Trade, the G20 and the EU: Soft Power for Greater Policy Coherence?

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Abstract: Since 2008, G20 leaders have repeatedly committed themselves to conclude WTO negotiations expeditiously and refrain from resorting to protectionism. They have not, however, lived up to these commitments. Trade growth has been anemic for much of the intervening period, with deadlock in the WTO and reversion to aggressive unilateralism by the United States undermining global trade governance. Current trade tensions primarily involve the major trading powers. Resolving these tensions requires agreement between the main actors and greater focus on addressing the concerns of all WTO members regarding the operation of the organization. The major actors are all members of the G20. The G20 constitutes an important forum for the EU to provide leadership and to use its soft power to address geo-economic conflicts and bolster global trade governance. We review the prospects for resolving current trade tensions and revitalizing the multilateral system through a discussion of the measures that could constitute EU trade leadership in the G20.

Keywords: EU, G20, trade governance, WTO, economic development

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Introduction

Rising resort to unilateral trade measures by the United States, as-yet-unresolved trade conflict between the US and China, and the disruption to employment trade flows arising from the COVID-19 pandemic have put the global trading system under considerable pressure. Although these trade tensions capture most public attention, many other trade challenges confront governments. Technical innovation is changing the structure and composition of international trade, reflected in global value chain-based production, a rising share of services and associated 'digitalization' of the economy. These dynamics give rise to new policy concerns and spillovers such as localization requirements for data storage, security, and privacy policies. National regulatory requirements are moving center stage, driven by concerns in the business community about the trade-impeding (cost-raising) effects of differences in applicable regulatory norms and standards, licensing requirements, certification and compliance assessment procedures for products and production processes used by suppliers of goods and services. Similar issues arise as regards the relationship between the Sustainable Development Goals and the multilateral trading system and demands for aligning trade rules and work programs to recognize social and environmental dimensions of trade.

The G20 is a unique forum bringing together the Leaders of the major economies of the world with a focus on cooperation to address global spillovers.[1] While the composition of the group is idiosyncratic and difficult to rationalize, it includes all the major trading nations. Of relevance from an EU perspective is that Europe accounts for one-quarter of its membership. The Presidents of the European Commission and Council represent the EU along with the leaders of France, Germany, and Italy. The United Kingdom is a member. Spain attends as a permanent invitee. The Leaders of the 'big four' trade powers that must agree on any initiative to address trade tensions to be possible (China, the EU, Japan, and the US), however organized, meet regularly under G20 auspices. The more the G20 operates as a forum these players use to move towards an accommodation in trade matters, the more the G20 will be relevant in sustaining an open, rules-based global trading system.

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[1] The G20 comprises Australia, Canada, Saudi Arabia, United States, India, Russia, South Africa, Turkey, Argentina, Brazil, Mexico, France, Germany, Italy, United Kingdom, China, Indonesia, Japan, South Korea and the European Union. There are also a few permanent guest invitees. At the time of writing, these comprised the African Union (AU), Asia Pacific Economic Co-operation (APEC) forum, the Association of Southeast Asian Nations (ASEA), the Financial Stability Board (FSB), the International Labour Organization, the International Monetary Fund, Spain, the New Partnership for Africa's Development (NEPAD), the Organisation for Economic Cooperation and Development (OECD), the World Bank and the WTO.

Europe (the EU plus the UK) has both a major stake in the trade system and is represented strongly in the G20, providing a basis to exercise greater leadership in the G20 to address trade tensions and revitalize the WTO. Continued pursuit of trade agreements and the launch of plurilateral initiatives in the WTO demonstrate that many countries retain an interest in trade cooperation, as does the increasing focus on WTO reform to enhance the operation of the organization. The 2021 revision to the EU trade policy strategy highlights the importance that the EU attaches to WTO reform to better enable the organization to assist members deal with international policy spillovers. New initiatives should build on the experience obtained in negotiations on trade and investment facilitation, e-commerce, and efforts to reduce global overcapacity in steel production to generate support for preparing a broader work program to generate concrete WTO reform proposals for consideration by the WTO membership.

There is much the EU might do through the G20 with like-minded members to bolster multilateral trade cooperation. The challenge is to recognize and address the factors that have reduced the ability of the WTO to fulfil its intended role as a platform for global trade governance. In this paper we offer suggestions on the role the EU and its member states can play in shifting the dial on trade in a more favorable direction. We do this mindful of the Von der Leyen Commission vision[2] and the fact that the EU has limited hard power. Access to the EU single market is the main 'hard' instrument available to the Union, but as a net exporter, the EU has a strong interest in keeping markets open, reducing the credibility of threats to foreclose access to its market to major trading nations – notwithstanding the stated intention of the EU to pursue a more assertive trade policy (European Commission, 2021).

A major advantage of devoting more resources to the G20 is that the forum is not policy- or sector-specific. The G20 spans all of government, with Leaders able to take a broader view and overcome silo problems that can—and have—reduced the ability of getting to yes in the WTO and in trade agreements more generally. Although much attention is given to market access conditionality as an instrument of EU external policy, the EU has considerable soft power as well. It is the world's largest provider of development assistance and has extensive experience in setting regulatory norms that support the operation of its open internal market while maintaining high levels of social, safety and environmental standards and defending broader European values. The latter may (and, indeed,

[2] The Von der Leyen Commission has characterized itself as being committed to sustainable policies and a guardian of multilateralism. See https://ec.europa.eu/commission/presscorner/detail/en/IP_19_5542 and https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf.

have) become focal points for non-EU countries independent of trade considerations. These dimensions of external policy figure prominently in G20 deliberations, enhancing the voice of the EU.

I. The G20 in a decade of rising trade tensions

The G20 has included a focus on trade since the first summit in 2008 when the Bush Administration used the gathering as a vehicle to coordinate responses to the global financial crisis.[3] The 2009 G20 Summit declaration stressed that reinvigorating world trade and investment was an essential element of restoring global growth and that protectionist responses to the crisis would exacerbate the sharp decline in demand in crisis hit countries. Leaders agreed not to repeat the mistakes of protectionism of previous eras; to refrain from raising new barriers to investment and trade in goods and services; and not to use WTO-inconsistent measures to stimulate exports. They also mandated the WTO and other international organizations to monitor and report publicly on the adherence by G20 members to these undertakings on a quarterly basis (after the immediate crisis had passed these became semi-annual). In addition to commitments to exercise restraint, they took action to increase the availability of trade finance (by at least US$250 billion over two years), called on regulators to use available flexibility when setting new capital requirements for trade finance, and indicated their commitment to an ambitious and balanced conclusion to the DDA and to provide the political attention needed to achieve this goal (Drezner, 2014).

Subsequent summits (see table 1) reiterated in large measure promises to refrain from protectionism (through standstill and rollback commitments) and conclude the Doha Development Agenda (DDA). The first promise was broken almost immediately. G20 governments made active use not only of all the instruments that are permitted by the WTO—such as antidumping, countervailing duties and safeguard actions—but also implemented many subsidy programs, supporting exporters through fiscal incentives, export credit schemes and national industrial policies that affect international competition. As documented by the Global Trade Alert, many of the actions taken by EU member states centered on supporting exporters through programs of national Export-Import banks and development finance institutions.[4] Over time, the disconnect between G20 trade policy promises and practices became impossible to ignore, resulting in the removal of the 'no protectionism' pledge in the 2018 G20 leaders' statement.[5]

[3] See Bery (2018) for a wide-ranging assessment of the G20.

[4] During the 2009-19 period, Germany ranked third behind China and the United States in terms of number of measures taken that impact on trade flows, mostly reflecting export support measures (trade finance; export credit and guarantees). See https://www.globaltradealert.org/.

[5] https://www.consilium.europa.eu/media/37247/buenos_aires_leaders_declaration.pdf.

Table 1. G20 Leaders' Summits, 2008-2021

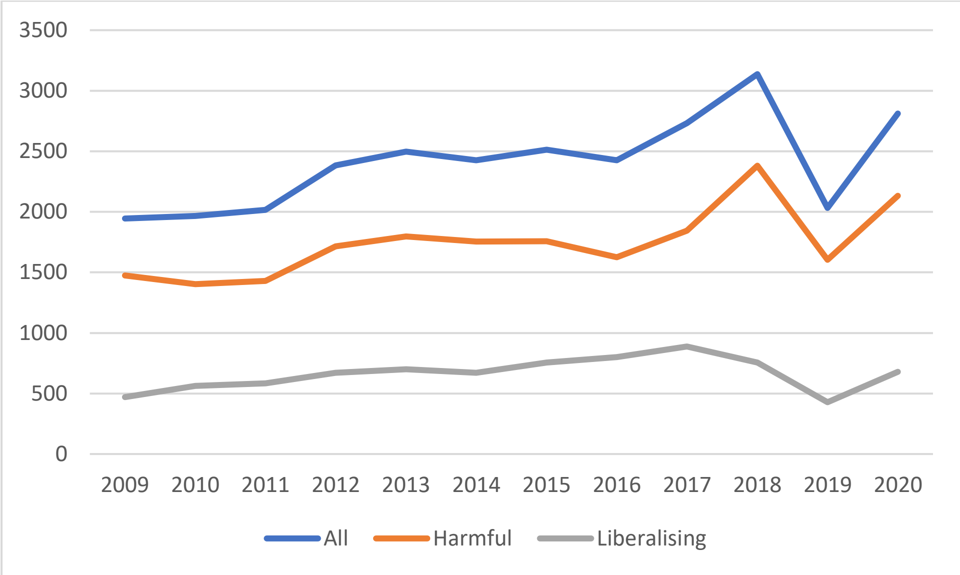
Date	Host country	Host city	Trade Ministers meeting?
14–15 November 2008	United States	Washington D.C.	No
2 April 2009	United Kingdom	London	No
24–25 September 2009	United States	Pittsburgh	No
26–27 June 2010	Canada	Toronto	No
11–12 November 2010	South Korea	Seoul	No
3–4 November 2011	France	Cannes	No
18–19 June 2012	Mexico	Los Cabos	Yes
5–6 September 2013	Russia	Saint Petersburg	No
15–16 November 2014	Australia	Brisbane	Yes
15–16 November 2015	Turkey	Serik, Antalya	Yes
4–5 September 2016	China	Hangzhou	Yes
7–8 July 2017	Germany	Hamburg	No
30 Nov. – 1 Dec. 2018	Argentina	Buenos Aires	Yes
28–29 June 2019	Japan	Osaka	Yes
21–22 November 2020	Saudi Arabia	Riyadh	Yes
30-31 October 2021	Italy	Rome	Yes

Source: G20 Information Centre (http://www.g20.utoronto.ca/summits/index.html).

Analyses of the economic effects of protectionist measures in the post-2008 period have tended to look mostly at tariffs and trade defense actions and neglect policy instruments such as subsidies (Evenett and Fritz, 2019). Between 2009 and 2020, G20 members put in place over 20,000 measures that distorted trade.[6] The use of trade policy instruments was both significant and has intensified over time. In 2020 three times as many new trade distorting measures were observed as liberalizing measures. Trends in use of trade-distorting measures suggest a steady increase over time (Figure 1). The numerous trade-distorting measures taken by all G20 members were implemented in a period in which global trade grew at the same anemic rate as global GDP. The 2010-19 period was the longest spell of slow trade growth that the world experienced for many decades. The reasons for the slowdown are complex, but policy factors have played a role, including the steady escalation in the use of trade-distorting measures following the election of Donald Trump as president of the United States and the launch of a trade war by the US against China (IMF, 2019).

[6] See http://www.globaltradealert.org/. The G20 mandated the WTO and other organizations to monitor the no protectionism pledge, which generated regular (joint) reports by the WTO, UNCTAD and the OECD. However, these have picked up substantially fewer measures than the Global Trade Alert. In part this may reflect the greater reliance on notifications as opposed to independent collection of information, as well as lack of specificity as to what should be covered and how far to go beyond the policy instruments subject to WTO rules.

Figure 1: Number of trade interventions implemented per year, 2009-20



Source: Global Trade Alert https://www.globaltradealert.org/global_dynamics (accessed March 26, 2021)

Trade in the G20

Priorities in the G20 have varied over time, with trade being prominent throughout, but particularly so in 2008-09 when Leaders were concerned to avoid a beggar-thy-neighbor dynamic of the type that arose in the 1930s. Growth and employment have, not surprisingly, generally been at the top of the G20 agenda. In most G20 meetings, the focus of attention has been on macroeconomic and financial policy, with the initial G20 summits dealing with measures to address both the causes and consequences of the crisis, including efforts to bolster financial regulation to improve financial stability and tax collection. Early G20 summits included a focus on the Eurozone debt crisis, including EU decisions to pursue fiscal discipline/austerity, which pitted the EU against the US and emerging economy G20 members, who supported more expansionary policy stances. Over time, new items were added to the G20 agenda, reflecting national priorities of relevance to the group as a whole. Examples include the refugee crisis (Turkey) and implementation of 2030 Agenda for Sustainable Development and the Paris Agreement on climate change (including a push to conclude the WTO talks on an agreement to reduce tariffs on environmental goods).[7]

Collective commitments not to resort to protectionism when addressing the crisis were a staple of G20 summit declarations until 2018. They were not very effective, however, as illustrated

[7] To date, WTO negotiations on a critical mass basis to conclude an Environmental Goods Agreement have been able to be concluded. In part this is because the focus is narrow, centering on reducing tariffs and other discriminatory market access barriers, as opposed to a broader effort that includes technical assistance and a focus on achieving sustainable development linked to attainment of Paris climate change commitments.

by the launch of a trade war against China by the US in 2017 and the parallel campaign by the US against the WTO Appellate Body and the operation of the WTO more generally.[8] G20 members also did not deliver on the commitment to conclude the DDA. Six years after the initial G20 crisis summits, the DDA effectively was abandoned at the 2015 Nairobi WTO Ministerial conference—a development consolidated two years later in Buenos Aires (Hannah, Scott and Wilkinson, 2018). The ineffectiveness of the oft repeated instruction by Leaders to their trade ministers to conclude the DDA and to refrain from (not to speak of rolling back) protectionist measures suggests, statements to the contrary notwithstanding, that G20 members were not willing to walk the proverbial talk.

Since its establishment in 1995, the WTO has played a central role in the operation of the global trade regime. Its membership has expanded to 164, taking in an additional 36 countries—including China and Russia; it has presided over the mediation of almost 600 disputes; and it has played an important role in ensuring transparency of member countries' trade policies. However, disagreements among G20 countries regarding the costs and benefits of committing to additional policy disciplines, most notably between the USA on one side and major emerging economies such as India on the other, blocked progress in core areas of the WTO's traditional market access agenda—import tariffs, agricultural support, and services trade liberalization. The opportunity cost of the DDA failure was significant not just because of the real global income benefits foregone, but because it meant that the WTO did not play the role it was designed for: to be a forum in which countries discuss and address sources of trade tensions and avoid unilateral recourse to trade measures and trade wars. The absence of the compromise needed to conclude the DDA led WTO members to eschew a focus on new policy issues that impact on the ability of firms and consumers to source and sell the goods and services that drive investment and employment decisions.

Following the 2008-2011 global financial crisis phase of the G20, in implicit recognition that calls by G20 Leaders to conclude the DDA were having no effect, it was decided to bring Trade Ministers into the G20 process. In 2012, under Mexico's Presidency of the G20, a meeting of G20 trade ministers was held as part of the G20 work program. In their 2015 meeting in Antalya, G20 leaders called on their trade ministers to meet on a regular basis and to create a G20 Trade and Investment Working Group (TIWG). G20 working groups are mechanisms for coordination and substantive discussion on issues, informed by analysis, monitoring and evaluation provided by staff of international organizations. The G20 agenda is overloaded, in part because each country that

[8] The US undermined the effective functioning of the WTO dispute settlement process through refusal to sanction replacement appointments to the Appellate Body because of perceived derogations from agreed rules and creeping judicial overreach. As of mid-December 2019, only one Appellate Body member was left in function, making it impossible to appeal panel rulings.

presides over the annual summit has its own set of priorities, and in part because different interest groups in and outside of government push to have "their" issues tabled in the G20. Subjects that do not have an institutional basis or structure through which to develop initiatives for approval by Leaders and to coordinate and monitor follow-up actions have little prospect of being operationalized. In principle, the creation of the TIWG established a focal point for more sustained attention on trade issues. Subjects addressed in the TIWG meetings reflect the preferences and priorities of those G20 members that participate in the group, as well as the organizations represented.

The TIWG allows G20 officials to draw on key international organizations to prepare the ground for discussions and decision-making by Leaders on trade matters, including defining a work program and/or action plans and creating mechanisms to hold each other accountable for progress in implementing what is agreed. The TIWG includes representatives of the OECD, UNCTAD, the World Bank as well as the WTO. As a result, it has acted as a coordination device to support collaboration between international organizations active in trade and investment related areas. TIWG deliberations helped prepare the ground for the launch of plurilateral discussions on e-commerce and investment facilitation in the WTO, illustrating that the G20 has been able to influence the launch of initiatives on subjects that could not be addressed on a multilateral basis in the WTO.

II. EU trade priorities and the G20

The EU has always pursued a multi-pronged trade strategy. Following the entry into force of the WTO in 1995, the EU's trade strategy was strongly multilateral, eschewing its past history of pursuit of bilateral and regional trade agreements. In the mid-2000s, in part reflecting a perception that multilateral negotiations in the framework of the WTO were not sufficiently ambitious, European trade policy was re-oriented to include pursuit of deeper preferential trade agreements (PTAs) that encompass nontariff and domestic regulatory policies.[9] As the DDA became deadlocked, the EU focused more on the bilateral-cum-regional track, launching negotiations on a Transatlantic Trade and Investment Partnership (TTIP) with the USA and pursuing Economic Partnership Agreements and deep PTAs with OECD countries such as Canada, Japan, Australia and New Zealand. Although the Trump administration called the TTIP negotiations to a halt in January 2017 (as of April 2019 the EU considered them to be "obsolete and no longer relevant" – Council of the European Union, 2019,

[9] See https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0567:FIN:en:PDF.

para 3), deep agreements between the EU and Canada and Japan were concluded successfully and many PTAs negotiations are ongoing at the time of writing.

Notwithstanding the exit of the UK from the EU, for the last two decades most WTO members emulated the EU in devoting considerably more resources and attention to the negotiation of PTAs than to negotiations in the WTO. From both an efficiency and global equity perspective, PTAs are second-best solutions when it comes to the development of multilateral rules, given the organization of production and trade into international value chains/networks spanning many regulatory jurisdictions. PTAs do not cover all the countries involved in many (most) global value chains (GVCs), thus limiting the positive impact they can have in reducing the costs of regulatory differences and uncertainty for firms and consumers. PTAs also give rise to the possibility of trade and investment diversion and contribute to further economic and political fragmentation of the multilateral trading system.

The EU's main trade focus in G20 summits has been on the commitment to anti-protectionism and support for multilateralism.[10] A strong supporter of the rules-based multilateral trading system, following the demise of the Doha talks in 2015 and the subsequent failure of WTO members to agree to stronger rules on fishing subsidies at the 2017 ministerial conference in Buenos Aires, the EU became a proponent of plurilateral approaches, supporting the launch of talks on e-commerce, investment facilitation, domestic regulation of services, and an initiative to support participation of micro, small and medium sized enterprises (MSMEs) in the trading system. The explicit shift to plurilateral approaches was driven in part by the insistence of India and other developing countries that new across-the-board multilateral negotiations could not proceed without first resolving the outstanding Doha issues (Hannah, Scott and Wilkinson, 2018).[11] In contrast to China and the United States, the EU participates in all the plurilateral groups established in 2017-2018.

Over time, as trade tensions and conflicts deepened after 2017, the EU put greater emphasis on defense of multilateralism.[12] The EU has been at the forefront of discussions on WTO reform and deliberations to address US concerns regarding the operation of the WTO Appellate Body, seeking to engage with the US while in parallel preparing the ground for a coalition of WTO members to cooperate in establishing a (temporary) alternative appellate function after the

[10] Wouters et al. (2013) discuss the role of the EU in the G20 from a broader perspective.

[11] See for example, the statement by the EU Trade Commissioner to heads of delegations at the end of the WTO Ministerial meeting, at https://trade.ec.europa.eu/doclib/docs/2017/december/tradoc_156464.pdf.

[12] https://www.euractiv.com/section/economy-jobs/news/eu-says-g20-summit-priorities-to-be-multilateralism-and-wto-reform/.

Appellate Body became non-operational in December 2019.[13] A joint letter from Presidents Juncker and Tusk before the 2016 G20 summit in Hangzhou, China noted that the "G20 must make the case for open trade and investment" and that the "G20 has a particular responsibility to buttress the multilateral trading system…. [and] should therefore provide genuine guidance for the future global trade and investment agenda."[14] Priorities identified in the letter identified the need to cut overcapacity in the steel and other sectors—including by tackling subsidies and other market-distorting measures—and opening the WTO to new issues such as digital trade, investment or export restrictions. As a "first step towards greater policy coherence" in the area of investment, Leaders endorsed the G20 Guiding Principles for Global Investment Policymaking and WTO consistent plurilateral, regional and bilateral trade agreements.[15]

Ahead of the 2017 G20 summit in Hamburg, the second time an EU country hosted the G20, Presidents Juncker and Tusk noted that concerns about job losses and erosion of standards attributed to trade would be at the top of the agenda. Their 2017 joint letter identified three priority areas for action. First, that the G20 adhere to its anti-protectionism pledge and strengthen the WTO by filling gaps in the rulebook, including on e-commerce and subsidies. Second, that G20 members implement domestic policies empowering workers and companies to benefit from open markets and assist them to adjust to change. Third, that G20 governments engage in an 'honest, fact-based conversation with citizens' to take stock of the effects of globalization and responsibility of businesses to address to improve social and environmental standards in global supply chains.[16] Other priorities included making the international monetary and financial system more resilient; demonstrating that ambitious climate action is good for economic growth and jobs; developing common G20 standards for 5G mobile communication networks; promoting free flow of information while respecting applicable legal frameworks for privacy and personal data protection; advancing the global fight against tax avoidance and evasion; continuing the fight against terrorism and terrorist financing; shared responsibility for refugees and migrants; and partnering with Africa for investment, growth and jobs.[17]

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[13] In January 2020, Australia, Brazil, Chile, China, Colombia, Costa Rica, Guatemala, South Korea, Mexico, New Zealand, Panama, Singapore, Switzerland and Uruguay agreed they would join the EU, Canada and Norway in participating in this initiative (https://www.reuters.com/article/us-trade-wto/eu-china-other-wto-members-agree-temporary-body-to-settle-disputes-idUSKBN1ZN0WM). For a description of the envisaged mechanism see https://trade.ec.europa.eu/doclib/press/index.cfm?id=2053.

[14] https://www.consilium.europa.eu/en/press/press-releases/2016/08/30/tusk-juncker-joint-letter-g20/.

[15] https://www.consilium.europa.eu/en/press/press-releases/2016/09/05/g20-leaders-communique/.

[16] https://www.consilium.europa.eu/en/press/press-releases/2017/07/05/tusk-juncker-joint-letter-g20/.

[17] To give a flavor of the many areas targeted, the outcome of the summit included the G20 Hamburg Action Plan; Climate and Energy Action Plan for Growth; Taking forward the G20 Action Plan on the 2030 Agenda;

While trade has been a staple item on the G20 agenda, in our view improving the operation of the multilateral trade regime and addressing the fundamental factors that underlay the DDA failure was given insufficient attention in G20 deliberations. WTO governance and reform appeared on the G20 agenda for the first time in 2019. This contrasts with the EU push on other subjects that resulted in tangible changes to global regulation and governance, such as the push to address tax competition from tax havens, and the agreement on the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting. The convention was a concrete outcome of an EU push for G20 action against tax avoidance and evasion. The EU made no bones about leading the global effort in this area or that the EU expected "wide and effective implementation of the agreed standards on tax transparency and good governance" and that those "not ready to cooperate should bear the consequences."[18] An equivalent degree of engagement and associated commitment of resources and political capital is needed on the trade agenda.

It is important to recognize that to some degree, the type of engagement needed has already begun to emerge with EU support. The creation of the TIWG and its work on trade and investment facilitation, and on policy dimensions of digital trade, provides an illustration. Work in the TIWG helped to provide a basis for the launch of plurilateral initiatives on these subjects in the WTO. Another example is the creation under G20 auspices of the Global Forum on Steel Excess Capacity (discussed below). Such initiatives may provide the basis for agreements akin to those on tax evasion if G20 members can overcome free riding (participation) constraints. The subjects addressed by the TIWG that helped to lead to plurilateral engagement in the WTO divide into two types. As discussed in Section III below, one is largely about agreeing on good regulatory practices. An example is investment facilitation (Zhan, 2016). The other concerns policies where cooperation entails 'conditionality' in the sense that whatever norms/rules/regulatory standards emerge must be applied by any country wishing to benefit from the agreement. Examples include common data privacy norms or agreement to refrain from requiring data localization. Such conditionality ('reciprocity') is a basic element of PTAs as well as unilateral 'recognition arrangements' where access to a market is conditional on implementation in the exporting country of regulatory regimes

Annual Progress Report 2017; G20 Action Plan on Marine Litter; G20 Africa Partnership; G20 Initiative for Rural Youth Employment; High Level Principles on the Liability of Legal Persons for Corruption; High Level Principles on Organizing against Corruption; High Level Principles on Countering Corruption in Customs; High Level Principles on Combating Corruption related to Illegal Trade in Wildlife and Wildlife Products; G20 Initiative #eSkills4Girls; Women Entrepreneurs Finance Initiative; and G20 Resource Efficiency Dialogue. See https://www.g20germany.de/Webs/G20/EN/G20/Summit_documents/summit_documents_node.html.

[18] 2017 joint letter from Presidents Juncker and Tusk, at https://www.consilium.europa.eu/en/press/press-releases/2017/07/05/tusk-juncker-joint-letter-g20/.

that are equivalent to those of the importer. EU data adequacy determinations are an example of the latter.

Trade tensions are often associated with potentially competition-distorting industrial policies, national tax/subsidy programs or regulatory policies that are not under the purview of trade ministries. This is an important reason why the G20 can add value to WTO processes. G20 summits bring together Leaders can cut across prevailing silos in government to bring together the key actors at national level in ways that sectoral ministers (e.g., trade ministries) cannot. Insofar as the source of cross-border spillovers is associated with national tax/subsidy measures, these will be under the purview of Finance Ministries—who play a prominent role in G20 deliberations. Many of the potentially competition-distorting policies put in place by governments since 2009 are tax and subsidy related. This makes the G20 a particularly relevant forum to discuss and address the cross-border effects of domestic regulatory measures. More broadly, given differences in national priorities and capacity sustaining cooperation may require transfers—technical and/or financial assistance. These are instruments that trade ministries do not have and may find difficult to orchestrate when needed to support international agreements. The fact that the major international organizations are part of the G20 process (i.e., participate in the TIWG) is another distinguishing feature. These agencies are not at the table in WTO negotiations and are merely invited guests at the organization's Ministerial Conferences.

To some extent, the G20 has already taken initiatives that cut across silos in government and international organizations to address sources of trade tension. A prominent example is the G20 Global Forum on Steel Excess Capacity,[19] an EU-led initiative established at the 2016 G20 summit in China. The mandate of this forum, facilitated by the OECD, included producing and sharing reliable statistics on production, capacity and excess capacity across major steel producers, and identifying measures to reduce global production.[20] Assessing the role of subsidies in generating overcapacity was part of the forum's terms of reference. The forum provided a platform for the exchange of data on steel capacity and subsidies and related support measures, thus improving the information base and the transparency of the relevant policies implemented by major steel producing countries. The

[19] See, e.g., http://www.g20.utoronto.ca/2018/global-forum-on-steel-excess-capacity-180920.pdf and https://www.meti.go.jp/english/press/2019/1026_001.html.

[20] The forum allowed participants to identify the underlying causes of steel overcapacity and define concrete actions to address them. See https://trade.ec.europa.eu/doclib/press/index.cfm?id=2077.

forum reported to G20 Ministers annually during 2017-2019 and met at least three times a year during this period.[21]

As we discuss below, similar (plurilateral) approaches that focus on national policies deemed to generate large negative cross-border spillovers can form the basis for efforts to establish rules of the game for such policies. If pursued under the umbrella of the WTO such efforts may also help to revitalize multilateral cooperation. Doing so may help foster sustained participation by countries such as China by placing cooperation into a framework that assures an appropriate balance between the sovereign right to pursue national development objectives and minimizing associated cross-border spillovers, accountability for implementation of commitments, assistance in adopting less distortive policies, and access to effective conflict resolution mechanisms. The "policy space" for pursuit of such approaches was endorsed by many G20 trade ministers in a September statement, which, according to the summary of the chair (Saudi Arabia) made clear that only some G20 members consider the "practice of consensus-based decision making in the WTO, expressly carried over from the GATT in the Marrakesh Agreement … to be a principle of the WTO" making clear a majority were ready and willing to consider plurilateral approaches in – or outside – the WTO. The 2020 G20 deliberations also made explicit that "Many members …. expressed the view that S&DT [special and differential treatment] is a tool to facilitate the achievement of WTO objectives and should be applied on the basis of demonstrable needs" (i.e., rejecting the argument made by India that S&DT is "a principle that is integral to and underpins the WTO").[22]

III. Bolstering Global Trade Governance

The unwillingness of G20 members to refrain from putting in place competition-distorting policies, roll back protectionist measures (including by concluding the Doha round), and establish a new agenda for trade negotiations once it became clear that the DDA was deadlocked has come at a significant opportunity cost. Although the launch of plurilateral negotiations under WTO auspices was a broadly positive development, the reasons for the failure to use the WTO as a platform to address rising trade tensions is a matter G20 Leaders should do more to reflect on. For too long the

[21] In October 2019, China decided not to continue participation in the Forum, refusing to join the consensus regarding further specific subsidy- and capacity-reduction targets established by the group, arguing it had done its fair share by "slash[ing] total steel production capacity by more than 150 million tonnes since 2016, or 114 per cent of the global steel capacity cut … and … redeploy[ing] 280,000 steel workers, which is more than the combined deployed number of steel workers in the US, the EU and Japan." See https://www.scmp.com/economy/china-economy/article/3034753/global-steel-forum-scrapped-china-says-it-has-done-more-its.

[22] G20 Trade and Investment Ministerial Meeting Communique, September 22, 2020, p. 12. At: http://www.g20.utoronto.ca/2020/G20SS_Communique_TIMM_EN.pdf

focus was on the DDA, even after it had become clear that this would not address many of the emerging sources of trade tension. The DDA would have generated a potential medium-term boost to global welfare but did not encompass many of the policies that increasingly became the source of trade conflicts. The focus was primarily on reductions in tariff bindings (that is, maximum permitted tariffs) and disciplines on agricultural support policies—a sector that accounts for only a small share of global trade. Issues such as subsidies, industrial policies, anti-competitive behavior of state-owned enterprises, digital trade or policies towards foreign investment were not central to the DDA and discussions in these areas were actively discouraged by several G20 members. Moreover, services, which were initially part of the DDA and represent more than 60 per cent of GDP in many economies, were effectively taken off the WTO table in 2015.[23]

Many national policies can give rise to negative cross-border spillovers. They include policies restricting trade and investment in services (digital trade), policies of a fiscal nature (tax exemptions, subsidies and related industrial policies) and global governance of trade measures associated with the fight against climate change (e.g., trade policy dimensions of any 'Green Deal' adopted by the EU). Addressing the cross-border spillovers of such policies calls for a mix of plurilateral cooperation and agreements, and initiatives to reform WTO working practice to enable the organization to provide a supportive framework for new legal frameworks that assure developing countries that they do not stand to lose and can benefit from them. The EU can do good while doing well by combining the pursuit of EU values with measures that enhance the ability of developing countries to use trade to attain the SDGs by addressing better the cross-border spillovers of policies that are not or inadequately covered by WTO rules. This is a necessary condition for sustaining the relevance of the multilateral trading system, which the EU has set as an objective for itself (viz. the mission statement of the incoming Commission, Von der Leyen (2019)). Bridging the trade policy divides between G20 members that emerged in recent years is a basic element of attaining this goal. It requires identifying the policies that generate significant negative systemic externalities and negotiating rules of the road that will attenuate such negative effects. The G20 can be a platform for the major players to engage with each other, and in the process act as a potential bridge to agreements on and in the WTO.

[23] Instead, a group of WTO members launched negotiations on a Trade in Services Agreement (TiSA). This group did not include most of the major emerging and developing economies, which also tend not to participate in deep PTAs that include services commitments. The TiSA experience illustrates that plurilateral negotiations that encompass market access policies need a critical mass of participants to internalize most of the benefits. They also suggest a need to include measures to assist countries to improve regulatory frameworks needed to govern more open services markets (Fiorini and Hoekman, 2018).

Our premise is that critical mass initiatives, where the benefits extend on a nondiscriminatory basis to all countries, should be feasible if they involve the key players in the G20. In practice, specific initiatives need not necessarily include all G20 member countries. Indeed, imposing that constraint would greatly limit the scope for action given the wide divergences within the G20 as regards desirable actions on the trade front. The critical mass needed to internalize a large share of the total benefits associated with rules for policies such as industrial policies is very small, essentially encompassing China, the EU (and UK), Japan and the US. The experience obtained with the Global Forum on Steel Overcapacity illustrates both the potential and the challenge of pursuing small-numbers agreements to help resolve current trade conflicts.

The situation confronting the trading system today has parallels with the 1980s, which saw extensive recourse to trade-distorting measures in response to a rapid rise in exports from East Asian economies. This motivated the launch of a preparatory process by countries that informed the design of the Uruguay Round negotiation agenda (see, e.g., Hoekman and Kostecki, 2009). A similar effort is needed today, aimed at resolving the trade conflicts that are of greatest relevance from a systemic perspective. Two areas are particularly important: (i) rulemaking to address major international spillovers from national industrial policies; and (ii) improving the functioning of the WTO, including more effective approaches to address disparities in capacity and economic development.

Cooperation to internalize large cross-border spillovers

Progress on rulemaking to resolve trade conflicts requires agreement between the major trade powers: China, the EU, Japan and the US. All four entities have engaged in bilateral discussions, with the EU, Japan and the US additionally launching a trilateral process to identify ways to strengthen disciplines on services-related policies, subsidies, state-owned enterprises, and industrial development policies more broadly.[24] The same need pertains to governing the use of trade policies (e.g., border carbon adjustments) as an element of programs motivated by climate change, such as the European Green Deal that will be pursued by the von der Leyen Commission (von der Leyen, 2019) . A necessary condition for meaningful outcomes is that all the major trading powers are involved in the associated deliberations-cum-negotiations. There is no magic bullet: the key players need to agree on rules of road.

[24] See, e.g., Joint Statement on Trilateral Meeting of the Trade Ministers of the United States, Japan, and the European Union, 9 January 2018. At: https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/january/joint-statement-trilateral-meeting.

Determining where plurilateral agreements can make a difference and establishing a new road map for the WTO calls for analysis of the size and incidence of the spillover effects of contested policy measures. A common understanding of the magnitude of negative welfare effects generated by policies that are only partly, if at all, subject to multilateral rules is needed to distinguish between those that are of systemic importance and distort competition in a major way and those that do not. This calls for generating information on applied policies (evidence) and analysis of their effects. Analysis is also needed to identify how best to attenuate major spillovers and to establish effective incentives to comply with commitments. Relying on efforts to improve WTO members' notifications of trade policies is unlikely to suffice, even if governments were to accept doing so as the policies that matter most may not be covered by WTO agreements. Engagement by the major players to define the specific policies that are of concern requires dialogue and joint efforts to collect the required information to establish a common knowledge base. This was a key motivation for the formation of the Global Forum on Steel Overcapacity, which illustrates that such efforts are feasible. Initiatives such as the Global Trade Alert also demonstrate that much information is already available. In addition to compiling the needed information what is needed is analysis of the effects of the relevant policies so as to determine which generate serious spillovers and should be the focus of negotiation to define rules of the game.

An important question in this regard for G20 members is to determine the appropriate type of cooperation. Many policy areas can generate negative spillovers for other countries, but they may also have positive effects. Examples are export restrictions, which are detrimental to net importing countries but can benefit other exporters and "green" subsidies (ranging from minimum feed-in prices for electricity generated from renewable resources to subsidies for the development or use of specific technologies) that help to address global climate change even though they may have adverse consequences for competing firms from other countries. Policies constraining digital trade and e-commerce—an area that is of critical important to MSMEs as well as multinational businesses—may not have the goal of restricting trade. Some of these issues are addressed in PTAs; others are not. PTAs reveal the continued interest in extending trade governance to a greater set of policies than is covered by the WTO. PTAs among like-minded countries by definition apply to only a few countries. From a systemic perspective, the challenge is to multilateralize elements of PTAs that deal with issues not covered by the WTO—e.g., CPTPP provisions on digital trade. The trend towards PTAs makes clear that the global trading system cannot be monolithic. Nor should it be.

There are good rationales for pursuing cooperation on certain types of regulatory, "behind the border" policies on a small group basis. One reason is that a uniform rule for a given policy may be inefficient; another is that even if there is agreement that a given regulatory rule is desirable, not all countries will satisfy the preconditions for implementing it. There are good reasons for small group cooperation, especially on regulatory matters, given the great diversity in circumstances and priorities across the WTO membership. While plurilateral cooperation and "variable geometry" is and will be an inherent feature of the global trading system, the challenge is to do so in a way that supports rather than undercuts the WTO and which recognizes that an exclusive focus on minilateral outcomes (that is, plurilateral agreements and RTAs) is suboptimal systemically as well as in terms of aggregate welfare gains. From the perspective of the trading system, G20 countries should do more to pursue discussions on such issues under the umbrella of the WTO as opposed to limiting these to bilateral or PTA settings. In determining what policy areas to prioritize, the G20 can draw on the TIWG and its affiliated international organizations to assist in both data collection and compilation and the requisite analysis of the cross-border effects of contested national policies.

Rethinking reciprocity: Towards 'open plurilateral agreements'

The WTO offers three alternative mechanisms for Members to make trade policy commitments: (i) multilateral agreements under which a country makes a binding commitment to apply a certain policy on a nondiscriminatory basis to all other countries; (ii) PTAs that apply on a discriminatory basis to signatories only; and (iii) 'clubs' where members agree on an issue of common interest. The latter need not involve all WTO members. One type of club is a so-called critical mass agreement (CMA); another is a Plurilateral Agreement (PA) under Art. II.3 WTO.[25] Both involve negotiated disciplines that apply only to signatories. They differ in that the benefits of a CMA apply on a nondiscriminatory basis to all countries, including non-participating nations, whereas in a PA they do not. Examples of CMAs include the Information Technology Agreement and agreements on basic telecommunications and financial services (Hoekman and Kostecki, 2009).

In considering different types of trade cooperation under the umbrella of the WTO, G20 countries need to determine whether agreements will require cross-issue linkages to be feasible and whether free-riding constraints apply and, if so, what constitutes a critical mass of participation that internalizes enough of the benefits within the participating group of countries. The top part of Table 2 characterizes the different types of trade agreements—multilateral package deals, PTAs, and CMAs/PAs. All involve reciprocal commitments by signatories on policies that by design impede market access. Multilateral package deals and CMAs that reduce market access barriers are only feasible if most of the associated benefits is internalized by participants. Free riding concerns will otherwise preclude agreement. This is a problem for trade liberalization because the WTO requires

[25] The WTO currently has one Plurilateral Agreement: the Agreement on Government Procurement (GPA).

border trade policies to be applied on a most-favored-basis to all WTO members. This constraint can easily be binding as shown by negotiations on an Environmental Goods Agreement (EGA) to reduce tariffs on products salient for reducing carbon emissions. These have not been concluded because of free-riding concerns. Similar concerns arose in the now aborted negotiations on a Trade in Services Agreement (TiSA). Although the successful Information Technology Agreement (ITA) demonstrates that CMAs can be negotiated, arguably a factor making it more difficult to get to yes in such negotiations is that the deliberations are limited to market access and do not include a focus on complementary measures such as development assistance and related measures to bolster regulatory capacity. The latter may be important if the focus of attention is on regulatory policies as opposed to market access barriers.

The bottom part of Table 2 presents alternative types of cooperation where the main focus is not on removing market access barriers but on agreement to cooperate on domestic regulation. Such agreements can take the form of harmonization (international standardization), adoption of commonly agreed good regulatory practices and mutual recognition of equivalence of standards or regulatory regimes. Agreement on regulatory standards and regimes may be associated with improving access to markets insofar as regulatory standards must be satisfied as a condition for supplying a product. What and how much can be done will depend on whether free riding is a constraint. It will be for narrow market access liberalization negotiations but may be much less of a factor for regulatory cooperation given that countries can decide not to extend cooperate if local circumstances or social preferences differ too much and exclude countries that do not satisfy the negotiated preconditions for cooperation to occur.

Clubs may extend the benefits of cooperation unconditionally on a nondiscriminatory basis or extend benefits on a conditional basis. Examples of the former include the WTO Trade Facilitation Agreement (TFA), which defines a set of good regulatory practices to facilitate trade that all WTO members have agreed to implement, with countries determining for themselves the timeline for implementation and having the ability to request technical assistance if needed. Other examples are collaborative efforts in fora such as the OECD and APEC to define good regulatory practices and agreement by countries to adopt these. They also include international collaboration to develop product and process standards in inter-governmental bodies such as the ISO. Cooperation involving identification and agreement on good regulatory practices can be applied on an MFN basis as this is insensitive to free riding considerations: the policies are in the self-interest of countries independent of whether other countries do so.

Table 2 Alternative Instruments for Cooperation

			Characteristics of cooperation outcome	
Type of cooperation	**Main issue**	**Type of spillover**	**Nondiscrimination (MFN)**	**Benefits limited to participants**
***Type 1*: Trade agreements** Binding State-to-State treaties with fixed terms and binding, self-enforcing dispute resolution	*Discriminatory policies affecting market access*	"Terms of trade" effects of trade/industrial policies Pecuniary spillovers	Multi-issue multilateral agreements (Uruguay and Doha rounds) Issue-specific critical mass agreements (e.g. Information Technology Agreement; GATS Telecom Reference paper; Environmental Goods negotiations)	Reciprocal preferential trade agreements (PTAs) Issue-specific, discriminatory plurilateral agreements under Art. II WTO (e.g. Government Procurement Agreement)
			Open, nondiscrimination	**Open, conditional application**
***Type 2*:** **Open plurilateral cooperation** Severable, flexible, dynamic, issue-specific	*Regulatory heterogeneity*	Cross border effects of domestic regulatory policies Non-pecuniary spillovers	International standard setting (ISO, Codex Alimentarius, UNECE) Good regulatory practices (OECD; APEC) Open plurilateral agreements • Digital Economy Partnerships • COVID-19-related public health agreements • New WTO clubs	Mutual recognition (conformity assessment agreements) Regulatory equivalence regimes (Unilateral: EU data adequacy findings Bilateral: air safety agreements; EU Forest Law Enforcement, Governance and Trade regime Clubs with trade penalty defaults (e.g., Agreement on Climate Change, Trade & Sustainability negotiations)

Source: Hoekman and Sabel (2021).

In practice, regulatory cooperation may need to be conditional on joint action by the parties. Such conditionality will vary in intensity, ranging from low forms such as mutual recognition agreements that require satisfying minimum standards to very high instances such as regulatory equivalence regimes. Countries that do not have adequate regulatory institutions will not be able to benefit from mutual recognition, let alone equivalence arrangements. Furthermore, insofar as commitments pertain to policies that give rise to potentially significant spillovers, agreements need to overcome the free rider problem, i.e., all the major players need to participate. This may preclude cooperation if one of the major trade powers does not participate. Equally, it may facilitate cooperation if the set of players needed to internalize the benefits of cooperation is small, so that not all WTO members need to be part of a deal. For many if not most policies that generate significant spillovers, if all G20 members participate, free riding by other nations is much less likely to be a concern given that their policies are unlikely to create significant external effects. Providing a forum for the large players to engage with each other is a core 'comparative advantage' of the G20. In the past, the OECD has played an important role in facilitating dialogue and informing potential rules to address spillovers. Examples of this include what came to be incorporated into the GATT/WTO on product standards, agricultural support, and public procurement (the GPA). It cannot play such a role today because the large emerging economies (China and India) are not OECD members. They are, however, members of the G20.

Improving the functioning of the WTO

Plurilateral cooperation is part of the solution to addressing trade tensions, but as important are institutional reforms to re-establish the WTO appellate function, bolster oversight of the operation of WTO bodies and address concerns of developing countries. Space constraints prevent a detailed discussion of issues and options which we have elaborated in other work, much of which is consistent with the broad contours of the suggestions for WTO reform that have been laid out by the European Commission in its 2021 annex paper accompanying the new EU trade policy strategy.[28]

Actions to integrate business and civil society interests better into the operation of the trading system may also help to enhance the relevance of the WTO. Another possible G20 initiative in support of the global trading system would be the promotion of partnerships with business associations, international organizations dealing with trade and investment policies, and civil society (Hannah, et al., 2017). At present, there is virtually no scope for such engagement in the WTO which

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[28] See e.g., Hoekman (2019; 2020) and https://globalgovernanceprogramme.eui.eu/research-project/revitalizing-multilateral-governance-at-the-wto-2-0/

is restricted to central government, State-to-State interaction. The absence of meaningful non-state involvement is no longer appropriate. Companies set standards for quality, health and safety for both products and processes that occur in their supply chains and increasingly cooperate in private standards-setting activities that have as a goal achievement of inter-operability and minimum standards across supply chains–sometimes in co-operation with NGOs and governments. NGOs do the same–there is a plethora of private standards-setting bodies that develop norms and offer certification services to companies that engage in international trade. Regulators frequently have their own mechanisms through which they interact with each other internationally. The WTO must find ways to connect to these networks and communities of practice if it is to retain the political support needed to stay relevant. The EU can help build support for such a move through a G20 initiative that includes all the international organizations that participate in the TIWG.

Such a broadening of engagement with stakeholders and other multilateral agencies can also help address the challenge of recognizing development differences. The traditional approach of less than full reciprocity in trade negotiations and acceptance that developing nations should have more freedom to use trade policies than high-income countries has become increasingly contested and is no longer acceptable to the EU, the US and other OECD member nations. What is needed is a shift in focus to negotiating agreements that deliver concrete benefits to developing country firms. That could start with currently ongoing plurilateral negotiations on e-commence, domestic regulation of services, and investment facilitation. These talks provide a focal point for the EU to engage with other G20 countries and encourage those who have stayed out to contribute to these deliberations and tasking the TIWG international agencies with identifying potential G20 initiatives to assist firms operating in developing economies to benefit from the trading system.[29]

V. Concluding Remarks

G20 discussions and declarations on trade have been limited to WTO negotiations and the pledge to refrain from protectionist actions in responding to the 2008 financial crisis and its aftermath. These two dimensions have also tended to be at the core of EU engagement on trade in the G20. Neither track has been particularly effective. Focusing on these areas alone does not go far enough. Instead of bolstering the multilateral trading system (which is a key priority for the EU), there has been an opposite trend, with increasing recourse to unilateral policies. The G20 offers a unique forum for the EU to engage Leaders on an action agenda that can help to reverse the negative trends. There are positive developments to build on: notably the plurilateral joint initiatives under the auspices of the

[29] The joint initiative group on MSMEs provides one potential forum for action.

WTO and the example of the G20 Global Steel Forum. The EU has been at the forefront of these initiatives. It has also been one of the most active WTO members in engaging in WTO reform discussions.

The foregoing suggests two priorities for EU leadership. The first is to encourage greater participation in the plurilateral initiatives launched in 2017, as all of the subjects covered are important for all WTO members, especially developing economies. This calls for more than simple advocacy. Providing targeted assistance, both financial and technical, through EU member state development agencies and aid-for-trade provided by the European institutions, working in tandem with the relevant international organizations, can help address participation concerns and constraints. The importance of this was illustrated in the TFA negotiations and applies as much if not more to the policy areas covered by the joint initiative groups. The ability to provide such assistance is a core element of EU soft power. Although aid priorities have shifted in recent years as a result of increasing migration pressures and refugee flows into the EU, this is an area where policy coherence calls for development assistance to accompany trade initiatives.

A necessary condition for both WTO reforms and addressing current trade conflicts and disputes is agreement among the major trade powers. The G20 is the only forum that brings the Leaders of these countries together on an annual basis. In recent years the profile of trade issues has increased in G20 activities, with meetings of Trade Ministers and the creation of the Trade and Investment Working Group. These developments provide a good basis for the EU to build on with a view to using the G20 forum to bolster trade cooperation. Not all G20 members need be on board. As illustrated by the current plurilateral discussions under WTO auspices, in which India is not participating, a subset of G20 country participation may be enough to constitute a critical mass. The challenge in the near term is for these talks to result in agreements and to focus attention on additional policy areas that both create systemic spillovers and are important to emerging economies and developing countries. The effort by the EU to mobilize a coalition of WTO members to agree to put in place an ad hoc appeals mechanism while the WTO Appellate Body is not operational illustrates the EU's capacity to lead. While a good stop gap, what is needed is engagement with the US and other major users of the dispute settlement system to address the substantive concerns of the United States as part of a broader effort to reform the WTO.

The need for deliberation and good faith engagement is even more important when it comes to policy areas that are priorities for the EU where trade is part of the agenda. The most immediate example is the proposed European Green Deal and the intention to use carbon border adjustments to prevent carbon leakage. The approach of New Zealand and like-minded countries to negotiate an open plurilateral agreement is arguably the way forward, one that should be emulated by the EU in pursuing objectives that involve both trade and national "behind-the-border" regulatory policy. The WTO plurilateral talks and the New Zealand-led initiative illustrate that universal participation is not needed for cooperation on some, perhaps many, policy areas.[30] The key players that could not get to yes on the DDA are all G20 members. Some G20 members are less supportive and less willing to contribute to the global public good of an open trading system than others (Wolfe, 2015).

The current (geo-) political situation is not particularly propitious for joint action on trade matters. EU member states confront major internal challenges, with respect to the functioning of the EU itself and the need to boost economic activity in the wake of the COVID-19 pandemic, as well as external challenges coming from the EU's near neighborhood (including managing refugee flows). US trade policy under the Trump Administration motivated by concerns about China's economic development strategy and the defensive trade policy mode pursued by important G20 developing countries such as India and South Africa further complicate prospects for effective cooperation. Sustaining multilateral trade cooperation and an open trade regime requires a willingness to utilize the opportunities that exist for variable geometry arrangements operating under the umbrella of the WTO. Deeper integration will inevitably occur within clubs—what is needed from the perspective of an effective and efficient multilateral trading system is to ensure such variable geometry is not limited to discriminatory PTAs but is pursued with a view to be open to any WTO member. The G20 is an obvious forum through which large trading powers can exercise leadership in dialing down trade tensions by demonstrating a willingness to take initiatives such as those discussed herein. A credible commitment to ensure that that clubs are open to all WTO members and transparent is a necessary condition for such plurilateral cooperation to support the revitalization of the multilateral trading system (Hoekman and Sabel, 2019; 2021).

Leadership is paramount. It is unlikely to come from either the US or China, even though these two protagonists have a clear interest in negotiating an end to their trade war and putting in place a framework to govern their geo-economic competition. In its 2020 'phase one' agreement with China, the US showed little concern with compliance with basic WTO rules such as nondiscrimination, reflected in recourse to managed trade.[31] The EU has a strong interest in

[30] As of January 2020, the initiative included Costa Rica, Fiji, Iceland, New Zealand, Norway and Switzerland. The aim is to conclude an open plurilateral Agreement on Climate Change, Trade and Sustainability to promote sustainable development and mutual supportiveness between trade and environmental policies. See https://www.mfat.govt.nz/en/media-and-resources/ministry-statements-and-speeches/trade-ministers-express-support-for-the-agreement-on-climate-change-trade-and-sustainability-at-the-world-economic-forum-davos-2020/.

[31] The "phase 1" deal concluded by China and the US in January 2020 partially reduced the additional tariffs imposed unilaterally on Chinese exports in return for a promise by China to increase imports from the United States within two years by $200 billion more than in 2017. See USTR (2020).

bolstering the rulebook that applies to competition from Chinese firms and inducing the US to back away from mercantilism and unilateral trade policy. Pursuing plurilateral deals under the auspices of the WTO is already part of the EU trade strategy: the EU is the only major player to participate in all four of the post-Buenos Aires ministerial WTO plurilateral deliberations and negotiations. Making these initiatives a success is key to ensuring the WTO stays relevant as a mechanism for countries to deal with trade policy challenges in the 21st century. But by themselves, even if successful, these initiatives will need to be complemented by new rules of the game for policy areas that give rise to systemic conflict—notably subsidies and, looking forward, the appropriate (legitimate) role of trade policy instruments in programs to reduce carbon footprints.

The record of accomplishment of the G20 on trade is not one that suggests initiatives such as those discussed here will be easy to pursue. But the opportunity costs for the EU—and for trade multilateralism—of not attempting to leverage the G20 and the nascent shift to plurilateral cooperation to agree on common approaches to reduce the spillovers created by subsidy and climate policies may greatly outweigh the time and resource costs associated with trying to do so.

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