

The World Trade System with Covid-19

By Naoyuki Haraoka

When the *Japan SPOTLIGHT* editorial team began considering the cover story for the July/August 2020 issue in February, the Covid-19 outbreak had not yet had the devastating impact on global public health and the economy that we see now in July. We chose the topic of the world trade system for this issue, since the US-China trade war had become exacerbated due to their conflict over information technology and had developed into a so-called technology cold war where unilateralism and protectionism for security reasons had taken center stage.

There were increasing concerns about trade and investment being detrimental to national security, as during this Fourth Industrial Revolution security-sensitive information technology had become embodied in traded goods and services, and FDI in these sectors could take the form of enforced technology transfer to the host country. So the world trade system was facing a crisis, and this was accentuated by the backlash against globalization in various parts of the world that added fuel to the fires of unilateralism and protectionism in global trade. So we were thinking that the issue should focus on how to revive world trade. The spread of Covid-19 then reinforced this idea, as it has caused the biggest depression in the global economy since World War II. As the only means of reducing the spread of infections is by social distancing and locking down big cities, both demand and supply in goods and services have been contracting. The worsening of the global economy would naturally lead to protectionism in trade, but this could make the economy even worse. Our July/August 2020 issue highlights trade policy issues during this era of the pandemic and how we can mitigate its negative impact on world trade.

Apart from existing issues related to the US-China trade war around trade and national security, there has been in many places since the outbreak of the pandemic a serious shortage of face masks and other medical products due to some countries' export restrictions. A unilateral trade policy

that meant a certain country restricted exports of some medical goods could make it difficult for another country to prevent virus infections and this could in turn lead to a spread in virus infections in the country implementing that export restriction policy. We need to restore the health of the global trade system in order to restore our public health.

Our cover story consists of three parts. First, the background to the crisis faced by the global trade system is examined in four articles: my introductory one, an interview with economist Dr. Paul Sheard, an interview with political economist Prof. Yunling Zhang, and an article by political scientist Prof. Matthew Goodwin. Dr. Sheard and Prof. Zhang give their views on Covid-19's impact on the global economy, while Prof. Goodwin discusses the trends in European populism and how it may be affected by the pandemic.

The second part is on the WTO, a failing international trade organization often criticized for incompetency. Leading trade policy specialist Prof. Gary Hawke, GATT and OECD specialist Dr. Kiichiro Fukasaku, European political scientist Prof. Reinhard Drifte, and economist Prof. Yuka Fukunaga all share their concerns about the deterioration of the functions of a multilateral trade liberalization system, and in their articles discuss possible ways to reform the WTO to restore its functions.

The third part is on other issues. Trade economist Prof. Jean Pisani-Ferry talks about minimalist strategies as a realistic approach to achieving a rules-based global trade system, and economist John Seaman introduces the emerging issue of the geopolitics of technical standardization. Finally, lawyer Prof. Thomas Streinz discusses new rule-making for the digital economy, which is now seeing an increase in its crucial role in the world through teleconferences in the wake of the Covid-19 outbreak.

(Brief Introductions)**COVER STORY 1****Issues for Discussion on Possible New World Trade Order in a Post-Covid-19 World**

By Naoyuki Haraoka

Introduction to a wide range of issues underlying the trade policy regime today, showing the complicated structure of issues surrounding world trade.

COVER STORY 2

Interview with Dr. Paul Sheard, Senior Fellow at Harvard Kennedy School's Mossavar-Rahmani Center for Business and Government

The Pandemic Will Transform the Global Economy & International Relations

By Japan SPOTLIGHT

The pandemic will transform our economy and society completely and we will see a new world emerge.

COVER STORY 3

Interview with Prof. Yunling Zhang, Director of the Chinese Academy of Social Science

Restoring Multilateralism Key to Saving the Global Economy from the Coronavirus

By Japan SPOTLIGHT

There is a serious concern about contracting global supply chains due to the pandemic, and we will need to revive multilateralism in order to restore supply chains.

COVER STORY 4**Has Populism Peaked?**

By Matthew Goodwin

Populist and nationalist sentiments will continue to influence politics and thus the global economy.

COVER STORY 5**WTO Reform – Its Prospects & Possibility**

By Gary Hawke

The WTO has a continuing role in ensuring that RTAs do not degenerate into competing blocs.

COVER STORY 6**What the Covid-19 Crisis Means for the WTO Trading System**

By Kiichiro Fukasaku

Rebuilding trust in the WTO trading system is essential to sustaining a global recovery in the time of Covid-19.

COVER STORY 7**A Way Forward – or Backward – for the WTO?**

By Reinhard Drifte

Various coalitions of the willing need to establish frameworks to take over various WTO functions deemed important.

COVER STORY 8**The Unsettled Global Trading Order & Japan**

By Yuka Fukunaga

International cooperation is essential to reinforce the global trading order and win the war against unilateralism and the virus.

COVER STORY 9**Global Collective Action – the Case for Minimalist Strategies**

By Jean Pisani-Ferry

Defining a minimalist agenda for global collective action would lead to a rules-based global economy.

COVER STORY 10**China & the Emerging Geopolitical Dimension of Technical Standardization**

By John Seaman

The degree of fragmentation in the technical standards space shows how deeply fragmented international economic and political systems will be in the future.

COVER STORY 11**Digital Megaregulation Continued: the Regulation of Cross-Border Data Flows in International Economic Law**

By Thomas Streinz

The CPTPP provides a model for rules on cross-border data flows in the global digital economy.

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