

# Global Trade in Transition: Plurilateral Cooperation in Response to Aggressive Unilateralism?

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# A rapidly deteriorating international trade environment

- Trump 2.0 rejection of the rules-based international trade order
  - Order of magnitude unilateral increases in US effective tariffs – from 1-2% to 15-20% or more
  - Trump 2.0 as accelerator of Trump 1.0 and Biden Administration, albeit relying on a different mix of policy instruments – Trump: tariff man; Biden: industrial policy/subsidies
  - Biden was more supportive of multilateral cooperation (e.g., Paris Agreement), opposed new trade agreements & undermined the WTO (notably by vetoing new Appellate Body appointments)
- Unilateral / autonomous trade measures rising in many jurisdictions
  - EU trade conditionality motivated by nontrade objectives (CBAM, EUDR, CSDDD...)
- Turn away from pursuit of open markets to “geoeconomics”
  - Pursuit of foreign policy via exercise of economic power/“weaponizing” trade & investment
  - Inducing self-insurance-motivated responses, including trade and non-trade discriminatory concessions and diversification to mitigate supply chain risks
- Key question: Is there political will to engage in international cooperation to counteract unraveling of rules-based trade order?

# Potential paths to sustaining a rules-based trade system

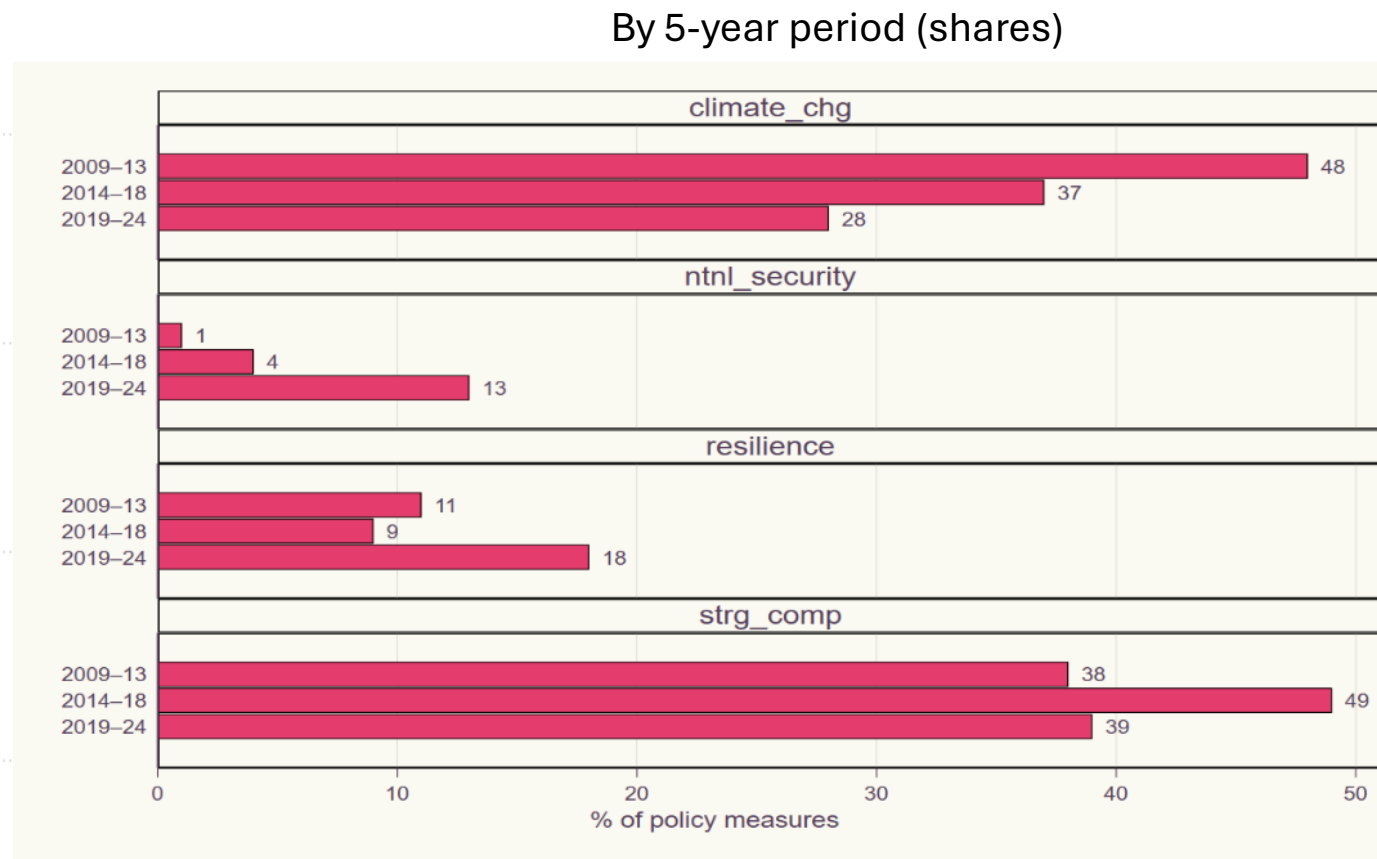
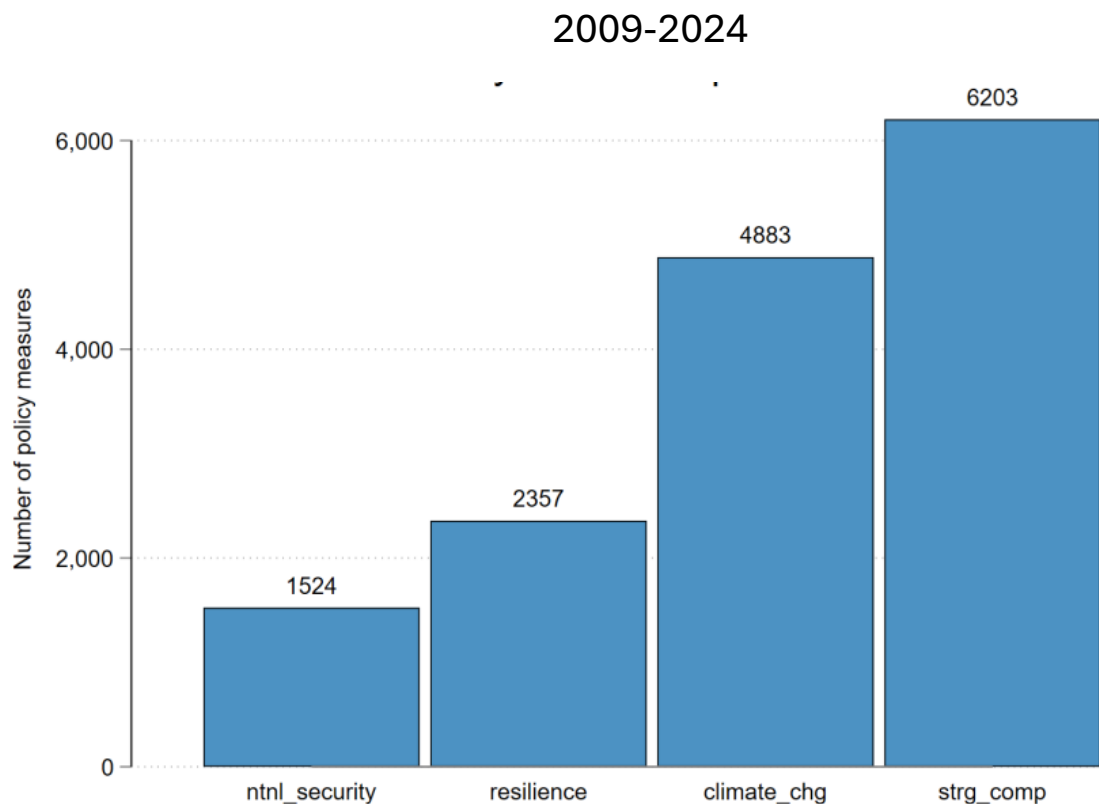
1. Prepare ground for a multilateral effort to reform and update the WTO
  - Will not see a new negotiation round any time soon – but can/should launch a work program to compile information/analysis on industrial policy measures in systemically important economies
    - Use “Geneva” as a platform for deliberation and eventual re-negotiation
  - Any WTO reform must address the consensus working practice/scope for veto playing
2. Efforts by economies with deep trade agreements to connect to each other
  - “Low hanging fruit?": EU, CPTPP & Korea. Many of these countries already have bilateral agreements
  - Deepen market access & trade facilitation & regulatory cooperation
  - Extend over time to ASEAN, Mercosur, AfCFTA, GCC, India....
3. Domain/issue-specific open plurilateral agreements among “likeminded” countries
  - Rules of the road for using trade policy to support decarbonization
  - Critical minerals and raw materials partnerships
  - Negotiation of disciplines on subsidies/state-owned enterprises (must include China to be meaningful)
  - Openness is key: Any country should be welcomed if willing to accept an agreement

# Multilateral negotiations? U.S. and China loom large

- U.S. claims to seek fairness in trade & shared prosperity (Greer) not credible
- Suggestions re: GATT Art. XXVIII renegotiations as a path forward misconceived
  - U.S. has revealed to have no interest in reciprocity on tariffs
  - Same applies to domestic regulation and nontrade issues where defining reciprocity is in any event fraught
  - U.S. disinterest in 3<sup>rd</sup> party adjudication & active use of unilateral import and export measures justified on national/economic security grounds reduces expected payoffs
- China has a reveal preference for bilateral engagement on trade & investment (BRI) over leadership/defense of multilateral trade order
  - Major user of subsidies; large role of SOEs
  - Key player of geoeconomics (weaponization of trade-foreign policy)
  - Concerns regarding feasibility of imposing effective disciplines on the “China Inc.” model

# Plurilateral cooperation to address specific spillovers?

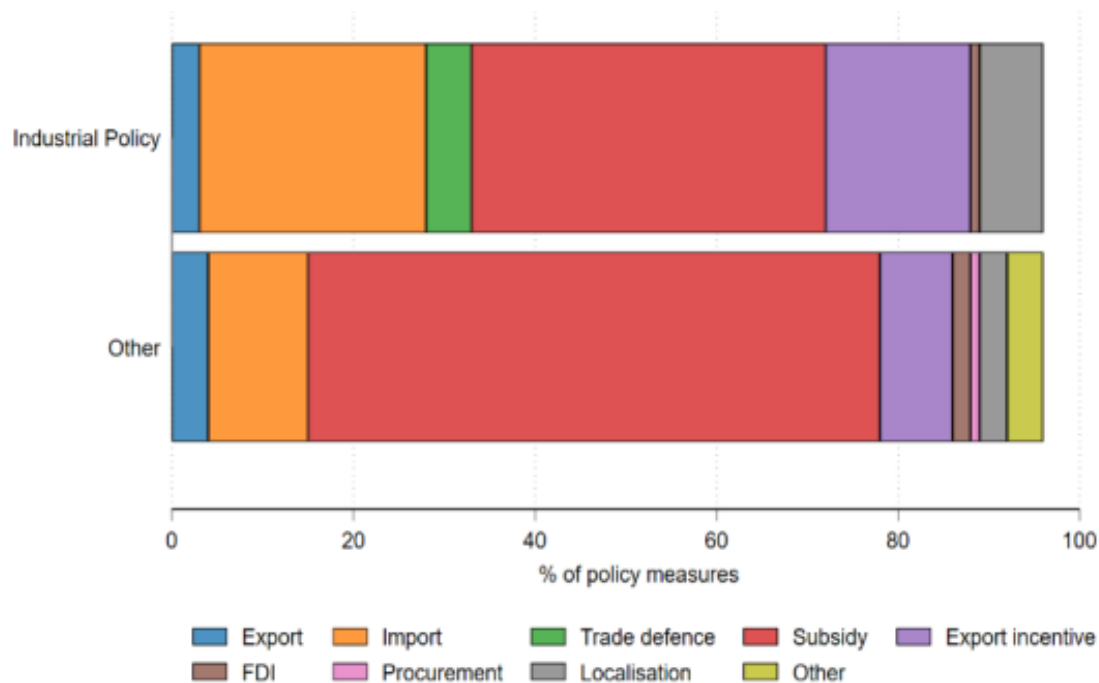
The return of industrial policy: National security; economic resilience; climate change; “strategic competitiveness (Evenett et al., *The World Economy*, 2024)



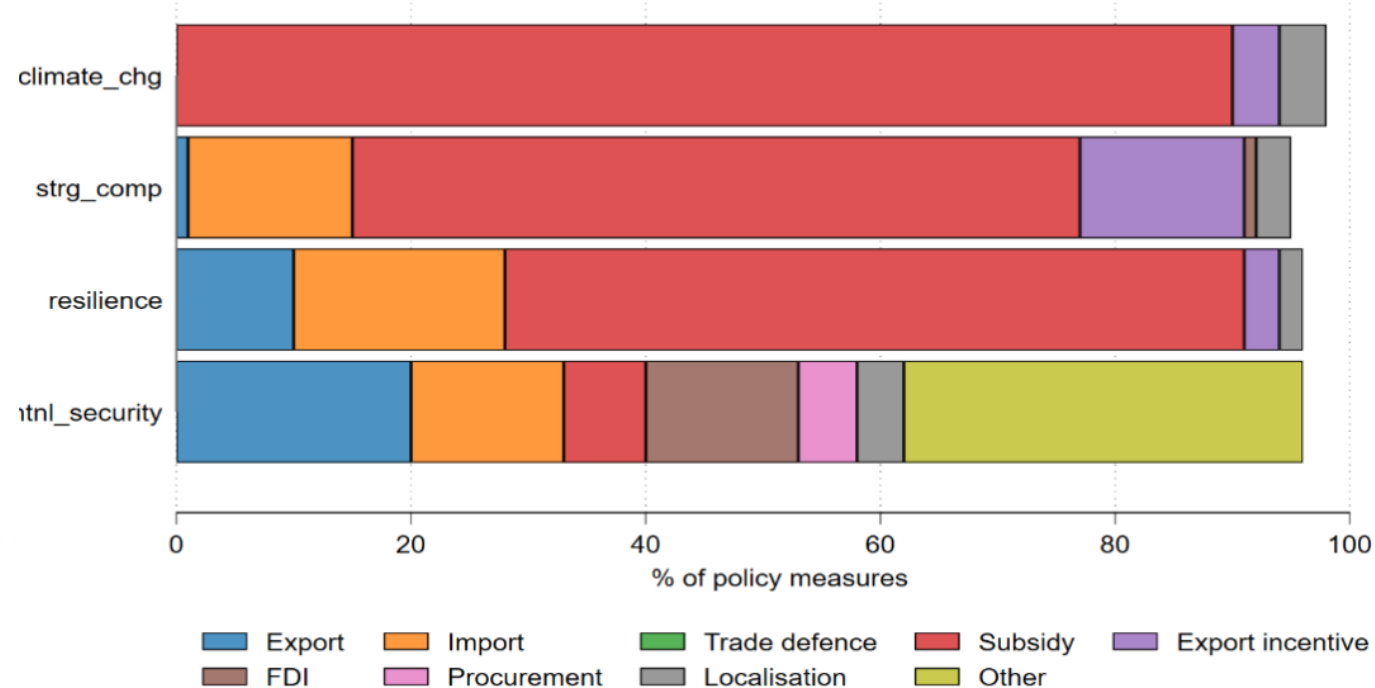
*Note:* The four types of industrial policies account for 1/3 of the 37,000 trade-related interventions reported in the GTA

Source: Global Trade Alert/NIPO dataset

## Instruments used for industrial policy v. other/undefined objectives (shares, 2009-24)



**Note:** Export: export restrictions; Import: Import barriers



**Note:** Other includes “Controls on commercial transactions and investment”

Source: Hoekman, Tas and Ticku (2025) based on Global Trade Alert

# What scope for plurilateral cooperation? Characterize industrial policies...

## 1. By objective

- The four industrial policy categories are not the only motivations for intervention
- E.g., pursuit of societal values (labor standards, civil & human rights...) reflected in imposition of production process requirements

## 2. By the goal of specific intervention/instrument

- ‘Make-it-here’: discrimination in favor domestic firms/investment
- ‘Don’t-trade-with-them’: targeting specific foreign locations/actors/sectors/States
- ‘Make-it-our-way’: (common) production process standards for local and foreign firms
- Different industrial policies objectives and associated choice of instruments may call for/support different types of international cooperation/agreements
- Assessing the scope for/design of plurilateral agreements needs to consider:
  1. The underlying policy objectives and
  2. The goals of policy instruments used – as a proxy for the spillover effects of policies

# Policy objectives, intervention goals and types of plurilateral agreements

Instrument goal	Policy objective				
	Strategic competitiveness	Climate action	Economic resilience	National security	Societal values
<b><i>Unilateral measure</i></b>					
Make it here	+	x	+	+	x
Don't trade with them	+	+	+	+	+
Make it our way	x	+	x	x	+
<b><i>Plurilateral cooperation</i></b>					
Trade agreement	+	+	+	+	+
Production club	+/-	x	+	+	+/-
Regulatory club	+/-	+	x	x	+

Notes: + indicates likelihood of a (first-order) positive association between a type of instrument and a policy objective. An x indicates limited prospect of a positive association. +/- indicates association may be positive or negative depending on context/policy design.

Source: Hoekman, Tas and Ticku (2025) Managing cross-border industrial policy spillovers through plurilateral agreements, EUI working paper



# Objective-instrument combinations

- Trade agreements are salient for all five industrial policy objectives
  - But given far-reaching reciprocal liberalization of access to markets (trade, FDI) give rise to complex political economy dynamics
  - Limitation: PTAs mostly bilateral; difficult to expand membership
- Issue-specific plurilateral agreements can encompass many countries – and be designed to be open to expanding membership in the future
- Two flavors of plurilateral agreements:
  1. Production clubs more likely for cooperation on security-related objectives
  2. Regulatory clubs more salient for climate change and defense of values
- By sector or by instrument in areas where the WTO has gaps
  - Subsidies, public procurement, export restrictions, etc.