefficients for tariff cuts in developed and developing countries, flexible measures for developing countries
Service	Restrictions on foreign capital, movement of people and transparency in domestic regulations and procedures in each country
Rule	Enhancing the rule on the anti-dumping and subsidies
Trade Procedure	Simplifying and expediting trade procedures and support for developing countries in association with the implementation

Note: Negotiations on TRIPs (intellectual property rights) and development and trade and environment, etc. are also under way.

Source: Ministry of Economy, Trade and Industry, Japan

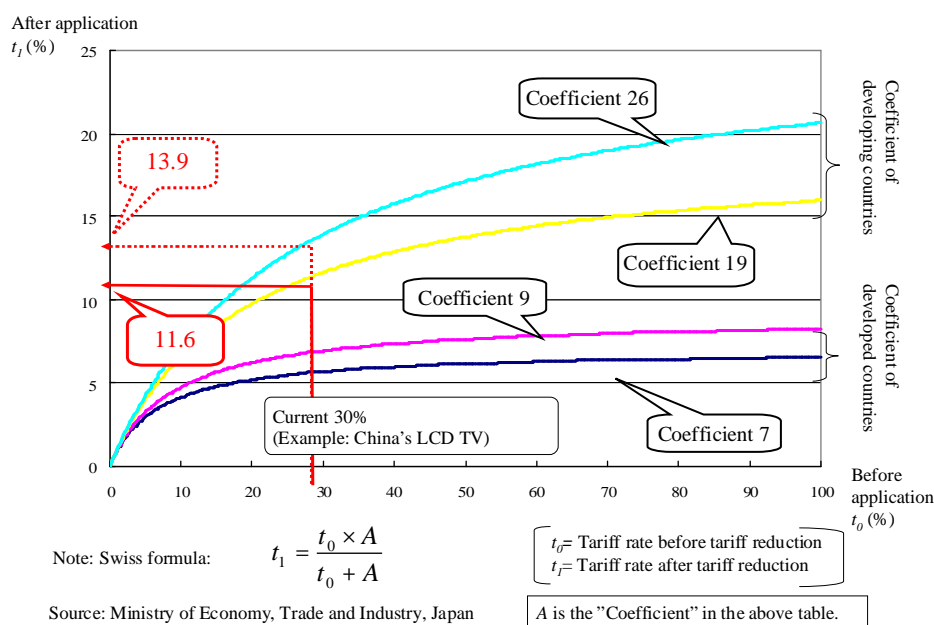
(Non-Agricultural Market Access (NAMA) negotiation)

The NAMA negotiation discusses elimination and reduction of tariffs and non-tariff barriers on non-agricultural products (industrial products and processed fishery products). The major negotiating agenda includes methods of reducing tariffs (formula) and flexible measures for developing countries (alleviating or exempting tariff cuts). Developed countries have relatively low tariff rates and are interested in reducing tariffs in developing countries, while developing countries have relatively high tariff rates and are demanding flexibility in reducing tariffs in order to protect their own industries and maintain flexibility in their policies.

The next Round is expected to adopt, as the core formula, the “Swiss formula” (deeper cuts on products with higher bound tariff rates to reduce them, in principle, below the coefficient values), which assigns different coefficients to developed and developing countries while allowing some exceptions in adopting the formula in developing countries. Based on the revised Chairman’s text on the NAMA negotiation released in May 2008, discussions to reach agreements on such major issues as coefficients for developed and developing countries and combinations of specific figures for flexibility for developing countries are currently underway (see Figure 4-2-4).

Sector-by-sector negotiations led by interested countries to eliminate or reduce tariffs and non-tariff barriers are also underway to complement tariff cuts created by the formula and to further improve market access.

Figure 4-2-4 Effect of Tariff Reduction by Swiss Formula



(Rule (preventing abuse of anti-dumping measures))

One of the major sectors of the Doha Round is the anti-dumping (AD) rule. Both the number of cases and countries invoking AD measures are increasing (see Figures 4-2-5 to 4-2-6). Interpretations and applications of the existing rule vary by country, and are partly to blame for the abuse of the AD measures. The abuse of these measures is detrimental to the effectiveness of measures to improve market access, such as tariff cuts. Enhancement and clear definition of the AD rule are essential for maintaining the free trade system and promoting the development of the global economy.

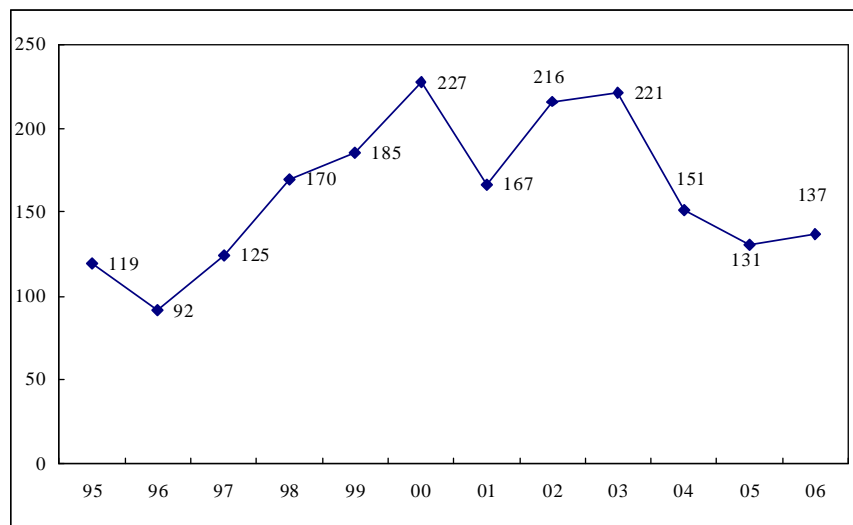
Japan has led the negotiation by presenting many important proposals jointly with other countries wishing to enhance and clearly define the AD rule. In contrast, the United States, while hoping for improved transparency in invoking the AD measures, is rather passive about enhancing the rule, as the Congress and industry demand that the government invoke the AD measures, as the number of AD cases invoked by developing countries is increasing.

The Chairman's text on the rule, based on the discussion so far, was released at the end of November 2007. While it includes a basic direction of nullifying the AD measures (sunset), it fails to rule out the "Zeroing"⁴, which many countries have demanded be banned. Due to the unbalanced nature of the text as a whole, Japan has presented modification proposals on some major issues and demanded, together with other countries, a revised and more balanced version of the chairman's text.

The new text was released in May 2008, but remains unbalanced. Japan will continue to demand another revision.

⁴ A method of calculating dumping margins. Only export transactions at cheaper prices than domestic prices are selected, while ignoring transactions at higher prices, to artificially increase the dumping margin.

Figure 4-2-5 Transition of Anti-Dumping Cases by WTO Members



Source: WTO Website

Figure 4-2-6 Top 10 Countries/Regions Invoking and Not Invoking AD and Number of AS Cases Invoked (1995-2006)

Countries invoked			Countries not invoked		
1	India	331	1	China	375
2	US	239	2	Republic of Korea	136
3	E C	231	3	Taiwan	107
4	Argentina	152	4	US	104
5	South Africa	120	5	Japan	97
6	Turkey	107	6	Russia	84
7	China	92	7	Thailand	76
8	Canada	84	8	India	75
9	Mexico	82	9	Indonesia	73
10	Australia	71	10	Brazil	69

Source: WTO Web site

2. Doha Round as “Development” Round

The new round is officially called the “Doha Development Agenda.” It stresses the “development” aspect of trade in its entirety and clearly states that it is important to consider the interests of developing countries in promoting free trade; in the rapidly globalizing economy, starting in the 1990s, countries began to realize that developing countries should also reap the benefits of the free trade system. While efforts for enhancing bilateral and regional economic ties such as EPAs and FTAs, which are proceeding in parallel with the WTO talks, are important, developing countries with smaller markets are not powerful enough to sign FTAs with major countries and are at risk of being kept out of the EPA/FTA network. It is important to conclude the multilateral talks for the benefit of such vulnerable countries.

In the rapidly globalizing economy, the south-south trade is also growing⁵. The WTO is making efforts to maintain and enhance the free trade system in order to promote such south-south trade and for further development of the global economy as a whole.

⁵ In terms of global trade in goods, the export value in trade of goods among developing countries increased by approximately 10 times, from US\$ 0.2 trillion to US\$ 2.1 trillion between 1980 and 2005, contributing to the growth in the value of global trade as a whole. See Ministry of Economy, Trade and Industry, Japan, (2007) *White Paper on International Economy and Trade* for details.

(International version of the “One Village, One Product” campaign)

In line with the emphasis by the WTO on the “development” aspect of trade in its entirety, Japan announced, in December 2005 just prior to the WTO Hong Kong Ministerial Meeting, the “Development Initiative” as part of Japan’s efforts to support developing countries. The initiative is designed to support developing countries in expanding their production capacities, exporting their products and finding consumers in overseas markets.

As part of the initiative, the Ministry of Economy, Trade and Industry, Japan (METI) and JETRO launched the “One Village, One Product” campaign in February 2006. One example of the activities of the campaign is installing the “One Village, One Product Market”, where products made in developing countries are exhibited and sold, at major Japanese airports including Tokyo and Kansai International Airports. Such an activity is designed to promote the popularity and awareness of products made in developing countries⁶.

In order to promote the understanding of the “One Village, One Product” campaign, the Japanese government has implemented the “AOTS One Village, One Product campaign training” and the “APEC One Village, One Product campaign training” for government officials of developing countries. It has also distributed government gazettes and leaflets for public relations.

Such efforts are highly appreciated by leaders of developing countries. President of Nigeria Olusegun Obasanjo, President of Mongolia Nambaryn Enkhbayar and Trade and Industry Minister of Kenya Mukhisa Kitui expressed their interest in introducing the “One Village, One Product” campaign to their countries. Professor Jeffery Sachs of Colombia University touted this campaign as a promising measure to support developing countries.

The results of the past two years of the “One Village, One Product” campaign were released at the “TICAD IV” and the “African Fair 2008” in May 2008. The Japanese government plans to provide “business support” to help developing countries develop the products that can attract attention in overseas markets by enhancing product development and marketing capabilities.

[Column 40] Roles of the OECD in maintaining and developing the multilateral free trade system

One of the objectives of the OECD is to expand the global trade founded on a multilateral and indiscriminate basis in line with its international obligations. To this end, it has set up the Trade Committee, which plays an important role in maintaining and developing the multilateral free trade system through candid dialogues among member countries and regions and through objective analysis. In launching the Doha Round, the committee evaluated the results of the Uruguay Round and analyzed policy issues. Once the Round started, it began analyzing the possible impacts of the success of the Round on the global economy. Such research and analysis activities and discussions on policies by the

⁶ A total of about 710,000 people have visited the Markets as of the end of April 2008, including such dignitaries as OECD Secretary-General Angel Gurría, WTO Director-General Pascal Lamy and President of Tanzania Jakaya Kikwete.

OECD contribute to the further understanding of trade policy issues and clarify the benefits of free trade, complementing the WTO talks from a theoretical perspective.

Recent changes in the status of the global economy have forced such sectors as investment, competitive policy, environment, e-commerce, protection of intellectual property rights, product safety and standardization and such sectors as commerce and trade to become closer, creating new issues in some cases. As the OECD deals with a broad range of issues, it is in a good position to perform cross-sectional and multilateral analysis of such complex multi-sectional issues. While providing a policy coordination mechanism among developed countries, the OECD analyzes and discusses urgent issues facing governments and industries all over the world. Thus, the OECD plays an important role in maintaining and developing the multilateral free trade system led by the WTO (see Column Table 40-1).

Column Table 40-1 Examples of Issues and Efforts in Commerce and
Trade-Related Sectors

(1) Investment

Investment rules have been defined mainly through bilateral investment agreements and EPAs/FTAs. It is beneficial to study the impact of such moves on trade and the types of efforts to improve investment environment through trade. It is also necessary to study actions to prevent protectionist moves such as restrictions on investment by sovereign wealth funds (SWFs) for national security reasons, etc.

(2) Competitive policy

Global corporate mergers and alliances have been increasing. It is necessary to study the impact of competitive policies of each country on the trade, and study how to form international cooperation and harmonize the international competitive policy. It is also important to discuss the recent attempts by some countries and companies to monopolize (the supply of) resources.

(3) Climate change and trade

The Doha Round talks include discussions on eliminating tariffs on environment-related products such as products effective in reducing CO₂ emissions, etc. It is important to study the environmental issues in terms of the trade policy. It is also important to study the details of cross-border measures to reduce greenhouse gas emissions and the impact of implementing such measures.

(4) e-commerce

The Doha Round talks continue to work on the development of e-commerce and have agreed on a tariff exemption (moratorium) on e-commerce while the discussions are under way. It is important to study the international rule on e-commerce given the recent progress in defining the rule through FTA talks.

(5) Protection of intellectual property rights

The Doha Round talks include discussions on relations between geographical indications, TRIPS agreements and bio-diversity agreements. The Japanese government is working on the Anti-Counterfeiting Trade Agreement (ACTA) (tentative name) jointly with concerned countries in order to cope effectively with such issues as the global spread of counterfeited and pirated goods, etc.

(6) Product safety and standardization

The Doha Round makes TBT-related proposals as part of its efforts for eliminating/reducing non-trade barriers. Efforts for further clarification and improving transparency of the proposals are necessary.

[Column 41] Multilateral efforts by Japan — the Anti-Counterfeiting Trade Agreement (ACTA) (tentative name) Initiative

On October 23, 2007, Japan announced, simultaneously with the United States and European countries, the start of intensive discussions on the “Anti-Counterfeiting Trade Agreement (tentative name)” Initiative (hereinafter the “ACTA Initiative”) within the year by cooperating closely with countries keenly interested in protecting intellectual property rights. The ACTA is a new international framework to strictly enforce intellectual property rights.

(Current status of counterfeited and pirated goods problems and limit of existing international framework)

The recent global spread of counterfeited and pirated goods poses not only economic threats, including lost profits on the part of rights holders (companies) and decline in motivation for innovation and creativity, but also poses direct threats to the safety and health of consumers. There is also the possibility of counterfeited and pirated goods produced and distributed by criminal and terrorist groups becoming an easy source of income.

As such counterfeited and pirated goods become a major global issue and many countries crack down on these goods, the issue is becoming more complicated and versatile. First, it involves the international division of labor, which parts and counterfeit labels are produced in different countries. These parts are assembled and labeled in different countries and exported from there. Moreover, obscuring the origin of the products by shipping through different countries and increased in online transactions contribute lead to this complicated issues.

It is no longer sufficient for each country to take its own actions separately to cope with the increasingly complex and diversifying problem of counterfeited and pirated goods; concerted international action is needed.

One example of international action is to define and enhance rules on the protection of intellectual property rights through such bilateral agreements as FTAs and EPAs. However, such an action cannot deal with the urgent issue of rapidly (and globally) spreading counterfeited and pirated goods.

The WTO/TRIPS agreement, the exiting multilateral agreement on the protection of intellectual property rights, only defines the minimum requirements that all of the over 150 WTO member countries and regions must observe, and it is not necessarily effective in countering the increasingly complex and diversifying problem of counterfeited and pirated goods.

For these reasons, it is necessary to establish new and more powerful rules regarding the enforcement of intellectual property rights protection, but developing these rules within the existing international frameworks, such as the WTO and the WIPO, is difficult as the interests of member countries are becoming more complex.

(ACTA initiative as an approach to the new trade policy)

Given the limited ability of the existing international frameworks, efforts for the ACTA Initiative

started at the initiative of Japan and the United States after then Prime Minister Junichiro Koizumi advocated the need for an “international legal framework to enforce intellectual property rights protection” at the G8 Gleneagles Summit in July 2005.

The ACTA Initiative is designed to provide a model for intellectual property rights-related provisions of FTAs and EPAs that can be used for FTAs and EPAs not only with the negotiating members of the initiative, but also with non-members in the hope of global enforcement at higher levels of intellectual property rights-related rules. The ACTA Initiative aims to gradually expand itself by getting neighboring countries involved in the process in order to grow the ACTA into a global standard on the protection of intellectual property rights. After achieving the status of the global standard, it will eventually be able to attract countries having problems with the protection of intellectual property rights to join the Initiative. Such a trade policy approach by the ACTA Initiative is touted as a new approach that is totally different from the existing multilateral and bilateral approaches.

Japan plans to continue with and facilitate active discussions on the ACTA Initiative to reach an agreement as soon as possible, while promoting other various ways to prevent the proliferation of counterfeited and pirated goods.