

Updates on Japanese Business and Economy

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1. Urgent action needed to reform the WTO

- Taking the opportunity of the Ottawa Ministerial on WTO Reform (Oct. 24-25), the leading business associations in 7 countries/region released the following [joint statement](#) on October 24th -



By opening markets, reducing trade and investment barriers and establishing fair and predictable trade rules, the World Trade Organization (WTO) has helped bring about an enormous expansion in global trade and prosperity. Countless jobs and industries in nearly every country around the world depend on the assurances provided by a rules-based global trading system.

Nevertheless, after 23 years the WTO is badly in need of an update to reflect the realities of a changing global economy and the evolving needs and expectations of our citizens. As business groups, we encourage the member states of the WTO to work together to enhance its functionality, transparency and fairness.

The WTO plays an essential role in helping to adjudicate and resolve trade disputes. Unfortunately, the dispute settlement system has become overburdened and must be fixed if the WTO is to live up to its potential. We urge members to restore the full functionality of the Appellate Body and encourage like-minded partners to work together to make necessary reforms to this indispensable institution.

Signed by:

Business Council of Canada

BusinessEurope

Keidanren (Japan Business Federation)

National Confederation of Industry Brazil

Australian Industry Group

BusinessNZ

COMCE (Mexican Business Council for Foreign Trade, Investment and Technology)

2. Calling for Launching Negotiations on a Japan-Mercosur Economic Partnership

- Keidanren and The Japan Chamber of Commerce and Industry made a joint proposal on October 18th and handed it to Chief Cabinet Secretary Suga on 23rd -

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The Mercosur economic bloc serves a combined population of 259.45 million citizens, boasting the GDP of US \$2,427 billion. It is a massive market in which more than 1,000 Japanese companies now have local operations, which require more free trade and investment rules enhancing its business environment. As a customs union, Mercosur has lead negotiations on free trade agreements (FTA) with the European Union and South Korea. The local Japanese business community doing business in Mercosur is increasingly concerned that Japan will lose competitiveness with the economies that have already started the FTA talks with Mercosur.



Chief Cabinet Secretary Suga (Center), Chair Iijima (Japan-Brazil Economic Committee, right), Chairman Kobayashi (Japan-Argentina Business Cooperation Committee, left)

Against this backdrop, the Japanese-Argentine Joint Business Cooperation Committee (the Japan Chamber of Commerce and Industry and the Argentine Chamber of Commerce and Services) and the Japan-Brazil Business Council (Keidanren and the Brazilian National Confederation of Industry) issued joint reports, in May¹ and July² 2018, respectively, calling for launching negotiations on an Economic Partnership Agreement (EPA) between Japan and Mercosur. In an era of mounting concern over the rise of anti-globalism and protectionist sentiment, the EPA between Japan and Mercosur can be brought to significant bear on promoting a free and open economy in the world.

We therefore encourage the political leaders of Japan and Mercosur to demonstrate their strong leadership to launch the negotiations on the EPA, seizing every opportunity to discuss the issues.

¹ [Joint statement of the 25th Japanese-Argentine Joint Business Cooperation Committee \(May 28, 2018\)](#)

² [Roadmap for an Economic Partnership Agreement between Japan and Mercosur \(July 23, 2018\)](#)

3. The Global Services Coalition (GSC) Annual Statement

- 11 services industries released a [joint statement](#) on October 17th -



The setting up of the multilateral system has been the cornerstone of the development of the world economy in the 20th and 21st centuries. The worldwide acceptance of the rule of law and the disciplines of the multilateral trading system has created a framework for countries to take commitments with respect to their trading partners in exchange for mutually agreed access to each other's markets. This has provided a transparent and stable foundation for commercial transactions around the globe. It has allowed the prevention of major conflicts between nations and has enabled developed and developing economies alike to thrive, lifting millions out of poverty, creating jobs, and fostering innovation and growth.

While the multilateral trading system is typically thought of in terms of goods and agricultural trade, it is actually even more important as a bedrock of growth in international trade in services. With the conclusion of the General Agreement on Trade in Services (GATS) in 1994, the multilateral trading system paved the way for the global services sector to provide the vast majority of wealth-creation across G20 countries' economies, accounting on average for 80 percent of Gross Domestic Product (GDP) and as much as 50 percent of total gross exports, as measured in terms of value-added. Services generate more than 60 percent of jobs in developed economies and nearly 50 percent in developing countries.

Services growth has not occurred in a silo - it underpins the growth and increasing competitiveness of the manufacturing and agricultural sectors as well. Services account for 25 to 49 percent of the input in manufacturing (with this share increasing dramatically in advanced manufacturing) and as much as 60 percent of the jobs in the manufacturing sector on and off the factory floor. Services also play a critical role in facilitating agriculture, from financing and insurance to distribution and logistics. The importance of services to manufacturing and agriculture has been further intensified by the rise of digital technology: digitally-enabled services are producing great leaps in manufacturing and agricultural productivity and competitiveness.

The multilateral trading system does not always function perfectly and the World Trade Organization (WTO) and its rules should be updated to reflect that. This should include strong and effective disciplines on data flows, prohibition of data localization, and a permanent moratorium on e-commerce duties to meet 21st century trade challenges. At the same time, it is critically important that this global framework is maintained, and that it continues to provide a means of resolving conflicts between trading partners. Bilateral and regional trade agreements are recognized by the WTO, allowing parties to go even further in their exchanges, while reaffirming their commitment to respect their multilateral obligations.

The global economy relies on sophisticated global value chains in which trade in manufactured goods, agricultural products, and services are deeply intertwined. The GSC expresses its strong support for the WTO and the multilateral rules-based trading system, which needs to evolve to update the rules of world trade from yesterday to a rulebook for the 21st century. Businesses, local and foreign, in all sectors need to be able to compete in a non-discriminatory global environment. The WTO is critical to achieving this objective.

4. Promotion of Data Utilization

- Keidanren and BDI released a [joint statement](#) calling for cooperation between German and Japanese governments to promote data utilization on October 15th -



Germany is Japan's top European trading partner, and Japan is Germany's second-largest Asian trading partner, which demonstrates the strong economic ties between our two countries. Given this relationship, it is worthwhile for both governments to collaborate in a wide range of policy fields.

The "Industrie 4.0" concept in Germany and "Society 5.0" in Japan are both future-oriented strategies based on the utilization of advanced technology. To reap the benefits of digitalization in Germany and Japan, the Federation of German Industries (BDI) and the Japan Business Federation (Keidanren) call on both governments to ensure efficient cooperation on digital matters.

To achieve "Industrie 4.0" and "Society 5.0" and thereby ensure sustainable economic growth in both Germany and Japan, it is crucial to ensure the free flow of data across borders. Therefore, BDI and Keidanren urge the German and Japanese governments to take the lead in the global rule-making process and discussions on international harmonization to ensure cross-border flows of personal and industrial data.

Bearing in mind the G20 declaration "A Roadmap for Digitalisation: Policies for a Digital Future" adopted at the G20 Digital Economy Ministerial Conference in Düsseldorf on 7 April 2017, BDI and Keidanren identified three areas in which joint efforts should be made by the governments of Germany and Japan to promote secure and safe data utilization.

1. Smooth Two-way Transfer of Personal Data between the EU and Japan

We appreciate the commitment made by the European Union and the Japanese government in Tokyo on 17 July 2018 to enhance the transfer of data between EU member states and Japan.³ BDI and Keidanren ask that both governments complete the necessary internal procedures required to operate this framework for smooth two-way data transfers between Japan and EU by autumn 2018, as agreed, rather than prolonging the process unnecessarily. Implementation of the agreement will create the world's largest area of safe data flows. Promoting high standards of privacy when facilitating cross-border trade is crucial to ensuring economic growth while maintaining public support for the digital transformation of our societies and economies.

2. Advancing the Digital Economy⁴

The advancement of the digital economy requires the free flow of data across borders. Therefore, BDI and Keidanren call on both governments to urge any country that has adopted compulsory data localization requirements to ease or abolish them.

Additionally, we encourage the two governments to share best practices regarding the utilization of data in various industrial sectors. We regard such an exchange of knowledge as useful to promoting the digital economy in both countries.⁵

3. Strengthening International Cooperation in the Field of Cybersecurity⁶

Ensuring a high level of cybersecurity is crucial to advancing the digital economy on a global scale and gaining public acceptance of the digital transformation of society. Since cybercrime transcends borders, it is vital to facilitate international cooperation in ensuring the security and safety of cyberspace.

Cyberattacks have caused not only leakage of data relating to personal information, intellectual property, confidential information, and financial assets, but also serious damage to societies, including disrupted services and system dysfunction. Thus our governments should enhance their relationship in the field of cybersecurity, for example by establishing a high-level dialogue for knowledge-sharing on cybersecurity threats and best practices.

Since the development of the digital economy has facilitated the flow of data across borders, steps should be taken to foster sustained multi-stakeholder dialogue on the shape of a balanced international framework. BDI and Keidanren will continue to exchange views on various digital issues, such as cross-border data flows and cybersecurity, in order to lead multilateral talks.

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For more information on Keidanren's recent activities, please visit [here](#).

³ Joint Statement by Haruhi Kumazawa, Commissioner of the Personal Information Protection Commission of Japan and Vera Jourova, Commissioner for Justice, Consumers and Gender Equality of the European Commission, Tokyo, 17 July 2018

⁴ Relevant to Section 6 of the Roadmap for Digitalisation: Policies for a Digital Future, headed "Encourage continued development of the IoT and the digitalisation of production."

⁵ For example, in the construction machinery sector, operational information on machinery working all over the world is collected, and analysis results are efficiently reflected in productivity improvements and operational and product modifications.

⁶ Relevant to Section 8 of the Roadmap for Digitalisation: Policies for a Digital Future, headed "Strengthen trust in the digital economy."

Editor: Keidanren USA

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