

**Shaping the Future of Global Trade in an Era of Shifting U.S.
Engagement, Emerging Powers, and Digital Innovation**

INTERNATIONAL SEMINAR

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Allocated topic: Given the current adjustments in U.S. trade policy and global economic governance, what are the key challenges and opportunities for fostering a more balanced and development-oriented Indo-Pacific trade framework?

Good morning.

Let me begin by congratulating KAS Japan for curating this timely international seminar, and thanking them for inviting me to share my thoughts.

It will soon be a year since the new US Administration led by President Trump took office.

The key takeaway from the series of actions by the US on the trade front over the past months, is a preference for dictating the terms of international trade through political might and pressure tactics, rather than being driven by economic efficiency and predictability.

This shift in US engagement has not been subtle, but tectonic.

Their actions have distorted the entire premise of the rules-based trading system based on tariff bindings and MFN. There has been scant regard for domestic or international institutional constraints.

The trade deals which countries have signed with the US to stave off punitive tariffs are less of rules-based agreements, and more of framework “arrangements” which can “manage” their country’s trade relationship with the US. Many of these deals are inherently unequal treaties.

Despite the US heralding the beginning of a new Turnberry System, it has hardly caught on.

Instead, the US retreat and shift to mercantilist approaches have seen a reimagination of the role of other major and middle powers in shaping the future of global trade.

It is in the Indo-Pacific region that this contestation is playing out.

A large part of what the future of global trade looks like will be shaped by the actions of key Indo-Pacific actors.

For the US’ treaty-based allies, particularly Japan, South Korea and Australia, it has been particularly hard to balance their core fidelity to rules-based multilateral trade with US’ expectations of “managed trade” and investment guarantees.

China, having the most leverage to resist US’ coercive economic demands, has matched the US step by step in the escalation ladder. China has also sought to project itself as a substitute to the US as a new architect of global economic governance.

While it is too early to predict how far the latest détente between the two will hold, it is important to recognise that during this period of churn, the effects of the systemic US-China trade competition will also shape the future of global trade.

A dynamic group of Indo-Pacific middle powers and their ascendance in discussions on the future of trade deserves special attention.

This includes several member economies of the ASEAN and the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), who have emerged as anchors for forward-looking trade initiatives.

Economies like Singapore and New Zealand are the co-architects of the recently announced Future of Investment and Trade (FIT) Partnership, which seeks to advance open and rules-based global trade.

The CPTPP and EU members have joined forces for a Trade and Investment Dialogue, which aims to promote result-oriented cooperation towards a stable global trade environment.

A similar inaugural Trade and Investment Dialogue has been held to strengthen cooperation between CPTPP Parties and ASEAN member states. Leaders of RCEP economies gave a similar message reinforcing the need for predictability and stability in global trade at the recent RCEP Summit.

The Indo-Pacific is also the nerve centre of activity around areas which will constitute the bulk of future trade flows, such as the digital economy.

The ongoing negotiations towards the ASEAN Digital Economy Framework Agreement (DEFA), and several other norm-guiding initiatives like standalone sectoral agreements on the digital economy and the green economy entered into by Australia, Singapore, Japan, South Korea etc. will serve as pathfinders.

Apart from these, there has been significant movement towards strengthening the network of Free Trade Agreements with important trading partners. New FTAs are being signed with renewed urgency, and many of the existing FTAs are undergoing or have planned upgrades.

It is heartening to see that so many Indo-Pacific economies, while scrambling to tackle the uncertainty arising from US trade policy-induced volatility, did not lose sight of the bigger picture: that open, rules-based trade remains in their interest.

It needs to be emphasised that broader economic cooperation has not taken a backseat in this period of turmoil.

Despite the US reneging on its commitments under several FTAs, other Indo-Pacific economies continue to seek value-chain integration and regulatory coherence through FTAs with their major trading partners.

Nascent trade architectures which emerged in the region in the past few years, such as the US-led Indo-Pacific Economic Framework (IPEF) have faded into the background, but not been outrightly discarded, even by the incumbent US administration.

On the eventual fate of the IPEF, it remains to be seen what becomes of it. Similar to what happened in the case of the TPP after the US stepped back, can Japan or another IPEF economy step up and take it forward?

Overall, the region's economies today seem to better appreciate the futility of picking sides and the concomitant risks of fragmentation, as well as the imperative of pursuing a positive agenda of trade cooperation.

Going forward, this will be the formula for fostering a balanced and development-oriented Indo-Pacific trade framework, which will go a long way in supporting the precarious structure of global trade today.

I have not touched upon aspects relating to the future of global trade as far as they relate to the present and future of the multilateral trading system and the World Trade Organization (WTO), since I will be speaking on this topic in detail at the Public Event tomorrow.

I would be amiss to conclude without spending a minute on how I envision India's role, as a major Indo-Pacific power, in all of this.

India has done well so far to resist signing a one-sided trade deal with the US, not capitulating under pressure and continuing to seek a fair and balanced agreement.

India is also actively pursuing FTA negotiations and reviews with major trading partners, but continues to resist integrating with mega-regionals such as the RCEP and CPTPP.

I will just end by saying that I do hope to see India step up its presence and engagement on trade and economic issues in the Indo-Pacific region, and join the region's economies in shaping the future of global trade.

Thank you for your attention.