

# **Realizing Free, Open Trade and Investment under COVID-19 Targeting an Inclusive and Resilient Framework [Outline]**

## I The COVID-19 Pandemic and Future Policies

The global economy has continued to grow steadily through globalization, however, is now slumping into recession due to COVID-19 pandemic. This year, the global trade is expected to decline significantly by between 13% and 32%, and foreign direct investment (FDI) is projected to be -40%. In order to restore the world economy to a growth path, it is essential to immediately restructure the trade and investment framework according to the policies described below.

- Recover and Maintain Free Cross-border Movement of Natural Persons, Goods, Capital, Services, etc.
- 2. Addressing Digitalization - Realize Data Free Flow with Trust (DFFT), an issue which has been a top priority prior to the spread of COVID-19.
- Contribution to Solving Environmental Issues COVID-19 is not the only threat to human-beings. Trade and investment must address environmental issues as well. 3.
- 4. Inclusion of Developing Countries - As stated in the SDGs, "no one should be left behind" throughout the battle against COVID-19.
- Maintaining a Multilateral, Free, Transparent and Open Framework Carry out WTO reforms so that the multilateral framework can contribute to tackling 5. protectionism which is becoming evident in some countries under COVID-19.
- 6. Complementary Bilateral/Regional Frameworks - Resilient framework should be established through complementing the WTO-centered multilateral scheme.

## II Revitalizing the Global Economy through Facilitating Trade and Investment

#### 1. Trade

#### **(Recover and Maintain International Logistics Functions)**

- Cross-border movement of personnel in charge of transporting essential goods must be facilitated by relaxing the requirement for self-isolation measures, provided that this is compatible with prevention of the spread of infection.
- Trade should be facilitated by further simplifying and digitalizing customs procedures.

#### **(Avoid Excessive Export Restrictions & Achieve WTO Compatibility)**

Transparency of export restrictions should first be achieved by notifying the WTO of the items covered and the period of the implementation. Moreover, these measures should be temporary and be lifted as soon as possible.

#### **Elimination of Protectionist Tariffs**

> Prevent a chain reaction of protectionist measures from spreading as a result of COVID-19. (ex. raised tariffs associated with an economic downturn)

#### [Strengthening Discipline on Market Distorting Subsidies]

Subsidizing specific industries under the guise of economic stimulus measures could result in distorting the market. Existing WTO rules must be strengthened to address industrial subsidies.

#### **(Dissemination IT Products)**

▶ Update the list of goods in the Information Technology Agreement (ITA) continuously, and increase the member countries.

#### 2. Foreign Direct Investment (FDI)

#### [Investment Facilitation and Liberalization]

- > FDI not only expands business opportunities for investors, but also benefits the hosting countries thorough the introduction of innovative technologies and business models, and triggers revitalization of the world economy.
- The WTO Dialogue on Investment Facilitation should be promoted focusing on issues such as; improving regulatory transparency and predictability, streamlining and speeding up administrative procedures, enhancing international cooperation, and resolving investors' grievances.
- High-level rules in terms of both investment liberalization and protection to be formed by concluding bilateral or multilateral investment agreements.

## **(Protection of Intellectual Property Rights)**

> In promoting FDI, it is important to protect the intellectual property rights of investors. The discussions at the Trilateral Meeting of the Trade Ministers of Japan, the United States and the European Union is expected to lead the rule-making under the WTO.

#### **(Appropriate Investment Control)**

Like-minded countries should collaborate to prevent the outflow of technology critical to national security.

### 3. Cross-border Data Flow

#### **[Realization of the WTO Electronic Commerce Agreement]**

- The establishment of international rules on digitization, especially the realization of Data Free Flow with Trust (DFFT), which is indispensable for Society5.0, has been a top priority even before the spread of COVID-19.
- The WTO Electronic Commerce Agreement should provide for free cross-border data flow, prohibition of various measures requiring data localization, prohibition of requirements for disclosure of source codes etc., non-discriminatory treatment of digital products, and a permanent moratorium on customs duties on electronic transmissions.

### **[Personal Data Protection]**

- > Free cross-border data flow goes hand in hand with personal data protection. In realizing DFFT, the future WTO scheme should be complemented by bilateral/regional regulatory cooperation. (ex. mutual recognition based on adequacy)
- > Capacity building in developing countries plays an important role.
- Establish international standards to enable the distribution of personal data to third parties without the consent of individuals, when it is particularly necessary for public-interest purposes.

## 4. Trade and the Environment

> Develop policies that enable trades to contribute to tackling climate change; resume negotiations on the Environmental Goods Agreement (EGA), facilitate trades of environmental goods through bilateral/regional agreements.

#### Careful consideration should be given so that measures aimed at tackling climate change would not result in violations of the WTO Agreement or trade-distorting effects

# III Strengthening Multilateral Frameworks through WTO Reform

## [Flexible Rule-making]

> Considering the difficulty of forming a consensus among the 164 WTO Members, we should seek ways to establish rules among interested Members and gradually increase the number of participating Members, as is the case in the ongoing discussion on the WTO Electronic Commerce Agreement. This approach could also be effective in strengthening disciplines concerning market-distorting industrial subsidies and forced technology transfers.

## **(Review of Special and Different Treatment for Developing Countries)**

Developing countries are greatly affected by the spread of COVID-19. In order to avoid the competitive disadvantages to genuinely developing countries, each WTO Member should fulfill the obligations commensurate with its economic size and competitiveness.

## [Immediate Restoration of Dispute Settlement Functions]

- Under COVID-19, protectionist measures which may violate the WTO Agreements are likely to be referred to WTO dispute settlement, Therefore, the paralysis of the Appellate Body's functions may become an even more serious issue.
- Functions of the Appellate Body could be restored by strengthening the governance by the Members. For example, so called overreach and judicial activism by the Appellate Body could be dispelled to some extent by reviewing the Appellate Body Reports by the General Council.