

Contents lists available at [ScienceDirect](https://www.sciencedirect.com)

Asia and the Global Economy

journal homepage: www.journals.elsevier.com/asia-and-the-global-economy

Searching for global equilibrium: How new economic statecraft undermines international institutions

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ARTICLE INFO

Keywords:

New economic statecraft
State intervention
International institutions
Industrial policy
Technology

ABSTRACT

The rise of “new economic statecraft”—intervention in trade and investment for foreign policy reasons—is increasingly threatening the stability of the global economic system. Building on previous work, we consider the types of intervention we have seen, classifying state measures as behind the border, at the border, and beyond the border. In addition, in the past, we have focused on understanding variation in new forms of economic statecraft through a five-factor model. This paper’s central goal is to evaluate alternatives for constraining economic statecraft via institutional approaches. To this end, we draw on an analytical classification framework to theoretically and empirically analyze both sectoral and overall bilateral, minilateral, and multilateral institutional approaches to glean lessons for the management of new economic statecraft.

1. Introduction

Governments have increasingly intervened in markets with the goal of advancing their foreign policy objectives. In previous work we have labeled this trend “new economic statecraft” (Aggarwal and Reddie, 2020). Specifically, in our research we have focused on how government–firm relations affect geostrategic competition—rather than the older literature’s focus on economic statecraft that emphasizes policies related to economic sanctions. From our perspective, understanding variation in how different countries pursue new economic statecraft is of key importance.¹ But of even greater import is the question of the future of the global economy in a world characterized by high levels of state intervention. Thus, this paper’s goal is to understand the extent to which we might be able to constrain this neomercantilist turn through some types of international agreements—be they sectoral or overall bilateral, minilateral, or multilateral accords.

We begin by presenting our theoretical framework to explain the determinants of state intervention in high technology industries. To this end, as our dependent variable, we outline three types of state intervention: behind the border, at the border, beyond the border, and the drivers of state intervention. We then turn to the central thrust of this

paper, with an eye to evaluating the likelihood of successful management of new economic statecraft in the global economy via different kinds of international arrangements.²

2. State intervention in trade and investment

How might we understand state intervention in technology markets? Scholars have pointed to various types of state intervention in national markets that have effects on the global economy including economic sanctions, tariffs, quotas, subsidies and industrial policies (Nolan, 2001; Warwick, 2003). Rather than treat each of these measures individually, this article, building on our previous work, outlines three types of trade and investment policies—at the border, behind the border, and beyond the border—that encapsulate interventions that are both collectively exhaustive and mutually exclusive.

2.1. Trade policy

Trade policies *at the border* “discriminate against foreign goods, companies, workers and investors (Baldwin and Evenett, 2009).” These interventions can take a variety of forms including import-taxing tariffs

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¹ Yet distinguishing between what might simply be seen as traditional domestic lobbying by rent-seeking firms versus “strategic” intervention by states is not a simple matter. As *The Economist* (2020) notes, the key question facing policymakers is which economic activities have strategic consequences for the state—with the attendant risk of all economic activities being designated as important for international security.

² Currency intervention can also influence technology, but here we focus on trade and investment.

<https://doi.org/10.1016/j.aglobe.2023.100076>

Received 21 December 2023; Accepted 22 December 2023

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which make domestic goods more competitive than their foreign counterparts. Governments may also tax exports if they want to keep specific types of goods inside the country. Quotas operate similarly in that they limit goods arriving in, or exported from, the country. Customs regulations represent an additional border measure that adds friction to the trade process—with attendant consequences for the competitiveness of imports and advantages for local firms.

In addition to these policies at the border, there are several *behind-the-border* measures that affect trade patterns. Often, these are described as measures used to drive “backdoor” or “murky” protectionism (Aggarwal and Evenett, 2017). The most obvious behind-the-border trade measure is a regulatory environment manipulated to discriminate against a foreign good or service. Regulatory standards, whether binding or voluntary, have an impact on market access as do localization rules.

States also act to shape trade policy *beyond their border*—via institutional arrangements at the regional or global level or through various investment or trade promotion efforts. Institutions can shape the rules governing various types of intervention—with some institutions being more or less restrictive in terms of what policies member states are expected to adopt and which actions they are expected to avoid. Trade promotion efforts often take place through a variety of export promotion agencies to help national exporters penetrate foreign markets.

2.2. Investment policy

Investment policy offers a second vehicle for states to intervene in their domestic markets. The most obvious intervention *at the border* are rules concerning foreign direct investment. Governments might limit shareholding of a publicly held firm at a specific percentage or review foreign acquisitions of domestic firms based on national security considerations. For example, in the United States, the Foreign Investment Risk Review Modernization Act (FIRRMA) of 2018 expanded the jurisdiction of the Committee on Foreign Investment in the United States (CFIUS) to address mandatory filing requirements for investments involving foreign governments, as well as foreign investment in firms deemed to represent critical infrastructure (Aggarwal and Reddie, 2019).

Governments also influence direct and indirect investment *behind the border*. Traditionally, this type of state behavior has been captured in the context of industrial policy (Aggarwal and Evenett, 2012). In terms of direct investment, governments often involve themselves directly in specific sectors of the economy or create state-owned vehicles that operate on their behalf. Governments may also identify specific firms in which to invest and regulate both within the home country and abroad. And governments also pursue indirect investment in strategic industries through human capital development programs.

States also act to shape investment policy *beyond their border*. For example, states may play a role in third-party markets by dictating rules for market access for firms beyond its borders. For example, a state might only provide market access to a foreign firm if it creates a local subsidiary or otherwise adds value to local labor markets. In addition, global and regional institutions can be used to influence technology policies as we will see later in this article.

2.3. The drivers of state intervention

In an attempt to explain this variation, we suggest that domestic politics (e.g., bureaucratic politics), market dynamics (and particularly firm-state relations), technological characteristics of a given industry, dynamics of the international system (e.g., polarity), and the contours of international cooperation (via intergovernmental organizations)

combine to shape the types of interventions that we see across various domains—from cybersecurity markets to the markets for nuclear energy. Fig. 1 illustrates our conceptual framework.³

3. International agreements and constraining new economic statecraft

Neoliberal economists argue that states should eschew the temptation to intervene in their domestic markets. If they follow this advice, then we will also find ourselves in a global equilibrium, with the global economy consisting of firms competing “fairly” in both domestic and international economy.

To the extent that states might be tempted to intervene—say under pressure from domestic lobbies or for strategic objectives—from a neoliberal institutional approach, they would be constrained by the institutions developed in the 1940s—the GATT (and the WTO after 1995) and the IMF. Over time, however, we have seen increasing intervention in the domestic and international economies, thus putting increasing pressure on the WTO. The refusal of the Trump and Biden administrations to appoint appellate judges has led to a major crisis of the dispute resolution mechanism, calling into question the ability of global trade institutions to manage conflict.

The question we now consider is: if we continue to see the pursuit of new economic statecraft by states, what are the prospects for the management of the global economy? Put differently, is there some obvious equilibrium in light of a turn to neomercantilist policies? To address this issue, we begin by presenting a framework to think about institutional arrangements, and then address both sectoral and overall bilateral, unilateral, and multilateral options to constrain new forms of economic statecraft.

Table 1 provides an approach to classify economic accords, focusing on trade agreements for presentational purposes.⁴

The table has two dimensions, actor scope (bilateral, unilateral, and multilateral) on one axis, and product scope on the other (few products or sectoral and many products). In looking at types of agreements, we can also further distinguish between geographically dispersed and geographically concentrated accords, which is an important dimension from a political standpoint but which do not investigate in detail here. To illustrate the types of agreements, we provide examples in each of these cells.⁵

4. Bilateral approaches

Below, we begin by examining bilateral approaches to dealing with trade issues with examples. Under Article 24 of the GATT/WTO, free trade agreements and customs unions are allowed, but the countries must “substantially” eliminate tariffs and other trade barriers on “substantially all the trade” between them. This implies that the agreement should cover a significant portion of the trade, and exceptions are allowed but should be limited. This restriction has generally served to dissuade countries from pursuing sectoral agreements, and for the most part, FTAs have met the Article 24 provisions. We first look at sectoral approaches, before turning to broader agreements.

³ For a more thorough discussion of these factors see Aggarwal and Reddie (2020).

⁴ This table is adapted from Aggarwal, 2001, without “unilateral” approaches to trade as this paper focuses on agreements. For an example that includes monetary arrangements, see Aggarwal et al., 2002.

⁵ Note that agreements in trade in each cell can be liberalizing or restrictive.

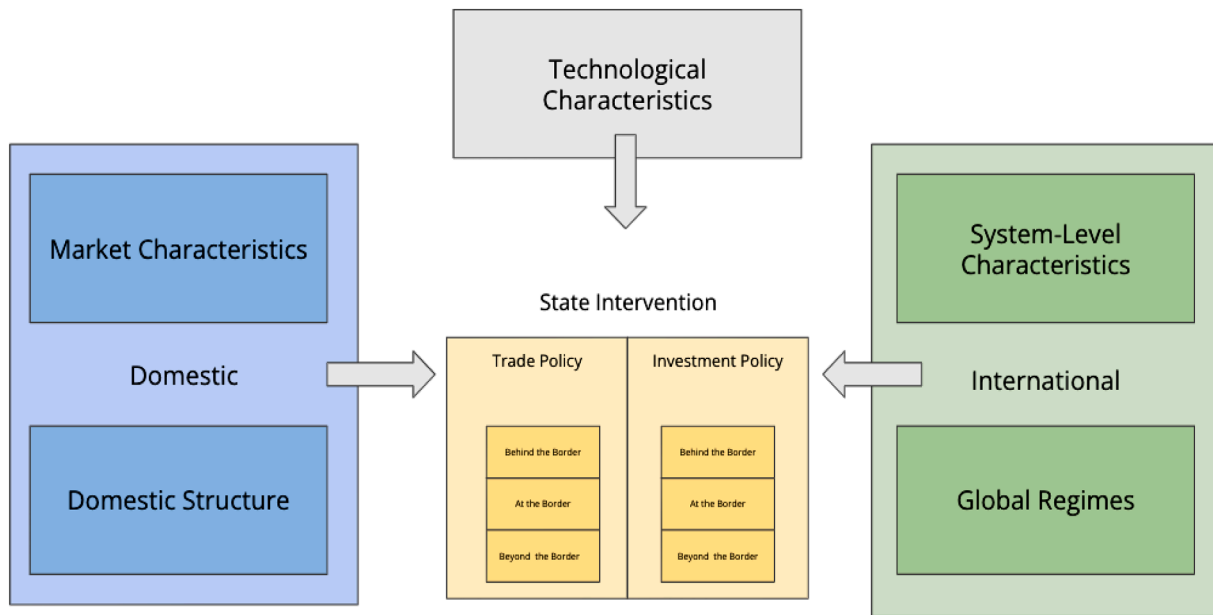


Fig. 1. The determinants of state intervention.

Table 1
Classifying trade agreements.

		Bilateral		Minilateral		Multilateral (globalism)
		<i>Geographically concentrated</i>	<i>Geographically dispersed</i>	<i>Geographically concentrated</i>	<i>Geographically dispersed</i>	
PRODUCT SCOPE	Few products (sectoral)	US-Canada auto agreement (1965)	US-Japan digital agreement (2019)	European Coal and Steel Agreement (1952)	Multi-Fiber Arrangement (1974) Information Technology Agreement (1997)	International Telecommunications Union
	Many products (broad)	US-Canada FTA (1987)	Korea-Chile FTA (2003)	European Union AFTA (ASEAN Free Trade Agreement) (1993) USMCA (2020)	CPTPP Comprehensive and Progressive Agreement for Trans-Pacific Partnership (2018) RCEP (Regional Comprehensive Economic Partnership) (2022)	WTO (World Trade Organization)

4.1. Bilateral sectoral approaches

In October of 2019, Japan and the U.S. signed a free trade agreement enhancing market access for specific agricultural and industrial products.⁶ Specifically, the United States agreed to reduce or eliminate 241 tariffs primarily on industrial goods—a measure essential to the continued viability of the Japanese automotive sector. In return, Japan agreed to provide increased access to U.S. agricultural products, including beef, pork, wheat, dairy products, and certain fruits and vegetables. The agreement also sought to deal with some of the challenges associated with digital trade, with the parties agreeing to ensure the free flow of data and provisions on preventing data localization requirements.

4.2. Bilateral broader approaches

Currently, the United States has concluded 20 bilateral or trilateral FTAs. It also has 48 bilateral investment treaties.⁷ Both of these types of agreements are reasonably comprehensive and fit into the “broad” category of Table 1.

Reflecting some of the quid pro quo aspects of the bilateral sectoral

⁶ <https://ustr.gov/countries-regions/japan-korea-apec/japan/us-japan-trade-agreement-negotiations/us-japan-trade-agreement-text>

⁷ <https://www.state.gov/investment-affairs/bilateral-investment-treaties-and-related-agreements/united-states-bilateral-investment-treaties/>

approaches above, the U.S.-China trade deal of 2020 followed three years of acrimonious negotiations between Beijing and Washington before arriving at a “phase one” trade deal on January 15.

The “phase one” deal responded to developments since March 22, 2018 following the US Trade Representative’s determination under Section 301 that Chinese practices and policies related to technology transfer, intellectual property, and innovation are unreasonable and discriminatory. The United States argued that China uses unfair trade practices and intellectual property theft to bolster its economy while the latter believes that the United States is trying to curb China’s rise as a global economic power. As part of this dispute, the United States imposed tariffs on \$375 billion of Chinese goods and had threatened to impose tariffs on \$160 billion on December 15, 2019. For its part, China had retaliated with tariffs on more than \$110bn of US products.

The deal focused on intellectual property protection, U.S. exports to China, and monetary flows. It also included a bilateral dispute resolution mechanism. Some specific industries that were the subject of the agreement were pharmaceuticals, financial services, and food and agriculture. In addition, the deal addressed forced technology transfer and more broadly, macroeconomic policies and exchange rate matters and transparency. Most significantly, the deal calls for China to increase manufactured goods by \$77 billion, agriculture by \$32 billion, energy by \$52 billion dollars, and services by USD of about 38 billion dollars for a total of 200 billion dollars.⁸

⁸ See Annex 6.1 of the Phase One Agreement

What was left out? Most tariff reductions were left to the future (and have been continued under the Biden administration). The deal did not lessen U.S. pressure on Huawei, ZTE and other Chinese firms. This despite the Chinese government was unequivocal about wanting the United States to drop its sanctions on Huawei and other Chinese technology firms while relaxing restrictions on Chinese investments in the United States (Shan, 2020). In particular, with the new U.S. Foreign Investment Risk Review Modernization Act (FIRRMA) procedures that enhance CFIUS review (Committee on Foreign Investment in the US), the Chinese investors face significant and new barriers to investment in Silicon Valley—a vehicle that the U.S. alleges Chinese government-affiliated firms leverage to siphon intellectual property.

With the advent of COVID-19 amid increasing tensions between Washington and Beijing, China did not meet obligations under the deal: it “purchased 62 % of the manufactured products, 76 % of the agricultural products, and only 47 % of the energy products it committed to under Phase One.”⁹

Importantly, both forms of bilateral engagements sought to liberalize and avoid protection in circumstances where governments recognized a mutual interest in doing so. Given the broader context of rising competition between Beijing and Washington, the latter example is particularly interesting—though its subsequent performance provides fodder both to the agreement’s supporters and detractors.

5. Minilateral approaches

As with bilateral agreements, minilateral accords have also been both sectoral and multiproduct. The classic minilateral regional sectoral agreement was the two-sector European Coal and Steel Agreement of 1952, that set in motion the creation of the European Union. In addition, the oldest product specific accord that spanned regions was the agreement on textiles and apparel. This multilateral accord, began with the 1961 Short Term Arrangement on Cotton Textiles (STA), eventually becoming the Multi-Fiber Arrangement in 1974, and then started to be phased out at the beginning of 1995 (and eliminated in 2005). On a minilateral sectoral opening basis, the Information Technology Agreement (ITA) came into being in 1997, and then was championed as a model for other sectors. For example, the Global Agreement on Basic Telecommunications, has been in effect since 1998, and the Financial Services Agreement (FSA) to liberalize trade in banking, insurance, and securities, in effect since April 1999.

Minilateral mega-FTAs such as the Trans-Pacific Partnership (TPP), the proposed Transatlantic Trade and Investment Partnership (TTIP) with the U.S. and EU, and the Regional Comprehensive Economic Partnership (RCEP) with 14 countries in 2022 are increasingly common in light of the problems of the WTO, which we discuss in Section 6. The logic of sectoral liberalization within minilateral institutions is that industry specific accords might decrease the problem of broader geopolitical conflict.

5.1. Minilateral sectoral approaches

The agreements on textile and apparel are instructive on how unilateral and bilateral measures as in the pursuit of new economic statecraft might evolve into a sector specific regime (Aggarwal, 1985). Briefly, in the 1950s, increasing imports of Japanese and Hong Kong textiles and clothing spurred the U.S., UK, and several European countries to impose unilateral restrictions or negotiate bilateral agreements with exporters. The United States successfully persuaded the Japanese to restrain their exports of cotton textiles and clothing, putting export diversion “pressure” on other countries. The U.K. also pressed India, Pakistan, and Hong Kong to commit themselves to a slower rate of

British market penetration. Finally, the continental European countries, simply slapped on import quotas against all “offending” LDC suppliers.

Following negotiations among importing and exporting countries, the STA was created as a stopgap in 1961 and was succeeded the following year by the Long Term Arrangement on Cotton Textiles (LTA). This sector-specific international regime, nested within the GATT proved to be a negotiated outcome that met American goals and political constraints. The regime called for guaranteed growth rates in imports of 5 % or negotiated bilateral agreements that could allow more. Since the LTA only regulated intervention in cotton products, however, exporters shipped more wool and man-made fiber products. With such imports growing, developed country domestic producers responded by successfully pressuring their governments to impose restraints on these goods. Faced again with the prospect of growing numbers of bilateral and unilateral measures, the U.S. government sought to expand the LTA to encompass trade in man-made fiber and wool-based products. In 1974, the Multi-Fiber Arrangement (MFA) replaced the LTA. It was renewed in 1977 and 1981, and then set on a trajectory for elimination in 1995 with conclusion of the Uruguay Round of the GATT. By 2005, trade in textiles was opened up completely for the most part (China continued to restrict exports for some years as part of the deal).

Similarly, the Information Technology Agreement (ITA) focuses on the elimination of tariffs and trade barriers for information technology products. The idea of an international agreement to liberalize trade in IT products began to take shape in the 1980s. Governments and industry representatives recognized the increasing importance of the IT sector and the need for a global framework to promote the flow of IT products across borders. During the Uruguay Round of the GATT, however, progress was slow. The ITA officially came into being in 1996 with 29 members, with negotiations taking place outside the WTO framework. The initial signatories of the ITA included major economies such as the United States, the European Union, Japan, Canada, and others. Over time, the agreement gained support from an increasing number of countries (currently 82 members), with members committing to eliminating tariffs on a broad range of IT products. In 1997, the ITA was brought under the umbrella of the WTO. In 2015, the ITA expanded to include additional products and now covers 97 percent of global trade in IT products.¹⁰

5.2. Minilateral broad approaches

More recently, states have turned to minilateral approaches that go far beyond single sectors. For example, the Trans-Pacific Partnership (TPP) of 12 countries built on the 2006 Trans-Pacific Strategic Economic Partnership (P4) among Brunei, Chile, New Zealand, and Singapore (Fergusson and Williams, 2016). The TPP was ambitious and wide-ranging from multiple vantage points, including numerous issue areas and types of goods and services covered in its thirty chapters, with attention to tariff and non-tariff, and a large portion of the world economy represented.

TPP included many digital trade concerns reflecting the centrality of trade in technology to regional and global markets. For example, Chapter 14 of TPP addresses cross-border data flows. Other articles in Chapter 14 prohibit localization requirements for servers and data centers, by which a government would require a company “to use or locate computing facilities in that Party’s territory as a condition for conducting business.”¹¹

Despite its thoroughness, or maybe because of it, TPP was not to be.

¹⁰ https://www.wto.org/english/tratop_e/inftec_e/inftec_e.htm and <https://www.hinrichfoundation.com/research/tradevistas/wto/information-technology-agreement/>

¹¹ United States Trade Representative, TPP Chapter 14: Electronic Commerce, <https://ustr.gov/sites/default/files/TPP-Final-Text-Electronic-Commerce.pdf>, 7.

⁹ <https://www.aei.org/op-eds/trump-negotiated-a-bad-china-deal-it-has-expired-yet-perplexingly-biden-isnt-abandoning-it/>

In his presidential campaign, Donald Trump blasted the TPP and free trade, and upon assuming office, withdrew the United States from the agreement in January 2017 (Baker, 2017). The next year, led by Japan, the remaining eleven countries finalized the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) (McBride et al., 2021; Cimino Isaacs, 2023). The agreement went into force for six countries in December 2018, with the five other countries formally becoming party to the agreement between 2019 and 2023.

The CPTPP shares most of its provisions with the TPP, and the two agreements can be considered nearly identical TPP.¹² However, the CPTPP suspends 22 provisions of TPP. For example, government procurement and labor rules have been altered. The scope of investor-state dispute settlement was also narrowed. The vast majority of the provisions in the agreement, however, were unchanged including chapters about e-commerce and provisions about digital trade including those that promote the free flow of information across borders and prohibit computing facility data localization requirements.

In terms of future membership, South Korea is widely seen as a likely applicant to join, and Thailand and Colombia may consider applying as well (McBride et al., 2021; Cimino-Isaacs, 2023). So far, China, Costa Rica, Ecuador, Taiwan, Ukraine, and Uruguay have all applied to join CPTPP. China applied to join in September 2021, which was seen as a symbolic slight to the United States, which initially served as an architect of the TPP in part to counter Chinese economic influence in the Asia-Pacific via its own unilateral initiatives. In the short term, however, it is unlikely that China will be granted membership. The United States has shown little interest in rejoining the agreement that it pioneered. The first new member to successfully join the original CPTPP grouping was the UK, which became a member in July 2023.

A second key mega-FTA is the Regional Comprehensive Economic Partnership (RCEP), trade among 15 countries in the Asia-Pacific region, including ASEAN member states and five other countries—Australia, China, Japan, New Zealand, and South Korea. Despite being involved in negotiations, in the end India chose to withdraw from RCEP owing mainly to concerns about the competitive threat to its agriculture and manufacturing sector. The agreement creates an integrated market, spanning over 2.3 billion people, with a combined GDP of \$26.3 trillion.¹³ The agreement also includes provisions for intellectual property rights, aiming to provide comprehensive and high-standard protections.¹⁴ Moreover, RCEP includes commitments to facilitate cross-border data flow, which is crucial for e-commerce activities.¹⁵

The RCEP pact has clauses that pertain to e-commerce. Recognizing the escalating role of digital tech in boosting international trade and investment, the agreement seeks to encourage the utilization of digital platforms and tools within the region. For instance, Article 13.1 of the RCEP specifies that no customs duties or additional fees should be levied on electronic transmissions, including those for e-commerce. It also contains clauses concerning data movement and data localization. In contrast to CPTPP that is antagonistic toward data localization, RCEP disallows data localization mandates, except under particular conditions.

Interestingly, many of the provisions included in the TTP have close cousins within RCEP—for example, even intellectual property received a provision (18.3) within RCEP, despite long-held claims that China has been engaged in efforts to undermine the intellectual property of firms and governments in the West (whether via local joint transfer requirements for foreign firms to receive market access or more surreptitious efforts to get access to IP).

While it would be unfair to characterize RCEP as wholly benefitting China (indeed, all states party to the agreement have to be convinced to sign it), its rules tend to be looser than arrangements that might involve U.S. and European states while also focusing on trade issues of proximate concern to China.

6. Global approaches

By and large, in trade, the WTO has been the dominant arrangement to manage global trade and address disagreements among states parties. In investment, no broad international agreement has been developed despite various efforts to do so with the Multilateral Agreement on Investment (MAI). Discussion of such an accord began in the early 1990s under the auspices of the Organization for Economic Cooperation and Development (OECD). The goal was to create a comprehensive international agreement that would standardize rules for the treatment of foreign investors across participating countries. Opposition from various NGOs and governments, however, led to the collapse of the proposed accord in 1998.

Aside from the WTO, we have seen sectoral specific accords, with the International Telecommunication Union serving as a prime example. There have also been efforts to expand the purview of the WTO to include intellectual property and investment measures. We turn to these issues now.

6.1. Global sectoral approaches

The ITU traces its roots back to the International Telegraph Union, established in 1865 to promote international cooperation in telegraphy. As technology advanced, telephony and radio communication became prominent. The ITU expanded its scope to include these new technologies, leading to the International Telecommunication Convention in 1932. In 1947, the ITU underwent a major restructuring after World War II. The International Telecommunication Convention of 1947 established the ITU as a specialized agency of the United Nations.

The ITU continued to expand its purview in the post WW II period. In the 1960s, the advent of satellite communication brought new challenges and opportunities. The ITU played a crucial role in coordinating the allocation of satellite orbits and frequencies, ensuring the efficient use of these resources. In the 1980–1990s, the ITU adapted to the digital revolution, addressing issues related to the standardization of digital communication technologies, including ISDN (Integrated Services Digital Network) and later, the development of standards for video conferencing over the internet.

With the move toward the privatization of state-owned telecom companies in the 1990s, led the

ITU to focus on creating a regulatory framework that could accommodate these changes while ensuring fair competition and access to telecommunication services. It also played a role in Internet governance after 2005, serving as a forum for discussions surrounding internet governance, including the role of governments, the private sector, and other stakeholders.

In recent years, the 193 member ITU has been actively involved in promoting the deployment of broadband infrastructure and facilitating the transition to 5 G technologies. It continues to work on global standards for telecommunications to ensure interoperability and connectivity. While some might see this type of organization as a model for addressing the challenges of new economic statecraft, it is worth noting that there are significant fears that “global” arrangements can be captured by the interests of particular states. This was particularly pronounced in the case of the ITU in light of proposed changes to the Internet governance regime in the early 2010s, with the United States and European states favoring the maintenance of the existing multi-stakeholder governance model via ICANN and its associated institutions (that ostensibly put governance in the hands of scientists and engineers) while China and Russia favored moving the responsibility for

¹² This paragraph draws on Goodman (2018), Cimino-Isaacs (2023).

¹³ Australian Government Department of Foreign Affairs and Trade, Regional Comprehensive Economic Partnership, <https://www.dfat.gov.au/trade/agreements/in-force/rcep>.

¹⁴ Ibid.

¹⁵ Ibid.

Internet governance to the ITU where they might be able to better to influence governance arrangements.

This also raises the question of whether there are potential sectoral arrangements that might avoid the worst excesses of economic statecraft by shifting responsibility of governance arrangements to technical bodies. For example, the International Standards Organization has a standing committee for artificial intelligence technologies that is likely to play a significant role in setting the standards for red-teaming and model disclosure for the private sector (though, notably, not for military applications).

6.2. Global broad approaches

In contrast to sectoral approaches, the WTO remains the premier venue for global trade concerns. Can the WTO provide an avenue to address the rise of industrial policy and the various other tools of economic statecraft? Currently, the United States has blocked the appointment of judges to the Appellate body of the WTO, and a number of trade measures that it has used are clearly a violation of WTO norms, if not rules.

The WTO's challenges are prominently centered around a deadlock in rulemaking and negotiation processes and a perceived inadequacy in addressing contemporary trade issues—particularly as it relates to digital trade, intellectual property rights, labor standards, environmental sustainability, and non-tariff barriers (e.g., phytosanitary standards). Efforts to negotiate new trade agreements and update the WTO's rulebook have faced stagnation due to conflicting interests among member nations, particularly the divergence between developed and developing countries. The organization's effectiveness in navigating these pressing issues has been called into question, contributing to concerns about its ability to fulfill its role as a promoter of free and fair global trade.

7. Conclusion and prospects

Can new economic statecraft be constrained through bilateral agreements or international institutions? To be blunt, existing global institutions appear unlikely to succeed in this effort, given the context of industrial policy efforts and intervention in trade and investment by China, the United States, and Europe, among others. So, where might progress be made? Let us review the options.

First, economic statecraft can be handled as it currently being addressed with unilateral industrial policy, trade restrictions, and the creation of domestic regulations on foreign investment—all in the name of national security. This would essentially mean no constraints of an international arrangement.

Second, we could imagine a strictly bilateral approach along the lines of the U.S.-China Phase One agreements. We did see *sui generis* accords in the past, and we could see an imitation of the strategic arms control agreements between the United States and Soviet Union in the Cold War in which additional parties were viewed as unnecessary. Relevant to U.S. concerns about technology and investment, the agreement obliges China to address intellectual property and concerns surrounding technology transfer—particularly in relation to acquisitions, joint ventures, or other investment transactions. But the Chinese have shown little interest in implementing this accord, and this story reflects both a lack of demand for the creation of a regime to address economic statecraft, and a lack of a hegemonic supplier interested in addressing industrial policy, trade restrictions, and discriminatory investment rules.

A third scenario is a unilateral overall or sectoral approach.

Currently, however, the United States is not a member of either CPTPP (which China has shown interest in joining) and is also not a member of RCEP. Instead, the United States has embarked on a new strategy to engage with the Asia-Pacific region via the Indo-Pacific Economic Framework for Prosperity (IPEF) proposed by President Joe Biden in May of 2022.¹⁶ Critically, however, IPEF does not cover market access, owing to U.S. domestic conflicts over trade liberalization. The only international accord in which both the United States and China participate relevant to new economic statecraft (aside from the WTO) is the Asia Pacific Economic Cooperation forum. It may be possible for issues related to economic statecraft to be brought up in this grouping, but APEC has not been known for any binding agreements. But it could be a starting point.

Finally, we can envision two scenarios involving multilateral institutions (Aggarwal and Reddie 2021). The first would be to adapt an existing institution like the ITU, independent of the WTO, to address NES issues on market by market basis. Alternatively, in this vein, one could imagine some kind of issue specific agreements on key issues areas such as cyber, AI, synthetic biology, and quantum on a primarily technical basis. In this case, we would see concerns over the need to globally manage of “strategic industries” and “frontier technologies,” but each with its individual characteristics.

A second multilateral scenario would involve the modification of the existing WTO to incorporate new issues relating to economic statecraft. At present, as academics have noted, and as U.S. policymakers such as Peter Navarro and Robert Lighthizer under Trump noted, the WTO has failed to reign in a variety of Chinese industrial policy efforts. How might this be done? One approach would be an expansion of the issue scope of the GATT was done with services as part of the Uruguay Round negotiations that created the WTO. Indeed, we have already seen the introduction of investment and intellectual property issues into the WTO. Of these, the TRIMs agreement has been less impressive than the TRIPs agreement, with the latter having very significant impact on issues such as the regulation of access to pharmaceutical drugs. Yet, at present, with the end of Doha Round negotiations, this seems to be an unlikely path for the moment.

A third multilateral approach would be the creation of sector specific agreements in NES issues that would be nested within the WTO (as in the case of the STA/LTA under the GATT), with a separate modified meta-regime of principles and norms and a different set of rules and procedures (Aggarwal, 1985).

Optimism on this score might come from the successful negotiation of three open sectoral agreements of the Information Technology Agreement, the Financial Services Agreement, and the Basic Telecommunications Agreement (Aggarwal and Ravenhill, 2001). As in the case of the STA/LTA and its successor, the MFA, this would be an example of nested multilayered regimes.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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¹⁶ The White House. ‘Fact Sheet: In Asia, President Biden and a Dozen Indo-Pacific Partners Launch the Indo-Pacific Economic Framework for Prosperity’, 23 May 2022. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/23/fact-sheet-in-asia-president-biden-and-a-dozen-indo-pacific-partners-launch-the-indo-pacific-economic-framework-for-prosperity/>.

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