

The Crisis of the Rule-based International Trading Regime: Hope for Mega-FTAs (Summary)

KIMURA Fukunari

Professor, Faculty of Economics, Keio University

Chief Economist, Economic Research Institute for ASEAN and East Asia (ERIA)

Since the U.S. Trump Administration started, the international trading regime has been jeopardized to a large extent. In particular, the impact of the U.S.-China trade war has been substantial. Third countries must adjust for direct effects including negative trade creation and positive trade diversion and at the same time prepare for the weakening of the rule-based trading regime. Although the continuous effort to reform the World Trade Organization (WTO) is required, it may not be easy to reach an immediate outcome. An important move in such a difficult situation is the formation of a network of mega-FTAs (free trade agreements). Mega-FTAs are interpreted as coalitions of free traders and at least partially complement the rule-based trading regime. It is important to reduce the risk of sudden trade policy changes and construct a stable trading regime with minimal uncertainties. The implications of some recent events including the conclusion of Japan-U.S. Trade Agreement, the worsening of Japan-Korea relations, and the accelerating negotiations for the Regional Comprehensive Economic Partnership (RCEP) must be understood in this context.

Keywords: U.S.-China trade war, World Trade Organization (WTO), mega-FTAs, trade policy, East Asia

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