


Chapter 4

Beyond WTO TFA: Building Digital Trust and Transparency in Fragmented Trade

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ABSTRACT

This chapter examines why, in an era of trade fragmentation, regulatory divergence, and the shift toward data-driven commerce, it has become necessary to move beyond the WTO Trade Facilitation Agreement (TFA). It analyzes how geopolitical tensions, ESG disclosure requirements, export controls, and differences in rules of origin increase compliance complexity and costs. The chapter highlights the limitations of the current TFA, which was designed for a pre-digital era, and argues for the creation of trusted, interoperable digital trade frameworks, cross-border data exchange, and the use of verifiable digital credentials to ensure transparency, predictability, and inclusion in trade. Drawing on examples from various regions, the chapter demonstrates how emerging technologies can help reduce both physical and digital trade barriers. In conclusion, it outlines key principles for a WTO TFA 2.0 that reflects the realities of modern, trust-based, and sustainable global trade.

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1. INTRODUCTION: TRADE FRAGMENTATION AND THE FAILURE OF OLD INSTRUMENTS

International trade is undergoing a profound transformation driven by both geopolitical and technological shifts. In recent years, the intensification of geopolitical fragmentation has undermined established mechanisms of global commerce. Strategic rivalry among major powers, waves of sanctions, politically motivated trade barriers, and the reconfiguration of global production networks are fundamentally reshaping the international trade landscape.

One of the most visible manifestations of this fragmentation has been the escalating trade and economic confrontation between the United States and China. Since 2018, both countries have introduced hundreds of new tariff and non-tariff barriers, leading to a widespread restructuring of supply chains. Under the second administration of President Donald J. Trump, beginning in 2025, protectionist trade policy has gained new momentum (CRF, “Trump’s Economic Disruption: The World Adapts, Council of Councils”). Beyond China, restrictive measures have also targeted all countries, including allies, such as Canada, Mexico, Australia, and even the European Union. While the stated rationale includes national security, combating illicit drug flows, and correcting trade imbalances, the broader effect has been to accelerate destabilizing trends in the global system.

Concurrently, trade regionalization is accelerating. The proliferation of regional and bilateral trade agreements, such as Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Regional Comprehensive Economic Partnership (RCEP), ASEAN+1 frameworks, and European Union (EU) Free Trade Agreements (FTAs), has produced overlapping and sometimes conflicting obligations. According to the Organisation for Economic Co-operation and Development (OECD) (2023), this “regulatory layering” increases trade compliance costs by 5–10% depending on the sector, complicating cross-border operations for businesses engaged in multi-jurisdictional trade (OECD, 2021).

Another critical dimension of fragmentation has been the tightening of export control regimes. Between 2022 and 2024, the number of restrictions on the export of dual-use goods, advanced technologies, and software increased significantly. Group of Seven (G7) countries, the EU, the U.S., and their partners have strengthened oversight of supply chains to prevent the misuse of sensitive technologies for military or illicit purposes (European Commission, Report highlights EU’s approach to export controls of dual-use items, 2025). While such actions respond to growing security threats, they also contribute to the legal fragmentation of global trade.

Furthermore, the shift towards reshoring, nearshoring, and friendshoring—driven by political risk and compliance pressures is restructuring production geography. Corporations are increasingly relocating operations to politically aligned or geo-

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