

Alternative Approaches to a Consensus-based World Trade System

September 26, 2024

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World Trade System in Trouble

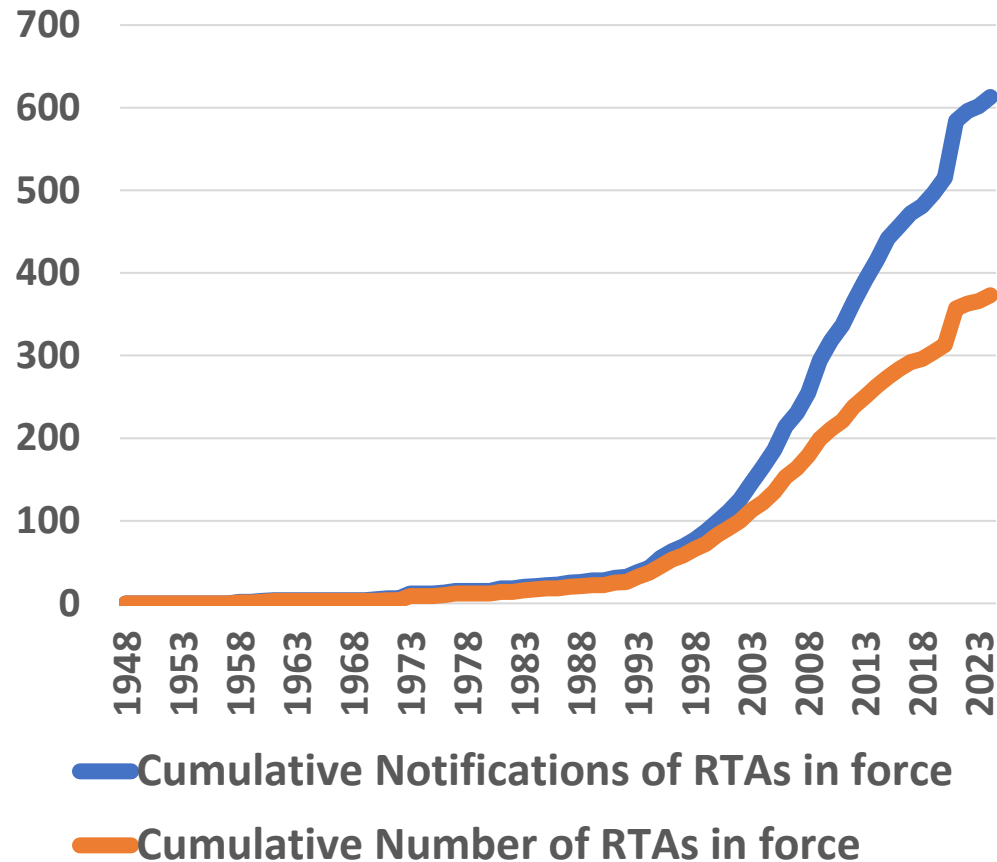
- Increasing protectionist measures=>distorting resource allocation, decreasing efficiency and reducing resilience of supply chains, discouraging innovation, => slow down economic growth
- Economic security, geopolitical tensions
- Dysfunction of the World Trade Organization (WTO)
- WTO is not performing expected functions:
 - Trade liberalization
 - Setting of new trade rules
 - Dispute settlement
 - (Cause of dysfunction) Consensus decision making

Alternative Approaches: RTAs and Plurilateral Trade Agreements

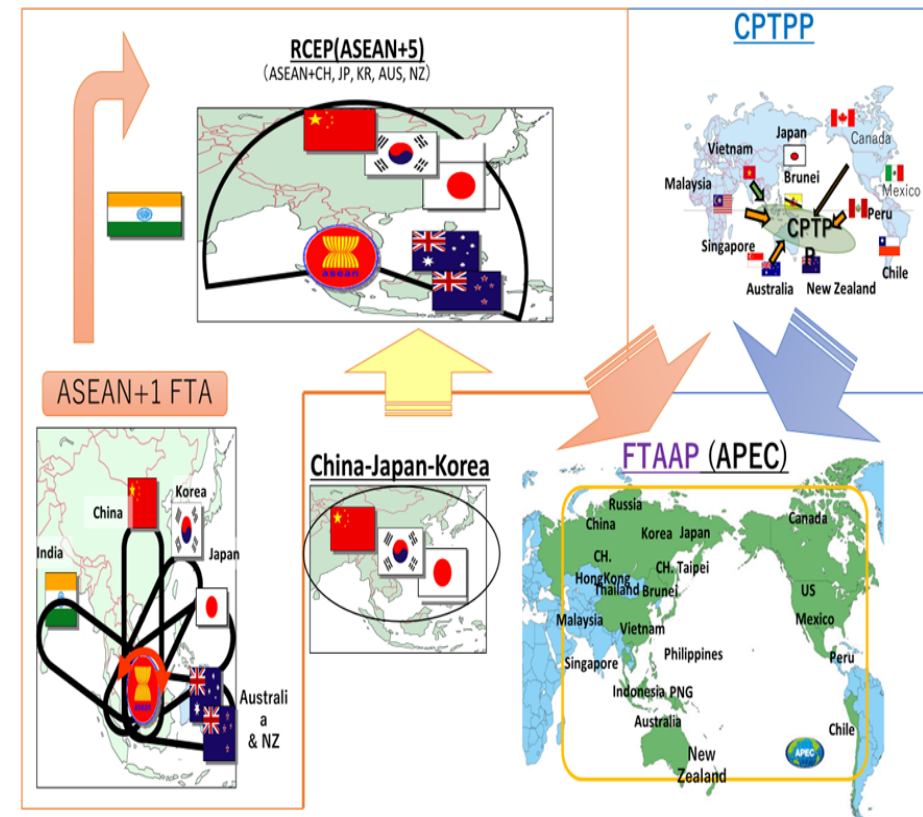
- Liberalize trade policy and set up new trade rules with **like-minded members** of the WTO and establish a rules-based trade system
- Regional trade agreements: comprehensive issue coverage such as trade liberalization with limited number of members
- Plurilateral trade agreements (Joint statement initiatives): single issue with a large number of members
- MPIA: dispute settlement
- Expected impacts
- (Positive) Complement the WTO, trade creation
- (Negative) Divide the WTO members, trade diversion

Regional Trade Agreements (RTAs)

RTAs in the World



Region-wide FTAs in East Asia: RCEP, CPTPP, China-Japan-Korea (CJK) FTA



Comprehensive Issue Coverage: WTO+, WTO-X

- CPTPP(TPP): WTO+(plus), WTO-X(extra), 27 issues including trade in goods and services, investment, e-commerce, state-owned enterprises (SOEs), labor, etc
- RCEP: WTO+, WTO-X, excluding SOEs, labor, transparency and corruption, etc

	TPP	RCEP	WTO
Market Access for Goods	●	●	●
Rules of Origin and Origin Procedures	●	●	●
Textiles and Apparel	●	●	●
Customs Administration and Trade Facilitation	●	●	●
Trade Remedies	●	○	●
Sanitary and Phytosanitary Measures	●	●	●
Technical Barriers to Trade	●	●	●
Investment	●	●	▲
Cross Border Trade in Services	●	●	●
Financial Services	●	●	●
Temporary Entry for Business Persons	●		●
Telecommunications	●	●	●
Electronic Commerce	●	●	
Government Procurement	●		▲
Competition Policy	●	●	
State-Owned Enterprises and Designated Monopolies	●		
Intellectual Property	●	●	●
Labor	●		
Environment	●		
Cooperation and Capacity Building	●	●	
Competitiveness and Business Facilitation	●		
Development	●	●	
Small and Medium-Sized Enterprises	●	●	
Regulatory Coherence	●		
Transparency and Anti-corruption	●		
Administrative and Institutional Provisions	●	●	6
Dispute Settlement	●	●	●

Plurilateral Trade Agreements

- Under negotiation
- E-commerce (co-conveners, Japan, Australia, and Singapore): 91 WTO members, digital trade facilitation, open digital environment, business and consumer trust
- Investment facilitation for development: 125 WTO members, improve transparency and predictability of investment measures, streamline and speed up administrative procedures and requirements, etc.
- Micro, small and medium-sized enterprises (MSMEs): 105 WTO members, recommendations and declarations aimed at addressing challenges MSMEs face when they trade internationally, providing statistics/data and information on policies related to MSMEs, etc
- Service domestic regulation: 72 WTO members, facilitate services trade and to mitigate the unintended trade-restrictive effects of measures relating to licensing requirements and procedures, qualification requirements and procedures, and technical standards, etc

Japan's Role in Dealing with the Problems in World Trade System

- With like minded-countries such as Australia, Japan should play a leading role in expanding RTA membership (particularly, CPTPP, RCEP), monitoring, enforcing commitments by the members
- With like minded-countries such as Australia, Japan should play an active role in advancing discussions in plurilateral trade agreements
- Japan should promote discussions on the issues facing the world trade system such as economic security, industrial policy (subsidy), etc. with WTO members, particularly the US and China