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Plurilateral cooperation in response to aggressive unilateralism?

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ABSTRACT

The international trade order is under unprecedented pressure as a result of the unilateral decision by the Trump administration to increase U.S. tariffs by an order of magnitude to 15–20 percent or higher on imports from most countries. This paper reflects on where the global trading system may be heading given recent events, focusing on potential responses by U.S. trading partners, distinguishing between revitalization of multilateral trade cooperation in the WTO, expansion and deepening of preferential trade agreements and issue- or domain-specific plurilateral agreements among groups of economies.

The international trade order is under unprecedented pressure. The rapid deterioration in the international trade environment in 2025 has largely been driven by the decision by the new Trump administration to increase U.S. tariffs by an order of magnitude. We have never seen a policy change as abrupt and far-reaching as what is going on today, with average U.S. import tariffs rising from one and a half or two percent to 15–20 percent or higher on imports from most countries. In this essay I will reflect on where the global trading system may be heading given recent events, focusing on potential responses by U.S. trading partners. The word potential should be stressed, because like Josef Brada said at the opening of this Round Table, we are in the midst of a lot of turmoil if not chaos. It is not clear where we are, let alone where we might end up. There is a lot of uncertainty, both with respect to what the United States is going to do looking forward, and what the rest of the world will do in responding to this shock.

We all read about changes to U.S. trade policies in the newspapers on a daily basis. It is important to recognize that Trump 2.0 is to some extent a continuation of a longer-term shift in US trade policy. The massive increases in tariffs are clearly a major shock to firms and countries that export to the U.S., to U.S. importers and to the international trading system more generally, but this has been developing for some time. The second Trump administration is accelerating what started under the first Trump administration. In between, the Biden administration did not have all that much of a different trade policy focus than the first Trump administration had with respect to targeting China, protecting U.S. industries, opposing new trade agreements and having very serious doubts about the WTO. Under the Biden administration, there was a continuing policy of not allowing new WTO Appellate Body appointments, effectively neutering the WTO dispute settlement system. There is a withdrawal by the United States from the

international trade system, a system that was largely created by the United States. That is one of the reasons why governments and analysts are somewhat in a state of shock, as Josef Brada mentioned in his opening remarks.

While all the attention at the moment is appropriately on the United States, it is also necessary to consider Europe. The Global Trade Alert data (<https://globaltradealert.org/>) the independent transparency initiative to track what national trade policies, makes clear there is a lot of European trade policy activism that predates Trump and parallels Trump, although to some extent it also responds to the Trump administration's trade policies. The European Union (EU) has been very active in using trade policy as a unilaterally defined policy mechanism to pursue non-trade goals. Thus, while on the one hand the US is pursuing a wide variety of goals, including trade goals and trying to reduce bilateral trade deficits, the EU has been using trade policy to pursue other objectives, notably fighting climate change and protecting workers in trade supply chains. It has done so by conditioning access to the EU market on other countries doing what the EU does to protect workers, enforce labor standards or fight climate change.

The upshot is that there are now two big OECD economies that are much more active users of trade and industrial policy than they were 10 or 15 years ago. More generally, there is a trend away from open markets towards geopolitical and geo-economic framing of trade and foreign policy, with countries using trade policy to achieve a range of non-trade objectives, including foreign policy objectives. Part of that shift is reflected in what the political scientists Farrell and Newman have called weaponization of trade and investment policy. (Farrell and Newman, 2019) This entails countries trying to exploit monopsony or monopoly power to restrict trade to achieve economic or noneconomic objectives, ranging from national security, economic resilience, greening

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production and consumption to safeguarding societal values.

A major question confronting the world economy today is whether there is a political will to engage in international cooperation to counteract the unraveling of a rules-based order which has been working quite well and supported economic progress since the end of the Second World War. The United States has decided to ignore its WTO commitments and hit countries with much higher tariffs, up to 50 % and perhaps even more. The governments being threatened are doing whatever they can to try and get a lower tariff, asking themselves what they can give the United States to reduce the tariff increases. A key problem they confront in this regard is that countries often do not know what the United States wants. Even if they do, they may not be able to give it. I'm not going to consider these dynamics, which are very important, but instead will focus on one implication of the efforts to placate the United States: a shift away from the rules of the multilateral trade system that countries have developed over time. The most obvious example is the most favored nation treatment rule, a core principle of the WTO, which is eroded insofar as states adopt discriminatory trade policies.

How could other countries respond to the U.S. actions in a way that helps to sustain the rules-based trade order? Box 1 highlights three possibilities for international trade cooperation looking forward. The first is to recognize that there is something wrong with the trade regime and renegotiate the World Trade Organization. This entails renegotiating the commitments that are in place and trying to deal with the underlying reasons why countries like the United States have come to the view that things are not working, and that new rules and approaches are needed. Unfortunately, there is very little scope for renegotiating the terms of the multilateral trade order in the near term. The best we can hope for is that members of the WTO use the institution as a platform to talk to each other, engage in deliberation to determine what the problems are and what might be done about them and discuss potential solutions.

Box 1

Three potential paths to sustaining a rules-based trade system

1. Prepare ground for a multilateral effort to reform and update the WTO

While is unlikely a new round of multilateral negotiations can be launched any time soon, it may be feasible for WTO members to agree on a work program to compile information and consider the rationale and effects of new trade and industrial policy measures in systemically important economies and more generally use "Geneva" as a platform for deliberation to define an agenda for an eventual re-negotiation of the trading system. More immediately, it is important to make progress on WTO reform to address the consensus working practice and constrain the ability of countries to engage in veto playing.

2. Efforts by economies with deep trade agreements to connect to each other

This appears to be "low hanging fruit", reflected in suggestions that the EU, the CPTPP countries and Korea link their existing trade agreements to each other, deepen market access commitments and develop new measures to facilitate trade in goods and services through regulatory cooperation. This "core" group of countries – accounting for one-third of global GDP and trade – could extend trade and investment cooperation to ASEAN, India, RCEP (China), Mercosur, AfCFTA, GCC, etc.

3. Domain/issue-specific open plurilateral agreements (OPAs) among "likeminded" countries

OPAs are potential mechanisms for groups of countries to agree on rules of the road for using trade and industrial policies that are

deemed necessary to achieve national objectives or goals that are shared by all participating countries. Examples of such issues include action to decarbonize the economy, improve access to critical minerals and processed raw materials, regulate digital trade or discipline subsidies and the behavior of state-owned enterprises. OPAs may be potential stepping-stones for new multilateral rules insofar as their membership expands over time and there is a willingness by the majority of the WTO membership to consider their inclusion into the WTO.

There is an ongoing discussion on WTO reform among members, which is expected to feature on the agenda of the next WTO ministerial conference, scheduled for the end of March 2026 in Cameroon. WTO reform is critical if the organization is to be able to play a role in helping its members respond to what the US doing, but also to respond to the use of trade policy instruments by the EU and other countries motivated by nontrade goals. One important issue in terms of WTO reform is WTO working practices, especially consensus-based decision-making (Hoekman, 2019). The consensus rule has been used and frequently abused by a small number of WTO members. This is one of the reasons why the WTO has not been able to conclude new market access negotiations or consider new agreements that apply to all WTO members. Abuse of consensus is reflected in the decision by the United States to block new appointments to the Appellate Body. Countries like India have for a long time not been hesitant to saying no to many initiatives that have been put on the table in the WTO. The consensus rule is something that needs to be re-considered.

While the need to update the multilateral rulebook and improve the functioning of the WTO appears evident, this is not going to happen anytime soon because it requires agreement by all the major capitals. Whether or not the ability of countries to engage in veto playing is constrained, launching a new multilateral trade round requires all of the major players to agree on an agenda. This is unlikely to be possible, even abstracting from the geopolitical rivalry and trade tensions between China and the U.S. The best that can be hoped for is that countries continue to talk to each other in the WTO.

The second possibility is for countries that have concluded deep preferential trade agreements to build on their revealed preference and interest in rules-based trade integration to extend the coverage of such agreements. There is the European Union itself, made up of 27 countries, and the EU has many trade agreements, including some with other large economies. Another major trade agreement is the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). Von der Leyen, the president of the European Commission, has suggested the EU and CPTPP explore establishing deeper links with each other.

Building bridges between the EU, the CPTPP, and countries like Korea that have agreements with the EU and many CPTPP economies, could create a focal point for a set of countries to signal they are committed to sustaining a rules-based approach to trade that is open to participation by other countries. This is a potential path to sustain a rules-based system for the countries that participate. If a trade initiative anchored on the European Union and the CPTPP is extended to connect with other large regional trade agreements such as ASEAN, Mercosur, the African Continental Free Trade Area and the Gulf Cooperation Council this would comprise a second possible response to the decision of the U.S. to pursue a unilateral, America first trade policy.

Clearly it will be easier for the EU and the CPTPP to build bridges with each other than it will be to expand the coverage of deep integration agreements to countries that are less similar to each other in their trade policy strategies. China poses a major open question in this regard. Although China is a member of the Regional Comprehensive Economic Partnership trade bloc, which spans many Asia-Pacific nations, and has requested to launch accession talks with the CPTPP members, it is not at all clear whether China is ready to negotiate a preferential, regional trade agreement with binding dispute settlement with the EU and CPTPP countries, and conversely, if the latter are willing to consider this. The

same question arises for India, which traditionally has not been very favorable towards signing deep trade agreements.

The third possibility is what is indicated in [Box 1](#) as domain- and issue-specific open plurilateral agreements ([Hoekman and Sabel, 2021](#)). These are agreements among countries that are like-minded or that have a common concern in a specific area. These are not agreements that liberalize substantially all trade, although in practice many of the proponents of plurilateral agreements are likely to be countries that have concluded deep trade agreements. Open plurilateral agreements can be conceived as tools to deal with specific questions. Examples would be agreements on the appropriate use of trade policy to support measures to mitigate climate change, decarbonize the economy, or to deal with concerns regarding access to critical minerals, rare earths, or active pharmaceutical ingredients and vaccines.

The premise here is that a group of countries focus on a specific problem and think about how to establish the right incentive structure for countries to address it. In the case of critical products this would involve the countries that have the raw materials, countries that have the processing capacity or want to develop that, and the countries that want to have access to those types of products agreeing on a framework to share the costs of investment and production and govern trade in the associated outputs among members of the club.

Plurilateral sector- or issue-specific agreements potentially could be steppingstones for new multilateral rules. If plurilateral agreements are designed to be open, not closed shops, they could serve as a basis for multilateralization of agreements insofar as they are of interest to other countries. Openness is one of the problems with the preferential trade agreement track as these generally have tended to be closed shops. In most cases, there are no provisions for accession by new countries, making it very difficult for a country to join existing trade agreements. This helps to explain why there are so many trade agreements. The CPTPP is an outlier in this regard as it has a provision for accession. The United Kingdom has used this provision and recently acceded to the CPTPP. But, in general, expanding membership of trade agreements is complicated, partly because the agreements cover substantially all trade and thus require complex negotiations to arrive at a balanced outcome that considers national product sensitivities. Plurilateral agreements offer a way to address specific problems by agreeing to a set of rules that apply to signatories to address those problems.

The multilateral track should be the preferred path in dealing with the current situation, but it confronts very serious headwinds. Revisiting what has become reflected in the WTO agreements over the years requires squaring the circle between the United States, China and the rest of the world. The United States has made very clear it is no longer interested in committing to binding trade agreements. It has also become clear that the Trump administration may not abide by negotiated commitments, so there is likely to be a great deal of uncertainty as to what the value of agreements with the U.S. will be looking forward. This is one reason I find it difficult to conceive of the process that was envisaged in the GATT and that is embedded in the WTO, that is, engaging in a process to renegotiate commitments made in the WTO, will be feasible in the current context. This process involves a country saying that it no longer likes the tariff commitments it made in the past and wants to impose higher trade restrictions.

In principle, GATT Article 28 provides a mechanism to renegotiate tariffs with other WTO members. But this assumes that a country that desires (or has decided) to increase tariffs above the maximum it committed to in the WTO is willing to engage in a reciprocal exchange of concessions. It is pretty evident from what has been happening in terms of U.S. trade policy under Trump 2.0 that the U.S. has no real interest in reciprocity ([Mavroidis, 2025](#)). The U.S. not only wants to increase its tariffs without offering compensation, it is demanding that targeted countries provide the U.S. with preferential access to their markets. The U.S. also wants to tell other countries what to do on regulatory matters, on domestic taxation and on their policies towards China. As it is not clear what the basis would be for a renegotiation of national WTO trade

policy commitments, I am quite skeptical about proposals that renegotiation of WTO commitments is the way forward ([Pauwelyn, 2025](#)). The U.S. attitude towards independent third-party adjudication of disputes is another reason to be skeptical of the renegotiation track, because to be credible negotiated outcomes need to be able to be enforced. If the U.S. is not interested in binding dispute settlement, the value of whatever is negotiated is significantly reduced.

While the U.S. is a major constraint for pursuit of the multilateral option (WTO reform and renegotiation), China is also a problem. The issues here are well known. China has a very distinct economic system that makes it an export juggernaut, in part driven by widespread use of subsidies, and state-owned enterprises play a large role in the economy. These features of the Chinese economy have led to perceptions in the U.S. that disciplining competition-distorting policies and opening the Chinese market to permit foreign goods and services to compete on a level playing field is not feasible. China has also not been hesitant to use trade policy for non-trade policy objectives and to weaponize trade and foreign policy. China is partly responding and emulating U.S. weaponization of trade, but more broadly is seen by many countries to rely on a set of policy instruments that are not subject to effective multilateral discipline under existing WTO agreements.

Building on and connecting deep preferential trade agreements to each other, complemented by pursuit of sectoral and issue-specific plurilateral agreements offers better prospects for countries to exploit opportunities for international cooperation and sustain a rules-based approach to trade and investment. An important question for both policymakers and researchers is how these two tracks may interact with each other. Connecting the large trade blocs turns on the political willingness to recognize there is a commonality of purpose in terms of sustaining rules-based market access and accepting different approaches to regulating trade. Even assuming this is there, if countries take a standard approach to trade negotiations and leave it to their trade negotiators to build and deepen connections across agreements, progress will inevitably be slow at best given the complex political economy of negotiating comprehensive trade agreements – e.g., dealing with sensitive products and differences in regulatory regimes. For the EU-CPTPP scenario to be feasible in the short term there must be political willingness to short circuit the usual approach to negotiating trade agreements. For the path of “docking” trade agreements to be an effective response to the decision by the U.S. to essentially withdraw from its WTO commitments, cooperation needs to center on addressing key issues that cause trade frictions for a plurality of trading firms – and acceptance that sectors that are truly sensitive (such as agriculture) will be treated more flexibly.

A major potential advantage of the issue-specific plurilateral track is that it is more flexible and allows for variable geometry in a way that trade agreements do not. Thus, even if, as seems likely, it will be difficult to agree on how to deepen integration of the EU and CPTPP economies, let alone conclude deep trade agreements with China or India, it may be more feasible to negotiate plurilateral agreements on even sensitive issues such as subsidies and the behavior of state-owned enterprises. Doing so would be a means to extend regulatory disciplines between trade agreement members and partner countries that reduce the negative spillovers of policies that are a cause of trade tensions and disputes.

In thinking about the plurilateral track, the third approach in [Box 1](#), it is necessary to determine the issues where agreements can move the needle in terms of lowering trade costs or helping participating countries to attain shared policy objectives. The Global Trade Alert initiative and associated analysis of the policies that have been pursued by countries since the Global Financial Crisis (2009) have identified the objectives that governments are pursuing when they use trade and industrial policy and the spillovers induced by instrument choices ([Evenett et al., 2024](#)). The data suggest there may be significant scope for plurilateral agreements that bring together countries that pro-actively pursuing policies to green their economies, that have similar national security or economic resilience objectives, as well as agreements that address the spillovers

caused by zero- or negative-sum policies. More recently, there has been an increase in measures motivated by national security or supply chain resilience. These types of policy objectives complement the traditional competitiveness focus of trade policy and industrial policy.

There is a lot of heterogeneity in the instruments that are used to pursue these objectives, but one thing that is clear is that different types of instruments are used more for some objectives than for others. Climate change related trade and industrial policies are mostly subsidies of different types. When it comes to national security there is much more of a mix of instruments, including export restrictions, import restrictions, foreign direct investment policies, localization incentives, etc. In thinking about the scope for trade agreements and plurilateral cooperation, analysis is needed of the extent to which governments are pursuing the same objective and the effects and effectiveness of the policy instruments they employ. There is an important agenda for policy relevant research that maps objectives to instrument choices and helps inform decisionmakers on the merits and design of alternative types of cooperation among countries that are both feasible and effective (Hoekman et al., 2025).

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