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## World Economy Divided into Blocs?

By OGATA Rintaro

Given the fact that Japan has finally turned to such a variety of free trade networks, including TPP, Japan-Europe, and Japanese-China-South Korea frameworks, I would like to give it some thought from a somewhat different perspective. The question is whether or not the world economy is being divided into blocs, and to what extent. This is the topic I discussed with two of my fellow members of the Diet when I was an active member. In my view, the most ideal form of free-trade system is the WTO/GATT system. It is most desirable to promote free trade on a global scale under common rules.

It is so for a variety of reasons including the one that it would yield increasing benefits to the world at large as long as it sticks to the principle of the most-favored-nation treatment. Free trade agreements composed only of volunteer countries are not accessible to small countries or not quite effective without super powers and thus virtually excluding least less-developed countries to a certain extent. However, the WTO Doha Negotiations, already twelve years since its launch, have now reached a complete deadlock. WTO is currently functioning merely as an executive organ of the current rules and as a dispute resolution mechanism. And, a variety of frameworks of free trade agreements are stretching in a finely meshed pattern across the globe.

Under the circumstances, future trading system of the world is expected to be separating itself into trading blocs to a certain degree, though only highly gradually. Needless to say, the world is being so globalized and information networks are established worldwide through the Internet, but under such globalized trading systems, blocs or groups of economies seem to be emerging to a certain degree though only "highly gradually." I repeat "highly gradually." The globalized world is the initial premise, and inside such a world, it is necessary for us to pay attention to the emergence of blocs as a big picture, though I have no idea in what form, how fast, or to what extent it should proceed.

Europe has already consolidated itself as a single market by way of forming a

customs union, and this, too, can be considered a sort of trading bloc. For, a customs union not only liberalizes intra-regional trade but also takes on an advanced way of applying a uniform tariff externally. NAFTA of North America has a similar feature. They are, in this way, considered to be gaining footholds by themselves and at the same time venturing into the globalized world. I think "blocs" in this context are not purely a geographical element but are largely so. For Japan, it could be "Japanese-China-South Korea," "Pan-Pacific," or "East Asia at large." I do not mean to say that we should withdraw into a region, whatever it may be, excluding some other countries. I am merely giving my vague impression of the world gradually separating itself into some groups as a long-term trend.

**(This is the English translation of an article written by Mr. OGATA Rintaro, former member of the House of Representatives, which originally appeared on the BBS "Giron - Hyakushutsu" of GFJ on April 10, 2013.)**