

Columbia Business School, Center on Japanese Economy and Business  
Navigating Global Challenges: AI, Innovation, Monetary Policy, and Trade  
(June 4, 2024 @Tokyo, Japan)

# The Future of the Global Trading System: A View from Japan and East Asia

Fukunari Kimura  
Professor Emeritus and Senior Professor, Keio University  
President, Institute of Developing Economies, JETRO

# 1. Geopolitical tension from the viewpoint of the private sector in Japan and East Asia

- The effects of the tariff war have been clear-cut as a “negative FTA.”
  - The private sector responds, assuming that it would last for a while.
- Trade effects of intensified export control have so far been limited in size.
  - Effects are within each trade commodity classification.
- However, the private sector suffers from unclear regulations and perceives future policy risks.
  - The shrinkage of economic activities may result in.
- The national security logic is strong and overly extended. Although not easy, national security exceptions in trade norms should be redefined.
- To retain economic vigor, it is important to set a “fence” between the restricted economy and the “rest” of the economy, in both static and dynamic sense.

## 2. The weakening of the rules-based trading regime in the “rest” of the economy

- Some recently introduced industrial policies in major countries may be inconsistent with their WTO commitments or conventional trade norms.
  - These moves are weakening the rules-based trading regime.
- Some major countries in the Global South have started introducing policies that may violate trade norms.
  - The issue of the WTO Appellate Body affects the policy discipline. The whole rule-based trading regime is at risk.
    - E.g., India, Indonesia
- At least, the rules-based trading regime must be retained for the “rest” of the economy.

### 3. Supporting the WTO (still important)

- It is important to work together to revive the WTO.
  - Notably, the Appellate Body issue must be taken care of.
- The expansion of membership of MPIA (Multi-Party Interim Appeal Arbitration Arrangement) must be promoted in Asia.
  - The current members in extended East Asia: Japan, China, Hong Kong, Singapore, Australia, and New Zealand
- Cooperation in JSI (Joint Statement Initiatives) can be enhanced.

## 4. Promote regional initiatives (still important)

- The link with ASEAN can be further strengthened.
- RCEP (Regional Comprehensive Economic Partnership) can be utilized for
  - Supporting the rules-based trading regime
  - Reducing “policy risks” for the private sector
- Any move to promote the rules-based trading regime must be supported.
  - E.g., Indonesia for OECD, CPTPP

# 5. Conclusion

- Geopolitical tensions will continue in the coming years.
  - To minimize unnecessary shrinkage of economic activities, the “fence” between the regulated economy due to national economy and the “rest” of the economy must be set clearly.
- The “rest” of the economy must be retained under the rules-based trading regime.
  - The WTO should be revived.
  - Regional initiatives and other moves for the rules-based trading regime should be further promoted.