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Fairness in International Trade and Business Ethics
A Japanese Perspective

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Fairness in International Trade and Business Ethics A Japanese Perspective

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The following questions were raised by the FITI project. Therefore, the purpose of this paper is to answer all those questions.

1. To what extent are the workings and outcomes of the World Trade Organization (WTO) perceived as fair in your region/continent?
2. What are the main ethical issues regarding international trade and investment (or alternatively the WTO) in your region/continent?
3. What developments are there in your region/continent to address the above ethical issues?

In order to answer those 3 questions, in this paper, we will refer to the following 9 points:

- 1) Formal Position of the Japanese Government on the WTO
- 2) From the WTO-Centered to the Bilateral EPA Approach
- 3) A Typical Ethical Issue for Japan: Protecting Rice Farming
- 4) Reconsideration over Globalization and the WTO: Poverty Reduction
- 5) Challenges by the Japanese Government: MDGs and TICAD
- 6) Challenges by Leading Japanese Corporations: Education and Basic Infrastructure
- 7) Perceptions of Japanese People on Reasons of Poverty
- 8) Perceptions of Japanese People on the WTO
- 9) Perceptions of Japanese People on TRIPs, GATS, and others

With regard to the first question, “To what extent are the workings and outcomes of the WTO perceived as fair in Japan?” we will answer by referring to point 1) and 2) at Section I and II. As for the second question, “What are the main ethical issues regarding international trade and investment (or alternatively the WTO) in Japan?” we will pick two ethical issues, 3) protecting rice farming and 4) poverty reduction, each of which is discussed at Section III and IV. In order to answer the last question, “What developments are there in Japan to address the ethical issues?” we will introduce initiatives taken 5) by the Japanese Government and 6) by leading Japanese corporations at Section V and VI.

At Section I and II, although we describe a formal position of the Japanese Government, it could be highly possible that individual Japanese might have different perceptions from the Government's. Because of this, for the purpose of clarifying personal perceptions of individual Japanese, we conducted a research in Autumn 2007. Our questionnaire covers three topics: 7) Personal Perceptions on reasons of poverty; and 8) Personal perceptions on the WTO and 9) on TRIPs, GATS and other issues like agriculture. We will report the research results at the last two sections.

I. Formal Position of the Japanese Government on the WTO

The first question is “To what extent are the workings and outcomes of the WTO perceived as fair in Japan?” In order to answer this question, we will highlight formal position of the Japanese Government on the WTO and EPAs as the following two sections.

1) Free Trade and the WTO are Indispensable for Development

Like other developed countries, the Japanese Government basically has seen that the WTO and

its Agreement are necessary and desirable for developing the global economy.¹ In accordance with the preamble of the Agreement Establishing The World Trade Organization, *The 2007 Report on Compliance by Major Trading Partners with Trade Agreement* published by the Ministry of Economy, Trade, and Industry (METI) of Japan describes the objectives of the WTO Agreement as raising living standards, ensuring full employment, growing income and effective demand, and expanding the production of and trade in goods and services.²

Japan has long benefited from the free trading system based upon the GATT. Thanks to this system, after World War II, it miraculously revived out of the devastated situation, and has grown up to one of the biggest economies in the world. Because of this, Japan is likely to think that free trade is an indispensable basis for nations' economic development, and is a very effective activity to get nations out of poverty. With regard to solving poverty issues, this way of thinking is very much like a conclusion of the WTO secretariat study published in the year 2000: It says, "trade liberalization helps poor countries to catch up with rich ones," and "faster economic growth helps to alleviate poverty."³ The Japanese Government basically agrees on this conclusion.

2) Provisions on Exemptions are Necessary

Due to this, the Japanese Government supports the WTO's fundamental principles like Most-Favored-Nation Treatment,⁴ National Treatment,⁵ and General Prohibition of Quantitative Restrictions,⁶ because those principles are very clear and simple to understand, and are designed to remove various barriers for the purpose of promoting international trade.

But at the same time, when Japan was on the earlier developmental stage, it took various protective measures such as import control, restrictions on foreign investment, and supports for technological developments of private corporations.⁷ Therefore, while welcoming the free trading system, the Japanese Government also shares understanding over a necessity of exceptions to those fundamental principles. Namely, it considers that the fundamental principles should not be enforced to all the nations at once and uniformly.⁸ Especially when developing countries have not yet fostered enough abilities to fulfill their trade obligations, Japan believes that the WTO Members (Members) should provide them with a special status.⁹

For this reason, the Japanese Government appreciates the fact that the WTO considers not only traditional matters but also new issues such as environmental protection and developing

¹ The WTO Agreement includes many sub-agreements like Marrakesh Agreement, GATT 1994, Agreement on Agriculture, SPS, Agreement on Textiles and Clothing, TBT, TRIMs, GATS, TRIPs and the like. Here in this paper, we define the WTO Agreement as a collection of all of those agreements.

² The Ministry of Economy, Trade and Industry (METI) of Japan, *The 2007 Report on Compliance by Major Trading Partners with Trade Agreement*, April 2007, p. 247.

³ "Free trade helps reduce poverty, says new WTO secretariat study," June 13, 2000, press/181. Refer to http://www.wto.org/english/news_e/pres00_e/pr181_e.htm

⁴ GATT Article I provides that with respect to tariffs, the most advantageous treatment accorded to the products of any country must be accorded to similar products of all the other Members.

⁵ GATT Article III requires that with respect to internal taxes, internal laws, internal regulations, treatment not less favorable than treatment accorded to certain domestic products must be accorded to similar products from all the other Members. This means once goods entered a market, those goods must be treated no less favorably than domestically produced goods.

⁶ GATT Article XI stipulates that restrictions other than duties, taxes or other charges should not be introduced or maintained. A reason why this principle was introduced is that such restrictions could distort the free flow of trade.

⁷ Oxfam describes that Korea and Taiwan took an interventionist approach similar to what once Japan had taken. Oxfam International, *Rigged Rules and Double Standards: trade, globalization, and the fight against poverty*, Oxfam GB, 2002, pp. 231-232.

⁸ In the WTO, there is no provision for Members to use tariffs so as to protect and promote infant domestic industries. But as temporary arrangements, various safeguards are permitted for the protection of domestic industries, or higher tariffs are allowed in the event of balance-of-payments crises. Oxfam International, *Rigged Rules and Double Standards*, p. 233.

⁹ The GATT and WTO permit another exception when it is necessary to take measures to offset the undesirable effects of other countries' actions on the multilateral trade system. Examples are anti-dumping measures, subsidies and countervailing measures, and safeguards for trade remedies. METI, *The 2007 Report on Compliance by Major Trading Partners*, p. 249. Those measures are

countries.¹⁰ As for environmental consideration, the WTO allows “the optimal use of the world’s resources in accordance with the objective of sustainable development,” which makes it possible for each country to protect and preserve the environment in a way consistent with their needs and concerns at different stages of economic development.¹¹ As for consideration for developing countries, the WTO expects developed countries to make efforts to ensure that developing countries, especially the least developed countries, enjoy a share of the growth in the international trade.¹²

3) List of Annexes

Up until the Uruguay Round (from 1986 to 1994), the GATT had concentrated on introducing tariffs to trade in all goods (except for agricultural products). Its main strategy had been (1) to replace quantitative restrictions with tariffs, and then (2) to gradually reduce tariff rates through negotiations on a reciprocal basis. In other words, before the Uruguay Round, it was not so complicated for Members to understand how the GATT works. At the same time, because Members did not raise serious questions on agricultural policies of developed countries, the GATT worked in favor of industrialized countries. But this picture started to change drastically during the Uruguay Round.¹³

On the one hand, developing countries began to criticize agricultural policies of developed countries, insisting that import restrictions on agriculture products should be replaced with tariffs, tariff rates should be reduced, and export subsidies and domestic support should be abolished as early as possible. On the other hand, developed countries proposed that the WTO Agreement include agreements designed to liberalize services (GATS) and designed to protect intellectual property rights (TRIPs), expecting to enter services market in developing countries, and to prevent developing countries from using intellectual properties free of charge.

GATS and TRIPs were last things developing countries wanted to include so that they strongly opposed this proposal. But since developed countries did not make any concession on this proposal, in the end, in exchange for GATS and TRIPs, developing countries requested to add agreements on agriculture and textiles, hoping those sectors of developed countries to be liberalized in a way consistent with GATT basic rules. What is more, developing countries urged the developed countries to introduce provisions of Special and Differential Treatment (SDT) to most of WTO agreements. Therefore SDT provisions are now spread across almost all the agreements.

The result of compromising and coordinating processes between developed and developing countries is now clearly reflected on Annex 1. In response to developing countries’ requests, ANNEX IA now includes new agreements like Agreement on Agriculture and Agreement on Textiles and Clothing. In response to developed countries’ requests, ANNEX IB (GATS), and IC (TRIPs) are newly created.

¹⁰ METI, *The 2007 Report on Compliance by Major Trading Partners*, p. 247.

¹¹ According to the WTO, GATT Article XX on General Exemptions lays out instances in which Members may be exempted from GATT rules. For example, when it is necessary to protect public moral, to protect human, animal or plant life or health, to secure compliance with reasonable laws or regulations, or if it is related to the conservation of exhaustible natural resources, Members can adopt policy measures that would normally be inconsistent with GATT basic rules.

¹² Nonetheless, the METI is also cautious about a possibility that some countries might abuse exceptions because some provisions remain ambiguous. For example, the METI feels that GATT Article III (National Treatment) should be applied to measures imposed on corporations after they invested. Following this basic principle, the 1995 agreement of TRIMs (Trade Related Investment Measures) prohibits Members from applying local content programs to foreign corporations. But a provision of TRIMs allows governments to retain the right to keep local content programs, if they notify the WTO of this program. METI, *The 2007 Report on Compliance by Major Trading Partners*, p. 251, and Urata, S., Ishiakwa, K., and Mizuno, R., *FTA Guidebook 2007*, JETRO, p. 26.

¹³ During the Uruguay Round, the GATT began to touch new, challenging, and difficult issues such as agriculture, services, intellectual property right, and Special and Differential Treatment. Taking them into account, the GATT set out major agendas for the following round, the Doha Development Round. Namely, since extremely difficult issues were left to this next round, the Doha Round was doomed to have difficulties in coordinating interests among Members.

Table A: Contents of the WTO Agreement

AGREEMENT establishing the World Trade Organization (Marrakesh Agreement)

ANNEX 1

ANNEX 1A: Multilateral Agreements on Trade in Goods

(a) General Agreement on Tariffs and Trade 1994 (GATT 1994)

(b) Agreement on Agriculture

(c) Agreement on the Application of Sanitary and Phytosanitary Measures (SPS)

(d) Agreement on Textiles and Clothing

(e) Agreement on Technical Barriers to Trade (TBT)

(f) Agreement on Trade-Related Investment Measures (TRIMs)

(g) Agreement on Implementation of Article VI of GATT 1994 (*antidumping*)

(h) Agreement on Implementation of Article VII of GATT 1994 (*customs valuation*)

(i) Agreement on Preshipment Inspection

(j) Agreement on Rules of Origin

(k) Agreement on Import Licensing Procedures

(l) Agreement on Subsidies and Countervailing Measures

(m) Agreement on Safeguards

ANNEX 1B: General Agreement on Trade in Services (GATS)

ANNEX 1C: Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)

ANNEX 2: Understanding on Rules and Procedures Governing the Settlement of Disputes

ANNEX 3: Trade Policy Review Mechanism

ANNEX 4: Plurilateral Trade Agreements

Even if the Japanese Government formally supports the WTO and its purpose, we have to admit that from the beginning of its establishment, the WTO holds complicated issues, many of which are extremely controversial and mutually exclusive.¹⁴ At the same time, because the WTO decision-making process is consensus-based, and because the Membership has rapidly increased to over 150, it has been getting more and more difficult for Members to reach an agreement within the WTO framework.

II. From the WTO-Centered to the Bilateral EPA Approach

Japan had long supported multilateral negotiations within the GATT and WTO frameworks, and had assumed that regional efforts for Free Trade Agreements (FTAs) are rather undesirable for fair development of the global economy.¹⁵ It had believed that the multilateral approach is much better than the FTA case-by-case approach, simply because the former minimizes distortions in international trade, applies the same rules to all Members non-discriminately, and thereby reduces transaction costs as much as possible. Put it differently, the latter makes market transactions very complicated, requires strenuous efforts to coordinate rules set out among different trade partners, and thereby makes transaction costs very expensive.¹⁶

¹⁴ The Doha Development Agenda (DDA) covers a variety of issues such as agriculture, services, market access for non-agricultural products, WTO rules, trade and environment, SDT, assistance for developing countries, etc. Negotiations over those issues could be classified into two groups: negotiations over market access and negotiations over others. The former includes market access of agriculture (such as reductions of all forms of export subsidies, substantial reductions in trade-distorting domestic support), NAMA (Non-Agriculture Market Access), and services. The latter includes development, rule-making (anti-dumping, subsidies and regional trade agreements), facilitation of trade process, intellectual property rights and environment. The WTO and FTA Seminar (Tokyo) held by the METI and Keidanren on February 23, 2007, p. 5. Refer to http://www.wto.org/english/tratop_e/dda_e/dohaexplained_e.htm

¹⁵ Urata, et al., *FTA Guidebook 2007*, JETRO, p. 112.

¹⁶ According to John Ries at the University of British Columbia, there are four levels of Regional Trade Agreements: free trade area, customs union, common market, and economic union. The first level involves the elimination of tariffs between FTA members. The second level involves not only the first level but also the establishment of common tariffs

During the 1990s, however, notifications on establishing FTA to the WTO rapidly increased. Entering the 21st century, this number continued to rise, and finally reached 210 in the year 2006 (rising from 27 in 1990). The establishment of single market within the European Economic Community (1992), the agreement to promote the ASEAN Free Trade Area (1992), and the inauguration of the NAFTA (1994) were attributed to this sharp increase in number.¹⁷ In this context, Japan began to reconsider its long-lasting position toward the multilateral negotiation approach. What made the Japanese Government decisively change its approach is a failure of the Seattle WTO Ministerial Conference in 1999, which revealed how difficult it was to promote multilateral trade negotiations only within the WTO framework.¹⁸

1) Shifting to Bilateral Economic Partnership Agreements

After the Seattle Conference, in fact, many countries accelerated to make FTAs, so as to eliminate tariff and non-tariff barriers between contracting countries, and to establish new rules in areas of investment, competition, services, and intellectual property rights. Seeing this new trend, the Japanese Government also started to establish Economic Partnership Agreements (EPAs) with a number of countries.¹⁹

Needless to say, the METI thinks, “the efforts toward multilateral trade policies in the WTO and the efforts for bilateral agreements in EPAs are complementary to each other,” and “under the WTO framework, EPAs are positioned as an exception.”²⁰ But at the same time, it strongly believes that there are many advantages of bilateral EPAs over WTO multilateral negotiations. That is, even if contracting parties have difficult issues, which have not been resolved within the WTO framework, by considering actual economic conditions of each country, they could find realistic solutions in a flexible and constructive manner.²¹

Thinking this way, Japan initiated the first negotiation with Singapore in January 2001. Since then, it has been making bilateral EPAs with a number of countries.²² So far, EPAs with Singapore, Mexico, and Malaysia already came into effect. EPAs with the Philippines, Thailand, Indonesia, Brunei, and Chile were signed. Negotiations with Switzerland, GCC, India, Vietnam, Korea, China, Australia, and others are underway.²³

2) Five Characteristics of Japan's EPAs

There are 5 characteristics of Japan's EPAs. Points are as follows:

- (a) It places emphasis on eliminating non-tariff barriers such as complicated customs procedures.
- (b) Most of Japan's EPAs have taken a form of bilateral co-operations. Making use of know-how accumulated through ODA (Official Development Assistance) programs in the past, the Japanese

on products from non-members. The EU is a typical example of the third level. The last level covers harmonization of economic policies like monetary, fiscal, and regulatory policies. Most of RTAs “stipulate that tariffs are to be phased out over a period of time (e.g., 10 years).” Refer to http://pacific.commerce.ubc.ca/john/baim503/princ_rtas.htm

¹⁷ METI, *The 2007 Report on Compliance by Major Trading Partners*, p. 515.

¹⁸ Urata, et al., *FTA Guidebook 2007*, p. 112. METI, *The 2007 Report on Compliance by Major Trading Partners*, p. 517.

¹⁹ “In Japan, EPAs mean bilateral or plurilateral agreements that not only cover the usual matters with respect to trade, but also address matters such as the elimination of border controls and domestic restrictions, and the harmonization of various economic frameworks to further liberalize and facilitate the movement of persons, goods, services, and/or money.” METI, *The 2007 Report on Compliance by Major Trading Partners*, p. 517.

²⁰ METI, *The 2007 Report on Compliance by Major Trading Partners*, p. 516. GATT Article XXIV allows Members to form FTAs/EPAs. For example, if it is to liberalize substantially all the trade among contracting partners, if it is not to raise barriers to the trade with other parties, and if it abolishes common tariffs against other parties within a reasonable length of time, Members are allowed to form FTAs/EPAs. Although there is no clear definition of “substantially all the trade,” usually it means over 90 percent of trade within an FTA on monetary basis. Urata, et al., *FTA Guidebook 2007* (Japanese), pp. 20-23.

²¹ METI, *The 2007 Report on Compliance by Major Trading Partners*, p. 517.

²² Urata, et al., *FTA Guidebook 2007*, p. 113. METI, *The 2007 Report on Compliance by Major Trading Partners*, p. 518.

²³ METI, *White Paper of International Trade*, 2007, pp. 226-227.

Government has been responding to various requests from partners in the fields of trade, investment, competition, human resources, services, intellectual property, and environment. Such co-operations are believed to contribute to improving trade and investment infrastructure of contracting partners.

(c) Japan's EPAs aim to facilitate the movement of people from partners (mainly Asian countries) to Japan. In fact, it plans to accept more skilled workers from Singapore, the Philippines, and Indonesia.²⁴

(d) Main purpose of establishing EPAs with Mexico and Chile is to make it possible for Japanese corporations to catch up with American and European counterparts, which have taken advantages of RTA or FTA with Latin American countries. Now that EPAs with Mexico and Chile started, Japanese corporations can do business on an equal footing with those non-Japanese competitors.²⁵

(e) Japan regards EPAs with ASEAN countries as a hub of a broader free trade network, which will cover India, China, Korea, Australia, and New Zealand.²⁶

3) Is the WTO Effective and Fair?

With those movements in mind, we simply conclude that the Japanese Government views that (1) at least to some countries, the outcome of the WTO does not seem fair enough, and because of this, (2) the WTO is not functioning effectively.²⁷ Based upon this observation, Japan has shifted its approach from the WTO-centered multilateral negotiations to the bilateral EPA's.²⁸

Nonetheless, even if the Japanese Government thinks the WTO is not functioning effectively, as far as the Dispute Settlement Body (DSB) is concerned, Japan believes that the WTO is basically working in a fair and balanced manner. Under this Dispute Settlement Mechanism, Members have an equal right to take a case to the DSB.²⁹ There discussed are a variety of issues such as technical barriers to trade, antidumping measures, export subsidies, countervailing measures, trade in services and the like. In fact, since its establishment in 1995, the WTO settled 361 cases as of March 2007.³⁰

Like other member countries, when faced with difficulties in trade with Members, Japan also resorted to this mechanism.³¹ In the case of EPA, however, even if there is an agreement on dispute resolution mechanism, we cannot expect this mechanism to work as effectively as the DSB. Yet, when parties are truly dissatisfied, in the end, they could bring cases to the WTO as its Members. Thanks to existence of this system of the DSB, EPA partners are likely to make some compromises, before going to the WTO panel. Seeing this practical merit, the Japanese Government feels that the DSB and its mechanism are basically useful, effective, and fair for all the WTO Members.³²

4) Is the Outcome of Japan's EPAs Fair?

²⁴ Urata, et al., *FTA Guidebook 2007*, pp. 110-111.

²⁵ Urata, et al., *FTA Guidebook 2007*, p. 115.

²⁶ Urata, et al., *FTA Guidebook 2007*, pp. 81-109.

²⁷ For the METI, fair means "in accordance with rules." Therefore, the METI believes that the WTO should adopt the rule-based approach not the result-based approach. METI, "About the 2007 Report"(Japanese), p. 5.

²⁸ Refer to http://pacific.commerce.ubc.ca/john/baim503/princ_rtas.htm

²⁹ Dispute Settlement process starts with consultations between disputants. If they cannot make any compromise, disputants proceed to a panel. On this stage, they decide what legal issues will be examined. The DSB establishes a panel with 3 or 5 panelists from different countries. After having about 6 months for discussion, the panel issues a report that includes rulings and recommendations. If an accused country does not accept the panel's recommendations, then the DSB sets the Appellate Body so as to examine legal issues of the panel's report. After examination, the Appellate Body submits a report to the DSB. If there is not unanimous agreement NOT to adopt, the Appellate Body's report becomes final (thus one positive vote leads to adoption). The WTO monitors compliance that should occur within about 15 months. The case remains on the WTO agenda until compliance occurs. Takikawa, T., *WTO Laws: Practices, Cases, and Policies*, (Japanese) Sanseido, 2005, pp. 22-24.

³⁰ Multilateral Trade System Department, METI, "Summary of 2007 Report," April 2007, p. 3.

³¹ "It (Japan) first resorted in a dispute over automotive tariffs related to Section 301 of the US Trade Act. In January 2007, Japan won a ruling that a US antidumping practice known as "zeroing" violates the WTO Agreement."

"Summary of 2007 Report," April 2007, p. 3.

³² The WTO and FTA Seminar (Tokyo) held by the METI and Keidanren on February 23, 2007, p. 12.

By mentioning that the DSB seems to work in a fair manner, we have suggested that part of the WTO “process” is fair. But this does not mean that the “outcome” of activities by the WTO is also fair. In order to evaluate the outcome, probably we need to have more decades to observe. Yet, most of us cannot wait so long. Although we cannot definitely conclude that the outcome of the WTO is not fair, at this point of history, one thing is very clear. That is, NGOs and developing countries insist that the outcome of the WTO is not satisfactory (they might also think that the process has not been fair, either).

Table B: Is WTO Fair?

	A View of the Japanese Government	A View of NGOs or Developing Countries
Process of the WTO	<i>At least, the DSB process is Fair</i>	<i>Probably Unfair</i>
Outcome of the WTO	<i>Not Working</i>	<i>Not Satisfactory</i>

If we assume that the outcome of the WTO is not fair, then how about the outcome of Japan’s EPAs? In comparison with European EPAs with African, Caribbean and Pacific countries, Japan’s EPAs have not been severely criticized yet in Japan. According to Geoff Moore, in Europe there has been “Stop EPAs campaign” run by NGOs for a number of years.³³ As far as Japan’s EPAs are concerned, we have not seen radical campaigns led by Japan’s civil society. To be sure, there have been opposing activities organized by farmers, hog-raisers, and other agricultural stakeholder groups. But their main concern is not on fairness of EPAs but on protection of their vested interests.

Nonetheless, outside of Japan, globally acting environmental NGOs have been criticizing Japan, saying that Japan’s EPAs include a provision of transferring hazardous wastes between contracting countries. Although Japan ratified the 1989 Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, it has not ratified the 1995 amendment, because this amendment prohibits all the transnational movement of wastes even if its purpose is to recycle wastes and to reduce an environmental impact.³⁴ Whatever reasons the Japanese Government insists, those NGOs have been attacking Japan’s EPAs from the viewpoint of the environmental impact. Environmental News Service describes this as follows:

“SEATTLE, Washington, March 14, 2007 (ENS) -Since 2002, Japan has been laying the groundwork for a plan to liberalize and promote toxic waste trade among Asian countries in violation of an international treaty, claims a hazardous waste watchdog group based in Seattle. The Seattle-based Basel Action Network, BAN, filed a formal complaint against Japan on Monday concerning what BAN calls Japan's "intent to create toxic waste colonies around Asia." BAN says that Japan is utilizing bilateral trade agreements concluded with Singapore, the Philippines, Malaysia, and Thailand that eliminate tariffs on hazardous wastes such as pharmaceutical wastes and waste oils containing PCBs to promote trade in these substances.”³⁵

We do not know credibility of this news. But if this information is not one-sided, then we have no choice but to say that the outcome of Japan’s EPAs is not fair.³⁶

³³ Moore, G., “Fairness in International Trade: the case of European Partnership Agreements,” in proceedings of the 4th ISBEE Conference, in July 2008.

³⁴ Since 1995 so-called the JUSCANZ (Japan, United States, Canada, South Korea, New Zealand and Australia) has tried to undo the amendment decision of Basel Convention. NGOs Refer to http://www.ban.org/about_basel_ban/chronology.html

³⁵ Refer to <http://www.ens-newswire.com/ens/mar2007/2007-03-14-02.asp>

³⁶ In February 1995, Fuji Xerox started to build an integrated system of recycling wastes, planning to recover materials from all the products like photocopiers and fax machines they had sold in Japan. With this plan in mind, they made strenuous efforts to establish a perfectly closed loop system, which traces all the products they have sold, which collects all the products from their clients, which disassembles all the products into parts and materials, which breaks all the materials into 44 categories of pieces (such as iron, aluminum, copper, etc.), and more importantly which does not leave

5) Is the Process of Japan's EPAs Fair?

Then how about the process of Japan's EPAs? As far as the process is concerned, we might be able to say that it could be fair. Three reasons are worth referring to. First, in the case of Asian countries, Japan did not tempt contracting partners with ODA. The decade Japan intensively provided ODA to them was in the 1990s. At that time, Japan did not have any plan to form EPAs with them.³⁷ Second, in the case of Latin American partners, they were far better than Japan at making a Free Trade Agreement. Especially Mexico had already accumulated experiences of establishing FTAs. Therefore, making full use of such experiences, Mexico entered negotiations with Japan. Because of this, Japanese experts confess that through a series of negotiations Japan learned a lot from Mexico.³⁸ Third, when Japan started to explore possible co-operations with a contracting partner, Japan tried to understand actual conditions of the candidate. In other words, placing oneself in partner's shoes, and taking their conditions into account, Japan has offered an EPA model suitable for the contracting partner. This is why Japan has always taken a form of bilateral EPAs.

Table C: Is Japan's EPA Fair?

	A View of the Japanese Government	A View of Contracting Partners	A View of NGOs
Process of Japan's EPAs	<i>Fair</i>	<i>Probably Fair</i>	--Unknown--
Outcome of Japan's EPAs	<i>Probably Fair</i>	--Unknown--	<i>Unfair</i>

Needless to say, those reasons might not be enough to convince all the contracting partners that the process of Japan's EPAs is fair. Despite such possibilities, we would like to mention that at

any waste at all (zero emission). They believed that this is the ultimate system to prevent environmental contamination perfectly, and the best way to use limited natural resources as effectively as possible. Simply put it, they pursued a state-of-art closed loop recycling system which covers all the clients. And in fact, in August 2000, Fuji Xerox completed this system and achieved zero emission within Japan as they originally targeted.

In the year 2001, hoping to contribute to environmental protection globally, they started to explore possibilities in transferring this technology to Thailand so as to recycle all the products circulating in neighboring countries. Since the size of the Asian and Oceanic markets was much smaller than Japan, Fuji Xerox made the factory in Thailand 1/3 of the Japanese factory's size. Even if they made it smaller, in order to run this new factory at a reasonable cost, Fuji Xerox had to collect their products from at least 9 neighboring countries (in the Asian and Oceanic regions). In the process of establishing this transnational closed loop recycling system, the company faced very tough issues, most of which stemmed from the Basel Convention. They spent a number of years and months to explain how this integrated recycling system works not only to the Thai Government, but also to exporting countries such as the Australian Government. And they had to commit a number of staff to the persuasion, and had to prepare an unlimited volume of documents in order to go through a multi-layered hierarchy with red-tapism. Their sincere efforts were finally rewarded in May 2004, and in December 2004, the factory started full-scale operation. Companies like Fuji Xerox probably feel that even if corporations plan to contribute to environmental protection with good faith, simple application of the Basel Convention might discourage them from engaging in meaningful global challenges. Taka, I., *Uncompromising Integrity*, Nikkei Shinbun, 2006, 227-236.

³⁷ Usually Japan's EPAs consists of the following sub-agreements. A typical EPA of Japan covers 1) General Agreement like general exemptions and exemptions based upon security; 2) Market Access (tariff categories such as immediate abolition, step-by-step abolition, tariff reduction, tariff quota, negotiation in the future, and exceptions); 3) General Rules on Trade in Goods such as National Treatment, Non-Tariff Barriers, Safeguard, etc.; 4) Rules of Origin such as standards to determine originality and certification to prove originality; 5) Mutual Recognition such as issues of Conformity Assessment Procedure and Technical Barriers to Trade, etc.; 6) Investment such as National Treatment, Most-Favored Nation Treatment, general exemptions, negative list approach or positive list approach, etc.; 7) Services such as Most-Favored-Nation Treatment, Transparency, negative list approach or positive list approach, etc.; 8) Movement of Natural Persons; 9) Business Environment such as revision of laws, transparency of administration, etc.; 10) Intellectual Property Rights; 11) Competition including anti-monopoly, facilitation of fair competition, etc.; 12) Bilateral Cooperation in the fields of human resources, IT-backed tsunami warning system, scientific technologies, agricultural cooperation, tourism, environmental protection, water supply, allocation of costs, etc. In the section of Mutual Cooperation, the Japanese Government describes clearly that a trading partner also has to bear equitable cost. Here "equitable" means being in proportion to partner's economic ability. EPA Negotiation Team at the Ministry of Foreign Affairs (MOFA) of Japan, *Commentary on FTA and EPA Negotiations*, ed. by Watanabe, T., Nihon Keizai Hyoronsha, 2007, pp. 380-381.

³⁸ EPA Negotiation Team, *Commentary on FTA and EPA Negotiations*, 2007, pp. 70-82.

least the Japanese Government feels that the “process” of EPAs is fair for most of trading partners. The main reason why it feels so is that so far trading partners have not shown clear indignation and have not made substantial complaints against Japan. Only if feelings of the Japanese Government reflect the reality, we could say that the “process” of EPAs is fair. Yet even if this conclusion is correct, this does not imply that the “outcome” of Japan’s EPAs is also fair. Although the Japanese Government assumes that the outcome of EPAs is also fair, the actual outcome could be much different from this assumption.³⁹

To sum up, as far as officially published documents are concerned, firstly we conclude that the Japanese Government thinks that the WTO is not working effectively (because some Members feel that the outcome and process of the WTO are not fair). And this is why the Japanese Government has shifted its focus from the WTO to EPAs. Secondly, we could say that the government believes that the process of Japan’s EPAs is fair as a whole. Those are answers to the first question of the FITI project.

III. A Typical Ethical Issue for Japan: Protecting Rice Farming

The second question is “What are the main ethical issues regarding international trade in Japan?” In order to respond to this question, we shed light on two issues. The first one is a very sensitive issue for Japanese people, and the second one is also extremely important for the global community.

1) Issues of Agriculture

GATT Article XI do not admit any restrictions other than duties, taxes or other charges, simply because other restrictions are basically against the WTO basic principles. The WTO assumes the imposition of tariff as the only method to control trade. Following this principle, the Uruguay Round and Doha Round have been exploring various possibilities in reducing tariff rates on agricultural products and in abolishing other restrictive measures.

For example, Members have discussed over the modalities, which contain general rules and formulas for cutting tariffs and trade-distorting subsidies. Within this framework, Members are given flexibility in determining where to reduce tariffs significantly and where to make lesser tariff cuts, as long as such an approach is not against the tariff reduction formula in the modalities.

⁴⁰

General ideas shown in the modalities are 1) Tariff reductions should be progressive with deeper cuts in higher tariffs. 2) Linear tariff reductions should be applied at different rates to developed countries and developing countries; For instance, in the case of the lowest tariff band range, reduction rates could be from 25 to 70 percent for developed countries and from 15 to 50 percent for developing countries. In the case of the highest range, reduction rates could be from 40 percent for developed countries and from 30 percent for developing countries; 3) Members should be given a right to decide “sensitive products,” and set lower tariff reductions on sensitive products.

⁴¹

As we can imagine from those general ideas, interests of Members are so complicated that fulfilling demands of all the parties requires strenuous efforts for all the Members to make and

³⁹ Regarding this, the Ministry of Foreign Affairs (MOFA) of Japan, describes that in order to reduce poverty, Japan puts emphasis on investment protection and liberalization through bilateral investment treaties (BITs), as well as on economic partnership agreements (EPAs). The Ministry of Foreign Affairs (MOFA) of Japan, *Initiatives of Japan towards 2015*, March 2005, p. 8.

⁴⁰ ICTSD, “Modalities Phase Outlook Report,” April 2002, p. 17.

⁴¹ Blandford, D., and Josling, T., “Options for the WTO Modalities for Agriculture,” *IPC Discussion Paper*, May 2006, p. 9. But in June 2006, agricultural negotiations again ran onto rocks over how to implement the modalities. In early 2007, the agricultural negotiations resumed. Currently, the Japanese Government opposes introduction of the upper limit on tariffs. It rather seeks more sensitive products, and demands a flexible way to define sensitive products. MAFF, “The Current Movements over the WTO Agricultural Negotiations,” p. 14.

needs seemingly an unlimited number of years to discuss.⁴²

2) High Tariff Rates on Agricultural Products

Taking into account results of the Uruguay Round (1993 Agreement on Agriculture), and in response to criticisms from agricultural exporting countries (G20), Japan gave up its long-lasting import restrictions, replaced them with imposition of tariffs on agricultural products. As far as rice is concerned, in 1999 tariffs were introduced to import rice with the minimum access obligation, in which Japan has to import a certain quantity of rice with no tariffs.⁴³ But the Japanese Government maintained protective tariffs on import rice exceeding the predetermined quantity (e.g., 778 percent tariff on polished rice, 568 percent on unpolished rice, 252 percent tariff on wheat, etc.).⁴⁴ Because of this, we have to admit that basically Japan has not changed its stance to protect rice and rice farmers for a long time. The reasons why the Ministry of Agriculture, Forestry, and Fisheries (MAFF) of Japan consistently adheres to this stance are as follows.

In the year 2000, agricultural negotiation started to explore the General Framework designed to overcome sensitive issues for the Doha Round (from November 2001).⁴⁵ Before entering details of this round in December 2000, the MAFF formally made five proposals, describing, “Agriculture is the foundation of society in every country, and provides a variety of functions that are beneficial to the society. As there are differences in the natural conditions and the historical background from one country to another, the diversity and coexistence of agriculture among various countries need to be preserved.” After this introduction, five proposals were made:⁴⁶

“(i) Consideration of the multifunctionality of agriculture; (ii) Ensuring food security, which is the basis of the society in each country; (iii) Redressing the imbalance between rules and disciplines applied to agricultural exporting countries and those applied to importing countries; (iv) Consideration for developing countries; and (v) Consideration for the concerns of consumers and the civil society. These five points reflect the general consensus of the people of Japan, which itself is the biggest net-food importing country, having imports equivalent in amount to the consumption of 75 million people.”⁴⁷

3) Mutli-functionality

In relation to the first point, GATT Article XX on General Exemptions shows instances in which Members could be exempted from GATT basic rules. It describes that if it is necessary to protect human, animal or plant life or health, or if it is related to the conservation of exhaustible natural resources, Members are allowed to adopt policy measures that would normally be inconsistent with GATT principles.

With those exemptions in mind, the Japanese Government suggests that life of Japan’s rural area

⁴² According to K. Maeda, an impact of the modalities on Japan’s agriculture could be significant. Especially, proposals made by the US and G20 have a great impact on Japanese rice producers. “WTO Agricultural Negotiations and Importing Rice,” (Japanese Paper for Presentation), March 2007. Here, G20 means a group of countries including India, Brazil, and China, which insist abolition or drastic reduction of subsidies. In this connection, G10 means a group of countries including Japan, Korea, Switzerland, and Norway, who insists no application of the upper limit on tariffs, an enough number of “sensitive products,” and the like.

⁴³ For now, Japan annually imports 767,000 tons of rice, about 8 % of total consumption, as minimum access obligation. To be accurate, in 1999 Japan adopted a tariff quota system, maintaining the minimum access. Takikawa, T., *WTO Laws*, 2005, p. 115. Refer to http://www.jetro.go.jp/jpn/regulations/import_10/04A-000913

⁴⁴ The Ministry of Agriculture, Forestry, and Fisheries (MAFF) of Japan, “The Current Movements over the WTO Agricultural Negotiations,” (Japanese) pp. 1-4. Refer to http://www.maff.go.jp/j/kokusai/taigai/wto/pdf/wto_meguru.pdf and MAFF, “The Current Movements, Appendix,” (Japanese) February, 2008, p. 7. Refer to http://www.maff.go.jp/j/kokusai/taigai/wto/pdf/ref_data.pdf

⁴⁵ Negotiations on agriculture began in early 2000. By November 2001, 121 governments submitted negotiating proposals. Refer to http://www.wto.int/english/tratop_e/dda_e/dohaexplained_e.htm

⁴⁶ MAFF, “Negotiating Proposal by Japan on WTO Agricultural Negotiations,” December 2000, Refer to http://www.maff.go.jp/wto/wto_nihon_teian_e.htm

⁴⁷ MAFF, “Negotiating Proposal by Japan on WTO Agricultural Negotiations,” December 2000, Refer to http://www.maff.go.jp/wto/wto_nihon_teian_e.htm

is heavily dependent upon rice farming in an economic and cultural sense. And rice farming has made sustainable use of natural resources, and through this activity, rice cultivation has long maintained landscape and natural environment of rural area. That is, fulfilling minimum needs of rural area's life, and protecting the natural environment could meet conditions of GATT Article XX.⁴⁸

Reflecting this, Japan's Basic Law on Food, Agriculture and Rural Areas (Article 3) stipulates, "In consideration of the importance of maintaining the stability of the people's lives and the national economy, the multiple roles that agriculture plays through stable production in rural areas, from the conservation of national land, water resources, and the natural environment to the formation of a good landscape and maintenance of cultural tradition, in addition to its conventional role as a primary food supplier shall be fulfilled sufficiently for the future."⁴⁹

4) Food Security

With regard to the second point, food security, the MAFF places emphasis on the fact that Japan is the biggest net importer of agricultural products, and that its degree of self-sufficiency in foods is the lowest among the major developed countries. As far as agricultural products are concerned, in the year 2004, Japan's total importation was 41.5 billion dollars, while its exportation 1.9 billion dollars. This means, Japan's agricultural trade was in the red, and still remains almost the same. The gap between importation and exportation, 39.6 billion dollars worth of the net importation, is the largest in the world (The second biggest net importer is the UK, whose net importation was 20.2 billion dollars in 2004).⁵⁰

In order to deal with this unstable situation, the Basic Law on Food, Agriculture and Rural Areas (Article 2) states "(1) In consideration of the fact that food is indispensable in maintaining human life and important as a basis for healthy and fulfilled living, a stable supply of good-quality food at reasonable prices shall be secured for the future. (2) In consideration of the fact that there are certain unstable factors in the world food trade and supply/demand, this stable food supply to the people shall be secured with increase of domestic agricultural production as a basis, together with an appropriate combination with imports and stockpiles."⁵¹

The Japanese Government has long believed that in every country, agricultural products are extremely important and indispensable for people's life, and therefore, supply of foods should be surely guaranteed. But Japan does not have a reasonable ability to supply foods to its people. Therefore, if something serious happens to supply of agricultural products, Japanese people might be starved within a year or so. To be sure, GATT Article XI prohibits quantitative restrictions not only on importation of products but also on exportation of products to other countries.

Yet recently for the purpose of keeping agricultural products for their own people, exporting countries (in the case of rice, India, Vietnam, etc.) began to refrain from exporting their products to other countries. We understand that this is a rational action or rather an obligation any government has to take for the benefits of its people. Seeing this situation, however, the Japanese Government is growing sense of crisis, and insisting a necessity of ensuring food security far more seriously than ever.⁵²

⁴⁸ Because of those functions rice farming plays, the MAFF has maintained high tariffs on rice, has opposed the introduction of the upper limit on tariffs, and has kept proposing that each country should be allowed to have "sensitive products," which will be subject to lower tariff reductions.

⁴⁹ Refer to <http://www.maff.go.jp/soshiki/kambou/kikaku/NewBLaw/BasicLaw.html>

⁵⁰ MAFF, "The Current Movements over the WTO Agricultural Negotiations, Appendix," p. 3. In terms of calories, in the case of Germany, it is over 80 percent, in the case of UK, it is about 70 percent (in 2003). But in the case of Japan, the self-sufficiency rate is less than 40 percent (in 2006).

⁵¹ Refer to <http://www.maff.go.jp/soshiki/kambou/kikaku/NewBLaw/BasicLaw.html>

⁵² At the World Food Security Summit in June 2008, Japan's Prime Minister Fukuda explained that Japan would release 300,000 tons of imported rice so as to ease the current food crisis, and offer about 50 million dollars to help developing countries increase their food production. In this speech, he urged agricultural exporting countries to refrain from restricting exports and emphasized the necessity to speed up research and development on second-generation biofuels.

5) Other Factors: Environmental Impact and Food Safety

Currently environmentalists began to refer to another factor. That is, they assert a necessity of reducing the total emission of carbon dioxide, using the word, “food mile” or “food mileage,” which is defined as aggregate product of a food item's weight and transportation distance. Although food mileage is just one factor of the environmental impact, proponents are insisting that by reducing food import from a great distance, societies could reduce carbon dioxide emissions.

In addition to this, citizens and consumers began to avoid buying imported foods, with concerns over food safety. Even if exporters explain that production process is safe, and free from toxic chemicals, they are now very skeptical about oversea safety standards and labeling practices. To be sure, extremely protective measures taken by a government are against the Technical Barriers to Trade Agreement. But if exporters' explanations are not based upon scientific data, and products do not meet basic requirements of the international safety standard, non-tariff restrictions imposed by a government would be acceptable. It is because ensuring food safety is also another obligation each government has to take.

6) Protecting Rice Farming

On the surface, the first point (multi-functionality) seems plausible and justifiable, because liberalization of rice importation could destroy not only life of people in the rural area (as a whole the less advantaged people in Japan), but also culture and natural environment of the countryside of Japan. The second point (food security) is also important, since further importation of agricultural products could threaten the food security of Japan. Third, buying more foods from domestic suppliers contributes to reducing carbon dioxide emissions, and lastly food safety is an indispensable obligation every government has to take, so as to ease concerns of citizens and consumers.

Although those reasons seem persuasive, but if we look at them from the viewpoint of GATT's basic principles such as General Prohibition of Quantitative Restrictions, we have to admit that Japan's logic is inconsistent with the spirit of free trading system. And if we review them from the perspective of agricultural exporting countries, we come to feel that Japan's logic is self-centered. For Japan, this is a very difficult ethical dilemma between increasing import from the developing countries and protecting interests of the less advantaged people in Japan, because they seem mutually exclusive. For now, although we do not know how to handle this situation, Japan has been exploring possibilities of overcoming this dilemma. We would like to see Japan's challenge in this regard at Section V.

IV. Reconsideration over Globalization and the WTO: Poverty Reduction

Importation of rice is a difficult issue for Japan. Therefore, we have reviewed this issue and described reasons why the Japanese Government has long protected rice and other sensitive agricultural products. From the size of the Japanese economy, however, we cannot confine our focus to just a domestic agricultural issue. With a broader perspective, we have to highlight other ethical issues, which are extremely important for the global community. Then what is the most important global issue? We believe, that is an issue of poverty reduction.

1) The Ultimate Purpose of Globalization on the Original Position

What is the ultimate purpose of globalization?⁵³ We believe, that is not to maximize profits of

The Japanese Government plans to raise the food self-sufficiency rate not only for ensuring Japan's security but also for easing the food crisis of the world. “300,000 tons of rice offered for food crisis,” *Asahi Shinbun*, 2008.6.5.

⁵³ Since the WTO does not have general investment rules designed to liberalize investment on a global scale, through FTA or EPA negotiations, Members have to agree on host country's National Treatment policy, local content requirements, export obligations, import restrictions, conditions of expropriation and the like, by making Bilateral Investment Treaty (BIT) on a case-by-case basis. To be sure, the WTO has Agreement on TRIMs (Trade-Related

some private corporations, that is not to benefit specific countries or regions, and that is not to develop certain industries. Whatever globalization has been actually bringing about, or no matter how difficult issues globalization has been causing, its ultimate purpose must be to benefit all countries, every race, and all citizens. In other words, its purpose must be to make the world a better place to live, to share merits of trade among Members, to alleviate poverty, and to get poor nations out of desperate situations.

This belief should be theoretically established. For this end, we would like to utilize a concept of “a veil of ignorance” and “rational person on the original position,” which John Rawls once introduced. As is well known, he tried to identify fundamental principles of justice, from the viewpoint of a rational person on the original position, a person behind a veil of ignorance. Veil of ignorance is a hypothetical situation where a person does not know his place in society, his strength in comparison with others, which income class he belongs to, which generation he belongs to, etc. Rawls assumed that if this rational person with no information of his place in society tries to derive ideal Principles of Justice, the rational person eventually comes to an ideal set of principles.⁵⁴

For example, Rawls assumed that on the original position, natural talents distributed in a society are regarded as a common asset for a society, and individual’s talent is regarded as just a part of common asset. Because of this, the rational person thinks that advantaged persons with talents may gain benefits only if their conduct would improve a situation of the least advantaged in the society. This is the core part of the Difference Principle.

But unfortunately this principle does not explain to what extent a situation of the least advantaged should be improved. To be sure, whatever principles we propose, and no matter how carefully those principles are applied, it could be almost impossible to show clearly how much the situation should be improved. Therefore, we do not intend to define here how much it should be improved. We would rather simply confirm what is the ultimate purpose of globalization, from the viewpoint of the rational person behind veil of ignorance.

In order to do this, 1) we suppose that a rational person knows at least gaps between a situation of the most developed countries and a situation of the least-developed countries at the global level, and gaps between a situation of the most advantaged class of people and a situation of the least advantaged class of people at the national level. Then, 2) we assume that this rational person does not know which group of countries and which class of people he belongs to. And finally, 3) we check why this rational person joins a movement of globalization, on the ground that there should be a substantial motive to join.

When those conditions are given, we believe that this rational person eventually comes to think that the ultimate purpose of globalization is to narrow gaps by improving a situation of the least-developed countries and a situation of the least advantaged class of people. Stated another way, with this definition, all parties in the global community are expected to contribute somehow to poverty reduction internationally and domestically.

2) Criticism against the WTO

Even if we define the goal of globalization like this, a number of NGOs and developing

Investment Measures: Annex 1A). But it covers rules only after investment. It is not comprehensive, and it does not aim to liberalize investment itself. One of the major reasons why some experts believe that the WTO Agreement on Investment is necessary is that without such an agreement, developing countries, especially least-developed countries, might become unattractive places to invest. Usually host countries invite multinationals, hoping to create jobs for their people. But if host countries cannot provide attractive incentives such as renting land free of charge or tax exemption, multinationals might not invest in those countries. Therefore, host countries compete with one another in trying to provide more lucrative incentives to multinationals. This means that countries, which cannot afford to do so, will lose opportunity to create jobs for their people. In order to avoid such an excessive and unnecessary competition among developing countries, some experts insist that the WTO Agreement on Investment is urgently needed.

⁵⁴ Rawls, J., *A Theory of Justice*, The Belknap Press of Harvard University Press, 1971, 11-22.

countries might continue to attack the WTO and its outcomes. It is because they believe that the WTO is acting as an agent for influential corporations, and does not consider interests of the poor seriously.⁵⁵ We do not know whether their criticism is correct or not. But at least we have to face the fact that they are likely to understand that both the process and the outcome of the WTO are neither acceptable nor fair.⁵⁶

For example, the Third World Traveler insists, "Every ruling of the WTO proves that the institution is fundamentally flawed, designed to place corporate profits above the need to protect our environment, our health and our democracy."⁵⁷ We easily find out similar critical articles on the website. A typical one is on the ZNET.⁵⁸ In one article, the author quotes the following communiqué, which was addressed to the civil society at the time of the WTO Ministerial Conference in Mexico in September 2003.

"In complex equation that turns death into money, there is a group of humans who command a very low price in the global slaughterhouse - the indigenous, the young, the women, the children, the elderly, the migrants, all those who are different. That is to say, the immense majority of humanity. This is a world war of the powerful who want to turn the planet into a private club that reserves the right to refuse admission. --- All of us are given the option of being inside this zone (club), but only as servants. Or we can remain outside of the world, outside life. But we have no reason to obey and accept this choice between living as servants or dying. --- Brothers and sisters, there is dissent over the project of economic globalization all over the world. Those above, who globalize conformism, cynicism, stupidity, war, destruction and death. And those below, who globalize rebellion, hope, creativity, intelligence, imagination, life, memory and the construction of a world that we can all fit in, a world with democracy, liberty and justice. We hope the death train of the World Trade Organization will be derailed in Cancun and everywhere else."⁵⁹

We refrain from making comments on this communiqué. But from the tone of the communiqué, one thing is very clear. That is, there exists a deep-rooted suspicion on the side of some radical NGOs or activists, and in the future, this suspicion might trigger severe violence and in a very extreme case, it might mistakenly justify acts of terrorism against developed countries or multinational corporations, even against citizens in developing countries. Needless to say, all who believe that human rights should be respected and protected never tolerate any form of terrorism, whatever reasons exist.

3) The Ultimate Purpose of the WTO

Then how should we define the purpose of the WTO? This institution was established in 1995, so as to liberalize unnecessary regulations and so as to develop the global economy. Following this explanation, we could simply define its purpose as developing economy through liberalization of trade in goods and services. Yet, we would like to define it here in a different manner. As long as the WTO is a means of globalization, its purpose should be also alleviation of poverty. It is because, on the original position, any rational person, who knows gaps between developed and least-developed countries, and who does not know which group of countries he

⁵⁵ Jeffrey D. Sachs, *The End of Poverty: Economic Possibilities for Our Time*, Penguin Books, 2005. According to him, anti-globalization leaders believe multinational corporations are the main villains in causing extreme poverty and environmental devastation. They assert the necessity of protecting poor countries from the exploitive reach of rich corporations. Their main target is the WTO, which is believed to act as an agent for those multinationals. p. 355.

⁵⁶ NGOs and developing countries have argued that WTO agreements such as TRIPs and GATS will not bring substantial benefits to developing countries, and those agreements, if they are strictly enforced, will rather function in favor of developed countries. In addition, NGOs warn that under the WTO, countries are not entitled to discriminate between trade partners so that if any rule is set in bilateral or regional treaties, the same rule must be applied to all the other countries. Therefore, if a developing country adopted a standard favorable for a specific developed country, it will be applied to other developed countries. Oxfam, *Rigged Rules and Double Standards*, p. 217 and p. 221.

⁵⁷ Refer to <http://www.thirdworldtraveler.com>

⁵⁸ Refer to <http://www.zmag.org/weluser.htm>

⁵⁹ Vodovnik quotes communiqué of Subcomandante Marcos, "The Death Train of the WTO." Ziga Vodovnik, "WTO Derailed," December 2004, p. 3. Marcos is the spokesperson and military commander of the Zapatista Army of National Liberation (EZLN), an armed revolutionary group based on a poor state in Mexico.

belongs to, eventually comes to conclude that the main reason why a country joins the WTO is to alleviate poverty at the global as well as national levels, and to make the world a better place to live.

At Section II, we referred to both the process and the outcome of the WTO, the process and outcome of Japan's EPAs, and then discussed them in terms of fairness. Now that we defined purposes of globalization and of the WTO like this, the process of the WTO or the process of EPAs becomes less important than the outcome. The outcome here means how much poverty has been reduced. In other words, even if the process of alleviating poverty was agreed upon among Members, if this process is not contributing to poverty reduction, soon Members will raise a question on the process, and begin to insist upon changing the process, in a way to make it easier to achieve the purpose (the outcome). Although we do not intend to ignore the importance of the process (rule-making process, decision-making process, monitoring process, dispute settlement process, etc.), once we adopt this definition of poverty reduction, the outcome eventually becomes far more important than the process.

4) How to Make Use of Globalization

There exist criticisms against globalization and the WTO, saying that globalization does not reduce poverty. According to Ann Harrison, there is not enough evidence on relationships between globalization and poverty reduction. But we witness that one way or another globalization has steadily reduced poverty in the past 50 years.⁶⁰ According to Jeffrey Sachs, a head of the UN Millennium Project,⁶¹ two generations ago, a half of the world population lived below the poverty line (1.08 dollars a day). At that time, no one could imagine that solving the poverty issue was achievable. But one generation ago, that proportion declined to 1/3. And now it reached 1/6. It means even if globalization has been causing problems, it has been somehow reducing poverty.⁶²

On account of this, just criticizing the WTO, multinational corporations, and globalization might not contribute to solving the poverty issues. Of importance seems to find out creative ways to make full use of merits of globalization for getting the poorest out of a desperate situation and helping poor countries start their own sustainable development. Then how do we alleviate poverty in the world? Regarding this question, Sachs suggests that if small percent of GNP of developed countries, which consist of 1/6 of the world population, is invested in basic infrastructure (transportation, electricity, water supply, soil development, hygiene, epidemic prevention, medical care) and human resources (education) of the poorest countries, extreme poverty would disappear within a decade to come.⁶³

Amartya Sen also places emphasis on basic infrastructure and education. For him, poverty means the deprivation of basic human capabilities rather than lowness of incomes. Although he assumes low income as one of the major causes of poverty, he does not think that low income is identical with poverty. Coupled with low income, other causes such as physical handicaps, illness, isolation, or lack of information place people in poverty or a desperate situation. With this in mind, instead of simply saying that income should be increased, Sen insists that human environment should be improved in a way to make it possible for people to demonstrate their potentials and capabilities.⁶⁴ For this purpose, he emphasizes the importance of infrastructure such as healthcare and basic education. Since Sachs regards basic infrastructure and human resources as key factors

⁶⁰ Usually critics of globalization tend to focus on the short term impacts and unhappy events experienced by subgroups of the poor. On the contrary, supporters are likely to focus on the long term effect and the declining aggregate poverty. Ann Harrison, "Globalization and Poverty" (draft), October 2005, p. 3, and pp. 32-33.

⁶¹ In 2000, the Millennium Summit adopted the UN Millennium Declaration, in which the nations committed themselves to reduce extreme poverty and to set out concrete targets, with a deadline of 2015. Those are regarded as the Millennium Development Goals (MDG). In 2002, the Millennium Project was established to develop an action plan to achieve the MDG. Refer to <http://www.unmillenniumproject.org/>

⁶² J. D. Sachs, *The End of Poverty*, 2005, p. 289.

⁶³ J. D. Sachs, *The End of Poverty*, 2005, p. 227.

⁶⁴ Sen, A., *Development as Freedom*, Anchor Gooks, 2000 pp. 87-110

to alleviate poverty, we could say that both of them stand on the same philosophy over poverty reduction.

In order to respond to the second question, “What are the main ethical issues regarding international trade in Japan?” we have described that typical issues are 1) protection of rice farming and 2) poverty reduction. The last question requires us how Japan has been addressing those identified issues. We feel that Japan has engaged in a number of challenges especially in the fields of basic infrastructure and human resources at the level of the government and at the level of private corporations. And we believe that those challenges have somehow contributed to poverty reduction in the world, mainly in the Asian region. Having TICAD (Tokyo International Conference on African Development) in May 2008, and facing the world food crisis, Japan is about to make the best use of experiences of its own and in Asia for poverty reduction in Africa.

V. Challenges by the Japanese Government: TICAD and MDGs

At Section III, we described that Japan has been exploring possibilities of overcoming the dilemma between interests of Japanese farmers and interests of agricultural exporting countries. In this Section, first of all, we will see agricultural challenges taken by the Japanese Government in Africa. Although those challenges promised in the TICAD process might not directly overcome that dilemma, they could contribute to poverty reduction, the ultimate purpose of globalization. Then, secondly, we will overview Japanese challenges of Millennium Development Goals (MDGs),⁶⁵ and describe initiatives in the TICAD process, which also constitute a major part of the MDGs. We regard all those challenges as developments in Japan to address the two major ethical issues.

1) World Food Crisis and TICAD IV

In April 2008, the World Bank explained that price of all staple food had risen about 80 percent in the past three years.⁶⁶ Experts list up a number of reasons. Among them, the most seemingly plausible reason is environmental challenges to convert agricultural land into biofuel production. For example, in the US, the government has encouraged farmers to switch their land from food supply to energy supply, and in Europe, the European Union plans to boost biofuel production. Seeing such changes, other countries like Argentina, Brazil, Canada and Eastern Europe have been diverting foods into biofuels.⁶⁷

As a result, now the price surge on staple food hit the poorest, especially Sub-Saharan Africa very hard, and the world itself has fallen into the food crisis. But just criticizing biofuels does not solve problems of food shortage and climate change simultaneously. From the viewpoint of food security, we had better explore other creative ways to overcome the crisis. Thinking this way, the Japanese Government has initiated several challenges in this regard.⁶⁸

In May 2008, hoping to make the 21st century “the Century of African Growth,” Japan held TICAD IV (the Fourth Tokyo International Conference on African Development), which received attendance of representatives from 52 African countries, including 36 heads of state, and major international organizations.⁶⁹ At the end of the conference, it adopted Yokohama Action Plan,

⁶⁵ In the year 2000, the Millennium Summit adopted the UN Millennium Declaration, in which nations committed themselves to reducing extreme poverty and to set out concrete targets, the Millennium Development Goals (MDGs), with a deadline of 2015. Then in the year 2002, the Millennium Project was established so as to proceed with those targets.

⁶⁶ Murayama, Y. and Minamishima, S., “Food crisis on agenda of G-8 summit,” *Asahi Shinbun*, April 18, 2008. Refer to <http://www.asahi.com/english/Herald-asahi/TKY200804180079.html>

⁶⁷ Experts also refer to other factors such as poor harvests, rapid increase of food demand in Asia, export restrictions in some countries, oil price surge, speculative acts of hedge-funds, and so on.

⁶⁸ For instance, in the very short term, the Japanese Government provided 100 million dollar emergency food assistance package, most of which is offered to Africa. In the medium-to-long term, it facilitates a development of a new type of rice aimed to double rice production, and a development of the next generation of biofuels.

⁶⁹ The Japanese Government has been leading international discussions on African development through the TICAD

which covers a variety of challenges. One of them is on Agriculture and Rural Development of Africa.⁷⁰ Regarding this challenge, this action plan lists up three actions for Japan to take in the next 5 years.⁷¹ That is, 1) To enhance capacity to increase food production, 2) To improve access to markets, and 3) To support sustainable management of water resources.⁷² Here we would like to see a little bit more the first and the third actions.⁷³

2) Boosting Rice Production in Africa

As for the first action (Increasing food production), Japan's Prime Minister Yasuo Fukuda described, "In order to fully ensure growth in Africa, the development of agriculture is extremely important, as some two-thirds of the total population of Africa is engaged in it. As Africa seeks to achieve its own Green Revolution, I would like to put out a call for action, aiming to double the current rice production output of 14 million tons over the next ten years."⁷⁴

Since current Africa's food self-sufficiency is around 50 percent, dropped from 96 percent two decades ago, the food price surge dealt African countries a severe blow. In order to make an impact of food shortage smaller in the long run, agricultural productivity of Africa should be enhanced as early as possible.⁷⁵ Keeping this belief in mind, in the past Japan has provided technological supports as a part of MDGs,⁷⁶ and from now through the TICAD process, it will offer more concrete supports to production of New Rice for Africa (NERICA), which could grow even in harsh climate conditions.⁷⁷ To proceed with this action, the Japanese Government newly creates an international organization, which starts operation in October 2008 (The headquarters will be placed in Nairobi), so as to analyze ways to increase rice production and to select nations as recipients of assistance.⁷⁸

3) Sustainable Management of Water Resources

With regard to the third action, Prime Minister Fukuda also emphasized the necessity of sustainable management of water resources.⁷⁹ Focusing on water management, Japan has long

process. TICAD was launched in 1993. Since then, every 5 years, TICAD has been held. So far Japan has provided bilateral assistance amounting to more than 12.7 billion dollars to Africa in areas such as basic human needs, infrastructure and agriculture. During the period from TICAD II (1998) to TICAD III (2003), Japan also gave its support to establish safe drinking water and sanitation facilities, which provided access to about 4.6 million people in Africa. Furthermore, the Japanese Government has made a commitment to cancel 4.9 billion dollars in bilateral debt of Heavily Indebted Poor Countries in Africa, the largest scale among all the creditor countries. The Ministry of Foreign Affairs (MOFA) of Japan, *Building Global Partnerships for Development*, September 2005, p. 5.

⁷⁰ TICAD IV Yokohama Action Plan, May 30, 2008.

⁷¹ With regard to African agriculture, in addition to investing in NERICA project, Japan provides about 260 million dollar (gratuitous financial supports) worth of assistance. *Asahi Shinbun*, 2008.5.31.

⁷² The TICAD process seeks alignment with the CAADP agenda. CAADP stands for Comprehensive Africa Agriculture Development Program, which is one of the New Partnership for Africa's Development (NEPAD) programs. It is said that the NEPAD objectives are 1) To eradicate poverty, 2) To place African countries, both individually and collectively, on a path of sustainable growth and development, 3) To halt the marginalization of Africa in the globalization process and enhance its full and beneficial integration into the global economy, and 4) To accelerate the empowerment of women. Refer to <http://www.nepad.org/2005/files/inbrief.php>

⁷³ The 2nd action is described with relation to establishment of transportation networks of Africa at the following section.

⁷⁴ Address by Prime Minister Yasuo Fukuda at the Opening Session of the □ Fourth Tokyo International Conference on African Development (TICAD IV), May 28, 2008.

⁷⁵ In order to overcome the current situation, the Japanese Government announced an emergency food assistance package equivalent to 100 million dollars. A significant portion of this amount is provided to Africa. Address by Prime Minister Fukuda at the Opening Session of TICAD IV.

⁷⁶ Before this plan, as a part of MDGs, Japan has already supported agricultural policies including the development and dissemination of NERICA. MOFA, *Building Global Partnerships for Development*, September 2005, p. 9. MOFA, *Initiatives of Japan towards 2015*, March 2005, p. 9.

⁷⁷ Yokohama Action Plan explains that Japan will "Provide assistance to expand agricultural research, extension and advisory services including for adaptation to climate change, development of new crop varieties and improvement of soil fertility and other farming technologies, and increase the number of agriculture professionals through support for agriculture-related education and training in a gender sensitive manner," and will "Increase rice production through developing capacities to adopt systematic crop management, and new methodologies including wider use of NERICA, aiming at doubling the rice production in African countries in ten years." TICAD IV Yokohama Action Plan, May 30, 2008.

⁷⁸ Murayama, Y., "Coalition aiming to lift Africa's rice yield," *Asahi Shinbun*, 2008.5.23.

⁷⁹ With regard to water management in Africa, Japan provides about 300 million dollar (gratuitous financial supports)

offered “comprehensive assistance that covers provision of drinking water and sanitation, improvement of water productivity, water pollution control, disaster mitigation and water resources management.” It is said that in quantitative terms, “Japan has been the largest contributor in the water supply and sanitation sector. Its assistance accounted for 41 percent of the global total in the five years from 1998 to 2002.”⁸⁰

Based upon such experiences in the past, now Japan plans to promote further “development, rehabilitation and maintenance of water resources management infrastructure to contribute to the joint efforts aiming at expanding the irrigated area by 20 percent in 5 years.”⁸¹ In this regard, for example, Japan organizes a new technical assistance team of water specialists known as W-SAT (Water Security Action Team), which works with people of Africa, in drilling new wells, fixing broken water supply pipes, etc.⁸²

As mentioned before, Japan’s policy on rice import has long been criticized. But in the past Japan has made constructive use of its own experiences in the field of agriculture for poverty reduction overseas, and now intends to utilize those experiences far more seriously than ever for the benefits of Africa. What is more, the Japanese Government facilitates research and development on the next generation of biofuels, and plans to share the results with poverty-stricken countries. Currently, it has been studying possibilities to use crop waste such as straw for production of biofuels. It might be too early to predict anything. But if such efforts bear fruits, Japan’s challenge would surely contribute to solving problems of food shortage and global climate change simultaneously. To sum up, by challenging agricultural, environmental, and global issues with its firm determination, Japan expects the global community to show some understanding over Japan’s policy on agriculture. At any event, those agriculture-related challenges toward Africa could be regarded as some of the developments to address the issue of protecting rice farming in Japan.

worth of assistance. *Aasahi Shinbun*, 2008.5.31.

⁸⁰ MOFA, *Building Global Partnerships for Development*, September 2005, p. 13.

⁸¹ Yokohama Action Plan describes that Japan will “Support reforms in land titling, ownership and use to increase smallholder decision making power over the use and disposition of land,” and will “Promote development, rehabilitation and maintenance of water resources management infrastructure.” TICAD IV Yokohama Action Plan, May 30, 2008.

⁸² Address by Prime Minister Fukuda at the Opening Session of TICAD IV.

4) Major Challenges related to Millennium Development Goals (MDGs)

Then how has the Japanese Government been responding to the global ethical issue, poverty reduction? Needless to say, supporting African agriculture is a part of poverty reduction initiative. But from the broader perspective, we want to see Japan's MDG activities, and then characterize its basic stance toward poverty reduction.

According to a report published by the Ministry of Foreign Affairs (MOFA) of Japan, during the 1990s, Japan's ODA toward basic education, basic health, nutrition, water and sanitation, was at highest levels in terms of volume among the DAC (Development Assistance Committee) member countries.⁸³ Since Japan always believes that education plays critical roles in human development and nation-building, it has used a large portion of ODA for education.⁸⁴ It also believes that without safety-net for people's life, any country cannot pile up people's experiences, skills, and know-how in their society. Coupled with this reason, Japan has long supported activities to fight HIV/AIDS, Tuberculosis and Malaria. For example, as far as combating Malaria is concerned, Japan has provided 10 million special mosquito nets to African countries by the year 2007.⁸⁵

Although there have been a variety of MDG challenges like those, Japan tends to place a great importance on economic infrastructure. The main reason comes from its own and East Asian experiences. The same report describes, "Japan's ODA to East Asia and the Pacific, which accounted for about 60 percent of its total, played an important role in supporting the development efforts of the countries in the region." "Based on this experience as well as its own experience after World War II, Japan has placed an emphasis on the provision of economic infrastructure in its ODA. The development of infrastructure in the developing countries in areas such as transportation, energy, and water is essential for promoting private sector activities and economic growth. Japan's ODA for infrastructure development in East Asia, together with relevant capacity building, has been instrumental in facilitating growth in the region. Japan's ODA for economic infrastructure between 1990 and 2003 totaled 66.9 billion dollars – by far the largest among the DAC member countries."⁸⁶

5) Mobilizing Private Sector and Japan's ODA Policy

The Japanese Government basically thinks that in order to promote economic growth, the private sector should be mobilized as effectively as possible. Namely, it believes that if the private sector becomes at the center of strategy, eventually poverty will be reduced, and then MDGs will be achieved accordingly. From 1990 through 2001, average GDP growth rate of East Asia and the Pacific region was 7.5 percent, which led to the reduction of nearly 200 million people out of poverty. During the same time period, the total amount of ODA provided to this region was about 78 billion dollars. This amount was less than the total provided to Sub-Saharan Africa, which received about 110 billion dollars. Taking this data into account, Japan insists how to utilize ODA is extremely important for countries to economically take off.⁸⁷ A lesson Japan got from this is, on the early stage of economic development, to concentrate as much investment as possible on infrastructure such as transportation, energy, and water, which eventually invokes the private sector's investment.⁸⁸

⁸³ According to OECD, "DAC is the principle body through which OECD deals with issues related to co-operation with developing countries." Japan's Medium-Term Policy on ODA (Feb. 2005) states that Japan contributes to achieving the MDGs, including through the effective use of ODA. Once Japan was the largest ODA donor from 1991 to 2000, and Japan provided a large portion of it to the Asian region, which received over 50 percent of its total bilateral ODA in 2003. MOFA, *Building Global Partnerships for Development*, September 2005, pp. 1-2.

⁸⁴ On account of this, in 2003, Japan became the largest contributor of all DAC member countries of ODA for education, with assistance totaling nearly 1 billion dollars. MOFA, *Building Global Partnerships for Development*, September 2005, p. 10.

⁸⁵ MOFA, *Initiatives of Japan towards 2015*, March 2005, p. 9.

⁸⁶ MOFA, *Building Global Partnerships for Development*, September 2005, p. 8.

⁸⁷ MOFA, *Building Global Partnerships for Development*, September 2005, pp. 7-8.

⁸⁸ During the 1990s Japan's contributions to economic infrastructure were the largest among the DAC member countries. MOFA, *Building Global Partnerships for Development*, September 2005, p. 5.

Although Japan provided the largest ODA in the 1990s, we have to admit that it has been reducing ODA, and in 2007, it finally dropped to 5th place in terms of the total amount of assistance. Since it is still the second-largest economy, the international community might have doubt on seriousness of Japan's commitment to poverty reduction. While we understand such a criticism against Japan, it might be better to see a little bit about Japan's financial situation.

Table D: Industrialized Countries' Debt Ratio (%)

Year	1995	2000	2005	2007
Japan	87.7	137.1	173.1	177.6
USA	70.7	55.2	61.8	61.8
UK	52.4	45.7	46.7	49.0
Germany	55.7	60.4	71.1	69.9
France	62.6	65.2	76.1	74.6
Italy	121.8	121.0	120.4	121.0
Canada	101.6	82.1	70.8	66.3

* Calculation based upon OECD Data
Originated by the Ministry of Finance of Japan ⁸⁹

To be frank, the Japanese Government has serious trouble with a towering budget deficit. As of March 2008, it accumulated about 5.5 trillion dollars of debt, and the ratio of accumulated governmental bonds to Japan's GDP reached almost 180 percent. This ratio is the worst among the industrialized countries, and its debt still keeps mounting. Because of this, Japan is now searching for a new and sustainable way of managing a country, which enables Japan to keep taking international responsibilities in a consistent manner.

But even if Japan is suffering from a towering budget deficit, it has to make the best efforts to support developing countries as effectively as possible. For this reason, Japan is exploring three directions to go forward. First, it steadily shifts weight from Asia to Africa, since some of the Asian and the Pacific countries have already been on right track for economic growth. Second, it intensively applies financial supports like ODA to specific fields. As noted above, since Japan assumes that economic infrastructure is important, it probably concentrates on construction of transportation networks and the like. Third, it also supports fundamentals such as finance, trade insurance, lifeline, and human resources, because if those fundamentals are not provided, the private sector might not be mobilized.

6) Establishing Economic Infrastructure in the TICAD Process

From the viewpoints of those directions, let us describe challenges in the TICAD process. First of all, at the Opening Address, Prime Minister Fukuda emphasized, "The time has come for the countries of Africa to adopt as their own a model that led to success in post-war Japan and many other Asian countries." Then, secondly he described the importance of economic infrastructure. That is, "In particular, the experiences of Japan and other Asian countries tell us that improvements in transportation infrastructure play a critical role in attracting private investment." Because of this, as we see in Contents of Yokohama Action Plan, this formal document starts with "Infrastructure," aiming at "Boosting Economic Growth."

This "Infrastructure" section covers 1) Regional transport infrastructure, including roads and ports, 2) Regional power infrastructure, 3) Water-related infrastructure, 4) Enhanced involvement of regional institutions, and 5) Promotion of public-private partnership (PPP) in infrastructure.⁹⁰

⁸⁹ Refer to http://www.mof.go.jp/zaisei/con_03_g05.html

⁹⁰ With regard to constructing infrastructure of transportation, the World Bank provides about 630 million dollars in loan. With regard to constructing infrastructure of electric power, Japan and the World Bank will co-finance about 2.1 billion dollars annually. In addition, Japan independently offers 800 million dollars in loan. Japan provides 840 million dollars in loan, and 370 million dollars worth of ODA (gratuitous financial supports) to both infrastructure of transportation and electric power. *Asahi Shinbun*, 2008.5.31.

Placing an extreme importance on 1) Regional transport infrastructure, Japan believes that missing links of transportation networks should be connected as early as possible.

Table E: Contents of TICAD IV Yokohama Action Plan

- Preamble
- I. Boosting Economic Growth
 - a) Infrastructure
 - b) Trade, Investment and Tourism
 - c) Agriculture and Rural Development
- II. Achieving MDGs
 - a) Community Development
 - b) Education
 - c) Health
- III. Consolidation of Peace, Good Governance
- IV. Addressing Environment/Climate Change Issues
- V. Broadening Partnership

As concrete measures, Japan plans to “Provide financial and technical assistance for the planning, construction and improvement of regional transport corridors and international ports,” “Support capacity building for the management and maintenance of regional infrastructure,” and “Promote facilitation of cross-border procedures such as One Stop Border Post (OSBP).”⁹¹ As far as OSBP is concerned, since building roads, linking roads, and connecting roads with ports are not enough to achieve its original purpose, the Action Plan touches upon the necessity of training officials at OSBP, on the ground that better customs and immigration procedures would contribute to making cross-boarder transportation more efficient and less time-consuming.⁹²

By establishing and improving such economic infrastructure, Japan hopes the private sector to increase investment, and to transfer technologies and managerial know-how to Africa, thereby creating more job opportunities in the continent. As for fundamentals, Japan plans to reinforce trade insurance, and to launch the Facility for African Investment within the Japan Bank for International Cooperation (JBIC), the purpose of which is to finance businesses in African countries and to guarantee the financing provided by Japanese banks for businesses in Africa. It is said that financial assistance for Africa through the JBIC will be on a scale of 2.5 billion dollars over the next 5 years. Through such public-private collaborative initiatives, Japan plans to double private investment in Africa.⁹³

7) MDG Challenges in the TICAD Process

As in Yokohama Action Plan, there are many other challenges such as agriculture, community development,⁹⁴ education, and health.⁹⁵ At the TICAD IV, Japan promised to gradually double the amount of ODA, currently around 0.9 billion dollars (excluding debt waivers), to 1.8 billion dollars over 5 years (This does not include debt waivers).⁹⁶ Japan plans to use a large portion of ODA for alleviating issues in those areas. Among them, basic education is given a great importance.

⁹¹ TICAD IV Yokohama Action Plan, May 30, 2008. Japan and the World Bank agreed to jointly finance projects in Africa. Japan will provide 4 billion dollars in loans. As for transportation infrastructure, up to 800 million dollars will be provided. This will cover the road constructions in Kenya, West African countries, and Senegal. Regarding power networks in Zambia and Mozambique, it plans to provide 760 million dollars. It also offers 120 million dollars so as to combat global warming, in partnership with the United Nations Development Program. “Japan and World Bank to co-finance African aid,” *Asahi Shinbun*, 2008.5.30.

⁹² Address by Prime Minister Fukuda at the Opening Session of TICAD IV.

⁹³ Address by Prime Minister Fukuda at the Opening Session of TICAD IV.

⁹⁴ Japan’s typical commitment is to support a comprehensive community-driven development approach and build on experiences such as the African Village Initiative (AVI) and the African Millennium Village (AMV). TICAD IV Yokohama Action Plan, May 30, 2008.

⁹⁵ Japan pledged 560 million dollars to the World Fund so as to fight AIDS, Tuberculosis and Malaria in the coming years, starting in 2009. Address by Prime Minister Fukuda at the Opening Session of TICAD IV.

⁹⁶ Karasaki, T., “Fukuda opens TICAD IV with \$4-billion pledge,” *Asahi Shinbun*, 2008.5.29.

As his philosophy, Prime Minister Fukuda mentioned, “For Japan, a country with virtually no underground resources to speak of, the most important type of resources is human resources. First, we give our children a thorough education. Then, we make them self-reliant. On that basis, they live in harmony together with others, pooling their abilities to deal with any difficulties that their friends might face. This is the principle of "self-reliance and mutual cooperation." This is almost the same as the founding philosophy of TICAD, namely "ownership" and "partnership." Where there is no "ownership," which respects self-reliance, neither sustainable development nor growth is possible.”⁹⁷

With this premise, Yokohama Action Plan refers to the importance of basic education - expansion of access and quality, on the ground that in order to eradicate extreme poverty, access to education should be provided surely and equally. In this regard, Japan has pledged to “Support construction and rehabilitation of school buildings and related infrastructure,” and to “Provide assistance to train and retain primary and secondary school teachers and support the establishment and expansion of teacher training systems and organizations.”⁹⁸ For example, Japan plans to build about 1,000 primary and secondary schools in Africa within 5 years to come. This plan will provide around 400,000 students with 5,500 classes to study. Since it is reported that teachers are not well trained in Africa, Japan will offer training programs to 300,000 instructors of science and mathematics, including 100,000 African teachers.⁹⁹

In order to answer the third question, what developments are there in Japan to address the ethical issues, we have seen governmental challenges such as agricultural contributions, efforts toward MDGs, and promises at the TICAD IV. We assume that all those challenges led by the Japanese Government could be regarded as developments to address the agricultural issue and global issue.

VI. Challenges by Leading Japanese Corporations: Education and Basic Infrastructure

The governmental challenges are just a part of developments in Japan to address ethical issues. Other stakeholders are also addressing those issues. Among them, multinational corporations are especially important in the context of global issues. Therefore, with intent to supplement our answer to the third question, we would like to examine contributions made by major Japanese corporations.¹⁰⁰

1) Contributions Corporations Can Make

MDGs might be understood as goals to be pursued by governments. Nonetheless, this does not mean that corporations are not expected to alleviate the world poverty. On the contrary, No. 8 of MDGs expects the private sector to cooperate. In fact, corporations have very competitive technology, know-how, skilled and talented staff, well-organized networks, and ways to operate with high efficiency. Therefore, if they cooperate with governments and others, extreme poverty might be reduced far more effectively than governments do alone.

⁹⁷ Address by Prime Minister Fukuda at the Opening Session of TICAD IV.

⁹⁸ TICAD IV Yokohama Action Plan, May 30, 2008.

⁹⁹ *Asahi Shinbun*, 2008.4.23.

¹⁰⁰ Because of globalization, corporations are required to take social responsibility. We do not have the world government, which makes and enforces the same laws and regulations to all the players on a global scale. In general, developing countries are likely to weaken domestic regulations including environmental protections and labor standards, expecting multinational corporations to come to invest and operate in those countries. Even if developing countries have strict and tough laws and regulations, most of them do not have effective law enforcement systems. Because of those, corporations operating worldwide might simply enjoy regulatory void. Taking this freedom for granted, if global corporations mistakenly bring negative impacts on developing countries (such as devastating natural environment, destroying values of local communities, or ignoring workers' health and safety), globalization itself might come to the dead end. Therefore, corporations, which are receiving benefits from globalization, have to take social responsibility. And this responsibility should be fulfilled enough to balance with the freedom they are enjoying. Put it differently, as the saying goes, the more freedom corporations enjoy, irrespective of legal requirements, the more social responsibility they have to take.

As Section VIII will explain, Japanese NGOs and Mass Media believe that the WTO widens the income gap within a country. NGOs also suggest that the WTO does not bring benefits to all countries. This is in clear contrast to perceptions on the side of officials at Business Federations and business people. In spite of such perception gaps among Japanese different stakeholders, all the stakeholder groups believe that multinationals can play an important role in solving global issues as good partners. Reflecting this shared belief, Japanese corporations have long involved in CSR activities. Therefore, in this section, we would like to overview what challenges leading Japanese corporations have taken so as to address the poverty issue.

Needless to say, there must be a variety of ways to alleviate poverty. But here we will confine our focus to major contributions in the fields of education (human resources) and basic infrastructure, because the Millennium Project assumes that these two fields are especially important for poor countries to achieve sustainable development. In addition to this, although there are a number of corporations to involve in those activities, it is physically impossible to refer to all of them. Therefore, we would like to introduce only typical examples leading corporations have engaged in.

2) Improvement of Educational Environment

As we have seen at Section V, the Japanese Government places a stress on basic education, promoting a variety of programs such as constructing schools, offering trainings to instructors, etc. Interestingly, we find that Japanese corporations have been proceeding with similar programs in various countries. We would like to introduce three typical examples in this field.

First, in South Africa, with 6 NGOs and educational institutions, Toyota has participated in a training program for teachers and administrators. Before starting this program, they came to the conclusion that in South Africa, a large number of students are not academically prepared for high schools or vocational schools, and it is because teachers themselves are not sufficiently trained.¹⁰¹ Taking this conclusion very seriously, they launched the training program for the purpose of helping South Africa improve the educational environment.

Second, a challenge of Mitsui & Co. is also worth referring. In Thailand, through its subsidiary (Mitsiam International), Mitsui & Co. has taken part in the Doi Tung Development Project, a national project. The purpose of this project is to alleviate rural poverty, by helping villagers master how to manufacture their own local products. In fact, this project has successfully provided them with job opportunities and effectively eradicated illicit activities related to drug production.¹⁰² In addition to this national project, as an independent challenge, in the year 2006, Mitsui & Co. launched the Library Gift Project, believing that reading is a key to bring up promising people for Thailand. In this project, they selected the poorest and the most underprivileged 10 elementary schools, visited all the 10 schools so as to understand their real needs regarding a library. Based upon their inquiry and analysis, it has donated a library suitable for each of those elementary schools.

Lastly, a challenge in Sub-Saharan countries by Sumitomo Group four corporations is also noteworthy. Since they believe that the educational environment for children is a key element for poverty reduction in Africa, and this is a practical way for them to contribute to MDGs, Sumitomo Chemical, Sumitomo Trust & Banking, Sumitomo Life Insurance, and MSIG (Mitsui Sumitomo Insurance Group) joined the elementary school construction project organized by the World Vision. So far they have built elementary schools equipped with a dining hall and teachers' accommodations in Tanzania, Kenya, Uganda, and Zambia. The school construction project the Japanese Government is about to start could be considered an imitation of this Sumitomo Group's challenge.¹⁰³

¹⁰¹ *Neighbors: Worldwide philanthropic activities at Toyota*, Vol.1, 2005, p. 10.

¹⁰² Refer to <http://www.doitung.org/doitung/trendsetting/index.asp>

¹⁰³ Refer to <http://www.sumitomo-chem.co.jp/japanese/society/index.html>

3) Improvement of Basic Infrastructure

As the Japanese Government has contributed to poverty reduction by improving conditions of health, safety, agriculture, and land use, Japanese corporations have also engaged in similar activities. Let us review three typical challenges Japanese corporations have promoted in this regard.

First, in poverty-stricken communities of the Philippines, Toyota Motor and its charitable foundation have conducted the so-called Medical and Dental Outreach Program. The program has taken place twice a year. By the year 2006, more than 75,000 people received medical attention through this program. According to a report published by Toyota, most of the patients might have otherwise never received care from medical professionals. Usually parents bring children for treatment of parasitic disease. And when it is necessary, physicians perform simple surgery at the outreach sites.¹⁰⁴

Second, Sumitomo Chemical's challenge in the field of healthcare might be well known. It is said that each year, about 300 million people contract Malaria and one million die of it. In order to challenge this tragedy, Sumitomo Chemical has participated in the roll back Malaria campaign and has supplied its original mosquito nets (olyset nets) to poor villages through UNICEF and WHO. While the company offered manufacturing know-how to a Tanzanian company free of charge, it has also been expanding the production capacity in response to increasing needs for the nets. So far Sumitomo Chemical has supplied 30 million nets to the global community. Mosquito net is said to be very effective to prevent Malaria. For example, in 2006 the company donated 330,000 nets to the Millennium Promise, one of the influential NGOs, and this donation is believed to save and protect over 500,000 people from Malaria.¹⁰⁵

Last one is a very brave and far-reaching challenge. The president of Yamanashi Hitachi Construction Machinery, a very small company, has been making strenuous efforts to return fertility to land and safety to children in poor countries devastated by wars. According to a report, currently, about 110 million antipersonnel landmines are in place around the world. If people try to find all of them following the established procedure, it will take more than hundreds of years. Shocked by this reality, Mr. Kiyoshi Amemiya, president of the company, launched a landmine clearance project to improve the situation where many civilians, especially children, become victims of those mines. Keeping a strong belief that without cultivable and fertile land, any country cannot support oneself, he has devoted his life to developing special bulldozers and to clearing land of many countries with his inventions.¹⁰⁶

We have indirectly suggested that in order to mitigate criticisms against the WTO and the business community, multinationals have to make social contributions. But as far as corporations introduced here are concerned, we cannot see such motives in a clear manner. They seem to have engaged in global challenges and promoted philanthropic movements, just because of a very strong sense of corporate social responsibility. In other words, they take poverty as one of the most important ethical issues, and have proceeded with their self-setting missions. Regarding the third question of the FITI project, we believe that a series of those challenges taken by leading corporations could be also noteworthy developments on the side of business community.

VII. Perceptions of Japanese People on Reasons of Poverty

The first question the FITI project raised is "To what extent are the workings and outcomes of the WTO perceived as fair in Japan?" In order to answer this question, we described formal positions of the Japanese Government (METI, MAFF, and MOFA) at Section I, II, and III. Yet it

¹⁰⁴ *Neighbors: Worldwide philanthropic activities at Toyota*, Vol.2, 2006, pp. 24-25.

¹⁰⁵ Refer to <http://www.sumitomo-chem.co.jp/japanese/society/index.html>

¹⁰⁶ Refer to <http://www.film.hitachi.jp/en/movie/movie705.html>

could be highly possible that individual Japanese might have different perceptions from the Government's. Therefore, for the purpose of clarifying personal perceptions of individual Japanese, we conducted a research last year. The following sections describe results of this research (Section VII through Section IX).¹⁰⁷

1) A General Sketch of the Empirical Research

First, we sent a questionnaire to six categories of individuals (132). The categories are people in NGOs, in Mass Media, in Corporations, in Business Federations, in the Japanese Government, and others. So as to receive as many answers as possible from those stakeholder groups, we used our personal relationships. And when we asked them to cooperate, we requested them clearly to show their own personal opinions not their organization's formal positions, on the promise that their names and organizations' names will not be disclosed.

Table 1: Respondents of Each Category

Category	N
NGOs	13
Mass Media	10
Corporations	87
Business Federations	6
Government	11
Others	5
TOTAL	132

NGOs --- People working for human rights organizations, etc.

Mass Media --- People working for newspaper publishers, TV stations, etc.

Corporations --- People working for corporations. More than half of 87 are executive officers.

Business Federations --- Officials working for Business Roundtables.

Government --- Officials working for governmental agencies of the Japanese Government.

Others --- Professors, Researchers, Consultants, etc.

Since samples were not randomly selected, and since valid responses were not large enough, we gave up a rigid statistical analysis on those collected data. Instead, we used just mean values, believing that mean values still suggest tendencies of each stakeholder group's perception. Roughly describing, our questionnaire covers three topics: (1) Personal Perceptions on reasons of poverty; (2) Personal perceptions on the WTO and globalization; and (3) Personal perceptions on TRIPs, GATS and other issues like agriculture and differential treatment.

2) Main Reasons of Poverty

As the first step, we asked reasons why people in developing countries have to live below the poverty line. Actual questions are as follows:

How do you think of the fact that one sixth of the world population still live below the poverty line? Select top three reasons.

- a) Governments are corrupted. Governmental officials and politicians are corrupted.*
- b) Their nation does not have enough savings so that people cannot borrow money to start business at reasonable costs.*
- c) People do not understand the importance of education.*
- d) People do not have markets to sell their products.*
- e) People do not have information on fertilizer, grain seeds, and soil conditioners to improve land productivity.*
- f) Geographical conditions are extremely harsh. Their nation is often devastated by natural disasters.*
- g) People are not diligent. Value of hard-working is not shared by a majority of people.*
- h) Nation's public hygiene level is very low. Medical costs are extremely high.*

¹⁰⁷ This research was conducted with the help of Mr. Minoru Ideyama, Lecturer at Reitaku University.

i) *Developed countries have exploited labor and natural resources of developing countries.*

For our convenience to identify reasons, we decided that if a respondent selects one reason as the most important, then we gave 2 points to this reason. If the same respondent selects another reason as the second, we gave 1 and half points to this reason. If the same respondent picks another as the third, then we gave 1 point to this reason. In this way, each reason received certain scores. Aggregated scores each reason received are shown on Table 2. Top four reasons are:

1. Education (c)
2. Corruption (a)
3. Geographical Handicaps (f)
4. Poor Market Access (d)

Table 2: Top 3 Reasons of Poverty

Reason	a) Crpt	b) Svg	c) Edc	d) Mrkt	e) Ifm	f) Ggr	g) Dlgt	h) Hyg	i) Explt
No. 1	56.0	8.0	68.0	30.0	18.0	36.0	6.0	4.0	38.0
No. 2	30.0	16.5	36.0	21.0	22.5	25.5	13.5	19.5	13.5
No. 3	20.0	4.0	25.0	11.0	15.0	16.0	19.0	12.0	10.0
Total Score	106.0	28.5	129.0	62.0	55.5	77.5	38.5	35.5	61.5
100%	17.8%	4.8%	21.7%	10.4%	9.3%	13.0%	6.5%	6.0%	10.4%

* Total scores are aggregated points each reason received. The bottom line is a percentage each reason received.

From this result, it is safe to say that Japanese people are likely to attribute the most important reason of poverty to Education. But even if they assume that “People do not understand real importance of education”(21.7%), they do not think that poor people are necessarily not diligent (6.5%). This means that they feel that if educational opportunities are properly provided, hard-working people could improve economic conditions of their country, and eventually get their country out of poverty.

3) Main Reasons of Poverty from the Perspective of Stakeholder Groups

Table 3: The Most Important Reason for Each Category

Category	a) Crpt	b) Svg	c) Edc	d) Mrkt	e) Ifm	f) Ggr	g) Dlgt	h) Hyg	i) Explt	Total
NGOs	4	0	0	0	0	2	1	2	4	13
Mass Media	4	0	3	0	1	1	0	0	1	10
Corporations	16	3	27	11	3	14	1	0	12	87
Business Federations	0	0	1	1	2	1	0	0	1	6
Government	3	1	1	2	2	0	1	0	1	11
Others	1	0	2	1	1	0	0	0	0	5
Total	56	8	68	30	18	36	6	4	38	n = 132

* The bottom line shows the total number of people, who chose each reason as the most important.

Table 3 shows how each category group thinks why some people are poor. Judging from the results, three findings could be mentioned: (1) Business people tend to attribute Education (27 out of 87) to poverty. (2) People working for Mass Media assume Education (4 out of 10) and Corruption (3 out of 10) as the substantial reasons. (3) NGOs pick both Corruption (4 out of 13) and Exploitation (4 out of 13) as the main reasons why people suffer from poverty. Although we have concluded “Japanese people are likely to attribute the most important reason of poverty to Education,” this conclusion might be just a reflection of business people’s perception, simply because business people account for 66% of all the respondents (87 out of 132).

VIII. Perceptions of Japanese People on the WTO

As the next step in this research, we asked, “Do you think that the WTO and its outcomes are fair and reasonable as a whole? Here “outcome” means the WTO’s various attempts to introduce tariffs, to lower tariff rates, to promote services trade, to protect intellectual property, and the like.”

1) Personal Perception on the WTO

In answering this question, if a respondent selects “Fully fair,” the answer gets +2. If a respondent selects “Fully unfair,” the answer gets -2. The positive value suggests that respondents assume the WTO as fair, and the negative implies that the WTO as unfair. From mean values of their answers on Table 4, we simply suggest that all stakeholder groups except for NGOs assume the WTO and its outcomes as fair.

Table 4: Fairness of the WTO

Category	Mean
NGOs	- 0.23
Mass Media	+0.40
Corporations	+0.62
Business Federations	+0.67
Government	+0.91

* Scores are given in a following manner:

Fully Fair (+2), Fair (+1), Unfair (-1), Fully Unfair (-2), No idea (0)

<Mean Value = 0.56>

2) Reasons of Fairness from the Perspective of Stakeholder Groups

In order to narrow down reasons why respondents think so, we asked questions as follows:

How do you think of the following descriptions on the WTO and globalization?

- a) Liberalization and deregulation by the WTO and globalization are making poor countries poorer.*
- b) Liberalization and deregulation by the WTO creates unacceptable income gap between the rich and the poor within a country, regardless of developed or developing countries.*
- c) Liberalization and deregulation by the WTO and globalization will bring benefits to all countries in the long run.*
- d) Settling a dispute by the WTO is basically rational and democratic.*
- e) In relation to anti-globalization movements, exists recognition that multinational corporations have been causing poverty and environmental destruction. Such recognition is wrong.*
- f) Multinational corporations can play an important role in solving global issues. Therefore, we should not look on them as enemies. Instead, we should see them as partners. Such an attitude will make it possible for multinationals to cooperate rationally so to solve global issues.*

As a result, NGOs suggest the WTO widens the income gap within a country (-0.69), and does not bring benefits to all countries (-0.46). But interestingly, even if they say so, they do not have a strong negative image on multinationals, and they rather think that multinationals could be good partners with them (1.08). In relation to those reasons, interesting findings are, (1) Business people do not clearly deny the criticism against multinationals (0.00), and (2) Officials of the Japanese Government do not insist with clear confidence that globalization will bring benefits to all countries in the long run.

Table 5: Positive or Negative Perception on the WTO and Globalization

Category	a) Poorer	b) Gap	c) Benefit	d) Settle	e) Bad	f) Partner
NGOs	-0.15	-0.69	-0.46	0.08	0.00	1.08
Mass Media	0.30	-0.30	0.00	0.40	0.40	0.80
Corporations	0.66	0.47	0.28	0.38	0.00	1.08
Business Federations	1.33	1.33	0.67	0.50	1.33	1.83
Government	0.09	0.00	-0.09	0.18	0.09	1.00

As far as questions a) and b) are concerned, scores are given as follows:

Yes (-2), If anything, yes (-1), If anything, no (+1), No (+2), No idea (0)

Scores for all the other questions are given as follows:

Yes (+2), If anything, yes (+1), If anything, no (-1), No (-2), No idea (0)

IX. Personal Perception on TRIPs, GATS, and Others

As the last step, we explored how Japanese people perceive TRIPs, GATS and other sensitive issues like agriculture and differential treatment. The reasons why we picked TRIPs and GATS here are (1) NGOs and developing countries have long criticized those agreements, (2) Within the WTO framework, TRIPs and GATS are very complicated and challenging, and (3) ordinary Japanese are not familiar with issues of TRIPs, and GATS.

Especially due to the third reason (unfamiliarity), we intentionally adopted a suggestive description approach. This means that each description is designed to make respondents have some negative image on those agreements. Therefore, even if we get negative responses from them, this does not imply that they have actually negative perceptions. In their responses, we would rather see some patterns in ways for each stakeholder group to answer. Before seeing the research results, we would like to describe major issues of TRIPs and GATS.

1) Issues related to TRIPs

As one of the results through the Uruguay Round negotiations, TRIPs came into effect in 1995.¹⁰⁸ TRIPs covers a wide range of subjects, from patents, copyrights, trademarks, designs, integrated circuit designs, to trade secrets. TRIPs Article 7 defines its objectives.¹⁰⁹ That is, by protecting intellectual property rights, it contributes to technological innovation, to mutual advantage of producers and users, and in a manner to improve social and economic welfare, and to a balance of rights and obligations. From this description, we could say that TRIPs presupposes that when it protects intellectual property rights, it should be done in a way to promote social and economic welfare.

Based upon this premise of social welfare, in making or amending domestic laws and regulations, TRIPs Article 8 (1) allows Members to adopt measures necessary to protect public health and nutrition, or to promote the public interest in sectors of vital importance. TRIPs Article 8 (2) also allows Members to take protective measures, if it is necessary to prevent the abuse of intellectual property right holders.¹¹⁰ Admitting those exceptions, Article 1 (1) stipulates, “Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.”¹¹¹ Unlike GATS, Agreement on

¹⁰⁸ TRIPs is still exploring a point to strike a balance between the long-term social objective of providing incentives for future inventions, and the short-term objective of allowing people to use existing inventions.

¹⁰⁹ Before Agreement on TRIPs came into effect, many Members did not admit patent on medicines, since they believed that only process information of manufacturing (exclusive right to use the process of manufacturing) is patentable, and discovery of new substance is not patentable. Namely, they did not have any idea of “substance patent.” But after having a series of discussions, Members finally reached an agreement that not only process patent but also substance patent should be protected under TRIPs framework. Takikawa, T., *WTO Laws*, 2005, pp. 182-183.

¹¹⁰ In both cases, TRIPs Article 8 describes, “provided that such measures are consistent with the provisions of this Agreement.”

¹¹¹ Since it was impossible to enforce TRIPs at once, in the case of developed countries, a one-year transition period was given, and in the case of developing countries, a five-year transition period was given. The transition period given to developing countries already ended in the year 2004. In the case of least-developed countries, since they did not have reasonable ability to establish effective legal framework, 12 more years were given. That is, by the end of 2016, they are

TRIPs is governed by GATT basic principles such as Most-Favored Nation Treatment and National Treatment. In addition, TRIPs requires Members to set minimum protection years on intellectual property rights.

Because of those provisions on General Exemptions (Article 8), developing countries might not need to worry about an impact of protecting intellectual property rights so seriously. But from the beginning, NGOs have warned that once the 20-year period of patent protection (mainly, protection of substance patent) were strictly enforced, it would eventually prohibit developing countries from manufacturing or importing cheap generic medicines, which poor countries and the poorest (mostly living in Sub-Saharan Africa) are desperate for.¹¹² For this reason, NGOs have long criticized that the purpose of TRIPs is not to contribute to improvement of social welfare, but to protect interests of multinationals, mainly of pharmaceutical corporations.¹¹³ Therefore, they have suggested whatever those Provisions on Exemptions describe, social welfare would not be protected within the TRIPs framework.¹¹⁴

NGOs have also attacked this agreement, suggesting that TRIPs might take basic rights away from farmers to use and to sell their own seeds or their own ways to raise crops and plants. Now, major agriculture business corporations have been patenting genetically engineered seeds or formulas to produce foods. But in this process of patenting, they might take away indigenous knowledge that has been around for hundreds of years. If they successfully do so, without consent from indigenous communities, then farmers in poor countries will face a very tough situation, where every time farmers use their ancestors' knowledge, they might have to pay certain amount of money, because of the so-called "bio-piracy" of those business corporations.¹¹⁵

2) Issues related to GATS

As another result of the Uruguay Round negotiations, GATS came into effect in 1995. GATS is designed to liberalize trade in services, which had not long been the target of GATT.¹¹⁶ In GATS,

supposed to establish a legal framework, in which intellectual property rights are fairly protected. As far as pharmaceutical products and agricultural chemical products are concerned, however, developing countries must accept the filing of patent applications from the beginning of the transitional period. Takikawa, T., *WTO Laws*, 2005, p. 191.

¹¹² Oxfam, *Rigged Rules and Double Standards*, p. 213. Oxfam also points out that although TRIPs agreement has public-health safeguards, "whatever the letter of the law, the spirit of these safeguards has been violated." Oxfam, *Rigged Rules and Double Standards*, p. 216.

¹¹³ Oxfam, *Rigged Rules and Double Standards*, p. 212. Lately the situation has been seemingly improving. For example, in July 2007, Rwanda informed the WTO of invoking the compulsory license procedure so as to import a generic version of a patented AIDS therapy drug from a Canadian company. Under the WTO framework, countries can issue compulsory licenses to disregard patent rights, after negotiating terms with the patent companies. *Christian Today*, October 6, 2007. Refer to

<http://www.christiantoday.com/article/canada.grants.patent.waiver.for.rwanda.aids.drug/13733.htm>

¹¹⁴ In response to NGOs' criticisms, TRIPs stipulates three steps. First, TRIPs Article 31 describes a condition, in which Members are allowed to manufacture generic medicines without authorization of the right holders. That is, even if the proposed user has made reasonable efforts to obtain authorization from the right holder on rational commercial terms, and such efforts have not been successful, Members are allowed to manufacture them.

Second, in case of the national emergency or in cases of public non-commercial use, Members can waive the requirement of making such efforts. But even in this situation, the user has to notify the right holder of this action as early as possible, and has to pay the adequate cost. At any event, only if a government puts compulsory license into effect, manufacturers in its country are allowed to produce the generic version of patented medicines.

Third, if any manufacturers in this country do not have ability to produce, the country has no choice but to import the medicines from overseas. In this case, following the special provisions agreed in 2003, the government of an exporting country has to authorize its domestic companies to export and has to notify the WTO of this action. In fact, last year, Rwanda invoked the compulsory license procedure, and tried to import generic AIDS therapy drugs from a Canadian company. Faced with this emergency, the Canadian Government authorized the company to export to Rwanda, after negotiating terms with the right holder. By handling this, Canada became the first country to have authorized exportation of medicines, following the compulsory license procedure. This seems working despite criticisms. Takikawa, T., *WTO Laws*, 2005, pp. 192-195. Tamura, J., *WTO Guidebook*, (Japanese), 2nd ed., Kobundo, 2006, pp. 170-172.

¹¹⁵ Oxfam, *Rigged Rules and Double Standards*, p. 220.

¹¹⁶ Rudolf Adlung suggests that the segment of services in the Doha Round has been overshadowed by issues of agriculture and NAMA. According to his article, "This is due not only to the complexity of GATS or the novelty of some of the concepts involved, but also to the fact that services-related competencies are scattered far more widely across ministries, agencies and sub-federal entities as is normally the case in 'conventional' merchandise trade." Adlung, R., "The Contribution of Services Liberalization to Poverty Reduction: What Role for the GATS?" World

services are classified into four Modes in terms of ways to deliver. That is, Mode 1 is cross-border supply. Typical services of this mode are services supplied from the territory of service suppliers to the territory of consumers. Mode 2 is oversea consumption. In this mode, consumers go abroad and receive services there. Mode 3 is commercial presence. In this mode, service suppliers establish some business points in foreign markets in order to supply services.¹¹⁷ Lastly, Mode 4 is temporary movement of natural persons. In this mode, persons go abroad as workers, and provide labor there.¹¹⁸

There is a big difference between GATT and GATS. In the case of GATT, National Treatment is a fundamental principle. Basically Members have to liberalize trade in all goods. But if they have sensitive goods, which cannot be liberalized at once, they have to notify the WTO of this situation as an exceptional or temporary case. This is called a negative list approach. In the case of GATS, on the other hand, National Treatment is not a principle but just a partial obligation (GATS Article XVII) applied to specific service sectors, which Members voluntarily promise to liberalize. This is called a positive list approach, which means that anything not on the Schedule of Specific Commitment is free from negotiations (GATS Article XX). Therefore, if developing countries do not want to liberalize any services, they do not need to place any service sector on the Schedule. Namely, they can choose freely which service sector will be on the negotiation table.¹¹⁹

In the case of GATS, there are two fundamental principles. First, like GATT, Most-Favored Nation Treatment is applied across all the service sectors (GATS Article II). Second, Transparency is applied across all the service sectors too (GATS Article III). Due to this principle of Transparency, if Members take some policy measures to affect trade in services, except in emergency situation, they have to disclose those measures promptly and at the latest by the time of their entry into force.¹²⁰

With regard to exemptions, GATT and GATS have similar provisions. Like GATT Article XX allows Members to do (if it is necessary to protect human, animal or plant life or health, or if it is related to the conservation of exhaustible natural resources), GATS Article XIV also allows Members to take a protective measure inconsistent with the basic principles, if it is necessary to maintain public order, to protect human, animal, plant life or health, and to secure compliance with reasonable laws and regulations designed to prevent deceptive practices, to protect privacy of individuals, and the like. Because of those provisions, developing countries might not need to worry about an impact of GATS so seriously.

Nonetheless, NGOs have long warned that if services like medical care and education are privatized, governments of developing countries will lose their very basic ability to meet the needs of their own people, especially the needs of the poorest. Namely, the basic human rights to have access to those services should be guaranteed, even if citizens cannot afford them. But once the market takes over those services from governments, such human rights for the poorest might be simply ignored.¹²¹ Under the GATS framework, through FTA negotiations, developed

Trade Organization, Staff Working Paper ERSD-2007-01, June 2007, p. 18.

¹¹⁷ Developing countries have been asking developed countries to open labor market for their people. They have a keen interest in Mode 4 services. On the other hand, developed countries have a strong interest in Mode 3 services, commercial presence. When it comes to Mode 3, it is necessarily related to issues of direct investment, since in order to start oversea operations, corporations have to establish subsidiaries, branches, or offices in foreign countries. Because of this, GATS has no choice but to refer to some investment rules. But the investment rule in GATS is not comprehensive. It is limited to just service-related matters. To begin with, the WTO does not have general and comprehensive investment rules, which cover not only services but also goods. In the past, once OECD tried to make Multilateral Agreement on Investment (MAI). Yet at that time NGOs and developing countries fiercely opposed this agreement (MAI) so that currently we do not have any general and comprehensive investment rules. Takikawa, T., *WTO Laws*, 2005, pp. 173-178.

¹¹⁸ Takikawa, T., *WTO Laws*, 2005, pp. 150-151.

¹¹⁹ Takikawa, T., *WTO Laws*, 2005, pp. 152-155.

¹²⁰ As for Most-Favored Nation Treatment, GATS Article II (2) allows Members to treat some countries differentially, if such a measure is listed in and meets the conditions of the Annex on Article II Exemptions. Even it is allowed, the Council for Trade in Services reviews the measure, when 5 years have passed after it was taken. The Council examines whether the exemption still meets conditions on which it was granted. In principle, Members cannot maintain such a measure more than 10 years (Annex on Article II Exemptions). Takikawa, T., *WTO Laws*, 2005, pp. 156-157.

¹²¹ Oxfam, *Rigged Rules and Double Standards*, p. 229.

countries have been requesting developing countries to open their services market.¹²² One of the concerns NGOs has long raised is that once a developing country offers a favored status to a contracting partner (developed country), then other Members will eventually ask this developing country to provide them with the same status, making use of the Principle of Most-Favored-Nation Treatment (GATS Article II).

3) Suggestive Descriptions in the Questionnaire

Focusing on how Japanese people react to issues of TRIPs, GATS, and others, we asked respondents, “How do you think of the following descriptions about the WTO?” As far as this set of descriptions is concerned, they are designed to make respondents to have a negative image on those agreements. Therefore, even if the mean value of answers on each question became minus, we should not simply assume that individual Japanese are actually critical of them. By intentionally providing negative information, we would rather see some patterns in ways for each stakeholder group to respond. The suggestive descriptions are as follows:

- a) *The WTO prohibits Members from treating unfairly goods and services by introducing other factors than price and quality. If this is the case, depending on the circumstances, the following domestic measures could be assumed as a violation of the WTO basic rules: Strengthening safety standards on importing foods; making regulations on products made by child labor; imposing a duty of local procurement as a condition of direct investment; requiring other countries to treat preferably environmentally-friendly products; or evaluating suppliers in terms of human rights and environmental activities. In this sense, the WTO has a serious problem.*
- b) *The WTO established the TRIPs framework, which guarantees more than 20-year patent protection. Developed countries explain that if intellectual property rights are effectively protected, then technologies will be more smoothly transferred to developing countries, but if they are not, products like medicines might not be effectively developed. This is not desirable for people who might suffer from new diseases. But NGOs insist that once a globally covered patent protection is strictly enforced, the poor who suffer from HIV/AIDS or other diseases will have no choice but to give up buying cheap copy medicines. Within TRIPs, any country including developing nations has to stop manufacturing or importing generic medicines up until the patents on medicines will expire. In this sense, the WTO has a serious problem.*
- c) *Developed countries assume that TRIPs agreement could apply intellectual property rights to genetically engineered genes of plants and animals too. Even if the WTO does not support such an application on a full scale, developed countries might make it sure, when they initiate a bilateral negotiation with a partner. According to the WTO rules, countries are not entitled to discriminate trade partners. Therefore, if a rule on intellectual property right were included in this bilateral agreement, the same rule would be applied to all the other trading partners. It follows that petty farmers in developing countries who have inherited seeds from their ancestors might become unable to use or sell their seeds freely, once TRIPs agreement is enacted and enforced. In this sense, the WTO has a serious problem.*
- d) *The WTO has been promoting trade in services. GATS covers basic public services such as drinking water, healthcare, education, etc. Rapid liberalization of services might have a disastrous impact on the poor, who cannot afford those services. In this sense, the WTO has a serious problem.*
- e) *If some privileges are given to domestic service providers, then the same privileges have to be given to all the foreign providers. That is, Members have to put the principle of National Treatment into practice. But such a principle has often functioned in favor of developed*

¹²² Oxfam, *Rigged Rules and Double Standards*, p. 225.

countries. For example, liberalization of financial services (Mode 3) in developing countries has been making some progress. But opening the labor market (Mode 4) in developed countries has not made clear progress. Immigration policy often prevents developed countries from opening their labor market. This is a big problem.

- f) Developed countries urge developing countries to liberalize their manufactured products, making use of the WTO rules. When it comes to agricultural products, however, some developed countries have kept a protective stance against an influx of those products. Other developed countries have provided a considerable amount of subsidies to local farmers so as to make them competitive in the global market. Importing countries like former colonies might have appreciated cheap agricultural products from those developed countries. But exporting countries like Brazil have long suffered from such a market intervention by the developed countries. Even if they have indulged in double standard, the WTO has not resolved this issue yet. This is a big problem.
- g) The WTO is likely to urge Members to liberalize their markets, with little consideration over differences of economic development. To be sure, there are escape or exemption provisions (provisions on SDT). But in reality it is not so easy for developing countries to resort to those provisions. When Japan was on its early stage of development, it protected domestic industries. It postponed the capital liberalization and the strict enforcement of intellectual property rights. But now the WTO basically does not grant similar treatments to developing countries. This is a big problem.

Table 6: How to Consider TRIPs, GATS, and Others

Category	a) CSR	b) Mdcn	c) Plnt	d) Srvc	e) LbMrkt	f) Agrcltr	g) Dffrnc
NGOs	-1.00	-1.00	-1.00	-0.85	-0.38	-0.92	-1.38
Mass Media	-0.70	-0.70	-0.60	-0.50	-0.10	-0.40	-0.50
Corporations	-0.25	-0.21	-0.30	-0.45	-0.25	-0.78	-0.69
Business Federations	-0.50	0.67	0.00	0.33	0.67	-0.67	-0.83
Government	-0.73	-0.27	-0.91	-0.27	-0.36	-0.36	-0.45
Mean	-0.41	-0.27	-0.42	-0.45	-0.22	-0.73	-0.73

* Scores are given in a following manner:

Yes (-2), If anything, yes (-1), If anything, no (+1), No (+2), No idea (0)

4) Major Findings

As far as perceptions on TRIPs, GATS, and Others are concerned, three findings are worth referring. First, people of NGOs think that TRIPs and GATS are not useful for sustainable development of developing countries. Especially they feel that the WTO does not seriously consider differences of economic development among countries in a fair manner (-1.38). Even if the Doha Agenda clearly mentioned “special and differential treatment,” NGOs still believe that WTO Agreements such as TRIPs and GATS could work against developing countries.

Second, with regard to TRIPs, officials at Business Federations think that intellectual property rights should be strictly protected. And with regard to GATS, they believe that Japanese labor market should open further to foreign countries. In fact, in Japan’s EPA negotiations with developing countries, Business Federations have been making efforts to open labor markets to contracting partners.

Third, both business people and officials at Business Federations have negative perceptions on handling sensitive issues of “agriculture” and “special and differential treatment.” As for agricultural issues, business people and officials think that the WTO should be rule-based and therefore, rules set by the WTO should be applied impartially to all the developed countries. But, in reality, the current provisions on agriculture are so ambiguous that developed countries might use them arbitrarily (-0.78, -0.69). As for “special and differential treatment,” they believe that

differences of developmental stage of each country should be taken into account. But, in reality, in a practical sense, it is not easy for developing countries to take such a differential approach (-0.69, -0.83).

Summary and Closing Remarks

1) Answering the First Question

In this article, we have discussed a number of issues so as to answer three questions of the FITI project. As for the first question, we described a formal position of the Japanese Government. In a nutshell, it considers that a part of the WTO process (DSB) is fair and effective, but it sees that the WTO has not been working effectively, because the outcome of the WTO does not seem fair enough to some Members. This is the main reason why Japan has shifted its position from WTO-centered to bilateral EPA-driven. When it comes to perceptions of individual Japanese, we found that most of them (except for NGOs) are likely to consider that the WTO is working in a fair manner (Table 4). One of the interesting findings in our research is that every stakeholder group in Japan including NGOs feels that corporations and civil society could work together as good partners (Table 5).

2) Answering the Second Question

With regard to the second question, we identified two ethical issues as the most important and challenging issues.

First one is protection of rice farming in Japan. From the viewpoints of life in rural area, natural environment, sustainable management of water resources, cultural traditions, and food security, the Japanese Government has protected rice farming. On the other hand, agricultural exporting countries have long urged Japan to import more agricultural products, and reduce tariff rates on them, including rice.

Second one is poverty reduction, especially alleviation of extreme poverty in the least developed countries. From the size of its economy, Japan has to take this responsibility far more seriously than ever. It is suggested that so far Japan has made contributions mainly to development of East Asia and the Pacific. Now that many countries in this region have begun to develop economically on their own, even if poverty remains in some areas of this region, we might better think that Japan has come to a point to shift its focus from Asia to Africa.

Before answering the third question, we defined the ultimate purpose of globalization and the WTO, from the viewpoint of a rational person on the original position. That is to reduce both the gap between developed and developing countries at the global level, and the gap between the most advantaged people and the least advantaged people at the national level.¹²³ With this definition in mind, we explained typical challenges led by the Japanese Government and by major Japanese corporations.

3) Answering the Third Question (1): Protecting Rice Farming

As for the first ethical issue, protection of rice farming in Japan, through the TICAD process, the Japanese Government has started to make the best use of Japan's experiences in rice production for the benefits of Sub-Saharan Africa. Faced with food shortage crisis, Japan facilitates development of NERICA, and explores possibilities of producing the next generation of biofuels. By committing itself to those challenges, Japan expects Members to understand its policy on rice and its contributions to rice harvesting poor countries, even if such challenges do not solve clearly

¹²³ We do not intend to insist that the perfectly equal society is the best. On the contrary, such a society would create another type of discrimination, where no matter how hard people work, the same income is given to everybody. A rational person does not support such a society, and he would rather think that there should be freedom enough to motivate individuals to work. Here we do not say anything about how much freedom there should be, since such an attempt is neither possible nor necessary. All we defined is just the ultimate motive why a country joins a movement of globalization and becomes a member of the WTO.

the dilemma between requests of agricultural exporting countries and interests of domestic rice farmers.

4) Answering the Third Question (2): Poverty Reduction

With regard to the second ethical issue, poverty reduction, like other developed countries, Japan has also engaged in MDGs from the beginning. Based upon experiences of its own and in East Asia, the Japanese Government will input more resources into infrastructure of Africa. As one of the major challenges through the TICAD process, Japan plans to connect missing links of transportation infrastructure. It strongly believes that by improving market access, the private sector would be eventually mobilized. On top of that, the Japanese Government initiates the primary and secondary school construction project, and offers training programs to instructors of science and mathematics in Africa.

In addition to those governmental challenges, major Japanese corporations have also addressed the second issue. As we have seen, when it comes to development of a country, Japanese people are likely to place a great importance on education (Table 3). Following that belief, in the field of education, the private sector has offered training programs to local teachers and administrators, has provided libraries to elementary schools in the most underprivileged areas, has constructed primary schools in the least developed countries. Many corporations have also made contributions in the fields of health and security. For instance, some have supplied mosquito nets so as to fight Malaria, and others have made strenuous efforts to clear anti-personal landmines so as to make the war-devastated land safe and cultivable. All of them, including governmental challenges, could be regarded as developments in Japan to address the global issue. This is the answer to the last question the FITI project raised.

5) Remaining Issues

We have seen challenges to poverty reduction. All those challenges, whether government-led or private sector-led, are basically voluntary not obligatory. As long as those voluntary based challenges are working well, we might not need to consider other ways to go. But at the end of this article, we would like to mention a little bit about a new movement, which might give us some ideas, when we think of making the world a real global community. This is the so-called “global taxation” movement. A typical example is to impose a tax on airline tickets for achieving MDGs, mainly for funding the global fight against diseases like HIV/AIDS, Tuberculosis, and Malaria.¹²⁴

As we described, TRIPs came into effect in 1995, which prohibited pharmaceutical manufacturers from producing generic medicines without authorization of the patent right holders. As a result, the price of quality drugs like HIV-related drugs became very expensive. To be sure, developing countries can still manufacture or import cheap generic drugs, if they invoke the compulsory license procedure within the TRIPs framework. But even in those countries there are still many people who cannot afford quality drugs. As one of the effective ways to alleviate this situation, the global tax was introduced and imposed on airline tickets.¹²⁵ On the basis of this taxation system, UNITAID, an international drug purchase facility, negotiates prices for those drugs on behalf of poor patients.¹²⁶ Seeing this mechanism working well, NGOs began to explore possibilities to impose global taxes on other activities or sectors such as speculative money transactions, carbon dioxide emissions, etc.

Apparently, in this taxation system there are many difficult issues such as how to maintain fair taxation among industries or among taxpayers, how to distribute tax revenues among recipients in a fair manner, and how to govern this taxation system in a responsible and accountable manner.

¹²⁴ Refer to http://www.kaisernetwork.org/daily_reports/rep_index.cfm?hint=1&DR_ID=31701

¹²⁵ Main reasons why it is imposed on airline tickets are, 1) People who use airplane are usually wealthy, 2) Different rates of tax could be imposed in progressive with higher classes, 3) It is simple and easy to introduce, 4) An impact on economy is limited, etc.

¹²⁶ UNITAID was established in 2004, and officially launched in September 2006. Refer to <http://www.unitaid.eu/>

Despite those complicated issues, we feel that at least, this mechanism designed to contribute to MDGs might be useful, since it could work on an obligatory-basis. Imposing taxes on individuals not on countries is also a very interesting point. If we take into consideration the fact that even in developed countries there are many poor people, and even in developing countries there are some wealthy people, imposing global taxes on individuals could be rational and practical. With those reasons in mind, we suggest that the global taxation movement might be worth examining further from various perspectives.