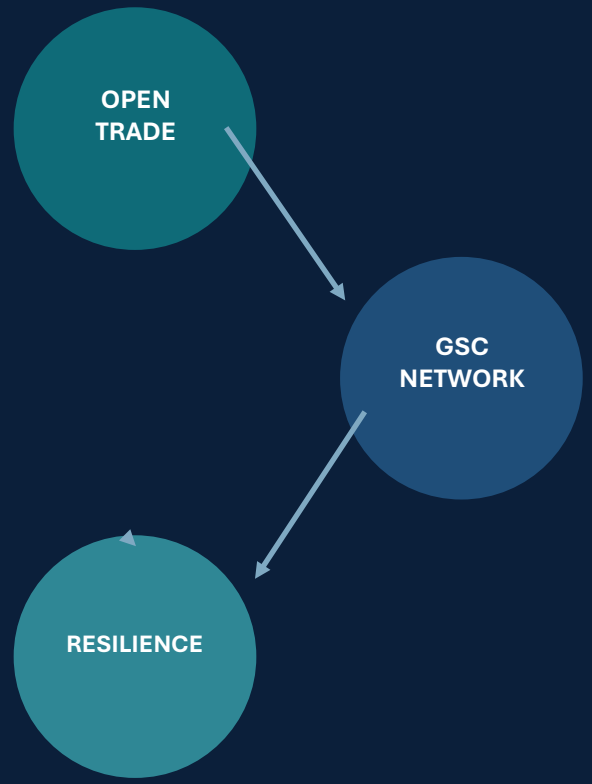
The Rules-Based International Trading System and Global Supply Chains

Adding a Governance Layer for Resilience

RIETI–ANU Symposium | Session 1

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The question is not whether to abandon openness, but how to make openness itself more resilient.

* Visuals and slide layouts were generated by ChatGPT based on the speaker's original manuscript.

Why has supply-chain resilience become a trade-policy issue?

The shock is no longer only geopolitical rivalry; it is also disruption among allies and partners.

COVID-19

Pandemic disruption exposed bottlenecks in production, logistics and essential goods.

1

Ukraine

War and sanctions highlighted energy, food and strategic-input vulnerabilities.

2

US tariff escalation

Unilateral tariff measures and countermeasures add friction even among allies and partners.

3

Middle East / Hormuz

Disruption to a major energy and shipping chokepoint reinforces concerns about systemic vulnerability.

4

Implication for trade law

Resilience is becoming a question not only of market access, but also of how governments and firms manage interconnected cross-border networks under stress.

RIETI–ANU Symposium, "Remaking Supply Chains" (event framing); current geopolitical developments should be updated immediately before delivery.

The WTO-based system helped build today's global supply chains

Traditional trade agreements mainly reduced the cost and uncertainty of cross-border production.

1 Predictability

- ✓ Rules and dispute settlement
  → more stable expectations
  → lower policy uncertainty
- ✓ Dispute settlement
  → Consistent enforcement of rules

2 Lower cross-border costs

- ✓ Tariffs + non-tariff barriers
- ✓ Trade in Services
- ✓ Data flow
- ✓ Capital movement
- ✓ IP and know-how
- ✓ Businesspersons' mobility

3 Networked production

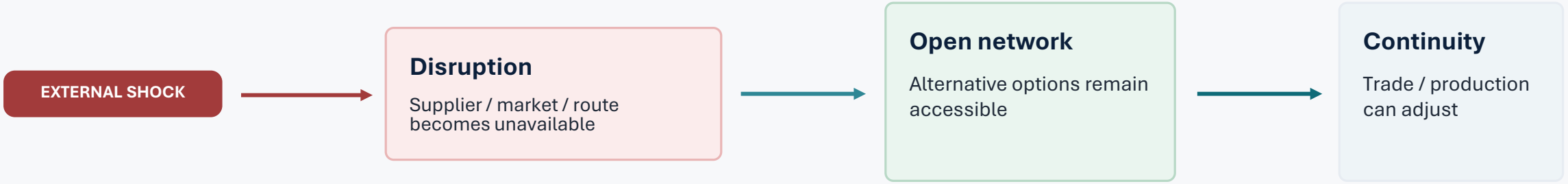
- ✓ Inputs, components, services and IP can be combined across borders

"Trade–investment–services–IP nexus"
(Baldwin 2016)

The first-order contribution of trade rules is therefore to make international production possible, scalable and predictable.

Open trade is also a resilience asset

When one node fails, access to alternative suppliers and markets creates options.



Illustrations

Australia after Chinese trade restrictions in the early 2020s

- ✓ China imposed import ban and AD/CVD on a variety of Australian products including coal, wine, beef and barley.
- ✓ Under the free trade regime, Australia redirected its trade to alternative markets and made effective use of the WTO dispute settlement process.

Japan after China's 2023 seafood import suspension

- ✓ China imposed ban on Japan's seafoods in response to Japan's release of the ALPS treated water from FDNPP.
- ✓ Japan sought to diversify export destinations and processing arrangements, including in Southeast Asia, the United States Mexico and elsewhere.

The value of openness and diversification

These are illustrations of how access to multiple markets can reduce coercive leverage and preserve adjustment options.

WTO law leaves room for crisis response

The system is not a straightjacket: it contains exceptions and policy space for emergencies.

GATT XI:2(a)	Temporary export restrictions to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting Member.
GATT XX (General Exceptions)	General exceptions, particularly the subparagraphs (a), (b), (d), (g) and (j), can justify certain measures, subject to the conditions in the chapeau in their application.
GATT XXI (Security Exception)	Security exception can provide policy space where the requirements of the provision are met, including “emergency in international relations” under XXI(b)(iii).

Policy space ≠ blanket exemption

WTO law also leaves room to enhance resilience

WTO rules leave members policy space to pursue certain resilience and sustainability objectives—but that space is subject to WTO conditions.

Sustainability measures — GATT Article XX

- ✓ Measures addressing forced labor, climate and other sustainability concerns may potentially be justified under Article XX, depending on the provision invoked and the conditions of the chapeau.
- ✓ This means WTO law can accommodate some policies aimed at making supply chains more sustainable and less vulnerable.

Panel Report, *U.S. – Inflation Reduction Act* (DS623)

- ✓ The U.S. argued that the IRA Domestic Content Bonus Credits would strengthen alternative supply and reduce dependence on, and exposure to, Chinese inputs.
- ✓ The panel found the credits inconsistent with GATT Article III:4, TRIMs Article 2.1, and SCM Articles 3.1(b) and 3.2; it rejected the specific Article XX(a) justification.
- ✓ **But the panel did not hold that reducing foreign dependence or strengthening domestic capacity is itself prohibited under WTO law**.
- ✓ Rather, it emphasized that such economic outcomes, without more, do not establish that a measure was designed to protect public morals.
- ✓ **The legality therefore depends on the design of the particular measure and the justification invoked.**

Policy objective ≠ automatic WTO defense:
Room for resilience measures depends on the instrument, its design, and the justification invoked.

But there is a governance gap

Traditional trade rules govern trade measures more directly than they govern the resilience of the supply-chain network itself.

What the traditional trade agreements already does

- Predictable market access provided by rules and dispute settlement
- Rules against discriminatory and/or restrictive barriers
- Trade facilitation and customs cooperation
- Transparency and notifications
- Emergency exceptions

What is largely missing

- Systematic monitoring of critical vulnerabilities
- Regular information-sharing on supply-chain risks
- Early warning / emergency communication
- Pre-crisis coordination and collective response
- A common framework for diversification and resilience policy

“Rules for trade” are not yet the same as “rules for managing the network.”

WTO: Build a global resilience baseline

Use the multilateral system to support diversification, transparency and collective response.

GLOBAL BASELINE

What should be added at the WTO level?

01 Identify cooperation areas and share data to promote trade in key goods and critical sectors

02 Integrate data, resources, and tools to jointly monitor and analyze supply-chain risks.

03 Establish emergency communication channels to coordinate recovery and share solutions and practices

04 Promote early notification of disruptions and information sharing to address vulnerabilities

05 Regularize experience-sharing to enhance cooperation, including private-sector participation

WTO Market Access Committee: members have already identified the roles for coordination

Start with governance functions — while preserving the open trading system.

CPTPP: Turn existing commitments into practice

Use CPTPP institutions as a middle-power platform for collective resilience.

2025 GENERAL REVIEW • ECONOMIC COERCION

Dialogue platform

- Share information on economic coercion
- Coordinate responses
- Strengthen collective resilience

JUNE 2026 MINISTERIAL • ENERGY & RELATED PRODUCTS

Upgrade + cooperate

- Accelerate CPTPP rule upgrades for critical energy supply chains
- Practical cooperation & timely information exchange

CPTPP–EU & CPTPP–ASEAN Trade & Investment Dialogues

Launched in November 2025 >>> Supply-chain resilience is on the agenda
Use these dialogues to develop common practices — and eventually common rules — across the CPTPP, EU and ASEAN.

A regional bridge: from dialogue → practical cooperation → possible common rules.

Next-generation FTAs: Put resilience into treaty design

From bilateral treaty innovation to ASEAN-wide and China–ASEAN supply-chain governance.

UK–KOREA FTA • CONCLUDED DEC. 2025

Dedicated Supply Chains Cooperation chapter

UK's first dedicated supply-chain chapter

- Vulnerability identification
- Information sharing & cooperation
- Government–business coordination
- Diversification of critical inputs

ACFTA 3.0 • SIGNED OCT. 2025

Chapter 11: Supply Chain Connectivity

China–ASEAN

- Strengthen regional supply-chain resilience & connectivity
- Response to Supply-chain emergencies, esp. humanitarian crisis
- Cooperation to Identify shortages, bottlenecks, risks & vulnerabilities

ATIGA UPGRADE • SIGNED 2025

Chapter 12: Supply Chain Connectivity

ASEAN-wide

- Exchange information & best practices
- Encourage private-sector participation
- Prepare for possible supply-chain disruptions and recovery plans for it
- Timely consultation + joint action

IPEF • INSTITUTIONAL REFERENCE

Supply Chain Council + Crisis Response Network

Not an FTA — model for institutional design

Emerging model: dedicated treaty provisions + institutional cooperation + practical implementation.

The policy objective

Make openness itself more resilient.

01

Preserve open markets

The international optionality created by trade remains a resilience asset.

02

Diversify sources and routes

Reduce excessive concentration without equating resilience with autarky.

03

Build governance

Add information sharing, early warning and crisis coordination.

Open trade is not the opposite of resilience. The challenge is to govern interdependence more effectively.

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