

# Where Is the Global Trade Regime Heading?

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## Cover lead

The current debate on the Trans-Pacific Partnership (TPP) trade negotiations involving two major countries, the United States and Japan, has reminded us that free trade principles are not unanimously agreed upon by all sectors and groups whose interests are affected by international trade. Whereas trade liberalization is today considered a strategy for export growth by all major industrial nations, which have a limited capacity in fiscal policy to spur their economies due to growing budget deficits, there are many people who oppose it. Among such people in Japan are those in agriculture and the healthcare business who feel that conclusion of the TPP will expose them to serious global competition, but also intellectuals whose opposition is based on theoretical thinking about modern human civilization.

Many of the latter seem to be skeptical about capitalism today, considering it as a cause of unhappiness among humans rather than a provider of welfare. Market competition, a central concept of modern capitalism, could be harmful to human welfare. For them, trade liberalization represented by the TPP will end in destruction of the environment by eliminating rural villages dependent on agriculture, which will in turn lead to a significant decline in human welfare.

*Japan SPOTLIGHT* is on the side of capitalism and supports trade liberalization as a major growth strategy. We believe that competition will lead to increasing economic welfare in terms of income and job growth, and thus capitalism can ensure a path to happiness. For the May/June issue, we are highlighting in this regard a wide range of trade policy arguments led by various intellectuals supporting trade liberalization as a desirable growth strategy. Among our authors, none represents a view contradicting free trade. But we would welcome any opposing views on this issue on our website and would be happy to activate a discussion on the future of trade regimes or of capitalism itself.

At the end of last year, the WTO achieved an invaluable outcome to its Doha round of talks on the issue of trade facilitation at its ministerial

meeting in Bali, offering a sign of hope for these long-stalled multilateral trade negotiations. On the other hand, while the WTO has not been working well as a rulemaking body, bilateral FTAs and regional FTAs have been replacing its functions. Today we are starting to see progress in mega-regional FTAs such as the TPP and the Regional Comprehensive Economic Partnership (RCEP) in the Asia-Pacific area, and the Trans-Atlantic FTA between the US and EU. After an article by a well-known and respected thinker, Prof. Jagdish Bhagwati, at the beginning of this issue on ensuring free trade as a crucial instrument in achieving human welfare in the modern world, we introduce new WTO Deputy Secretary General Dr. David Shark in a discussion about the future of the WTO after the successful Bali meeting.

We then invite Australian Ambassador to Japan Bruce Miller and some other distinguished trade policy experts from Japan, China, the US, and Brazil to talk about their observations on ongoing trade liberalization efforts in the Asia-Pacific area. The cover story concludes with two articles on the consistency between WTO and major regional FTAs, one by Michitaka Nakatomi and the other by Prof. Gary Hawke.

Trade discussions today cover not only economic factors but also geopolitical ones. In this regard, the Abe administration's geopolitical policy called "proactive pacifism" is worthy of attention. Dr. Toshiya Hoshino and Dr. Akiko Fukushima provide special articles on this subject in this issue. After all, cooling the Cold War mindset in Asia will be of great importance for Asian and eventually global welfare.

Finally, we are happy to include in this issue two encouraging stories about the Tohoku region that was seriously hit by the disaster of 2011. One is about a wind power station in Fukushima, a sign of emergence of renewable energy sources, and the other is about NGO-government collaboration to restore the Tohoku region.

I hope you enjoy all the articles in this issue.

Naoyuki Haraoka, executive managing director, editor-in-chief of *Japan SPOTLIGHT*

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