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The Policy Recommendations
on
“The WTO System and Japan”

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and

Signed by

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of

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on

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The Policy Recommendations

1. [Recognizing the Importance of the WTO International System] *International trade is, together with security and the international monetary system, a key pillar of the international system, and it takes on special importance when changes in international relations become bound up with trade. Trade is a leading indicator of a country's power, and the first area in which a newly emerging country experiences friction is international trade. The amicable management of international trade is a fundamental condition for stability and progress in overall international relations. The newly risen powers of Germany and Japan were not sufficiently accepted into the international community prior to World War II, and rampant protectionism and bloc-ism, especially in the 1930s, were partly to blame for the world war to follow. Following the war, however, Germany and Japan were brought into a multifaceted liberal trade system, building the foundations for stability and progress in the international community. Trade does make for peace. In the midst of the structural changes coincident with the information revolution and globalization, the developing countries, particularly those of Asia, have stepped dramatically onto the world stage and the world moves ever closer towards an Asia-Pacific age as we approach the 21st century. The transition of a population exceeding 2 billion people to market economies presents a opportunity for greater economic development worldwide, but at the same time it may well become the source of strong friction. That the future agenda of the WTO principally involves matters connected with Asia illustrates the fact that the formation of an international community for the 21st century stems from rivalry and cooperation in international trade, and the significance of the role of the WTO should be*

obvious.

Stable development in the international community depends greatly on the stability of the international system developed by the international society and is closely tied to the stability of the trade system. Such stable development is achieved so long as the international system provides international public goods. Namely the security system should ensure peace and independence while the monetary system should supply currency stability as well as a smoothly operating international finance and international trade system. History points to trade friction as the first threat to stable development in the international community, followed gradually by international financial and currency instability; together these often become obstacles to security. Trade friction triggered the international instability that spanned from the end of the 19th century through the 1930s, which in turn created unrest in the currency markets and led to a major war.

These developments are closely related to the process of enhancing national power, which advances in the order of production capabilities, trade capabilities, international finance, an international currency, and then a key currency; military power is enhanced in parallel with this, expanding from self-defense to regional and then to global security. Though trade is a leading indicator of national power, an international currency serves as a trailing indicator. International trade is the gateway to success in the international community for newly emerging countries, ushering in both global development and trade friction. Consequently, friction between newly emerging countries and established countries first makes its appearance in trade, gradually spreading to international finance. Put the opposite way, smooth coordination in trade turns the emergence of a developing country into an opportunity for global development.

Germany and Japan, newly risen powers from the beginning of this century, were not sufficiently accepted into the international community prior to World War II, and rampant protectionism and bloc-ism, especially in the 1930s, were partly to blame for the world war to follow. After the war, however, the international community accepted the momentum of growth in Japan and Germany as partners of the West, allowing them to contribute to global development. The expansion of

international trade through GATT has been extremely consequential in ensuring the stability of the international community and supporting its development.

Against a background featuring the information revolution and globalization, the economies of developing countries, especially those in East Asia, have continued to come into their own in the post-Cold War era, giving rise to a series of new issues in international trade; among these are the environment, labor standards, investment, competition policy, and corruption, all issues high on the WTO's agenda and closely connected with the emergence of developing countries in Asia and elsewhere. This may indeed be regarded as a harbinger of friction to come, the fundamental cause being the friction arising as a labor force of 2 billion people working for wages substantially lower than those in developed countries makes its impact felt in a world increasingly adopting market economics.

The US has ridden the waves of the information revolution and globalization to remarkable economic growth but has toughened its stance on reciprocity in light of its huge deficit in its international balance of payments. In contrast to the development in East Asia, Europe is plagued with high rates of unemployment, and as the situation develops, a stronger tendency towards protectionism could appear in Europe. Trade friction may possibly aggravate the disputes between the US and Japan and those within Asia itself, but the emergence of Asia is an issue also connected with resources, the environment, and security. As mentioned above, however, taking appropriate measures to deal with trade friction can clearly have a favorable impact on international relations as a whole. Japan should reaffirm the importance of the WTO, seek to coordinate policies with the US and Europe in such forums as the Quadrilateral Talks and to formulate WTO rules with Asian participation, and head off the tendency towards protectionism and world polarization.

2. [Strengthening the WTO Framework through Asian Participation and Japan-US Coordination] *The WTO holds great potential as the embodiment of international trade rules for the 21st century, but establishing an international framework and regime in support of this is essential. Looking ahead to the 21st century, the rise of East Asia is likely to generate changes not only to the world*

economy but also to its political framework, but there is still in fact little Asian representation in the international community. Broader The participation by Asia in the international system in a variety of fields and at numerous levels is necessary for stability and development in the international community and will provide support for the WTO regime. The increasing number of trade issues connected with Asia and the need to bolster dispute settlement mechanisms require greater contributions from Asia, and we would like to propose the participation of Japanese personnel in, and the transfer of some of the offices of, the WTO. Also, as will be discussed below, the accession of China and Taiwan is very important. Promoting Japan-US cooperation, too, will do much to strengthen the WTO framework. Although the US position does have elements of reciprocity, this position contains much of value necessary for improving the WTO regime, and the US' promotion of internationalism and free trade throughout the postwar period has contributed to the formation of new concepts for the WTO regime. Hence, Japan should aim for improvements to the WTO regime through Asian participation and Japan-US cooperation.

The WTO holds great potential as the embodiment of international trade rules for the 21st century, but establishing an international framework and regime in support of this is essential. The postwar GATT regime was first supported by the Atlantic Alliance centered on the US and Europe, but eventually Japan, who was to develop into a major economic power, participated in and lent its support to this regime. Despite the clear improvement in the political and economic status of East Asia anticipated in the 21st century, Asian participation in the international system is still strikingly weak, and the stability and development of the international community require Asian contribution in numerous fields and at a variety of levels to bolster the WTO regime. Improved political and economic status for the countries of East Asia mandate expanded representation in international organizations such as the United Nations, and representation in the WTO should be expanded and improved in stages but rapidly. The activity of ASEAN has been remarkable, Asian Contributions will be more pronounced with both China and Taiwan having as members in the WTO.

Japan, as a member of the Economic Summit and a contributor of substantial sums to many international organizations, is in a position not only to improve its own representation but also to advocate the expansion and improvement of the representation of other East Asian countries. Greater representation does, however, entail greater responsibility, and increased demands will be made on Japan and other Asian countries to demonstrate more leadership on global issues and to exercise initiative in their resolution.

In connection with this expanded representation, thought should be given to transferring some of the WTO's administrative functions, including dispute settlement, to Singapore or other sites in Asia, given that many new issues and many of the WTO's future activities will involve Asia. There is a conspicuous lack of Asian - and Japanese - personnel assigned to WTO offices, and improvements in this regard, too, should be pursued.

Though greater representation of Asia in the WTO framework is necessary, even more important is strengthening this framework by promoting Japan-US cooperation. The position of the US does have elements of reciprocal unilateralism stemming from the huge deficit in the US trade account, but it also includes values such as market economics, democracy, and the rule of law that are needed in a future WTO regime. The US promoted internationalism and free trade throughout the postwar period and its present stance is an attempt to respond quickly to the demands rooted in new global trends such as the information revolution. Such a position contributes to the formation of new ideas for the WTO regime, and Japan should seek the fulfillment of these ideas through Japan-US cooperation. This does not mean that Japan should blindly follow the lead of the US, but rather that it should offer to the US its cooperation in the formation of WTO rules. Indeed, Japan must reacquaint itself with the universal and strategic considerations of the US, which in turn may serve to enhance its own dialogue with Europe.

While there are certain East Asian countries who may resist accepting the rule of law, the number of countries who support the universality of the rule of law, especially those newly-developing countries who live by trade, will likely grow as the countries of East Asia develop and become more interdependent. ASEAN has made spectacular progress of late, and the world must be shown an Asian model of

the rule of law, as opposed to a Western one. This will come from Asia participating more in world affairs and increasing its influence. Greater participation by Asia will mean greater responsibility, though, and it must be prepared to offer an Asian approach to cope with trade friction and global issues in future.

Japan-US cooperation and expanded Asian participation will make all that more important cooperation at their junction, the Asia-Pacific region. APEC's guidelines for action were decided at the Osaka conference, and together with liberalizing trade and investment, APEC has expanded international economic and technical cooperation in such areas as personnel training/education and infrastructure improvement; APEC has been a pioneer in such cooperation and stands in a mutually complementary position vis-a-vis the WTO. GATT put to full use the archetypal trade policies of the OECD, and with a similar aim in mind the WTO should further its contact and cooperation with APEC.

3. [Paving the Way for International Trade Law by Firmly Establishing the Dispute Settlement Mechanism] *Japan must assume a firm stance on the WTO's principles of multilateralism, the inclusiveness of trade rules, and transparency in the application of these rules. There has been remarkably active use of the new dispute settlement mechanism by member countries: in the 19 months since the WTO was established, 33 disputes have been submitted for consultations 11 panels formed, and 2 reports published. Five or more panel reports can be anticipated each year from here on, and international trade laws and procedures have begun to be formulated on the basis of such judicial precedents. Advances in the rule of law as the 21st century approaches are to be applauded, but problems will no doubt continue to appear. Important in the area of dispute settlement are strengthening the dispute settlement panel for anti-dumping agreements and entrusting the settlement of disputes to the WTO, blocking unilateral actions such as US invocation of its Super 301 clause. In light of the multi-nationalization of corporate activities in the present age, an organization to report private sector opinions on the dispute settlement process and a domestic ombudsman system should be established. Furthermore, the*

perpetuation of protectionist measures should be precluded through strict enforcement of the Sunset clause and the de facto revival of "grayish" measures should be blocked.

The rules, mechanisms such as that for dispute settlement, and agreements on services and other new areas that comprise the WTO regime are characterized to a great extent by the negotiations and implementation of the period in which they become established. Japan should reconfirm its principle of conducting all trade negotiations in the form of WTO multilateral negotiations, should act so that WTO agreements are faithfully implemented, and should insist that the actions of other countries not depart from the WTO rules.

Dispute settlement has been substantially improved through such measures as converting to a negative consensus method of decision-making in the dispute settlement mechanism. In the 19 months since the WTO was established, 33 disputes have been submitted for consultation, 11 panels formed, and 2 panel reports completed, with 6 reports still being prepared. No small number of cases, including the Japan-US dispute over automobiles, have been settled at the first procedural stage, i.e., direct consultations between the countries involved, and this offers proof that the WTO's dispute settlement mechanism is functioning effectively.

The number of dispute settlement cases presented to the WTO since its establishment is much higher than that of the GATT era, and these cases involve not only goods but intellectual property rights and services as well. The WTO has also been acclaimed for the variety of relationships that have developed under its system, where a plaintiff country in one case may be the defendant country in another. Panel reports are expected to be released at a pace of five or more reports a year, offering judicial precedents and dispute settlement procedures that will be instrumental in formulating international trade law for the 21st century. Revisions to national laws may become necessary in those countries which accept improvement measures suggested by the WTO, presenting an opportunity to harmonize the laws of various countries.

Several problems do remain, however, even in the area of dispute settlement. The formulation of international trade law based on judicial precedents will be

familiar to those countries which have adopted a British/American legal system, but will be more difficult to accept in other countries. Furthermore, the expansion of dispute settlements is placing an ever greater burden on WTO offices, which in turn means a heavier burden on developing countries. The asymmetry of trade, too, will likely restrict the effectiveness of certain countermeasures, and the "mediation" form of dispute settlement designed by APEC might be considered for use at the WTO.

The vast majority of the trade problems between Japan and the US involve trading practices that lie outside the present WTO agreement, but in many cases sanctions may take the form of measures covered by the agreement, such as higher tariffs. The US has clearly stated that it will exercise its national autonomy and take unilateral measures in accordance with its Super 301 clause, and Japan should take its grievances against Super 301 to the WTO. GATT Clause 23, on the other hand, does allow submission of grievances concerning measures taken by members which may not be clear violations of the WTO agreement but which in actuality contravene the objectives of the agreement; should the dissatisfaction of partner countries with Japan's peculiar trading practices be taken up at the WTO, Japan should seek a positive means of resolution and, indeed, Japan should make it a rule to refer all such cases to the WTO for dispute settlement.

Next, in the WTO's anti-dumping provisions, as the assertions of the country applying the ant-dumping provisions are respected, the authority of the dispute settlement panel does not fully extend to confirming that dumping has in fact occurred nor to interpreting the WTO agreement. This being an exceptional provision, Japan should push for its revocation on the basis that such a clause might easily be abused.

Greater openness regarding information about dispute settlement mechanisms would also be welcomed. Improvements such as the publication of panel reports have been implemented, but more open access should be granted to the minutes of panel discussions and other WTO documents.

One new issue in dispute settlement is that of private sector participation. Though it remains true that commercial negotiations by their very nature can only be conducted between countries, the rapid internationalization of corporate activities today would suggest that consideration be given to a framework which would allow

private corporations to participate in WTO dispute settlement in one fashion or another. Japan should set up an organization to receive complaints from both within Japan and without regarding trade issues at home and abroad.

Thought might also be given to creating and operating an active and permanent organization similar to Japan's Keidanren (Federation of Economic Organizations) to report private sector opinions on WTO dispute settlement and, as well as working to establish such an organization, Japan should put in place a domestic ombudsman system to hear the demands of the private sector regarding commercial negotiations.

The WTO agreement has incorporated several Sunset clause into its anti-dumping, safeguard, and subsidy provisions, and this has certain implications in that it leaves to the authorities who invoke these provisions the right to confirm injury/damage in order to extend measures taken in response. It is not overly difficult to see how the implications of such extensions can be abused so that the measures do in fact become permanent. Japan should ask that the Sunset clauses be applied when extensions are being granted so that conditions stricter than those when the measures were first introduced must be met.

In regards to anti-dumping measures, there are concerns about a return to earlier abuses given that Possible exclusion of sales in the domestic market of the exporting country at prices below per unit costs in determining normal value and given the vagueness in the accounting standards to be applied. While keeping an eye on the handling of arbitrary data from the US and Europe, Japan should endeavor immediately to bring Japanese accounting standards, the object of strong criticism from overseas, in line with international standards.

Japan should make every effort to avoid putting into action its own anti-dumping and safeguard measures but, should Japan's WTO interests be clearly violated, it should, from its position of responsibility for establishing a trade system, respond with anti-dumping and/or safeguard measures while ensuring their transparency.

4. [Expanding the Frontiers of World Trade (Services, TRIP, TRIM)] *Negotiations in the area of services have not fared well and problems persist in trade-related*

intellectual property rights and investment; these areas constitute the frontiers of world trade in the 21st century and this certainly would justify greater efforts on the part of Japan. Progress has been made in GATS following the establishment of the WTO, but the negotiations are naturally very difficult and, as long as member countries refuse to make voluntary commitments, will likely require a great deal more time. Assurance should be made doubly sure in negotiations on these priority areas. To increase transparency domestically, the Japanese government should hasten to establish a system for publishing, reporting, and referencing information on services-related measures. Agreements in areas such as air transport services should be incorporated into GATS just as MFA was integrated into GATT. Pointing out that countries which have addressed issues related to technology transfer in the area of intellectual property rights and which have rescinded restrictions on investment measures have achieved high rates of economic growth, Japan should aim for a more liberal investment agreement.

Negotiations in the area of services have not fared well and problems persist in trade-related intellectual property rights and investment; these areas constitute the frontiers of world trade in the 21st century and this certainly would justify greater efforts on the part of Japan. Utilization of APEC experiences in these areas might also prove of benefit.

Negotiations are still under way regarding GATS, and they have produced not so much a concrete settlement as a framework within which bilateral and small-scale multilateral negotiations have begun in anticipation of larger multilateral negotiations and eventually proposals for an overall agreement. Given that exceptional registration on a voluntary basis is allowed during the first 10 years of the WTO, commitments by members in the various areas in question have been quite passive. GATS negotiations will no doubt be very time-consuming and, without more active voluntary commitments by member countries, very few positive results can be expected.

Despite the fact that a consensus has been reached regarding the movement of natural persons, much of the road to a final accord in the other three of the top four

priority areas in the services negotiations still lies ahead, and although 29 countries have come to an agreement on financial services, the US, viewing the offers from the other countries as inadequate, has refused to go along and is leaning instead towards bilateral negotiations. Negotiations on basic telecommunications have been suspended, notwithstanding several promising developments in the areas of market opening, national monopolies, and competition, due to dissatisfaction on the part of the US, who has also deemed offers by other countries in connection with maritime transport inadequate; negotiations here have become difficult.

Merely criticizing the US stance in services negotiations will not, however, in itself break the deadlock. The present services negotiations are the first such since the Uruguay Round, and it must be noted that this was an area of difficulty in which an accord could not be reached even in the face of pressure to conclude the WTO agreement. Japan should be pleased that at least some progress has been made and should cooperate with other member countries in persuading the very tenacious US to change its stance. No efforts should be spared to ensure the success of the financial service and basic telecommunications negotiations scheduled to reopen in 1997, as they will likely have a decisive impact on other services negotiations.

Next, the Japanese government should hasten to establish a system for publishing, reporting, and referencing information on services-related measures set out in GATS. Such a move would be extremely useful, too, in increasing transparency domestically.

For areas such as air transport services in which bilateral or multilateral agreements already exist, the inclusiveness of the WTO regime should be stressed and efforts made to incorporate these agreements into GATS via a framework similar to that by which the Multilateral Fibers Agreement (MFA) was made part of GATT. The GATS negotiations should be accelerated by calling, in APEC and other forums, for contracting the time for these negotiations.

Almost no issues of technology transfer have been addressed regarding TRIP. In the case of a developed country licensing technology to a corporation from a developing country, for example, no provisions have set down banning export of this technology back to the developed country or establishing restrictions such as the obligatory purchase of parts. In light of the fact that TRIP requires developing

countries to meet standards of protection for intellectual property rights equivalent to those in the developed countries in far less time than Japan and the Asian NIEs needed, restrictions on technology transfer should be kept to a minimum and the agreement should be carefully fleshed out so that technology transfer is not hindered.

In the Agreement on Trade-Related Investment Measures (TRIM) only those provisions on measures that have a direct impact on trade -- obligatory use of the products of the investment recipient country and a balancing of imports and exports -- have been included, and provisions on investment itself, such as capital ratio restrictions, have been shelved. There is a clear trend, as seen in ASEAN, towards abolishing restrictions on direct investment, and countries that have done so have achieved rapid growth. The present point in time offers a good opportunity to seek a more liberal TRIM agreement by pointing to the appeal of the benefits.

5. [Dealing with New Issues: Developing Rules for Investment] *As issues to be addressed following the establishment of the WTO, trade and the environment, investment, labor standards, competition policy, and corruption have been suggested, but thus far only for trade and the environment has a committee been organized. Behind these issues lies a situation in which the developed Western countries are demanding level conditions for competition as globalization progresses and as social and policy differences produce disparities in labor and other costs, a demand to which the South has strongly objected. In terms of competition policy, the Western countries view as problematic Japanese corporate practices and Asian development policies, while Japan and the rest of Asia have denounced the anti-dumping policies of the developed countries. The North-South confrontation is especially intense in the area of government procurement connected with labor standards and corruption. The developing countries appear wary of multinational investment agreements, and Japan should support a review of this issue at the WTO. In this and many other cases Japan finds itself on a middle ground, being at the same time a member of the developed world and an intermediate presence between the West and Asia, and Japan should strive to foster an environment in which developing countries can*

readily participate. Because the issues taken up by the WTO so often involve Asian countries, we propose that they be examined at APEC and the results of such studies put to full use.

More than 10 issues were suggested for future consideration by the WTO at the time it was established and thereafter, but only in trade and the environment has a committee been organized, with later discussions generally focused on competition policy, investment, government procurement, and labor standards. Common to all these issues is that cost disparities arising from the particular social circumstances, labor situation, environmental policies, and corporate practices of individual countries have produced disparities in competitiveness, which impacts on trade and investment, and that the US, with its huge trade deficit, and Europe, troubled by high unemployment, have been pressing for a level playing field in competition. This has touched off disputes with developing countries who dislike interference in domestic social issues such as labor conditions and environmental policy. Corruption, too, has become a point of contention, and North-South discord extends to competition policy and investment.

The WTO has stressed "protection and conservation of the environment" and early on organized a committee for trade and the environment. Discussions cover eco-labeling and the relationships between multilateral environmental agreements and various WTO agreements as well as the provision and transparency of information on environmental policies, and there will be a report made to the Singapore ministerial conference. Essentially, then, the developed countries complain of "environmental dumping" by the developing countries, who have cut environmental spending in order to export cheaper products, while the developing countries object to being subjected to pressure on environmental issues by the developed countries at this late date, now that the developed countries have completed their own industrialization; this dispute has raged ever since the Rome Club report and this committee must immediately organize and examine these problem points.

Another hotly debated issue between North and South is that of labor standards. The US and France claim that the absence of any link between trade and

internationally recognized labor standards results in unfair competitiveness and human rights violations, and have criticized the production of cheap goods using prisoner or child labor. An examination by the ILO of human rights in a labor context and the issue of basic rights is essential. As interdependence increases, there are valid reasons for drawing attention to labor standards and human rights, but linking these issues with trade does run the risk of this connection being used as a pretense for protectionism.

The US charges that bribery and corruption are trade issues and that demands that US corporations pay bribes constitute a barrier to market access; the US has insisted that the issue of government procurement (for which special tax reductions are granted in the cases of France and Germany) be addressed at the WTO. Contrary to the view that bribery and corruption are merely being used as cover to implement unilateral retaliatory measures, we favor the opinion that some form of countermeasure is needed.

The debate on competition policy has two aspects. The first is the claim by the US and others that certain practices by private corporations restrict market access, the principal target here being Japanese keiretsu (corporate groupings). The WTO agreement is one between governments, whose principal answer to this problem has been to strengthen anti-monopoly laws applicable to private corporations, and there have been calls for a new mechanism. Japan is not the only target of competition policy, though, with attention now shifting towards the development policies of the Asian countries. The second aspect is the assertion by Japan and Asia that anti-dumping regulation in the West restricts competition; once anti-dumping measures have been implemented, opportunities for market access are restricted and business opportunities lost. Japan should stress that any examination of competition policy must include the issue of anti-dumping regulation.

International investment has expanded rapidly since the 1980s. International investment creates trade and is essential not only for the manufacturing industry but also for the transfer of service production; it has become the engine for world economic growth through technology and management transfer. To that end, the WTO drafted TRIM and wrote rules for the protection and promotion of trade-related international investment, but these rules were extremely limited and

more comprehensive international rules will be needed.

A new Multilateral Agreement on Investment (MIA) is being drafted at the OECD, the key points being (1) stronger investment liberalization requirements such as native status, non-discrimination principles, and transparency, (2) greater investment protection obligations through policy changes, (3) improved procedures for international investment disputes, (4) the expansion of liberalization obligations to new areas such as performance requirements and tax systems, and (5) the expansion of MAI to developing countries.

The principal objective of the US is the repeal of restrictions in Europe, and it believes that bilateral negotiations are effective in dealing with the developing countries. The EU hopes to have the developing countries participate through negotiations at the WTO.

Japan, whose main aim is reducing investment barriers in Asia, should continue to seek a high-level agreement while fostering an environment that will facilitate participation by the Asian countries. Many of the Asian countries are already investor countries, and the need for investment rules is clear from the adoption of such rules, albeit non-binding, at APEC, and Japan should maintain close contact with the countries of Asia.

The creation of a regional trade agreement committee is not necessarily being handled as a new issue but the relationship between the WTO and regional integration is extremely important.

As demonstrated above, globalization has given rise to new issues and, because many of these are related to Asia, an effective approach might be to learn from APEC's studies of these issues and from the rules formulated there in examining these same issues in the WTO and then to offer proposals.

6. [Promoting World Trade in the 21st Century by Advocating a New Round] *Of the developments that have occurred since the establishment of the WTO, some matters like dispute settlement are quite promising but there are also areas like services in which the negotiations are facing rough going. The future of the WTO will be determined by its achievements in the early stages, and we propose that a new round of negotiations be started immediately in order to set the*

foundations for trade in the 21st century -- settling issues on which progress is being made, moving ahead in areas where negotiations have bogged down, and tackling new issues -- and that negotiations be conducted with a clear framework and agenda. The first focus of this new round should be grappling with the frontiers of world trade as well as maintaining and boosting the momentum of difficult negotiations in the area of services. Second should be further reduction of tariffs. Third should be the drafting of a backlog of rules and provisions in areas such as anti-dumping. Fourth, Japan should increase its productivity in the agricultural sector; develop an approach towards tariffication, and turn its attention towards liberalization of its rice market. Fifth should be improvement of the dispute settlement functions that play such an important part in the formulation of international trade law. Sixth should be the tackling of new issues; Japan should stress the importance of developing approaches to international investment and regional integration.

Developments in areas such as dispute settlement since the establishment of the WTO certainly merit attention, but in other areas, particularly that of services, the progress of negotiations has been slow, and anti-dumping regulation among other issues continues to be a major problem. In important areas like the environment and investment new issues crop up one after the other. To settle issues on which progress is being made, to move ahead in areas where negotiations have bogged down, and to tackle new issues, we propose that a new round of negotiations be started. Progress in the early stages is extremely important if the WTO is to establish trade rules for the 21st century and promote world trade, necessitating a new round of talks.

As the achievements of the Uruguay Round spanned a much greater range of issues than did earlier GATT negotiations and much effort was needed to follow up on these achievements, it has been argued that the time is not yet ripe for a new round; this argument is further supported by the assertion that negotiations under the WTO, a permanent international organization, will be different in nature from those conducted previously. However, the WTO agreement covers an extremely broad field of issues and the Uruguay Round negotiations are in essence still underway, and this, together with the fact that the negotiations are so involved, makes it

prudent to open the new round at the earliest feasible date, to examine the issues on the basis of a distinct agenda, to boost the momentum of the talks, and to establish the necessary rules.

The following areas should be the focus of a new round. First should be promoting the negotiations in the difficult frontiers of future world trade. The negotiations on services are a typical example, and their successful conclusion will require intensive negotiations. The momentum of these negotiations must be maintained and strengthened if agreements are to be reached in the four priority areas while at the same time pursuing negotiations in other areas, and a formal negotiation framework and agenda will be required. On the issue of intellectual property rights, addressing the question of precedence between invention and patent application will be extremely important, while trade-related investment provisions, as has been mentioned already, should be expanded in a more comprehensive framework in connection with new issues.

Second should be the further reduction of tariffs. Overall tariffs in the developing countries remain high and there is much room for improvement here. Tariffs are still high on certain items in the developed countries as well, and tariffs in the mining and manufacturing industries should be lowered further; indeed, proposing the total elimination of tariffs on high-tech goods would certainly not be out of the question.

Third should be, from among the various provisions left out of the Uruguay Round, provisions to prevent countries from bypassing restrictions on anti-dumping measures. Because independent or otherwise "grayish" measures are explicitly forbidden, anti-dumping measures at the WTO have taken on increasing importance as a means of realizing the protectionist policy aims of the developed countries. The process of implementing anti-dumping measures is characterized by the problems already mentioned in Recommendation 3, and it is important to prevent countries from bypassing restrictions on such measures. The code must therefore be reviewed before the logic of the importing developed countries -- that elimination of the bypass restriction provisions means that anti-dumping measures can be freely implemented -- becomes a *fait accompli*.

The voluntary import expansion (VIE) measures, the ban on which has been

postponed, are in truth a tacit subsidy, and Japan should call for the ban to be implemented, given the market distorting effects of such measures.

Fourth should be agricultural issues. The Japanese government's passive stance on agricultural liberalization has seriously undermined Japan's position and reputation. If, during the six-year grace period for tariffication, Japan should reconsider its decision to open its rice markets and not introduce tariffication even after 2001, it will end up paying an even heavier price than it has thus far. Should the government choose to pay this price and insulate rice from international competition, Japanese agriculture will surely collapse. Japan should make the transition to tariffication in preparation for liberalization of its rice market from 2001 on, and a domestic policy that increases productivity is indispensable.

Fifth, it is extremely gratifying to see the vigor with which the dispute settlement mechanism has carried out its work, and its achievements in the process of formulating international trade law for the 21st century should be duly recognized and future improvements proposed. One issue requiring particular attention is that of the participation of the developing countries.

Sixth, it is important that new areas be addressed. With the advance of the information revolution, the permeation of market economics, the rise of Asia, and other structural changes around the world, new issues will undoubtedly continue to appear. The relationship of trade to domestic issues and the coordination of trade with other areas are also matters requiring careful thought; a committee for trade and the environment has already been created at the WTO. After the issues have been thoroughly discussed at the now permanent WTO, principles should be laid out for determining whether an issue should be taken up in negotiations at the WTO or whether instead it should be examined at another suitable international forum for cooperation.

The regional trade agreement committee is examining regional integration as it relates to the new issues, and because, unlike its earlier manifestation, the new regionalism may serve to complement the WTO, its importance should be emphasized. Exactly what kind of cooperation will exist between the WTO and the EU, NAFTA, and APEC will be a matter of great import within the international trade regime of the 21st century.

7. [Utilizing APEC as a Precursor to the WTO Regime] *Advocating an "open regionalism", APEC has become more energized with the Osaka conference and in anticipation of the upcoming Manila conference. The action guidelines of the Osaka conference targeted a wide range of fields connected with trade and investment liberalization and economic/technical cooperation, and increasing international cooperation in this region, an area with 40% of the world's population and 60% of its GDP, has produced a variety of exchange between the citizens of countries in the region. As a result of their rapid economic growth, the countries of Asia have come to place considerable trust in market economics and free trade in intensifying their economic activity, and economic/technical cooperation have served as a form of structural adjustment in support of such liberalization. Many of the issues targeted by the action guidelines bear remarkable resemblance to WTO issues, and in areas like investment agreements APEC has even been a pioneer. Cooperative and voluntary liberalization has proved effective thus far as an Asia-Pacific style of international cooperation, and the region's hopes lie in "mediation" rather than "confrontation" as a basic form of dispute intervention. Postwar Japan has maintained a leadership position in Pacific cooperation and not only suggested action guidelines at the Osaka conference but also new forms of cooperation and research on long-term issues in the Asia-Pacific region. APEC should exercise leadership to ensure that it plays a complementary and pioneering role vis-a-vis the WTO.*

As a regional framework embracing a great diversity of nations differing in their levels of economic development, ethnic heritage, and religions, APEC has from its establishment in 1989 advocated an "open regionalism" and, with the momentum acquired from the first prime ministerial conference in Seattle in 1993, announced at the 1994 Bogor conference its goal of liberalization of trade and investment by the year 2020. Action guidelines based on this declaration were set out at the 1995 Osaka conference and the action plans of individual countries based on these guidelines will be a major issue at the November 1996 conference in Manila.

The action guidelines of the Osaka conference comprise two pillars. The first, liberalization and facilitation of trade and investment, target 15 areas such as tariffs, non-tariff measures, services, and investments on the basis of a comprehensive set of rules, and successful implementation of these guidelines will depend on flexibility, equality, coordination with the WTO, and the principle of non-discrimination.

Liberalization guidelines maintain the principle of non-discrimination and illustrate the cooperative, voluntary, and unilateral approach characteristic of the Asia-Pacific region, but there have been concerns expressed about their practicability. However, there has been satisfactory progress made in the action plans of individual countries for the Manila conference.

The second pillar, economic and technical cooperation, features in action plans proposed in 13 areas such as personnel training/education, industrial technology, infrastructure, energy, and small business. Economic and technical cooperation consists primarily of exchanges of policies and information, and is significant in improving the industrial and technological base of individual countries and promoting economic growth; such cooperation is absolutely essential in making the structural adjustments needed for liberalization. At the suggestion of Japan a "Partners for Progress" (PFP) program has been initiated and FEEEP (food, energy, the environment, economic growth, and population increase), whereby research is conducted on long term regional issues such as population, food, the environment, and energy, has moved ahead.

APEC's activities have several noteworthy characteristics. First, APEC covers a region which accounts for 40% of the world's population, 60% of its GDP and nearly 40% of its trade and which will shoulder global responsibilities in the 21st century, and broad networks of people-to-people cooperation are developing in this region. Crowning APEC are its prime ministerial/ministerial meetings, and the organization has a total of 10 working groups, including the high-level administrative talks and the trade and investment committee; there are also ministerial meetings of many types. Each government is involved in over 120 meetings of varying sizes each year, and the number of personnel involved is enormous, even more so when one takes into consideration domestic consultation meetings. Furthermore, there is exchange at a personal level at the APEC Business

Advisory Committee, the Pacific Economic Cooperation Council (PECC), and the Pacific Basin Economic Committee (PBEC), and exchange among governments, the financial sector, and academia in the Asia-Pacific region is expanding rapidly. Asia is a diverse region and cannot truly be considered a single entity, but through trade, interpersonal exchanges, and information, it is being swept along towards integration.

Second, the increase in such cooperation has been due to the active participation of the countries of Asia. The rapid growth that the East Asian countries have experienced since the 1980s has given them cause to trust market economics and free trade. Though they continue to resist the US' somewhat hasty demands for liberalization, they have, pressed by these demands, pursued further liberalization. The positive stance of the ASEAN countries on this issue has been conspicuous; they have used the leverage of improving economic conditions to improve liberalization, to establish dialogue between Asia and Europe, and to promote South-South cooperation. In the area of security as well they have made great progress.

Third, many of the issues targeted by the action guidelines bear remarkable resemblance to WTO issues. Rules for investment, though non-binding, have already been developed and discussions on services, intellectual property rights, and dispute intervention overlap the priority areas of the WTO. APEC is distinctive in that it tackles issues common to both developed and newly developing countries and in doing so it complements the WTO; it might even be that APEC and the WTO could act as precursors for each other.

Fourth, the debates at APEC illustrate Asian values. The cooperative, voluntary, and unilateral liberalization mentioned above is an Asia-Pacific style of international cooperation, and there is room for developing a cooperative and amicable format for dispute intervention, including disputes between the government and the private sector and between private sector entities, in contrast to the confrontational format of the WTO. It is also possible that APEC's close ties with business will further reinforce this aspect of the organization.

Japan has taken the initiative in postwar Pacific cooperation, not only putting together the action guidelines for the Osaka conference but also advocating PFP and

FEEEP. The postwar GATT was bolstered by OECD and other predecessors, and it is quite likely that the WTO will receive firm support from developments in APEC. Together with reinforcing its activities, APEC should be urged to seek closer cooperation with the WTO.

8. [Strengthening the WTO through the Participation of China and Taiwan] *WTO activities will be strengthened by the accession of China and Taiwan. Negotiations on China's accession have continued for 11 years since the country first applied to GATT but there are still no prospects for success. Market economics have made headway in China, but elements of a controlled economy inconsistent with WTO principles continue to dominate. Leaving a country like China, which occupies an important position in world trade, out of the WTO means not only that China does not benefit from the WTO but that other countries, too, lose the advantages of having China subject to a legal system such as that for dispute settlement. As was mentioned in the Introduction, the beginnings of international friction can be found in trade. Given that membership in the WTO would likely enhance China's openness, Japan should support membership for China, agreeing to accept China's request for developing country status on the condition that it increase the transparency of its plans and actions to comply with WTO principles. With the reversion of Hong Kong, China's volume of trade will be 60% that of Japan's, and this reversion offers a good opportunity to make rapid progress in the membership negotiations. The conditions for Taiwan's accession are still being determined but, as in China's case, it is very important to speed up the negotiations, and Japan should work towards membership for Taiwan at the earliest possible date.*

Enhancing East Asian participation in the WTO must begin with expediting the membership process for China and Taiwan. China applied for membership in GATT in 1986 and a working group was established in 1987 for Chinese assertion. Later came the Tiananmen Square incident, however, since which negotiations have faltered and membership in the WTO held up. While there has been some progress

towards developing a market economy in China, the overall framework is still one of a socialist economy, not in line with the rules of free trade laid down by the WTO. Numerous problems persist: the trading rights authorization system run by the government and covering all import and export transactions by companies; the lack of domestic national status for foreign capital in investment and production policies; demands for technical support from foreign corporations in exchange for operating licenses; and high tariffs. The US has been especially insistent that China fulfill the core obligations of the WTO, that it publish the details of its regulations, and that it accept the WTO rules on intellectual property rights, and each year in bilateral negotiations the US renews China's most-favored nation status in accordance with the Jackson-Bannick Act. For its part, China has requested developing country status in its membership application, and though the negotiations have dragged on for 11 years, there are still no prospects for membership.

As seen above, there is a wide gap between China's domestic structure and WTO rules. In light of the enormous scale of its economy and trade and given its continuing dynamic development, keeping this nation outside the WTO does not profit China, Asia, or the development of world trade. WTO membership for China would give China most-favored nation status and national treatment, and would benefit other countries as well. Secondly, it would extend the restrictions of the WTO rule of law to China's trade and economic policies. Thirdly, these restrictions would make it possible for other countries to take advantage of WTO dispute settlement and in dealing with trade issues would provide the benefit of law not available in bilateral negotiations. Foreign corporations commonly complain that China is frequently changing its trade policies and tax systems and that its procedures are not transparent, and in this regard a degree of security could be ensured.

In the Purport it was mentioned that trade makes for peace, but trade must be mutually beneficial; estrangement from the WTO would be detrimental in that it would impose on China a sense of isolation. Japan should intensify its efforts to obtain a worldwide consensus so that China can be accepted for membership as soon as possible. Japan should encourage China to pursue negotiations on membership while insisting that it develop a plan for meeting membership requirements and that

it maintain transparency in implementing this plan. China has requested developing nation status. As China will need time to conform with WTO requirements, this request should be accepted on the condition that China adhere to its plan and maintain transparency during implementation. In the area of currency China has successfully unified the yuan and this year will complete the transition to IMF Article 8 country status with the liberalization of current account transactions, this year. It has shown a similar willingness in advancing reduction of tariffs as part of its action plan for APEC liberalization. WTO membership will enhance openness in China, boost its participation in the world economy, and make it more likely that market economics will take root in the domestic economy.

The reversion of Hong Kong to China in July 1997 will have a rather complex impact on the issue of membership for China. The reversion will not change Hong Kong's status within the WTO, but it will complicate matters. Hong Kong's imports and exports in 1995 surpassed \$370 billion, much of this being intermediary trade, and together with China's \$280 billion, this makes for a net trade figure of about \$400 billion. This is about 60% of Japan's total trade, and Macao's reversion will add to China's total. That only a portion of this trade is covered under WTO membership is an extremely unnatural state of affairs, and gives rise to difficult issues such as determining country of origin for certain goods.

It stands to reason that, in aiming to establish the rule of law, the WTO would insist that members meet its requirements, but denying membership to a country like China which occupies such a key position in world trade cannot but destabilize the world economy. Using the opportunity presented by the reversion of Hong Kong to advance membership negotiations, Japan should accept China's demand for developing nation status and urge China to adopt a policy of greater openness upon joining the WTO, all the while promoting a practical solution to this problem.

Taiwan is an emergent country pursuing cutting-edge technologies that can boast of an annual trade figure of more than \$200 billion. In 1990 Taiwan applied for GATT membership and in 1992 a working group was established for its membership negotiations; already Taiwan has joined 8 different working groups. Monopolies for the sale of tobacco and alcohol, the liberalization of agricultural products, the automobile market, intellectual property rights, and services are among

the issues still being discussed in these membership negotiations, but Taiwan has consented to accept the membership requirements applicable to developed countries, and it continues trying to meet these requirements. The greatest obstacle to quick approval of membership for Taiwan is the exclusion of China from membership, and for this reason, too, accepting China's application for membership would be beneficial. Like Hong Kong, Taiwan is a voluntary tariff region and Japan should campaign on behalf of its membership.

9. [Promoting International Cooperation on Energy, the Environment and Food]
Prior to World War II there were fierce disputes over the acquisition of resources, but with the US guaranteeing free access to petroleum, food, and other resources in the Atlantic Charter, for a time after WWII these were no longer considered key issues in international trade. Global environmental problems and population growth since the oil crises of the 1970s have made the issues important; furthermore, the spread of market economics in recent years and rapid growth in the countries of Asia have made these once again important issues now and for the 21st century. These issues are at the same time global and regional ones, and they have been addressed at the UN and in summit meetings, with Asia taking a very active stance. At the Osaka conference Japan proposed the study of FEEEP at APEC. Proposals were put forth at the recent APEC energy ministers' conference for enhancing energy security, promoting electrification, and introducing policies to improve the environment, and Japan should utilize its technological achievements in energy conservation, environmental measures, and electrification, as well as official assistance and private capital, to increase its contributions in these areas. Above all, the food issue is one that concerns Asia, and Japan should promote greater international cooperation both globally and in the Asia-Pacific region.

Several global issues have arisen as major issues connected with international trade. The world prior to WWII was embroiled in bitter disputes over resources, but with the Atlantic Charter guaranteeing the supply of major resources and materials, the stability of the postwar world economy depended on the US for a stable supply

of petroleum and food. In the 1970s resource issues, especially petroleum, brought instability to the world economy. The rapid growth of East Asia has recently become one cause for instability, and the prices of petroleum and food have been steadily rising. The growing seriousness of global environmental problems has also been pointed out, and the maintenance of sustained growth has become a major objective of the WTO.

With sharp population growth, the upsurge in the number of market economies, and rapid growth in Asia, the mounting gravity of global issues such as the environment, petroleum, and food is attracting greater attention, and there are concerns that these might even develop into security issues. These issues are at the same time both global and regional in scope; environmental problems are a typical example. While there has been progress made in tackling these issues at the UN and at summit meetings, attention has also been focused on the countries of Asia and they increasingly consider these to be important regional issues.

The recent APEC energy ministers' conference declared that, should Asia-Pacific countries wish to demonstrate fully their economic potential, they must manage the rapidly growing energy demand in the APEC region in an environmentally responsible manner. As one pole of future world growth, Asia must develop an approach that simultaneously addresses environmental and energy issues.

The same conference brought up the issues of (1) promoting openness in the regional energy market as well as improving regional energy security by conserving energy and expanding supply capabilities, (2) increasing private investment in upgrading electrical power supply, (3) designing a strategic approach to environmental conservation, and (4) adopting the principle of an energy policy, and these can be said to constitute a policy directed at both energy and environmental issues.

Better extraction technology has increased the world's petroleum supply capabilities and, hence, there is no pressing need for an immediate review of supply and demand. However, the rapid expansion of energy demand in Asia has led to increasing dependency on Middle Eastern petroleum, and so supply and demand do remain important issues. Electrification is another major policy concern, as is pollution stemming from an excess of carbon compound emissions into the air.

In regards to the food issue, economic transition in certain countries as well as the growth of Asia are putting pressure on the world grain market. Japan has long been a major food importing country, but should Russia and China increase imports and their consumption of meat, it is possible that Indonesia and India will also become net food importers. Asia continues to be the world's largest importer of food.

At the Osaka conference Japan proposed that steps be taken towards resolving various FEEEP (food, energy, the environment, economic growth, and population increase) issues, and it is presently engaged in studying suitable measures. Closer examination of food issues has also been suggested. Japan has also taken the initiative in strengthening measures to deal with energy issues in the Asia-Pacific region. Japan should put to good use its achievements in energy conservation, environmental measures, and electric power technology and should contribute to the resolution of global and Asian environmental and energy issues through the appropriate distribution of ODA and private capital.

10. [Stabilizing the International Monetary System for the Development of International Trade] *The stability of international monetary system is extremely important for the development of international trade. Currency instability alters competitiveness and disrupts efforts in trade negotiations. While currency instability has a variety of causes, faith in the US dollar is greatly affected by the enormous deficits of the currency's home country, the US. The US has of late been leading the information revolution, decreasing its fiscal deficit, enjoying greater economic growth, creating a significant number of new jobs, and seeing high corporate profits. However, despite decreases in the budget deficit, household savings are still low. Further reductions in the budget deficit are expected, but improvements in economic fundamentals do not necessarily result in improvements in the international balance of payments. The US deficit does not mean that the dollar will have to abdicate its position as the world's key currency. The continuation of a large deficit, however, does tend to invite currency instability. As it is developing a common currency, Europe may begin liquidating its dollar assets, with chaos a possible consequence. Japan's competitiveness has been diminished by a stronger yen. Japan should maintain*

its course in seeking to shrink its international balance of payments surplus, asking the US at the same time to reduce its budget deficit, and should strengthen international policy cooperation when Europe does finally create a common currency. Japan should also work in closer cooperation with the countries of Asia as their status in international finance improves rapidly and should promote intra-regional policy coordination to dampen exchange fluctuations.

Stability in the international currency market is an extremely important element in developing international trade, and the transition to a floating currency system has been accompanied by dramatic currency fluctuations, which have a disruptive impact on international cooperation in tariff reduction and other aspects of trade policy. A higher yen and higher mark have had a major impact on the recessions in Japan and Europe. Currency instability has become a significant factor behind enormous movements of capital and disparities in structural adjustments between individual countries, but an even more fundamental problem is that confidence in the dollar has been shaken by the continuing and massive deficit of the US and its status as the world's largest net debtor nation.

The US has of late been leading the information revolution, enjoying greater economic growth, creating a significant number of new jobs, and seeing improved economic fundamentals. In regards to its international balance of payments, however, exports are up but so are imports, and although receivables in the area of services have increased, payouts are also on the rise; the investment balance sheet has been in the red since 1994 and the US is still running a huge deficit in its balance of payments. Another reason for this trade deficit is the expansion overseas of US corporations. Looking at the savings and investment balance, one sees that the fiscal deficit which rose so sharply in the 1980s has been substantially reduced, to 1.5% of GDP by FY1996. This can be attributed to the fact that the Republicans took control of Congress of 1994 and held down expenditures as revenues increased. Household savings have dropped, though, and overall savings are insufficient.

The present US administration has outlined a strategy of increasing real income growth for middle-class households and the low rate of household savings by

boosting employment in export and high productivity industries such as the high-tech and service industries, and of improving the international balance of payments by further reducing the budget deficit. Eliminating the budget deficit will not be simple, however, and there are doubts that household savings will improve much.

Currency is a trailing indicator of dominance, however, and the dollar will not readily abdicate its position as the world's principal currency even should the US international payments deficit persist. The US as the sole remaining superpower is strengthening its superiority in security matters and is sailing ahead in the information revolution; apart from international payments, its economic fundamentals are sounder than those of Europe and Japan. Indeed, the recent rises in the yen and the mark have been a whip beating down the competitiveness of these two countries. The dollar regime will become unstable, however, if the US continues to show a massive international payments deficit, and a weaker dollar will reduce the US presence in the world economy.

In reaction to the fluctuations in the international currency regime, Europe introduced a policy to restrict the range of currency fluctuations within the region. Currency integration has been promoted since the 1980s, and with the aim of a common currency by the end of this century, Europe has begun preparations for economic integration, lowering budget deficits and stabilizing prices. The problem is that European countries may liquidate their dollar assets when the EU does introduce a common currency, and should other regions, especially Asia with its extensive financial assets, follow this lead, disorder may befall the dollar regime.

Japan's massive surpluses have been regularly criticized for their impact on international currency stability. Japan has promoted the internationalization of the yen in order to hold down fluctuations in exchange rates, but change has come slowly and exchange rates still fluctuate wildly. There has been a rapid increase in imports recently by Japan, though, and its international payments surplus has been shrinking.

Against a background of expanding international trade, the countries of Asia have made great strides in their international financial status and have been building up their foreign currency reserves, which has led them to seek ways of lessening the

impact of fluctuations in the prices of major currencies. There has been a growing move by the countries of East Asia to hold each other's currencies, and greater cooperation in macroeconomic policy has also been evident.

While staying the present course of shrinking its own surpluses, Japan should strongly urge the US to reduce its deficits while studying together with the West and Asia policies for stabilizing the international currency regime and measures to deal with dollar instability. Close coordination with the fiscal and currency policies of the individual countries of Europe will become necessary when a common EU currency is finally established, and cooperation in fiscal and monetary policies in Asia, too, is important.

11. [Preventing the Polarization of the World Economy] *The emergence of Asia has produced an increasingly tripolar world, and Japan's role is to utilize the dynamism of these three poles to further the spread of market economics and interdependence and to prevent the polarization of the world by promoting the WTO. To this end, Japan must fundamentally reform -- through deregulation -- the "catch-up" economic system that it was allowed to operate during the Cold War era. With the information revolution moving ahead and the market revolution expanding, this is the road out of recession and to the future. At the same time, Japan can complete its own transition to a more liberal direction corresponding to its stage of development and then offer itself as a model to the developing world. Japan should stress the WTO principles of freedom, multilateralism, and non-discrimination. If the EU begins leaning towards protectionism as it implements political and currency integration, should warn against this tendency; Japan should also promote market economics and "the rule of law" in East Asia and should deal with any unreasonable requests for reciprocity from the US in a multilateral context.*

The world economy is becoming increasingly interdependent, but the growing tendency towards concentration on three poles is evident in the rising intra-region trade ratios for Western Europe, North America, and East Asia. Such a situation illustrates the dynamism of each region. In the midst of Asia's emergence and

Europe's stagnation, the EU and NAFTA have both deepened their integration, and it is entirely possible, depending on the reaction of East Asia, that the world economy will become divided into three regions or perhaps just two -- Europe/US versus Asia or Greater Europe versus the Asia-Pacific.

The economies of East Asia, which continue to see dynamic development, differ from the Western pattern of market economies in that they feature close cooperation between enlightened bureaucrats who pursue economic development as a clear national objective and a vigorous private sector, and Japan's industrial policies have obviously served as a model. The more Japan developed, the more trade friction it generated, though, and it is possible that Asia's emergence will cause even more earthshaking changes. The disputes stemming from the differing priorities of liberalization and development have been aggravated by reciprocity and regionalism, and could well develop into a clash of civilizations between the West and Asia; there is a clear relationship between new issues at the WTO and the emergence of Asia.

Japan fell into economic recession in the 1990s, with the Japanese system essentially running up against the current of the times as its inherent contradictions become more apparent. Japan in the postwar period had adopted a formula of concentrating its resources on growth sectors and its industrial policy was a success. In later development, employee-oriented Japanese firms formed convoy-like corporate groups centered on a parent company, vertically connected to subcontractors and sales companies and horizontally to affiliated companies, that managed to overcome numerous difficulties in growing ever larger. Bureaucratic guidance was not necessarily responsible for this development, but in the process many regulations were created, the lower the productivity of the sector the stronger the regulations.

Relentless rises in the yen from 1985 compelled these corporate groups to reorganize, many Japanese companies expanding into Asia, Europe, and/or the US; the preservation of low-productivity sectors produced a high-cost structure that encouraged corporations in high-productivity sectors to shift their operations overseas. Because the "catch-up" economic system was maintained, many abuses emerged while regulations hindered new entry into industries and blocked

innovative endeavors by corporations. Even as globalization advanced and Japan should have been absorbing the know-how of foreign corporations, few of these foreign corporations chose to enter the Japanese market and, wary of Japanese regulation and the high costs of doing business in Japan, shifted their attention to Asia. Japan has reduced its international payments surplus, bringing its international payments position closer to a balanced state, but as things stand now, it is conceivable that Japan will grow more dependent on interest and see its economy come to resemble the UK economy of old. There are concerns that Japan will become isolated within the WTO regime and that it will end up with an graying society lacking in economic vigor.

These circumstances show that the structure of the Japanese economy is out of phase with the current of the times and that certain aspects are incongruous with WTO concepts, which are built on free market economics. Japan can guarantee its survival into the 21st century by liberalizing and making more transparent its economic system and by pushing ahead with deregulation, which is all the more reason for supporting the WTO regime. In future Japan will be able to provide East Asia a case study in the transition from a development-oriented economy to a more liberal one characterized by market economics and will be able to support the permeation of WTO rules.

Japan should pursue further deregulation, restoring dynamism to its own economy, and should accept WTO concepts and put to good advantage the rule of law. As has been shown above, the world economy is gradually converging on three poles. The first signs of a free trade zone between the US and Europe (TAFTA) have appeared, but it is necessary to warn against such moves at a time of growing protectionism in the EU and to take bilateral negotiation problems with the US to the multilateral negotiation forum of the WTO for resolution. Japan should offer Asia a model for shaking off developmentism, should maintain APEC's open regionalism, and should promote the multilateralism of the WTO.

12. [Fostering "Universality" by Strengthening the WTO Regime: the Road to a New Collectivism] *Following the conclusion of the Cold War a sense of blockage pervaded Japanese diplomacy, domestic politics, and the economy. This arose*

from an awareness that circumstances in Japan were incongruous with those of the post-Cold War world as a whole, not only in the economy but throughout Japanese society. Political instability was an extreme manifestation of this, but it was also apparent in the fact that wide-ranging administration reform, including reorganization of the Ministry of Finance, the summit of Japan's bureaucracy, became the subject of serious debate. Despite improved security relations between Japan and the US, disputes continued over economic issues, and appeals to the WTO revealed clear differences between systems in Japan and the US. Criticism of Japan by some Asian countries has sharpened as Japan's presence grows weaker, and the position of Japan, who should be promoting the WTO regime, is by no means secure. To overcome these circumstances, Japan must increase individuality, further integrate democracy and market economics into Japanese society, and enhance the country's internationalism. To promote international cooperation, Japan must abandon the psychology of itself as a "special country" that it has maintained since the Meiji era. Reforms are critical also in that they promote the WTO regime, which advocates the rule of law as the basis of a market economy, and Japan should foster universality by strengthening its participation in the WTO.

As the Cold War drew to a close, a sense of blockage pervaded Japanese diplomacy, domestic politics, and the economy. The incongruities between Japan's system, born of the logic of the Cold War, and the new developments worldwide were not limited simply to the economy but instead became an issue for Japanese society as a whole. The long and stable dominance of the Liberal Democratic Party was toppled and political instability continues to this day. The iron triangle of politicians, bureaucrats, and financial circles that had dominated in the postwar period has collapsed, the reorganization of the Ministry of Finance, the summit of Japan's bureaucracy, has become the subject of debate, and wide-ranging administrative reforms have been proposed. The collapse of convoy-style corporate groupings has already been mentioned. Friction with overseas trading partners has been one of many clear challenges to the Japanese system and this matter relates to Japanese values.

Social relationships in which people support each other include the family, friends, groups, and organizations, and the Japanese characteristically have a strong sense of belonging to a group. That such a group consciousness has supported the postwar development of Japan is typically illustrated by employee-oriented corporations and government offices. While it may be the shareholders that found a particular company, it is the employees that develop it and it seems a matter of course that employees would head the company. Choosing top management strictly from among the company ranks, however, only reinforces the closed nature of the company. When group consciousness becomes linked with bureaucratic guidance the result is often authoritarianism, and when linked with a vertically-structured society produces a closed society that excludes differing opinions. When this consciousness is married to an exclusive nationalism it can become autocratic and lose its universality. Consequently, Japan must increase the transparency of its group consciousness, eliminate authoritarianism, weaken its exclusive nationalism, and strengthen individuality.

The sense of blockage in Japan has been heightened by changes in international relations. From the Meiji era Japan pursued a policy of *datsu-A, nyu-O* (reject Asia and join the West), becoming the only non-white industrialized country in the world and earning itself "special country" status. After WWII and as the East-West conflict grew more intense, the US established Japan as a stable power in Asia and its "special country" status continued. Despite the US occupation, the uniqueness of Japanese society survived, and the iron alliance of politicians, bureaucrats, and financial circles was formed. Japan's emergence as an economic power known for its flood of exports did bring criticism from numerous foreign countries, but the Japanese system demonstrated its effectiveness in overcoming two oil crises, trade friction, and a higher yen. The East-West conflict limited Japan's interaction with the Asian continent and there was relatively little criticism of Japan's wartime actions.

The end of the Cold War, the advance of the information revolution, and the progress of globalization, however, exposed the problems with the Japanese economic system. The ideological dispute between the left and right weakened after the Cold War, creating instability in Japanese politics, while the country's single-country pacifism had an adverse effect on Japan-US relations after the Gulf

War. The closed nature of Japanese society left it unable to mobilize the world's wisdom on its own behalf, its leadership was called into question because its system lacked a identifiable face, it joined the information revolution rather late behind the US, and corporations fled overseas to escape Japan's burdensome regulations and its high-cost structure. In the midst of Asian rise, Japan as a "special country" has been unable to utilize its own potential and fears have been expressed that Japan will be bypassed and isolated, and, to make matters worse, Japan's wartime behavior has been increasingly criticized by East Asia.

Bold self-reform is necessary to break free of these shackles. As described above, this would involve increasing the transparency of its group consciousness, eliminating authoritarianism, destroying exclusive nationalism, and taking up the challenge of improving universality. Individuality must be strengthened and liberalism and democracy fully incorporated into Japanese society, necessitating political leadership and administrative, corporate, and educational reform. Fortunately, Japan still has considerable economic strength and technological capabilities.

More participation in WTO is for Japan a crucial opportunity for promoting such reform. This could very well give Japan its first true experience in helping form an international system, and given that this will offer valuable experience in internationalization, Japan should intensify its involvement. In this connection, there is a surprisingly small number of Japanese personnel in the WTO. Increasing its personnel contribution towards international organizations would be one means of supporting reforms in the Japanese system, and participation in the early stages of WTO activities is extremely important. The instigation of several dispute settlement cases against Japan at the WTO constitutes a strong challenge to the Japanese system but does provide an opportunity for Japan to learn through dispute and cooperation. While Japan has no true friends in Asia, the Asian countries themselves have few mutual friends given their long subjection to colonial rule in modern history. Reflecting on its past and utilizing its postwar heritage of taking the initiative in Asia-Pacific cooperation, Japan can, by furthering exchange, promote Asian-style international cooperation that takes advantage of Asian cooperativeness and adaptability and contribute to the WTO. Participation in the WTO presents

Japan with an opportunity to test its universality through reform of its system and with a challenge to survive into the 21st century.

The Purport

The first WTO ministerial level conference will be held this December in Singapore, nearly two years after the establishment of the WTO. The WTO was created as a standing international organization and, while in many ways it follows in the footsteps of GATT, in several respects it is epoch-making. First, agreement has been reached on the automation and enhancement of dispute settlement procedures, and mechanisms have been set up that promote the "rule of law". Second, international rules have expanded to the newer areas of services, intellectual property rights, and investment. Agriculture has also been covered by the WTO. Third, rules for "gray" areas have been made clear. Fourth, the developing countries actively participated in the establishment of the WTO, accepting the WTO provisions in their entirety. Fifth, environmental studies have been approved and proposals submitted for studies on new issues such as investment, labor standards, competition policy, and regional integration.

The signing of the WTO pact was indeed epoch-making in these ways, but the WTO has since then seen a mixture of progress and stagnation. Firstly, there is the expanding use of the dispute settlement procedures. In the WTO's first year and a half, consultations were held on 33 cases; panels were formulated in 11 cases and reports were published for two of these. Six panel deliberations are presently under way, and from here on more than reports are expected to be released each year. The panel reports provide recommendations for national governments which, as in the case of Japanese shochu (low-class distilled spirits), will influence domestic policy and establish judicial precedents; and procedures will help in the formation of international trade law. The fast pace at which precedents are being established is on the one hand promoting the rule of law and should therefore be welcome, given the objectives for founding the WTO. Objections may, however, arise to this pace as well as to the specific contents of reports.

Secondly, many parts of the WTO agreement are pending or have been given over to continued negotiations, with the conflict of interests especially strong in the area of services, where the negotiations are facing rough going. Disputes also continue to erupt over intellectual property rights, and both of these areas will be the frontiers of future world trade. In addition, there is much friction over anti-dumping measures and safeguards.

Thirdly, many issues have been proposed for the WTO's future consideration, and it has been agreed to take up matters related to trade and the environment as well as regional trade agreements; the issues of investment, labor standards, competition policy, and corruption are still the subjects of heated debate between the countries of the West and the developing countries, and examination of these has yet to begin. These issues appear against a background of structural changes occurring in the international community with the end of the Cold War, the information revolution, and the internationalization of corporations. Globalization is a typical example of these changes, but problems such as the international reorganization of production and an accompanying increase in unemployment continue to loom, stirring up the international atmosphere surrounding the WTO.

Fourthly, while the WTO is faced with issues of great significance, the important thing is that those major countries which should be promoting the WTO are each confronting their own difficulties. The US still has a substantial trade deficit and its demands for open markets are heavily suggestive of one-sided reciprocity. Europe is moving ahead with economic integration but suffers from wide-scale unemployment, while Japan is dealing with structural issues such as excessive regulation and a high-cost economy. Thus, settling on a WTO regime is no easy matter.

Looking ahead to the world of the 21st century, the US is at the source of the expanding waves of the information revolution and, should it continue to make fundamental improvements such as reducing its budget deficit, it may very well maintain its status as world leader in view of its superiority in security and its dominance in resources. However, with a persistent huge international payments deficit, support for reciprocity is growing stronger and this may destabilize the international monetary system.

By contrast, the "miracle" of East Asian growth continues. The region's production structure has grown more sophisticated, at times revealing inadequacies in infrastructure but also giving rise to greater demand and invigorating international trade and investment; East Asia has emerged as a new pole of growth in the world economy. In international finance, too, East Asia has acquired greater influence. By the early 21st century, East Asia will have an economy of a scale on par with, or perhaps even exceeding, those of Europe and North America, and it may surpass Europe in terms of international trade. Leadership of the world economy is shifting from the Atlantic to the Asia-Pacific region.

Although these trends do open up the possibility of even greater development worldwide, they have also led to greater instability during the transition period. The rise of Asia has increased friction in international trade and finance and made more acute regional issues such as resource development and the environment; indeed, the possibility that these issues may ultimately develop into security problems cannot be denied.

Agreements in the area of international trade are extremely important for cooperation within the international community. Former US Secretary of State Cordell Hull once stated that "international trade makes for peace", and the establishment of rules for international trade and the smooth resolution of friction is the foundation on which peaceful international relations are built, making the mission of the WTO an extremely important one. Post-WWII international trade passed through a period of exclusive domination by the US to one of joint leadership by the US, Europe and Japan, with great successes achieved in the meanwhile. Now, though, the participation of the countries of East Asia is becoming increasingly necessary as time goes on; the participation of China and Taiwan is especially consequential. The contributions of the countries of Asia are already apparent in the establishment of the WTO, but greater representation entails greater responsibility, and their active participation in problem resolution as well as their conformity to WTO rules is essential. The recovery of the US economy will make dealing with difficulties during this transition period easier, and Japanese initiative and international cooperation will become quite imperative.

Worthy of note lately has been the advance of regional integration, and the

importance of APEC, together with that of the EU and NAFTA, is rising rapidly. APEC has stressed cooperation with the WTO, and its promotion of concerted, voluntary and unilateral trade liberalization has drawn attention. Furthermore, APEC is not simply a womb for trade and investment liberalization but is also a forum for wide-ranging economic and technical cooperation and has demonstrated its usefulness in promoting structural adjustments and an open regionalism; much can be expected from its positive contributions.

Postwar Japan developed within a liberal commerce system to become a world economic power. In the 1990s, though, serious difficulties have plagued Japan and the time has come for the country to reconstruct its overseas strategy. In light of the circumstances described above, the first fundamental direction in which Japan should proceed, in addition to Japan-Europe-US cooperation, is that of fulfilling an active role in the construction of a WTO framework that presumes greater prominence for Asia. Second, Japan should as a core member cooperate in firmly grounding and developing the WTO, first by making effective use of the evolution of dispute settlement mechanisms and at the same time by offering its assistance in developing international cooperation in the frontier areas of future world trade, including services. Third, promoting cooperation in the Asia-Pacific region is vital for the stable development of the WTO regime. Fourth, pursuing an international role will necessitate domestic reform. To deal effectively with structural changes worldwide, the opening of Japanese society, political leadership, a respect for individuality, and further domestic reforms are essential.

With this aim in mind, we offer the following 12 policy recommendations.

November 27, 1996

Masahiro Sakamoto

Mitsuhiko Morimoto
Toshiki Tomita

Yoichi Nakamura

Hisao Kanamori

Kazuo Aichi
Hajime Funada
Shigeki Hakamada
Wataru Hiraizumi
Isao Ichikawa
Eiichi Imagawa
Kuniko Inoguchi
Hidekazu Inoue
Kenichi Ito
Ikuo Kabashima
Tutomu Kanai
Takashi Kato
Tomoyuki Kojima
Hiroshi Kumagai
Kimindo Kusaka
Daizo Kusayanagi
Tadao Maeda
Masanori Morioka
Shigeto Nagano
Akira Nishio
Tomomitsu Oba
Hisahiko Okazaki
Takayuki Osanai
Atsuyuki Sassa
Hidetake Sawa
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Soichiro Tahara
Tamotsu Takase
Susumu Taketomi
Yasumasa Tanaka

Masaya Fujimura
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Hirotaro Higuchi
Yoshikatsu Hironaka
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Takashi Inoguchi
Eisei Ito
Kazumasa Iwata
Kumao Kaneko
Hirohisa Kato
Akio Kimura
Tadateru Konoe
Makoto Kuroda
Atsushi Kusano
Koichi Maeda
Teruhiko Mano
Ryohei Murata
Isao Nakauchi
Eijiro Noda
Toshiaki Ogasawara
Masao Okonogi
Hiroji Ota
Seizaburo Sato
Katsumi Sezaki
Haruo Shimada
Yukio Suzuki
Kazuo Takahashi
Ichio Takenaka
Tadae Takubo
Tadao Uchida

Kimio Uno

Masayuki Yamauchi

Haruki Yoshida

(In alphabetical order)

Susumu Yabuki

Taro Yayama

Yasuhiko Yoshida

* Non-members of the Policy Council of the Japan Forum on International Relations, Inc., but
Members of the Task Force of the said Policy Council.

Appendixes

1. Policy Council Members Who Signed Recommendations

[Task Force]

Masahiro Sakamoto	Professor, Chuo University
Mitsuhiko Morimoto*	Deputy Editor, Commentary Dept., The Yomiuri Shimbun
Youichi Nakamura*	Professor, Center for Global Communicatrions, International University of Japan
Toshiki Tomita*	Executive Fellow / Director, Center for Policy Research, Nomura Research Institute, Ltd.

[Chairman]

Hisao Kanamori	Chairman, Japan Center for Economic Research
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[Members]

Kazuo Aichi	Member of the House of Representatives
Masaya Fujimura	Chairman, Mitsubishi Materials Corporation
Hajime Funada	Member of the House of Representatives
Masahiko Furukawa	Chairman of the Board, Mitsubishi Chemical Corporation

Shigeki Hakamada	Professor, Aoyama Gakuin University
Hirotao Higuchi	Chairman, Asahi Breweries, Ltd.
Wataru Hiraizumi	President, Kajima Institute of International Peace
Yoshikatsu Hironaka	President, Institute of Mitsui and Co., for Trade and Economics
Isao Ichikawa	Director and Vice Chairman, Nikon Corp.
Tsuneo Iida	Professor, International Research Center for Japanese Studies
Eiichi Imagawa	Professor, Soka University
Takashi Imai	President, Nippon Steel Corp.
Kuniko Inoguchi	Professor, Sophia University
Takashi Inoguchi	Senior Vice Rector, The United Nations University
Hidekazu Inoue	Senior Executive Vice President, Nippon Telegraph and Telephone Corp.
Eisei Ito	Member of the House of Representatives
Kenichi Ito	President, The Japan Forum on International Relations, Inc.
Kazumasa Iwata	Professor, University of Tokyo
Ikuo Kabashima	Professor, University of Tsukuba
Kumao Kaneko	Professor, Tokai University
Tutomu Kanai	President, Hitachi, Ltd.
Hirohisa Kato	Vice President and Chief Operations Officer, The

	Yomiuri Shimbun
Takashi Kato	President, Chiba University of Commerce
Akio Kimura	Professor, Aoyama Gakuin University
Tomoyuki Kojima	Professor, Keio University
Tadateru Konoe	Vice President, Japan Red Cross Society
Hiroshi Kumagai	Member of the House of Representatives
Makoto Kuroda	Executive Vice President, SBIC-EAST
Kimindo Kusaka	Professor, Tama University
Atsushi Kusano	Professor, Keio University
Daizo Kusayanagi	The Author
Koichi Maeda	Consultant, Jiji Press, Ltd.
Tadao Maeda	Managing Director, Takenaka Corporation
Teruhiko Mano	Adviser to the President, The Bank of Tokyo-Mitsubishi Ltd.
Masanori Morioka	Executive Adviser, ITOCHU Corp.
Ryohei Murata	Professor, Aoyama Gakuin University
Shigeto Nagano	Member of the House of Councillors
Isao Nakauchi	CEO, The Daiei, Inc.
Akira Nishio	Counsellor, Nissho Iwai Corporation
Eijiro Noda	Advisor, Tokyo Engineering Corp.
Tomomitsu Oba	President, Japan Center for International Finance

Toshiaki Ogasawara	Chairman and Publisher, The Japan Times / President, Nifco Inc.
Hisahiko Okazaki	Senior Advisor, Hakuhodo Inc.
Masao Okonogi	Professor, Keio University
Takayuki Osanai	Foreign Policy Critic
Hiroji Ota	President and C.E.O., Chubu Electric Power Co., Inc.
Atsuyuki Sassa	Former Director-General of the Cabinet Security Affairs Office
Seizaburo Sato	Research Director, Institute for International Policy / Professor, Saitama University
Hidetake Sawa	Diplomatic Commentator
Katsumi Sezaki	Vice President, the Japan Forum on International Relations, Inc.
Motoo Shiina	Member of the House of Councillors
Haruo Shimada	Professor, Keio University
Yoshio Suzuki	Member of the House of Representatives
Yukio Suzuki	Professor, Reitaku University
Soichiro Tahara	Journalist
Kazuo Takahashi	Director, FASID International Development Research Institute
Tamotsu Takase	Professor, Tokai University
Ichio Takenaka	Senior Adviser, Research Institute on the National

Economy

Susumu Taketomi	Managing Director, The Industrial Bank of Japan Ltd.
Tadae Takubo	Dean, Faculty of Social Sciences, Kyorin University
Yasumasa Tanaka	Professor, Gakushuin University
Tadao Uchida	News Caster
Kimio Uno	Professor, Keio University
Susumu Yabuki	Professor, Yokohama City University
Masayuki Yamauchi	Professor, University of Tokyo
Taro Yayama	Political Commentator
Haruki Yoshida	President, The Wako Research Institute of Economics, Inc.
Yasuhiko Yoshida	Professor, Saitama University

(In alphabetical order)

2. How the Recommendations Were Drafted and Adopted?

The theme of "The WTO System and Japan," was proposed by the Steering Committee on December 5, 1994 and was adopted by the Policy Council on February 10, 1995. The Policy Council has continued to conduct the policy research since its first meeting on June 20, 1995.

The Policy Council, which met four times in the course of June 1995 to September 1996, heard a basic concept of the Task Force at its first meeting from Prof. Masahiro Sakamoto, the Head of the Task Force, at its second meeting held with Mr. Hans H.J. Labohm, Senior Research Fellow, the Netherlands Institute of International Relations "Clingendael" as a guest speaker. Each time after hearing the presentation, the Council members had active deliberations on the theme.

The Task Force of the Policy Council was organized prior to the first meeting of the Policy Council with the aim of helping the Policy Council formulate its recommendations. It was composed of the following members;

[Head]

Masahiro Sakamoto	Professor, Chuo University
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[Members]

Toshiki Tomita	Executive Fellow, Director, Center for Policy Research, Nomura Research Institute, Ltd.
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Yoichi Nakamura	Professor, Center for Global Communications, International University of Japan
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Mitsuhiko Morimoto	Deputy Editor, Commentary Dept., The Yomiuri Shimbun
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The Task Force met seven times between March 1995 and August 1996. On the basis of the discussions conducted in the foregoing Policy Council meetings, the Task Force drafted an interim draft of the policy recommendations.

Prof. Masahiro Sakamoto and Prof. Nakamura visited the United States in July 1996 and exchanged views with 10 experts representing various circles.

To the third meeting of the Policy Council, Prof. Nakamura reported on the discussions which they had in the United States and Prof. Sakamoto presented the interim draft recommendations.

With the result of the subsequent Policy Council discussions in mind, the Task Force revised the interim draft recommendations to produce final recommendations, which were presented to, and approved by the Policy Council at its fourth and final meeting on September 17, 1996.

The fourth meeting of the Policy Council, in approving the draft recommendations, authorized its Chairman Hisao Kanamori to make revisions within certain limits to accommodate the proposals for amendments made at the meeting before printing the final recommendations. Each individual member of the Policy Council had the option of either endorsing the recommendations with his signature or not endorsing them by withholding it.

3. Chronology of Policy Council Activities on the Theme

- [1994] Dec. 5 6th meeting of the Steering Committee proposed the theme of "The WTO system and the Japan" as one of the two themes for the 1995-96 policy research program of the Policy Council and recommended Prof. Masahiro Sakamoto as a Head of the Task Force on the theme.
- [1995] Feb. 10 The Policy Council approved the proposal of the 6th Steering Committee on the theme for the 1995-96 policy research program and the appointment of Prof. Masahiro Sakamoto as a Head of the Task Force.
- Mar. 9 1st meeting of the Task Force.
- Apr. 13 2nd meeting of the Task Force.
- Jun. 20 1st meeting of the Policy Council held with Prof. Masahiro Sakamoto, Head of the Task Force, as keynote speakers followed by discussions.
- Jul. 26 3rd meeting of the Task Force.
- Sep. 11 Informal discussion meeting between Mr. Hans H. J. Labohm and the Task Force members.
- Sep. 11 2nd meeting of the Policy Council held with Mr. Hans H. J. Labohm Senior visiting Research Fellow, the Netherlands Institute of International Relations "Clingendael" as a guest speaker.
- Oct. 20 4th meeting of the Task Force.

- Dec. 28 5th meeting of the Task Force.
- [1996] Jun. 10 6th meeting of the Task Force.
- Jul. 7 Prof. Masahiro Sakamoto, Head of the Task Force and
- 14 Prof. Yoichi Nakamura, Task Force member, visited the
United States to exchange views with 10 experts
representing various circles.
- Jul. 25 3rd meeting of the Policy Council held to hear the report
of Prof. Yoichi Nakamura on the results of his trip to the
United States followed by the discussions on an interim
draft of the policy recommendations reported by Prof.
Masahiro Sakamoto.
- Sep. 17 4th meeting of the Policy Council adopted the final draft
of the policy recommendations reported by Prof.
Masahiro Sakamoto.
- Oct. 2 7th meeting of the Task Force
- Nov. 15 The Policy Recommendations presented to Prime
Minister by Mr. Hisao Kanamori, Chairman of the Policy
Council, Prof. Masahiro Sakamoto and Mr. Kenichi Ito,
President of the Japan Forum on International Relations,
immediately followed by a press conference to announce
its publication.

4. Acknowledgements by Policy Council Chairman

As we put the finishing touches on our 15th set of policy recommendations (JF-E-I-A-0015) on the theme of "The WTO system and Japan" after spending almost a year and a half for deliberations and research, we would like to mention our special indebtedness to all those who in one way or another helped us in our efforts to produce these recommendations.

Especially, Mr. Hans H.J. Labohm, Senior Research Fellow at the Netherlands Institute of International Relations "Clingendael", one of the most distinguished experts on the international trade system, was kind enough to accept our request to come to Tokyo to present his view on the theme at the second plenary meeting of the Policy Council.

Finally we would also like to mention the helpful insights we have received from seven senior members of four ministries and two agencies of our government, who willingly granted us their precious time to attend our meetings as individuals in their advisory capacity of Policy Council Counselors. Let us also add that the views expressed in these recommendations represent in no way those of the ministries and agencies concerned and that the responsibility for the contents of the recommendations is that of those members of the Policy Council who signed them alone.



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