

The Rules-Based International Trading System and Global Supply Chains

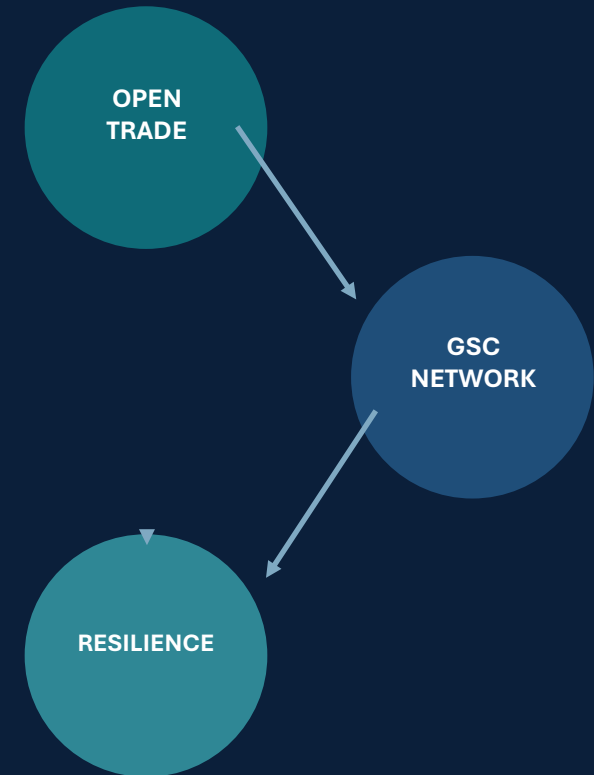
Adding a Governance Layer for Resilience

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.*

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

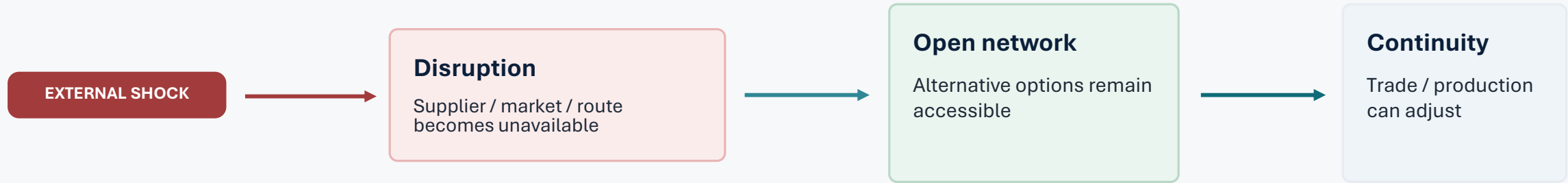
Traditional trade agreements mainly reduced the cost and uncertainty of cross-border production.



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 ADD/CVD on a variety of Australian products including coal, wine, beef, 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 also 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 of the provision and the chapeau.

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 WTO/FTAs 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 Transparency & regular information sharing
- 02 Supply-chain monitoring / early warning
- 03 Crisis consultation and coordination
- 04 A voluntary / plurilateral start if consensus is difficult

WTO Market Access Committee: members have already identified a role for coordination, early notification and vulnerability response.

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 • 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

Use the UK–Korea chapter as a treaty model; use IPEF as an institutional reference point.

UK–KOREA FTA • CONCLUDED DEC. 2025

Dedicated Supply Chains Cooperation chapter

UK's first dedicated supply-chain cooperation
chapter

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

IPEF • INSTITUTIONAL MODEL

Standing institutions + action-oriented cooperation

- Supply Chain Council
- Crisis Response Network
- Information sharing & practical response
- Not an FTA — a model for institutional design

UK–Korea: treaty innovation | IPEF: standing institutions | Together: models for future supply-chain governance

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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