GLOBE GLOBAL GOVERNANCE AND THE EUROPEAN UNION Future Trends and Scenarios

REPORT

Mapping of the Trade and Development Global Regimes and Institutions

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Abbreviations

AANZFTA: ASEAN-Australia-New Zealand Free Trade Area
AB: Appellate Body
ACFTA: ASEAN-China Free Trade Agreement
ACP: African, Caribbean and Pacific
ADB: Asian Development Bank
AEC: ASEAN Economic Community
AfCFTA: African Continental Free Trade Area
AfDB: African Development Bank
AfT: Aid for Trade
AFTA: ASEAN Free Trade Area
AIFTA: ASEAN-India Free Trade Area
AIIB: Asian Infrastructure Investment Bank
AIP: ASEAN Industrial Projects
AJCEP: ASEAN-Japan Free Trade Area
AKFTA: ASEAN-Republic of Korea Free Trade Area
AOA: Articles of Agreement
AOSIS: Alliance of Small Island
APRM: African Peer Review Mechanism
ASEAN: Association of Southeast Asian Nations
AU: African Union
AUDA: African Union Development Agency
BINGO: business-friendly international NGO or big international NGO
BRI: Belt and Road Initiative
BRICS: Brazil, Russia, India, China and South Africa
BTIA: India-EU Broad-based Trade and Investment Agreement
CAF: Andean Development Corporation
CAFTA-DR: Dominican Republic–Central America Free Trade Agreement
CAI: EU-China Comprehensive Agreement on Investment
CAN: Andean Community of Nations
CCC: Clean Clothes Campaign
CCP: Common Commercial Policy
CDCS: Country Development Cooperation Strategy
CEPT: Common Effective Preferential Tariffs
CET: common external tariff
CETA: EU-Canada Comprehensive Economic and Trade Agreement
CFSP: common foreign and security policy
CLM: Cambodia, Laos, Myanmar
CMC: Common Market Council
CoC: Code of Conduct
CSN: South American Community of Nations
CSO: civil society organisation
CSTO: Collective Security Treaty Organisation
CTD: Committee on Trade and Development
DAC: Development Assistance Committee
DCFTA: deep and comprehensive free trade agreement
DONGO: donor organised NGO
DSM: dispute settlement mechanism
DSS: dispute settlement system
EBA: Everything But Arms
EBRD: European Bank for Reconstruction and Development

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ECAFE: UN Economic Commission for Asia and the Pacific
ECI: European Citizen's Initiative
ECJ: European Court of Justice
ECLAC: Economic Commission for Latin America and the Caribbean
ECOWAS: Economic Community of West African States
ECSC: European Coal and Steel Community
EEC: European Economic Community
EED: European Endowment for Democracy
EIB: European Investment Bank
EMFICA: Interregional Framework for Agreement
EPA: Economic Partnership Agreement
EU: European Union
FDI: foreign direct investment
FOCAC: Forum on China-Africa Cooperation
FSB: Financial Stability Board
FTAA: Free Trade Area of the Americas
G20: Group of Twenty
G7: Group of Seven
G8: Group of Eight
GATT: General Agreement on Tariffs and Trade
GDP: gross domestic product
GFC: Global Financial Crisis
GMS: Greater Mekong Subregion
GNI: gross national income
GONGO: government-operated NGO
GSO: Grassroots Support Organisation
GSP: Generalised System of Preferences
GVC: global value chain
HRBA: Human Rights Based Approach
IAD: International Development Association
IAI: Initiative for ASEAN Integration
IBRD: International Bank for Reconstruction and Development
ICS: Investment Court System
IDA: International Development Association
IDB: Inter-American Development Bank
IEU CEPA: Indonesia-EU Comprehensive Economic Partnership
IGOs: Intergovernmental Organisations
ILO: International Labour Organisation
IMF: International Monetary Fund
INGO: international NGO
IO: international organisation
IPR: intellectual property protection
IsDB: Islamic Development Bank
ISDS: Investor-State Dispute Settlement
JHA: justice and home affairs
KP: Kimberley Process
KPCS: Kimberley Process Certification Scheme
LADB: Latin American Development Bank
LDCs: least developed countries
MANGO: market advocacy NGO
MCCA: Central American Common Market
MDB: multilateral development bank
MDGs: Millennium Development Goals

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MERCOSUR: Southern Common Market
MIC: Multilateral Investment Court
MoU: memorandum of understanding
MSMEs: Micro, Small and Medium Enterprises
NAFTA: North American Free Trade Agreement
NATO: North Atlantic Treaty Organization
NDB: New Development Bank
NDG: Narrowing Development Gap
NEPAD: New Partnership for Africa's Development
NGDO: non-governmental development organisation
NTB: non-tariff barrier
NTM: non-tariff measure
OAS: Organisation of American States
OAU: Organisation of African Unity
OC: ordinary capital
ODA: official development assistance
OECD: Organisation for Economic Cooperation and Development
PCA: Partnership and Cooperation Agreement
PPI: public-private initiative
PPP: public-private partnerships
PTA: preferential trade agreement
PVDO: private voluntary development organisation
QUANGO: quasi-autonomous NGO
RCEP: Regional Comprehensive Economic Partnership
REC: Regional Economic Community
ROO: Rule of Origin
RTA: regional trade agreement
S&DT: special and differential treatment
SADC: Southern African Development Community
SBO: social benefit organisation
SCO: social change organisation
SDG: Sustainable Development Goal
SIA: Sustainability Impact Assessment
SME: small- and medium-sized enterprise
SoE: state-owned enterprise
SSC: South-South Cooperation
SSCAF: South-South Cooperation Assistance Fund
TANGO: technical assistance NGO
TFP: Trade Finance Program (ADB)
TIWG: G20 Trade and Investment Working Group
TNCs: transnational corporations
TNGO: transnational NGO
TSD: trade and sustainable development
TSO: third-sector organisation
TTIP: Transatlantic Trade and Investment Partnership
UN: United Nations
UNASUR: South American Countries Union
UNCITRL: United Nations Commission on International Trade Law
UNCTAD: UN Conference on Trade and Development
UNDP: UN Development Programme
UNFSS: United Nations Forum on Sustainability Standards
UNICEF: United Nations Childrens' Fund
UNIDO: UN Industrial Development Organisation

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UNSC: UN Security Council
US: United States
USAID: U.S. Agency for International Aid
V4: Visegrad Four
VSS: voluntary sustainability standards
WTO: World Trade Organization

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1. Introduction

The global governance of trade and development is dynamic and complex, conducted at many levels by a diverse range of institutions. In recent years, the trade and development regimes have only grown more complicated, as the global economy changes and power becomes more diffused – between and among states and also between and among states and non-state actors. GLOBE aims to gain a more thorough understanding of the major developments in the trade and development regimes through mapping the key institutions engaged in the governance of these two issue areas. Because the European Union (EU) is a major player in both the trade and development regimes, this mapping paper will provide insight into where the EU fits within these complex regimes.

This mapping paper aims to achieve two primary objectives. First, it will describe the major developments in trade and development governance from a multi-level (global, regional, national) and multi-actor (public, private, public-private) perspective. Second, it will identify the major challenges that a diverse set of global governance institutions face in the trade and governance regimes.

Though the trade and development regimes occasionally overlap, in general it is possible to discern two distinct regimes – each facing new and unforeseen challenges in recent years.

Trade: The global trade regime, for instance, is sustained by a mix of formal institutions and informal practices that have created a policy regime aimed at liberalisation in recent decades over the world. In recent decades, these policies combined with advancements in communication and transportation technologies have resulted in an exponential increase in the volume of trade. This growth has been accompanied by a parallel increase in complexity: the significant rise in trade of intermediate goods and commodities through global value chains (GVCs) has resulted in intricate networks of firms that present new challenges in trade governance. Further, as traditional barriers to trade – such as tariffs – have fallen, a variety of 'non-tariff barriers' (NTBs) have gained ground including, inter alia, import quotas, subsidies and regulatory standards. Also, the composition of global trade has changed in recent years with a sharp increase in trade in services.

Though the World Trade Organization (WTO) is the multilateral institution with the greatest reach in the global trade regime, increasing contestation of the multilateral trading system by both emerging economies and countries that have historically made up the vanguard of liberalisation have resulted in the failure of the Doha Round, increasing protectionism, and the obstruction of the WTO's dispute settlement mechanism. On the other hand, similar forces have also given rise to greater numbers of bilateral and regional preferential trade agreements, which, although they represent a more piecemeal approach, remain in line with the WTO's ultimate agenda of achieving greater levels of liberalisation worldwide. These interactions have significant effects – both positive and negative – on the governance regime.

Development: The drivers and conditions of development have similarly undergone significant changes in recent decades. Traditionally driven – and funded – by Bretton Woods institutions such as the International Monetary Fund and the World Bank alongside long-standing regional development banks, these institutions now share an increasingly crowded field with other institutions and actors. New investment banks such as the Chinese-led Asian Infrastructure Investment Bank (AIIB) have recently become major development actors throughout the globe. Additionally, China's Belt and Road Initiative (BRI) is a major connectivity and development project that aims to create a transportation link between China and Europe, putting in place crucial infrastructure in countries along the route. While the World Bank has historically set the agenda in terms of the development regime's objectives of sustainable and socially-inclusive economic development – requiring that certain legal, social and environmental conditions and benchmarks be met by recipient countries – the increasing

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influence of alternative approaches to development may make it more difficult for the Bank to maintain its normative authority and pursue its objectives. Along the same line, South-South Cooperation arrangements have also emerged as a new development strategy led by emerging economies from the so-called 'Global South' as an alternative to traditional North-South cooperation, applying alternative principles and mechanisms for development.

The global governance of trade and development thus takes place through a great number and variety of institutions and at multiple levels. The rules that govern trade and development can be broad and global in reach or minutely specific to a particular context. Furthermore, these institutions continuously interact with one another. While such interactions can indeed be a source of the challenges we observe in cases where objectives or approaches contradict or compete with one another, many interactions can also lead to positive synergies.

Despite a significant body of scholarly research on the dynamics of and institutions making up the trade and development governance regimes, there is so far no comprehensive contribution that brings together the variety of institutions in order to better understand the nature, opportunities and challenges of these two regimes. To fill this gap, this mapping paper first assesses the range of objectives pursued by the institutions making up the trade and development regimes. Then, we take stock of each level of governance from multilateral formal and informal international organisations to regional institutions in both trade and development, and from state-led initiatives to voluntary and hybrid schemes developed by private actors, ultimately constructing the global architecture of each regime, and introducing a framework for understanding the variety of outcomes of institutional interaction.

The mapping paper proceeds as follows. In the next section, we introduce the range of objectives pursued within the trade and development regimes, including overlapping objectives between the two regimes. Then in section 3, we describe each level of governance in greater detail. At each level, we describe the most important institutions of each regime, recounting recent developments and illuminating the key challenges – both internal and external – faced by the institution in the pursuit of its governance objectives. We start with the institutions that are most global in scope: the global intergovernmental organisations. We first look at the formal international organisations, providing an in-depth overview of the two leading organisations, namely, the World Bank and the World Trade Organization. Next, we turn to informal intergovernmental organisations, providing a case study on the Group of Seven (G7) and Group of Twenty (G20).

We then shift to the regional level. At this level, we first discuss the proliferation of regional organisations, identifying and providing case studies on the leading institutions at this level: the EU, the Southern Common Market (MERCOSUR), the Association of Southeast Asian Nations (ASEAN) and the African Union (AU). Next, we look at regional development banks, focusing on three critical institutions for regional development financing, particularly with regard to emerging economies, namely the Asian Infrastructure and Investment Bank, the Asian Development Bank (ADB), and the Inter-American Development Bank (IDB). In a third part of the mapping of the regional level, we give attention to preferential trade agreements, which are a major driver for cooperation in trade, and which also play a unique role in the achievement of development objectives. In this part, we outline the trade strategies pursued by major regions and actors driving the proliferation of preferential trade agreements, specifically the EU, China, Southeast Asia and Latin America. Finally, we wrap up the section on the regional level by looking into official development assistance (ODA) as an important component of global development, providing an account of the strategies of the three major providers of ODA: the European Union, the United States and China.

In the final part of the third section, we look beyond governments to non-state actors as providers of governance. We first consider the striking proliferation of private initiatives and voluntary sustainability standards (VSS), as well as some examples of each. We then turn to

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hybrid governance institutions such as public-private partnerships (PPPs), which have also grown in prominence in recent years.

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2. Range of objectives for trade and development governance

It is widely believed that increased global trade through greater liberalisation is a foremost path toward economic growth. To this end, a variety of goals are pursued within the trade regime to liberalise trade, particularly the reduction of barriers to trade (both tariff and non-tariff) and nondiscrimination in treatment of trading partners. The ultimate goal of the trade regime is to achieve economic growth through open markets and free-market competition worldwide. While economic growth is often seen as a pre-condition for development, it has also been well-recognised that, alongside economic growth, trade liberalisation can also create environmental degradation and social challenges and the benefits of trade are not always equally distributed (Feenstra, 1998; De Schutter, 2015). As a result, some trade regimes also aim to address – to varying degrees – the social and environmental consequences of trade.

By contrast, the development governance regime has increasingly focused on the achievement of sustainable and socially inclusive development with a very strong focus on poverty reduction, either through liberalising markets, building state capacity, or both.

Both regimes currently frame their objectives and aims in a broader context of the Sustainable Development Goals (SDGs) making up the 2030 Agenda for Sustainable Development set forth by the General Assembly of the United Nations (UN) in September 2015. The SDGs, or "Agenda 2030" (United Nations, 2015) as it is also often called, represent an ambitious effort by the global community to ensure that 'no one is left behind' as it emphasises a holistic approach to achieving sustainable development for all (United Nations, 2019). At its core are 17 Sustainable Development Goals with 169 Targets. The 17 goals focus on: no poverty; zero hunger; good health and well-being; quality education; gender equality; clean water and sanitation; affordable and clean energy; decent work and economic growth; industry, innovation and infrastructure; reduced inequalities; sustainable cities and communities; responsible consumption and production; climate action; life below water; life on land; peace, justice and strong institutions; partnerships for the goals. While the earlier Millennium Development Goals (MDGs) set for 2015 prioritised the reduction of poverty together with progress primarily applied to low and middle-income countries, the Agenda 2030 is universal, expanding to countries of all income levels.[1]

The SDGs constitute a non-binding framework which uses aspirational language to set its goals and specific targets. Encouraging such a broad and ambitious agenda would be virtually impossible to turn into legally-binding conventions or instruments. However, it is clear that the SDGs refer to several international agreements and conventions and, in this way, try to further implement existing international law. For example, several International Labour Organisation (ILO) conventions, as laid out in the Decent Work Agenda by the ILO, are included in the remit of SDG 8 on decent work and economic growth. These conventions include the prohibition of child labour and forced labour. Therefore, while the SDGs cannot be described as binding or as legal tools, they do reinforce multilateral agreements. Moreover, sometimes the SDGs feed into new international agreements. For example, goal 13 on climate change explicitly encourages the pledge to mobilise 100 Billion USD by 2020 for climate financing. This pledge was eventually enshrined in the Paris Agreement of 2015. By emphasising this crucial aspect of tackling climate change through financing, the SDGs make a vital link with both the spirit and content of this subsequent agreement.

The importance of trade and development policies are recognised under SDG 17, the cross-cutting SDG which aims to contribute to the achievements of all other SDGs, and are singled out as an important implementation mechanism to achieve sustainable development. As a consequence, several institutions in the trade and development regime reframe their

[1] On the importance of measuring SDGs, see Data-Pop Alliance, 2019.

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objectives in terms of the SDGs. For example, the WTO stresses that it plays a central role to achieving the SDGs with a specific focus on poverty reduction, health, education and the environment (World Trade Organization, 2019a).

Due to the multi-level nature of trade and development governance, these objectives, too, have a multi-level nature. Global objectives are thus distilled into regional, national and local goals. While very often these goals align with and contribute to achieving the global objectives, this alignment is not necessarily guaranteed, as we will see in the next section.

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3. Global Governance Institutions

In this section, we describe the most relevant institutions within the trade and development governance regimes, as well as recent developments and challenges. First, we look at multilateral institutions that operate on a global scale. Next, we turn to institutions that first and foremost operate within a given region – even when their activities may be sometimes global in scope. Finally, we consider non-state actors that operate both together with and independently of states.

3.1 Global Intergovernmental Institutions

3.1.1 Formal International Organisations

Formal international organisations (IOs) are formed by intergovernmental treaty or multilateral agreement voluntarily signed by sovereign states in order to collectively solve problems or meet needs that are not limited to a specific state and are, rather, regional or global in nature. The treaty functions as the organisation's charter and generally defines specific membership criteria, decision-making procedures and rules for enforcement. While there is no consensus as to how exactly the category of IOs should be defined (Guzman, 2013), IOs usually have a secretariat or one or more organs with the ability to make some autonomous decisions and are funded by member states: they represent the most institutionalised and public level of global governance.

While signatory states delegate an amount of authority to an IO to allow the organisation to function, the rules put in place by the IO are not (except in rare cases) truly enforceable – membership in IOs is voluntary and a state has the freedom to leave an IO at any time, even if the organisational charter contains no exit clause (Guzman, 2013). However, the international norms and standards set by an IO can have enormous weight and in many cases the benefits of participating in an IO give states enough incentive to abide by the rules. Additionally, IOs are frequently a wellspring for soft international law, as the standards and rules they create, while not legally binding, nevertheless can have significant impact on the behaviour of states.

The largest and most well-known of the IOs make up the foundational pillars of the multilateral system, including, inter alia, the UN, the International Monetary Fund (IMF), and the World Bank, but there are many others fulfilling important global functions, such as the International Telecommunications Union or the World Customs Organization. IOs vary in terms of scope, level of authority, governance structure, membership requirements, yet they typically engage in four primary activities:

1. they act to achieve an objective (i.e. solve a global problem, provide a global public good)
2. they provide a forum for negotiation among states
3. they speak as an organisation to influence the behaviour of states
4. they provide a dispute resolution system (Guzman, 2013)

Most formal IOs have historically been created or undergone significant reform following international or regional crises such as the Second World War or the global financial crisis (Wouters and Odermatt, 2014). This is true of the leading IO for global governance of trade – the World Trade Organization – and for development – the World Bank – which both originate from institutions created at the 1944 United Nations Monetary and Financial Conference (better known as the Bretton Woods Conference) in the aftermath of the Second World War

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and post-war financial turmoil. A detailed overview of these two leading organisations, including recent developments and challenges, will be provided in the sections below. Additionally, several agencies within the UN family play important roles in trade and development governance, such as the UN Conference on Trade and Development (UNCTAD), the UN Development Programme (UNDP), the ILO and the UN Industrial Development Organization (UNIDO).

3.1.1.2 Leading IO for trade policy: The World Trade Organization

The World Trade Organization, with 164 members, including the EU and all of its member states, is an international organisation that facilitates the regulation of international trade, reduction of trade barriers, and opening of markets. Set up in 1995, the WTO replaced the General Agreement on Tariffs and Trade (GATT), which had been in place since 1948. The WTO's negotiating arm – the Ministerial Conference – is the WTO's highest decision-making body and is where WTO members negotiate on reforming the governance of international trade. Alongside this, the General Council is the decision-making body for day-to-day processes. Decisions are made on the principle of consensus. In the event consensus is not possible, the WTO Agreement provides for a voting mechanism through which each country gets one vote. There is also a robust dispute settlement mechanism that provides a platform for countries to initiate disputes against other members for violation of WTO agreements.

The preamble of the WTO Agreement mandates the members to operate with the objective of sustainable development, which includes economic development, environmental protection and preservation, and social development. While economic development still remains a focal point (Hoekman, 2002b; Hoekman and Mavroidis, 2002), scholars have suggested that trade agreements could be retooled for social inclusion (Shaffer, 2019b) and environmental protection (Eliason, 2019). The WTO has been involved in developmental policies though the Committee on Trade and Development (CTD) that serves as a central point for work on development within the WTO. The work of CTD relates to technical assistance, special and differential treatment (S&DT) (Xiangchen, Qingjun and Jinyong, 2019), aid for trade (Hoekman, 2002a; Hallaert, 2015; 2013), and helping small economies.

Significant developments

The WTO has made significant strides in facilitating economic integration. 141 WTO members have ratified the Trade Facilitation Agreement, which is designed to remove bottlenecks and ease trade. Some of the recent major developments have occurred in the areas of agriculture and fisheries subsidies (World Trade Organization, 2019a). The negotiations on agriculture have seen developments on public stockpiling for food security, domestic support, market access, export prohibitions and restrictions, and export competition. Fisheries subsidies have been the main focus point of the Negotiating Group on Rules. Countries have also signed a joint declaration on Trade and Women's Economic Empowerment in the 2017 Ministerial Conference, promoting gender justice and equality in international trade. Negotiations and joint initiatives on e-commerce; investment facilitation; micro, small and medium enterprises; and domestic regulation on services trade have also been launched.

Main challenges

The current challenges faced by the WTO are due to the abrogation of multilateral approach (Cohen, 2018), pursuit of unilateral and plurilateral means to achieve national interests, and the rise of other actors in trade governance (see Hoekman, 2019). Some of these challenges are cyclic in nature and highlight the systemic and fundamental issues in the current WTO system. Multilateral negotiations have resulted in deadlocks (Chen and Sun, 2019) due to the principle of consensus (Delimatsis, 2014) in the decision-making process (Ansong, 2018; 2017). This has led the members to pursue plurilateral and unilateral means, which in turn

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affects the efficiency of the multilateral order. The threat to the multilateral approach is evident in both the WTO dimensions: the dispute settlement system and the negotiations forum. Further, a proliferation of voluntary standards set and enforced by private actors – while often beneficial for facilitating trade in some areas – have also been a new source of barriers to trade and the WTO has been divided as to how they fall under existing WTO agreements (WTO, 2007; Mavroidis and Wolfe, 2017).

Regarding the dispute resolution aspect, the most important challenge faced by the WTO since 1995 is the Appellate Body (AB) crisis (Wagner, forthcoming; Hillman, 2018; Brewster, 2019; McDougall, 2018). The AB is an appellate review mechanism of the WTO disputes and has been described as the WTO's "crown jewel" (Creamer, 2019; Sacerdoti, 2016). In recent years, the AB has witnessed blockage to the appointments of its members by the United States (US). Since 10 December 2019the AB has become practically defunct.

This issue stems from a lack of agreement over the AB's role. The AB has been accused by some critics of judicial activism (Petersmann, 2018). Some scholars, too, have highlighted that the AB has also entered into the lawmaking realm of the WTO (Bahri, 2019). The US claims that the lawmaking powers were not the original intent of constituting the AB. Due to these concerns, the US has sought to obstruct the AB by blocking appointments and renewals of members. This issue is critical and places the WTO in unprecedented crisis. In the absence of the AB, the DSS could become more political rather than legal. In this case, it would look like the DSS during the GATT days and would fundamentally constrict the rule of law in the international economic order.

On the negotiating front, challenges in securing consensus on issues such as social inclusion (Shaffer 2019a), intellectual property (Qin, forthcoming; Zhou, Jiang and Kong, forthcoming; Rimmer, 2016; Hoekman, Maskus and Saggi, 2004), and e-commerce (Janow and Mavroidis, 2019; Gao, 2018; Meltzer, 2019) have impeded streamlining the multilateral agenda for the future. The inability to secure consensus has also affected the negotiating dynamics on solutions for trade distorting domestic policies. Policies that are have distortionary and discriminatory applications have a tendency to cause negative spillovers on trading partners (Bluth and Hoekman, 2018). These policies range from old negotiating areas, such as subsidies and state-owned enterprises (SoEs), to new negotiating areas, such as digital barriers and data privacy. Considering the significant negative implications of international spillovers from trade-distorting practices like subsidies and SoEs, multilateral rules for regulating such policies are necessary. The dearth of rules to regulate these areas has raised doubts about the WTO's ability to tackle such problems, both old and new.

Another important issue that has contributed to the negotiating roadblocks is the "North-South", or "developed-developing country", divide (Peixoto Batísta, 2010). In the WTO framework, developing countries receive exemptions from strict reciprocity through the principle of S&DT. S&DT relaxes certain commitments due to the developing countries' inabilities to fulfill obligations. The constraints may be due to lack of capacity and resources. In order to receive S&DT relaxations, the "developing country" status can be claimed through a self-declaration method that does not require any particular criteria. Because of this, advanced developing countries are placed on an equal footing with least developed countries under the umbrella of "developing country". Accordingly, the US has been demanding strict reciprocity in obligations and has proposed objective criteria for a country to receive "developing country" status and to receive relaxations. The EU, sharing a similar concern, has called for a "needs-based" and "evidence-driven" approach (European Commission, 2018a). Developing countries like India and China have made proposals to protect S&DT, as they consider this to be not only "customary practice" under WTO law, but a treaty-embedded, non-negotiable right. While S&DT was agreed to be an integral part of the 2001 Doha Ministerial Conference, the US has rejected it. Most scholars and observers have declared the Doha Development Agenda to be a thing of the past. The negotiations have been going on since

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2001 and has reached an *impasse*, with countries unable to agree on the core aspects of the Agenda (Mavroidis, 2011; Gantz, 2013). This divide is only deepened over attempts to secure consensus on developmental reforms. This issue has contributed significantly in creating a divide in the negotiating platform.

Due to the inability of WTO rules in regulating some critical negative international spillovers and trade-distorting policies, members have sought plurilateral cooperation (Hoekman and Sabel, 2019). For example, the EU has coordinated with the US and Japan to work on areas such as market-distorting practices (United States Trade Representative, 2019). The areas of cooperation include old disciplines like subsidies and SoEs, as well as the new ones such as digital trade barriers. Members have also initiated urgent unilateral actions. The US initiated "aggressive unilateralism" by imposing tariffs (Chow, 2019; Chow and Sheldon, 2019) on steel and aluminum under the garb of "essential security" measures (Heath, 2019; Voon, 2019; Pinchis-Paulsen, forthcoming; Roberts, Choer Moraes and Ferguson, 2019). One of the reasons for tariffs were due to China's overcapacity of steel. China has retaliated by imposing counter-tariffs. This has escalated into a "trade war". China also initiated a WTO dispute regarding the US tariffs (Delegation of China to the WTO, 2018). The US stated that the dispute is outside the purview of the WTO, highlighting its preference for a unilateral approach in resolving market distorting practices rather than pursuing litigation under the WTO DSS. The use of unilateral and plurilateral means to address multilateral problems brings into question the existence of a multilateral institution like the WTO. The increasing use of unilateral and plurilateral means is therefore one of the main challenges that the WTO faces today.

3.1.1.3 Leading IO for development policy: The World Bank

The leading international organisation for development cooperation is the World Bank[2], which is comprised of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The Bank's purpose is to support economic development by financing primarily government projects through loans and grants to states. While the IBRD is self-sustaining and provides non-concessional loans to credit-worthy states (usually middle-income), the IDA provides low- and no-interest loans and grants to the world's poorest states (75 states qualified for IDA assistance in 2018) and is financed by the Bank's member states (World Bank, 2018: 85). Both institutions also contribute their considerable expertise to development projects, risk management, reform efforts (Wouters and Odermatt, 2014) and extensively collect and disseminate data on a large variety of topics related to development.

The first of the two, the IBRD, was set up in 1944 in the aftermath of the Second World War at the UN Monetary and Financial Conference in Bretton Woods, United States with the purpose to assist, inter alia, with post-war reconstruction and development and the restoration of economies as well as to promote private investment and the growth of international trade (IBRD Articles of Agreement: Article I 2012). The IDA followed in 1960, with the purpose of promoting economic development, increasing productivity and raising standards of living in underdeveloped states.

Now with 189 member states, it is the world's largest development bank: in 2015 the Bank made commitments totaling 60 billion (World Bank, 2019a). The Bank works closely with its counterpart Bretton Woods institutions, particularly the International Monetary Fund, with which it cooperates on members economies' reform and poverty reduction (see Wouters and

[2] Together with three other institutions - the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID) that focus on the private sector – the IBRD and the IDA make up the World Bank Group.

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Odermatt, 2014:74). It also has cooperation agreements in place with the World Trade Organization. The Bank has a treaty-based relationship with the United Nations and has committed to projects related to the 2030 Development Agenda, and self-assesses its contribution to the UN Sustainable Development Goals, especially the goal to "End poverty in all its forms everywhere", which coincides with the primary goal of the Bank.

The World Bank has evolved to making the elimination of poverty a major priority, in addition to stepping in to manage and resolve macroeconomic crises when they arise. The Bank has played a major role in integrating a majority of states into the world economy (Woods, 2014) and contributes substantially to global economic governance. In doing so, the Bank has – for better or worse – gained influence over member states through conditionality (Wouters and Odermatt, 2014), or "policy-based lending" (World Bank, 2005). As "an early convert to neo-liberalism" (Mahon, 2010: 174), since the 1980s the World Bank has generally required borrowers to adopt structural adjustment programs that involve implementing fiscal austerity measures (including the roll-back or elimination of state-run social welfare programs), maintaining low rates of inflation, deregulation and privatisation of the market, and liberalisation of trade and capital flows (Hart, 2001; Pieterse, 2012; Mahon, 2010). During the 1980s, the Bank promoted structural reforms in developing countries together with the IMF through cross conditionality (Nemiña, 2018), but since the 1990s, the organisations' individual agendas were slightly better defined: the IMF took the lead responsibility in macroeconomic issues and the World Bank took over poverty reduction and sustainable development agenda, with both institutions sharing the neoclassic economic framework (Mendes Pereira, 2017). Thus, for much of its history, the Bank has been considered one of the primary institutions behind the promotion of neoliberal globalisation and propagating the so-called "Washington Consensus" (Mahon, 2010; Hart, 2001; Pieterse, 2012).

The Bank has shifted away from financing infrastructure projects (from 70 percent in 1950s and 1960s to 19 percent in 1999) (Wang, 2017: 3) to focusing primarily on projects related to poverty reduction and good governance initiatives (Braithwaite, 2008: 25–26). Additionally, the World Bank plays an important role in times of economic downturn, by providing counter-cyclical lending when private lending decreases – such as during the 2008 Global Financial Crisis (GFC) (Culpeper, Griffith-Jones and Titelman, 2016: 174).

Significant Developments

The World Bank's evolving approach to development over its 75-year history has largely aligned with and evolved with the global political economic consensus. What started as a post-war focus on reconstruction and the mitigation of the negative effects of economic growth through social protection (i.e. "trusteeship") (see Hart, 2001; Lewis, 2019), gave way in the mid 1970's to the neoliberal Washington Consensus that advocated for a roll-back of explicit and intentional development intervention under the assumption that development would be an automatic byproduct of the economic growth that would result from freer markets (see Pieterse, 2012). The neoliberal approach taken by the World Bank and the other Bretton Woods institutions, then, represented one side of what Pieterse calls the "main tension in development policy" (2012: 371) – the other side being the human development approach (embodied by the United Nations Development Program) that gives a greater role to the state and prioritises the social aspects of development.

This ongoing tension gradually exposed the gaps in the consensus legitimising the World Bank's development model. Many international organisations, critics of globalisation, civil society organisations and developing states at the receiving end of the World Bank's financing and policy demands criticised the World Bank's use of conditionality to effect policy change in primarily developing countries (Mallaby, 2004). Some argued that the Bank's policies focused on the eradication of poverty and on growth in terms of gross domestic product (GDP), but did

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not take into consideration social inclusion, equality and environmental protection (Bárcena, 2016). As early as the mid-1980s, the United Nations Development Program (UNDP) and the United Nations Childrens' Fund (UNICEF) called upon the Bank to take a more social approach to development (Mahon, 2010). Furthermore, others argued that the economic model that World Bank and other Bretton Woods institutions were forcing upon developing countries at minimum restricted the countries' room for maneuver to overcome crises and create conditions for sustainable growth (Easterly, 2003; Pieterse, 2012; Ocampo, 2016; Woods, 2014); others took an even more pessimistic view that World Bank policies were serving the interests of Western powers or the capitalist class by keeping developing countries' growth at bay in order to keep them available for sites of export production or assuring market access for Western capital (Chimni, 2004; Woods, 2014; Barma and Vogel, 2008). According to Woods, the Bank's own internal reviews have demonstrated that "[t]here is no incontrovertible evidence that the IMF and the World Bank know what is good for their borrowing countries" (Woods, 2014: 6). Despite these criticisms, for more than a quarter century the World Bank held firmly to the principle of market-led economic development, in direct opposition to the Keynesian model that gives more prominence to the role of the state (see Pieterse, 2012).

However, toward the end of the twentieth century, the World Bank began to gradually return to the notion of trusteeship, strengthening market regulation and envisioning a larger role for the state in development. Despite key figures in the World Bank attempting to fit the so-called "East Asian Miracle" into the neoliberal paradigm, the Bank reluctantly acknowledged the role of heavy state intervention in the achievement of significant economic growth in Japan and South Korea, most notably in the Bank's 1993 publication The East Asian Miracle: Economic Growth and Public Policy (Hart, 2001; Braithwaite, 2008; Wade, 1996). Shortly thereafter, the 1997 World Development Report focused on the role of the state in the economy and the 2002 Report focused on building market institutions (see Barma and Vogel, 2008: 12). Additionally, under president James Wolfensohn who took office in 1995, the World Bank began to actively engage and seek input from civil society and non-governmental organisations – many of whom had been the Bank's biggest critics in previous decades– as well as to make debt-relief and tackling corruption major areas of focus (Mallaby, 2004; Wolfensohn, 1996). This proactive engagement relieved some of the pressure that NGOs and activists had been putting on the Bank, but the Bank's incomplete shift toward a human development approach (versus an economic development approach) continued to draw criticism (Mallaby, 2004).

The slipping sanctity of the neo-liberal economic model the Bank had promoted was further, and perhaps most seriously, undermined by the 2008 GFC, which called into question the approach and legitimacy of the Bretton Woods institutions (Bárcena, 2016: 75). Meanwhile, the epicenter of economic dynamism had moved to the emerging and industrialising countries of the global East and South: The share of the global gross domestic product held by Brazil, Russia, India, China and South Africa (BRICS) increased from 8 percent in 2000 to 22 percent in 2017, while the share of global GDP held by Western states declined from 65 percent to 45 percent during the same period (Wang, 2017: 119). In light of the changing global economic consensus and shifting power dynamics, the World Bank, alongside other traditional development actors such as the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) and the UN, openly embarked upon a "major new reform initiative, which reflects an open debate about its changing mission" (Jenks 2016: 152). Acknowledging the need for the Bank to respond to a changing global economy, the Bank's Development Committee published a document titled "New World, New World Bank Group: (I) Post-Crisis Directions" in which the Bank acknowledges the possibility of a greater role for government, recognises the need for greater financial oversight and admits the necessity for governments to develop stronger social safety nets (World Bank, 2010) – in

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other words, the Bank acknowledges the possibility of multiple paths to development, or of "developmental pluralism" (Pieterse, 2012).

Challenges

Despite the World Bank's recent attempts to change its message, other challenges remain. The Bank's governance structure has been under scrutiny for favouring the interests of advanced Western economies by linking the number of a country's votes to their capital contributions (Wang, 2017; Wouters and Odermatt, 2014; Ocampo, 2016). Additionally, some critics see the World Bank as an American tool of foreign policy (Mahon, 2010; Woods, 2010) – a critique that is not mollified by the fact the Bank's president has always been an United States' citizen, or that the appointment of the World Bank's president has been criticised for being "secretative, overly political partisan and illegitimate" (Woods, 2010: 52). In response, the World Bank has undertaken voting reforms to address the concerns of legitimacy and its perceived democratic deficit, but these reforms have been considered incomplete (Ocampo, 2016; Wouters and Odermatt, 2014) or deliberately misleading (Vestergaard and Wade, 2015), with actual the voting power of developing countries changing very little as a result and veto power remaining in the hands of the US.

Still, the World Bank's broad membership and quota-based voting system appears to be something of a middle ground between the exclusionary systems of the UN Security Council (UNSC) and the G7 and G20 on one hand, and the more inclusive, one state-one vote and consensus-building models of the UN General Assembly and WTO on the other, which struggle to make decisions at all. In other words, the somewhat confusing quotas system at the World Bank still represents a compromise in the debate between legitimacy and effectiveness (Bradford and Lim, 2011; Ocampo, 2016).

In recent years, the World Bank has also faced new challenges by other development actors. For instance, the Bank has recently had greater competition for funding since the establishment of the UN Multi-Partner Trust Fund in 2004 allowed donors to contribute to the UN as a whole (Jenks, 2016: 161). Additionally, as the locus of economic power has become divided, new multilateral development banks – led by countries of the global East and South – have emerged or grown in prominence. The New Development Bank (NDB) based in Shanghai and the Asian Infrastructure Investment Bank (AIIB) based in Beijing are two that have inspired significant controversy and anxiety among Western commentators, with some policymakers expressing concern about the role these banks will play vis-à-vis the World Bank (see Wang, 2017). Relatedly, the rise of these banks coupled with the increasing economic power of emerging economies has implications for the ability of the World Bank to conditionality to effect governance changes in borrower countries: countries that formerly had no choice but to accept strict conditions may be less reliant on World Bank lending or can "shop around" (Wang, 2017; Woods, 2010).

Conclusions – Looking Forward

However, such changes may ultimately enhance development cooperation. As Wang points out, these new development banks have the potential to be an important complement to the World Bank, as they may fill certain gaps in the World Bank's repertoire. For example, while the WB's more than 130 offices and staff in more than 170 countries is proudly announced on the group's official website, the Bank occasionally faces criticism – including by other multilateral development banks – for its large staff, high operating costs, and perceived inefficiency (Wang, 2017). Further, as Culpeper et al. (2016) argue, the Bank's commitments and disbursements to low-income countries lagged behind those to middle-income countries

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during recent financial downturns, and in some cases, disbursements took a long time (Culpeper et al., 2016: 175). The new banks, by contrast, appear to be less bureaucratic and leaner, and may be able to respond more quickly and equitably.

Additionally, other (regional) multilateral banks may help mitigate what is essentially a collective action problem in development. Because development involves many issues that are dealt with separately by different organisations or UN bodies (e.g. climate change, women's rights) and there is no effective overarching body to coordinate these international bodies (Ocampo, 2016; Bárcena, 2016), development actions can be redundant, contradictory, or even harmful. This lack of coordination at the global level has led some scholars to consider how independent regional efforts – "polycentric approaches" (Ostrom, 2014; 2010) – can fill the gap, at least in the short-term (Bárcena, 2016). Indeed, the idea that regional bodies are better able to solve regional problems is a driving force behind the establishment and elevation of regional development banks, such as the African Development Bank or the Inter-American Development Bank (Woods, 2010; Bárcena, 2016), which we will turn to in Section 3.2.2.

3.1.2 Informal Intergovernmental Organisations (Informal IGOs)

In addition to cooperating through formal IOs like those we discussed above, states and regional organisations participate in a variety of arrangements and forums for intergovernmental cooperation that are less formalised, such as the Alliance of Small Island States (AOSIS), the Visegrad Four (V4), the Financial Stability Board (FSB) or, most famously, the "G groups". While these bodies may lack institutional structure, clear rules, enforcement mechanisms and formal (treaty-based) authority, informal IGOs nevertheless have a number of advantages and a unique role to play in global governance.

First, informal IGOs offer states a forum for dialogue and consensus-building that is less restrictive of state sovereignty. As such, a greater number of states may be willing to participate, which can be important for the provision of some public goods, particular those which decisions must be made by a great variety of actors unsuited to centralised and formal international decision-making (Wouters and Odermatt, 2014). Further, Informal IGOs can be more flexible and nimble in responding to crises or abrupt changes (Vabulas and Snidal, 2013; Wouters and Odermatt, 2014), in addition to being able to take on a wider variety of topics that might fall outside the mandate of a formal IO.

While Informal IGOs vary in terms of formality and function, Vabulas and Snidal (2013: 197) define Informal IGOs as organisations those with following attributes:

> "1. An explicitly shared expectation—rather than a formalized agreement—about purpose
> 2. With explicitly associated state "members" who
> 3. Participate in regular meetings but have no independent secretariat or other significant institutionalization such as a headquarters and/or permanent staff."

Informal IGOs can often avail of certain looser enforcement mechanisms such as peer-review, monitoring, dialogue, and capacity building. Despite the informality, member states often have an incentive to comply with agreements – less influential member states because they risk losing their seat at the table, and more influential member states because their non-compliance would undermine the system (see Wouters and Odermatt 2014: 67). Finally, though decisions reached by Informal IGOs are not formally binding, consensus reached through an IGO is often reaffirmed through a formal IOs' decision-making procedures and follow-up measures are often delegated to a formal IO relevant to the issue area. As Informal IGOs often cover multiple issue areas, they frequently overlap with other institutions, thereby

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both contributing to governance of a given issue and also adding to the complexity of a governance regime (Vabulas and Snidal, 2013).

3.1.2.2 Leading informal IGOs for trade and development policy – G20, G7 and G77

The G7, G20 and G77 are important international informal dialogue mechanisms and governance platforms that have emerged between developing and developed economies. Though they have different development histories and functions, both the G7 and the G20 were established to cope with a financial crisis in the early days of their establishment (Teker and Yuksel, 2016). Responding to the financial crisis that erupted in the early 1970s, six of the world's largest economies – the United States, United Kingdom, France, Germany, Italy and Japan – founded the Group of Six in order to coordinate a common response to the crisis, holding the first summit in France in 1973 (Prodi, 2016). Canada joined the group in 1977, making it the G7. The summits of the G7 became an event which would be held once a year. In 1997, Russia gained its membership in the G7, thus creating the Group of 8 (G8). However, Russia's membership was suspended in 2014 due to its involvement in the conflict over Crimea. From then on, the G8 resumed its former composition as the G7.

Similarly, following the Asian Financial Crisis in the late 1990s, several states that had been left out of the G7/8 questioned the capacity for the exclusionary G7/8 to provide adequate global solutions to global problems. As a result, the G20 came into being in 1999 and began to gradually play a powerful role in combatting protectionism and beggar-thy-neighbour policies (Wouters and Van Kerckhoven, 2017: 8). The G20 consists of 19 countries[3] and the European Union, including both Western and emerging economies. Similar to the G7, the G20 summit is also normally held annually – with an exception made due to the 2008 financial crisis, during which it was held once every six months in 2009-2010. Indeed, the Global Financial Crisis became another "critical juncture", further cementing a shift "away from the dominance of a narrow G7/8 alliance of states to a broader, more inclusive (but still not comprehensive) set of actors and interests" (Hongsong and Breslin, 2016: 95). Indeed in 2009, the US announced at the Pittsburgh Summit that the G20 has replaced the G7 as the main platform for international economic governance. Nevertheless, the G7 still holds its summits regularly. As the global context and the needs of member states have changed over time, the functions of the organisations have been extended to take on many other issues. Now, trade and development are the two main topics on the agendas of the G7/20 summits.

The G77 emerged intimately bound up with the United Nations Conference on Trade and Development (UNCTAD) between 1962 and 1964 in an attempt by developing countries to shape global politics, but more specifically the world trade system created by the GATT. In 1964, the first UNCTAD was held, bringing together a Group of 75 developing countries – excluding Cuba and Ivory Coast but including New Zealand – voting as a caucus and – led by the President of the Economic Commission for Latin America and the Caribbean (ECLAC), Raul Prebisch – pushing for compensations for past and future losses as a result of deteriorating terms of trade and a demand for a decision-making process of one country, one vote and majority voting (Prebisch, 1985).

[3] The 19 countries are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Korea, Turkey, United Kingdom, and the United States.

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The final document was signed by 77[4] developing countries pledging for mutual cooperation in the common cause of a new world order. The group emerged as an alternative or counterweight to the OECD and became a formal group within UNCTAD (Toya, 2014). The G77 has been meeting regularly since its creation, although it has only held two summits so far. The South Summit is the supreme decision-making body of the Group of 77. The first and second South Summits were held in Havana, Cuba, on 10 – 14 April 2000 and in Doha, Qatar, on 12 – 16 June 2005, respectively. In the last decades, the emergence of China and the other BRIC countries brought new life to the G77, with an aim to strengthen developing countries bargaining power in IOs and develop new strategies of economic and political insertion into the global economy.

Significant Developments

Although the G20 started as a crisis response mechanism, it has been transforming into a platform for global economic governance. The G20 members began to seek a path to actively promote trade and development rather than exclusively responding to the financial crisis. During the transformation process, the Seoul Summit in 2010 was a milestone for the organisation as a development actor – the G20 members led by Korean presidency elevated the issue of development by adopting the Seoul Development Consensus for Shared Growth and the Multi-Year Action Plan (MYAP) on Development (Li and Zhou, 2016), aimed at “sustainable economic growth” and “helping to narrow the development gap” (Seoul Development Consensus, 2010: 3). With the concept of sustainable development gaining prominence in development governance, the G20 members actively responded to the Sustainable Development Goals (SDGs) which were proposed by the UN in 2015. Sustainable development issues began to be involved into the themes of the G20 summits and at the 2016 Hangzhou Summit in China, the leaders initiated the G20 Action Plan on the 2030 Agenda for Sustainable Development. The Plan included sectors related to sustainable development such as green finance and clean energy (G20 Action Plan, 2016).

On the trade side, the G20 leaders “recognized that reinvigorating world trade and investment was an essential element of restoring global growth and that a protectionist response to the crisis would exacerbate the sharp decline in demand in crisis-hit countries” (Hoekman, 2016:36). According to a joint report made by the OECD, WTO and the UN Conference on the Trade and Development (UNCTAD) in 2013, in a seven-month period, the G20 countries “implemented 100 trade restrictive measures, covering around 0.5% of G20 merchandise imports” (Hoda, 2016: 230). G20 members realised that the necessary path to achieve economic growth and poverty reduction is to expand market access and enhance the capacity of trade.

[4] At present, the G77 includes 135 countries: Afghanistan, Algeria, Angola, Antigua and Barbuda, Argentina, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Brunei Darussalam, Burkina Faso, Burundi, Cabo Verde, Cambodia, Cameroon, Central African Republic, Chad, Chile, China, Colombia, Comoros, Congo, Costa Rica, Côte d'Ivoire, Cuba, Democratic People's Republic of Korea, Democratic Republic of the Congo, Djibouti, Dominica, the Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eritrea, Eswatini, Ethiopia, Fiji, Gabon, Gambia. Ghana. Grenada, Guatemala. Guinea. Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Iran (Islamic Republic of), Iraq, Jamaica, Jordan, Kenya, Kiribati, Kuwait, Lao People's Democratic Republic, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Micronesia (Federated States of), Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nauru, Nepal. Nicaragua, Niger, Nigeria, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Qatar, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Solomon Islands, Somalia, South Africa, South Sudan, Sri Lanka, State of Palestine, Sudan, Suriname, Syrian Arab Republic, Tajikistan, Thailand, Timor-Leste, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkmenistan, Uganda, United Arab Emirates, United Republic of Tanzania, Uruguay, Vanuatu, Venezuela (Bolivarian Republic of), Viet Nam, Yemen, Zambia, and Zimbabwe.

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Therefore, reducing protectionism and enhancing the capacity of trade have become two crucial focuses of G20 members' cooperation. Thereafter, the G20 trade ministers expressed in the 2016 statement that the G20 members welcomed the establishment of the G20 Trade and Investment Working Group (TIWG) to strengthen its trade and investment mechanism (G20 Trade Ministers Meeting Statement, 2016). In addition, the G20 supports the multilateral trading system under the WTO and the trade minister's statement made a point to reaffirm "the central role of the WTO in today's global economy" (Ibid). Similarly, the G7 places trade and development issues at the top of the summits' agendas. While the early G7 summits focused on economic and financial issues, in the 1980s and 1990s, political and security issues became part of the agenda and eventually issues related to trade and environmental protection were added (Prodi, 2016). In recent years, the G7 priorities has expanded to other aspects of trade and development, including *inter alia* the speed of world economic development and poverty, the development of Africa and developing countries, climate change, and taxation.

The G20 also engages with other international organisations on trade and development issues to expand its influence. For instance, the G20 jointly pledged alongside the WTO, UNCTAD and the OECD to reject protectionism and to promote and facilitate trade and investment (Larionova, 2016: 59). The growing relationship between OECD and the G20 has brought positive effects to the both organisations. According to Wouters and Van Kerckhoven, the relationship between the two organisations is mutually beneficial: the G20 "needs the expertise and the work of the OECD", while "the OECD has been able to augment its influence by increasing its ties with the G20" (2011: 20). Additionally, the G20 influenced the IMF "to undertake a detailed assessment of the global economic and financial situation by clarifying key objectives and elaborating policies" (Larionova, 2016: 60). Among the primary IOs, the IMF, the Financial Stability Board (FSB), the World Bank and the OECD have the highest intensity of interactions with the G20 (Ibid, p.54).

The priorities of the most recent G20 Summit (28-29 June 2019 in Osaka, Japan) included the economy, trade and investment, environment and energy, and development (G20 Japan, 2019). The most important outcomes of this summer were the Leaders' Declaration and the Ministerial Declarations. They reaffirmed the importance of a favourable trade and investment environment and committed to work with the WTO and to support the necessary reform of WTO. It is worth mentioning that the Summit emphasised the relationship between digitalisation, development and economic growth. The discussion on the digital economy had begun during the Hangzhou Summit in China in 2016 (G20 Ministerial Statement on Trade and Digital Economy, 2019). Since then, each G20 Summit has incorporated this topic, most recently realised as the G20 Ministerial Statement on Trade and Digital Economy made at the 2019 summit. According to the Statement, the G20 expects the digital economy to create benefits for societies and stimulate trade "through the use of emerging technologies such as artificial intelligence, fifth-generation mobile telecommunication technologies, the Internet of Things" (Ibid.). While encouraging the development of the digital economy, the G20 members also took the free flow of data, trust, innovative policy approaches and security issues in the digital economy into consideration (Ibid.). Regarding sustainable development issues, the Summit continued to envision the implementation of the 2030 Agenda for Sustainable Development in the future.

The G20 continued to focus on climate change and global environmental challenges, and it would promote energy transition in a "3E+S (Energy Security, Economic Efficiency, and Environment + Safety)" manner (G20 Osaka leaders' declaration, 2019: 10). In addition, poverty eradication, infrastructure construction, education, health and other topics related to sustainable development were included in the discussion.

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The latest G7 Summit was held between 24th and 26th August 2019 in France. Although the leaders' declaration was relatively brief, the Summit nevertheless covered core topics of trade, economy and development. The G7 supports improving the effectiveness of WTO and eliminating unfair trade practices: "the G7 is committed to open and fair world trade and to the stability of global economy" and "wishes to overhaul the WTO" (G7 leaders' declaration, 2019: 2). Like the G20, the G7 also expressed the belief that the digital economy would be a key player in trade relations and has brought it into the G7 Africa Partnership. As to the discussions on development, the G7 expressed concern about environmental and climate change issues. Hot topics such as the burning Amazon rainforest and ocean protection were included in the agenda (Tusk, 2019).

Challenges

Though the G20 and the G7 play the role of multilateral governance platforms to cope with global crises and challenges, they each face difficulties and limitations in fulfilling this role. The effectiveness of the G7 and G20 may be hampered by several factors. A lack of independence, for instance, constrains the organisations in carrying out necessary activities: the G7 and G20 were "established outside the normal protocols of international law and have no constitution, ongoing secretariat or budget, and thus no capacity to act independently of its member states" (Slaughter, 2013a: 73). Other scholars argue that the annual rotating presidency has led to a proliferation of trade and development policy initiatives and that "it is not clear the extent to which this format creates peer pressure to deliver on these relevant policy challenges or diluted the ambition of the proposals" (Future of Globalisation Blog, 2018: 4). Whether the informal international lawmaking project can solve problems in a cost-effective way is a crucial element to measure its effectiveness (Wouters and Geraets, 2012: 28).

The legitimacy of the G7/20 has also long been criticised by scholars – with further implications for the institutions' effectiveness (Slaughter, 2013a: 76). A lack of representativeness undermines the legitimacy of the G20 and G7 and is often thought to be one cause for the G20's ineffectiveness: the G20, which represents one-third of the world's population, discusses global issues, while the remaining two-thirds of the population have no voice (Ibid, p. 78). Further, the G7 and the G20 also have overlaps in terms of their memberships and main functions (Prodi, 2016). Therefore, the rationality of the existence of the G7 has been debated.

Another challenge for the G20 and G7 relates to coordination and building consensus among the members, especially for the G20 as a larger group of states with heterogeneous interests (Prodi, 2016). The G20 members' conceptual gaps and different domestic conditions have brought challenges to the coherence of the G20. For instance, although most of the G20 member states have begun to implement the SDGs, "there are large variations among G20 countries in how the SDGs are embraced by the political leadership and translated into institutional mechanisms" (Dashboards Report, 2018: 8). The G20 also has "difficulties accommodating the interests of the great powers (such as China, the U.S., Russia), medium-sized states (such as South Korea, Australia, Canada), and emerging powers (such as India, South Africa, Brazil, Turkey, Mexico), the EU and the rest of the 'systemically important' G20 actors" since they have different trade capacities and development priorities (Rewizorski, 2017: 38). Furthermore, the trade war between the two leading members of the G20, China and the US, has posed another challenge for the group. At the 2018 Argentina Summit, some members, like Australia, were hoping leaders could "make a statement of support for the multilateral trading system, including reforms to the WTO. But the differences between China and the US were so strong that they could not be resolved" (Livingston, 2018: 5). The G20 members likewise did not make any commitment against protectionism in the 2019 Osaka

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Summit leaders' declaration. Though G20 meetings provide a forum for the heads of conflicting states to meet, and it is notable that the US and China had a meeting during the Osaka Summit, with both sides expressed their willingness to restart trade talks (Xinhua Net, 2019), the results remain to be seen. The G7 is facing greater pressure. At present, there are several divergences among the G7 members, with regard to issues of trade, climate change and others. Similar to the G20, challenges of protectionism and increasing differences between the US and EU put strain on the functioning of the G7. 'America First', the foreign policy pursued by the US under the administration of Donald Trump, "puts the like-mindedness of G7 at risk" (Canziani, 2019: 9). As to the trade war, French president Macron hoped to convince G7 leaders to halt the trade war at the Biarritz Summit. The European Council president Donald Tusk, however, made "a strikingly dour assessment of the summit's chances of success" by arguing that "there is still no certainty whether the group will be able to find common solutions" (Borger and Chrisafis, 2019: 3).

In summary, the G20 and G7, as two informal global governance mechanisms, are working to play their role in addressing global trade and development issues such as climate change, sustainable development and trade barriers, but a lack of coherence, legitimacy and effectiveness hinder the organisations in fulfilling these roles.

3.2 Regional Actors

3.2.1 Regional International Organisations

In a globalised economy, many governance problems are no longer confined within the borders of an individual state. And yet, very often, IOs at the global level are not the appropriate forum within which governance issues that are regional in character can be resolved due to capacity constraints, problems of representativeness and decision-making challenges, as we saw in section 3.1.1. Thus, decisions are increasingly being made and actions are being collectively taken at regional levels, often through formal regional organisations.

Regional IOs (ROs) are a special subset of formal IOs as described in section 3.1, and accordingly, they are typically established through a treaty between three or more states that provides the terms of membership, decision-making and rules for enforcement. While ROs can vary considerably in terms of institutionalisation and scope, they often have a permanent secretariat and are funded by member states. ROs are differentiated from the larger set of IOs primarily in terms of the geographic or geopolitical exclusivity of membership – an RO's membership is typically is exclusive to states that belong to a particular region (though what constitutes a "region" is social constructed and therefore can be rather broadly defined – see Söderbaum 2004).

Over the last several decades, ROs have grown significantly in number and scope. Many ROs are formed for the primary purposes of cooperating to achieve a specific objective, such as to facilitate trade – for example, the North Atlantic Free Trade Area (NAFTA) – or to pool security resources – such as the Collective Security Treaty Organisation (CSTO) – within a bloc of states. Other ROs aim to achieve deeper levels of regional integration to govern a wider range of issues, including human and social rights, democratic governance, environmental protection, migration and development (Börzel and Risse, 2016). Others, as we will see in the case of MERCOSUR below, straddle these purposes, often formed for a specific purpose such as economic integration, but taking on an expanded range of issues over time.

This section will focus on state-led regional integration projects that go beyond a single issue and encompass a degree of political integration. These types of ROs have been formed

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around the globe, but those that are most important to the global governance of trade and development governance are as follows: the Asia Cooperation Dialogue, the Regional Comprehensive Economic Partnership, the Shanghai Cooperation Organisation, Asia-Pacific Economic Cooperation, Commonwealth of Nations, South Asian Association for Regional Cooperation, Organization of American States, African Union, Association of Southeast Asian Nations (ASEAN), the European Union, NAFTA, the Arab League, Organization of the Petroleum Exporting Countries (OPEC), Organization of the Black Sea Economic Cooperation, the Southern Common Market (MERCOSUR), the Association of Carribbean States, the Pacific Alliance, the Eurasian Economic Union, the Visegrád Group, the Nordic Council, and CARICOM. To illustrate the role that formal regional organisations play in the trade and governance regimes, we will look more closely at four prominent ROs in this section, namely the European Union, ASEAN, MERCOSUR, and the African Union. We will discuss free trade areas in a later section (3.2.3).

3.2.1.2 EU in trade and development governance

The EU is a unique economic and political Union between 28 European countries. The foundations of the current EU were laid after the Second World War. In 1951 the European Coal and Steel Community (ECSC) was founded to foster economic integration and interdependence among the six founding countries to avoid a new conflict on the European continent (Dinan, 2014). In 1957, the same six ECSC founding countries singed the Treaties of Rome, establishing the European Economic Community (EEC) and Euratom. The EEC Treaty laid the foundations of an 'ever closer Union' among the peoples of Europe and had to serve as step towards a closer political integration in Europe. The EEC Treaty created, *inter alia*, a common market; a customs union; a common trade policy; and an institutional framework and decision-making procedures, with the European Commission, the Council of Ministers, the European Parliament (initially called the Common Assembly) and the European Court of Justice (ECJ) as the main institutions.

Over the years, the EEC gradually 'deepened and widened' through different Treaty revisions and the accession of new Member States. For example, the 1986 Single European Act completed the Internal Market, based on the free movement of goods, services, capital and persons and the 1993 Maastricht Treaty created the European Union based on an enlarged 'Community' pillar. It also created the economic and monetary union and established two new pillars in the European integration project: the common foreign and security policy (CFSP) and cooperation in the fields of justice and home affairs (JHA). The structure of the Union and some of the Treaty provisions were subsequently adapted by the Treaties of Amsterdam and Nice. The 2004 EU enlargement with 10 countries from central and eastern Europe and Cyprus and Malta called for a new Treaty revision and the Treaty of Lisbon, entered into force in 2009, brought eventually the much-need changes and reforms to the EU. It provided the EU with a single legal personality, which replaced and succeeded the European Community. Moreover, it also made significant changes to the decision-making process, including the move from unanimity to qualified majority voting in at least 45 policy areas in the Council of Ministers, a change in calculating such a majority to a new double majority and a more powerful European Parliament forming a bicameral legislature alongside the Council of ministers under the ordinary legislative procedure (Lenaerts and Van Nuffel, 2011; Craig and De Búrca, 2015; Piris, 2010). The Lisbon Treaty also introduced a number of far-reaching changes in EU external relations with the scope for the Union to become a more coherent actor on the international stage. These include the creation of the single post of High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission, who heads the EU's newly established diplomatic corps (i.e. the European Union External Action Service), and the establishment of a horizontal set of principles and objectives guiding all the Union's external action: democracy, the rule of law, the universality and

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indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity (Cardwell, 2012; Ramopoulos and Wouters, 2018).

In sum, what began as a purely economic community has evolved into a unique supranational form of political and economic integration covering policy areas from climate, environment and health to external relations and security, justice and migration.

The EU's approach to trade and development

The EU's trade policy, referred to in the Treaties as the Common Commercial Policy (CCP), has been a crucial element in the process of European integration and has become an essential tool for the EU's role as a global actor (Gstöhl and De Bièvre, 2018; Leal-Arcas, 2019; Van der Loo and Hahn, forthcoming). The EU is not only the world's largest economic bloc, accounting for over 20% of global GDP, it is also the world's largest trader of manufactured goods and services, accounting for 16% of the world imports and exports. In addition, the EU is the main provider and the main destination of foreign investment in the world (European Commission, 2019a).

As noted above, the Rome Treaty provided for the gradual establishment of a customs union between the EEC member states, requiring the removal of tariffs among the member states, the harmonisation of external tariffs and, consequently, a common commercial policy to develop and manage the Community's (now Union) trade relations with third countries. Significantly, the ECJ confirmed already in the early days of the CCP that this policy falls under the exclusive competences of the Community, implying that only the Community (now Union) is able to adopt legally binding acts (or trade agreements) in this area, while the member state may intervene only if it empowers them to do so (ECJ, 1975).

Developments in the EU's trade and development policy

(i) Legal developments: The Treaty of Lisbon

The Treaty of Lisbon brought several fundamental changes to the EU's CCP (Bungenberg and Herrmann, 2013; Hillman and Kleimman, 2010). The most significant changes are:

The objectives of the CCP. One of the main objectives of the Lisbon Treaty was to increase the coherence and efficiency of the EU's external action. The Treaty of Lisbon also established a horizontal set of principles and objectives guiding the Union's external policymaking, including the CCP (Dimopoulos, 2010). In particular, Articles 205 and 207(1) TFEU explicitly submit the CCP to the general external policy principles and objectives of the Union's external actions. It is, therefore, mandatory that the CCP should now aim not only at the gradual liberalisation of trade, but also at non-economic policy objectives such as the protection of human rights and fundamental freedoms, the promotion of sustainable and environmental development and the strengthening of international security. The link created between the CCP and the general provisions of Article 21 TFEU has been considered as leading to a 'politicisation' of the EU's trade policy (Milewicz, Hollway, Peacock and Snidal, 2018; Hilpold, 2013; Vedder, 2013; Wouters, Marx, Geraets and Natens, 2015). However, it has to be noted that even in the early days of the CCP, trade was used as a tool to implement political aims through, for example, sanctions or embargoes and by international agreements such as association agreements and FTAs linking trade(-related) aspects with non-trade aims (Ott and Van der Loo, 2018).

An increased role for the European Parliament. To increase the democratic accountability of the EU's trade policy, the Lisbon Treaty gave more power to the European Parliament in scrutinising trade policy (Devuyst, 2014; Van den Putte, De Ville and Orbie, 2014). Not only is, since the Treaty of Lisbon, the European Parliament a co-legislature (under the

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ordinary legislative procedure) for EU trade legislation, its consent is now also required for the conclusion of trade agreements (and almost all other types of agreements). Moreover, the European Parliament needs to be "immediately and fully informed at all stages of the procedure" (Article 218(10) TFEU), as further specified in the 2010 Framework Agreement on relations between the European Parliament and the European Commission (European Union, 2010; Coremans and Meissner, 2018). For instance, the Commission needs to provide to the European Parliament during the negotiation process all relevant information that it also provides to the Council, including draft amendments to adopted negotiating directives, draft negotiating texts, agreed articles, the agreed date for initialing the agreement and the text of the agreement to be initialed. The European Parliament has already demonstrated that it is not afraid to reject the ratification of trade agreements (e.g. ACTA and the 2011 EU-Morocco Fisheries Partnership Agreement) and has impacted FTA negotiations, such as in the case of the negotiations on the EU-US Transatlantic Trade and Investment Partnership (A. Matic, 2020).

Broadened scope of the CCP. The Treaty of Lisbon also further clarified and broadened the scope of the exclusive CCP. Whereas initially the CCP was essentially concerned with trade in goods, the scope of the EU's exclusive competences in the area of trade were gradually expanded through different Treaty revisions and case-law of the ECJ (Rosas, 2017; Cremona, 2017). This has often led to inter-institutional disputes before the ECJ between the Commission, which traditionally has a broad reading of the EU's exclusive CCP, and the Member States and/or Council, who prefer a more narrow interpretation of the scope of the CCP so as to require their involvement in the decision-making procedures under 'mixed agreements' (cf. infra). The Treaty of Lisbon aimed to consolidate and expand the scope of the exclusive CCP, which now covers trade in goods and services, commercial aspects of intellectual property and foreign direct investment (FDI) (Article 207 TFEU; Ankersmit, 2014). In its landmark Opinion 2/15 on the EU-Singapore FTA, the ECJ broadly interpreted the EU's post-Lisbon trade competences and concluded that the entire EU-Singapore FTA (and therefore in principle all the 'new generation EU FTAs') falls within the exclusive competences of the EU, with the notable exceptions of the provisions related to portfolio investment and the Investor-State dispute settlement mechanism, which fall within competences shared between the EU and the Member States (Geraets, 2018; Cremona, 2018; Van der Loo, 2017).

(ii) Policy developments: The 2015 'Trade for all' Strategy

The EU's trade policy is also guided by different policy strategies and documents. In its latest comprehensive trade and investment strategy 'Trade For All' from 2015, the Commission has focused on strengthening the effectiveness, transparency and value-dimension of the EU's trade policy (European Commission, 2015a; 2017a). The Commission aims to make the EU's trade policy more effective by the promotion and better integration of the EU economy in global value chains and improving the implementation of existing trade agreements. The latest FTA implementation report from the Commission indeed concludes that trade under existing trade agreements keeps growing but that there remains untapped potential – in particular for SMEs (European Commission, 2018b). Moreover, the strategy spells out the objective to address new trade-relates issues that affect today's economy, such as services and digital trade, and ensuring that SMEs can benefit from more open markets (for example by including SME chapters in the new generation of EU trade agreements) (European Commission, 2015a). In the context of the heated debate about the benefits and consequences of the new generation of EU FTAs such as CETA and TTIP, the Commission has opened up trade negotiations to more public and parliamentary scrutiny by, for example, publishing draft negotiation mandates and textual proposals for bilateral trade agreements and by making public reports of each negotiation round and the consolidated negotiation text (without waiting for the complete legal revision) (Heldt, 2019; Coremans, 2019). Civil society is now also actively engaged in the context of the Sustainability Impact Assessments (SIAs) that are developed for envisaged

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trade agreements (Martens, Van den Putte, Oeri and Orbie 2018; Orbie, Van den Putte and Martens, 2018). The Commission also aims to strengthen the value-dimension of the EU's trade policy by using trade agreements and preference programmes as leverage to promote its values like sustainable development and human rights (Milewicz et al., 2018; Hilpold, 2013; Vedder, 2013; Wouters et al., 2015; Ott and Van der Loo, 2018).

Another key objective of the Trade for All strategy was to continue with the conclusion of a new generation of 'deep and comprehensive' FTAs with major trade partners, a policy that was already set in motion by the Commission's 2006 Global Europe Strategy (European Commission, 2006). The EU's FTA policy is further discussed in section 3.2.3.2.1 of this report.

(iii) The EU's new investment (protection) policy.

As the Treaty of Lisbon broadened the scope of the exclusive CCP with FDI (cf. supra), the EU started to negotiate investment rules in its new generation of FTAs or in self-standing investment agreements, including rules on investment protection and Investor-State Dispute Settlement (ISDS) mechanisms. However, the ISDS mechanism that the EU initially envisaged in its FTAs with Canada (CETA) and the US (TTIP) triggered an intensive debate among Member States, members of the European Parliament and civil society groups (De Ville and Siles-Brügge, 2017; De Bièvre, 2018; Heldt, 2019). The main concerns with regard to ISDS relate to the possible negative impact on government's right to regulate, the cost and duration of arbitration proceedings, the consistency and coherence of arbitral decisions and the lack of independence, impartiality, and neutrality of arbitrators. In this context, the EU developed in 2015 an Investment Court System (ICS) which has replaced the 'traditional' ISDS mechanism in its new generation of FTAs (e.g. with Canada, Vietnam, Singapore and Mexico) (Baetens, 2016; Reinisch, 2016; Lenk, 2017). These bilateral ICSs, composed of a Tribunal of first instance and an Appeal Tribunal, aim to address the main concerns about the traditional ISDS mechanism by, *inter alia*, limiting the grounds on which an investor can challenge a state through more precise investment protection standards; ensuring governments' right to regulate and to pursue legitimate public policy objectives; and by including specific rules on transparency and the qualification of the judges (European Commission, 2015b).

Parallel to the establishment of the ICS in its bilateral FTAs, the Commission proposed in 2017 to establish a Multilateral Investment Court (MIC) (European Commission, 2017b). This MIC would be a permanent independent international court empowered to hear disputes over investment between investors and states that would have accepted its jurisdiction over their bilateral investment treaties. Moreover, the MIC should also replace the bilateral ICS in the EU's recent FTAs (Howse, 2017; Brown, 2017). In March 2018, the Council adopted negotiating directives authorising the Commission to open negotiations for a Convention establishing such an MIC (Council of the European Union, 2018a). Initial talks on the possible creation of an MIC started in late 2017 under the auspices of the United Nations Commission on International Trade Law (UNCITRAL). Significantly, in its landmark Opinion 1/17 on 30 April 2019, the ECJ ruled that the Investment Court System in the EU-Canada Comprehensive Economic and Trade Agreement (CETA) is compatible with EU law (ECJ, 2019). This Opinion gave therefore the green light to the inclusion of the bilateral and/or multilateral ICS in the EU's new generation of FTAs.

(iv) WTO reform

Against the background of increasing trade conflicts between major WTO members such as the US, the EU and China, and the prospective breakdown of the dispute settlement mechanism at the end of 2019 by the US' blockage of Appellate Body appointments, the WTO is facing its worst-ever crisis (see section 3.1.1.2). As a staunch supporter of the multilateral trading system, the European Commission proposed in a concept paper in September 2018 ideas to modernise the WTO, focussing on (i) rulemaking and development; (ii) regular work

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and transparency; and (iii) dispute settlement (European Commission, 2018c) and has pushed its reform agenda in the autumn of 2018 with key trade partners in different fora, such as the EU-China Working group on WTO reform, the trilateral ministerial Working group with Japan and the US and the G20. While several countries have already aligned with the Union in this reform process, for example in November 2018 when the Union submitted a concrete proposal for the reform of the WTO Appellate Body together with a group of important WTO members (e.g. Korea, India, Canada and Switzerland) (European Commission, 2018d) and in July 2019 when the EU and Canada agreed on an interim appeal arbitration arrangement based on existing WTO rules (European Commission, 2019b), key WTO Members such as the US are still very critical towards the EU's proposals.

(v) Trade and development

The EU has always used its trade policy for development goals. This is again clearly expressed in the Commission's 2015 'Trade for All' Strategy, which intends to use trade and investment to support inclusive growth in developing countries by providing an open market for their exports, by enabling them to integrate into and move up regional and global value chains, by taking into account policy coherence for development, and by promoting respect for human rights and high labour and environmental standards (European Commission, 2015a). The two most concrete examples of this 'trade-development' nexus are the EU's trade relations with the African, Caribbean and Pacific (ACP) countries and the EU's unilateral trade preferences for developing countries.

EU-ACP trade relations. As former colonies of EU Member States, the ACP countries have always had a special trade and aid relationship with the EU, dating back to before 1975 and the first Lomé convention (Carbone and Orbie, 2015; Gstöhl and De Bièvre, 2018). The current framework for EU-ACP Partnership is the Cotonou Agreement, concluded in 2000 for a 20-year period to 2020 and revised in 2010 to adapt the EU-ACP Partnership to new challenges such as climate change, food security, regional integration, State fragility and aid effectiveness. As the trade regime under the Cotonou Agreement expired in 2007 (due to the expiry of the WTO waiver), the EU aims to establish Economic Partnership Agreements (EPAs) with regional groupings of ACP countries. EPAs are WTO-compatible development-oriented trade agreements that aim to contribute to the smooth and gradual integration of the ACP partners into the world economy and ultimately to sustainable development and poverty reduction (Gstöhl and De Bièvre, 2018). For example, EPAs provide for asymmetric trade liberalisation in favour of the ACP countries, long transition periods, the exclusion of sensitive products and flexible rules of origin. However, among the seven regional groups, only the Caribbean Forum (CARIFORUM) has so far concluded a full regional EPA (European Commission, 2019e). Some members of the Southern African Development Community (SADC), the Economic Community of West African States (ECOWAS), the East African Community and the other groups have concluded regional or bilateral interim EPAs restricted to trade in goods. However, many EPAs still need to be signed, ratified or implemented, and the interim EPAs are supposed to be further developed into full regional agreements. Whereas the development-oriented dimension of the EPAs is recognised (A. Poletti, D. Sicurelli, 2018), the EPAs have been criticised for their weak economic impact (Langan, 2018).

The EU and the ACP countries are, since September 2018, renegotiating their partnership for the time after 2020, when the Cotonou Agreement will expire. In December 2017, the Commission proposed an umbrella agreement defining common values and interests ('common foundation') and three distinct tailor-made protocols ('regional partnerships') with, respectively, the African, Caribbean and Pacific member states of the ACP group (European Commission, 2017c). The EPAs will however remain the key instruments for EU-ACP trade, but can be widened to include more countries or deepened to include more substantive areas. Negotiations at the level of the three regional components were officially launched on 4 April

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2019. With regard to African pillar of the new envisaged agreement, it has to be noted that the African Union is since 2018 establishing an African continental FTA (AfCFTA) (see section 3.2.1.5). In this context, the Commission is also considering a continent-to-continent free trade area in the longer term (Juncker, 2018).

Unilateral trade preferences. The EU's Generalised Scheme of Preferences (GSP) unilaterally removes import duties from products coming from vulnerable developing countries, aiming to help developing countries to alleviate poverty and create jobs based on international values and principles. The EU was among the first actors to create a GSP in 1971, which has since undergone many reforms (Gstöhl, 2014). There are currently 3 schemes under the EU's GSP: (i) a standard GSP for low and lower-middle income countries, which grants a partial or full removal of customs duties on two third of tariff lines; (ii) the GSP +, which provides additional market access to developing countries complying with a set of international conventions on human and labour rights, environmental protection and good governance and; (iii) EBA (Everything But Arms), a special arrangement for least developed countries, providing them with duty-free, quota-free access for all products except arms and ammunition. In the light of the Treaty of Lisbon and the Global Europe Strategy, the EU's GSP system was further revised in 2012. This GSP reform broadened the list of international conventions relevant to the GSP+, going beyond the core labour conventions and also covering sustainable development and human rights, developed stricter economic eligibility criteria and refocused priorities on 'the neediest' (Carbone and Orbie, 2015). This reform significantly reduced the number of GSP beneficiaries to 14 countries. Currently 8 countries are benefitting from the GSP+ and 48 from the EBA. Although the Commission's 2018 GSP midterm evaluation is rather positive for the new GSP regime, highlighting the increased imports and exports with the beneficiary countries and the increased use of the trade preferences (European Commission, 2018e), the latest GSP reform was also criticised for focusing too much on reciprocity (Siles-Brügge, 2014) and not being effective (Richardson et al. 2016; Marx, 2019).

Challenges

In recent years, the EU's faced a number of challenges in implementing its trade and development agendas.

Maintaining the multilateral system. Since its inception, the EU has been committed to dealing with global governance issues at the multilateral level and has actively contributed toward forming multilateral agreements (Perdikis and Perdikis, 2018; Elsig, Milewicz and Stürchler 2011). The EU Commission's Trade for All strategy calls for "reinvigorating the multilateral trading system", explaining that the EU should do "everything possible to restore the centrality of the WTO as a trade negotiation forum" (2015a: 27) following stagnation due to the negotiation failures at the Doha Round (see section 3.1.1.2) and the disillusionment of some emerging economies following the 2008 Financial Crisis (Bertoldi, 2019). However since then, pressure on the multilateral system has only worsened: increasing contestation of the multilateral system from the United States under President Donald Trump is having an impact on the EU's ability to achieve its trade and development agendas through the multilateral systems (Gowan and Dworkin, 2019). Though the EU reaffirmed its commitment to the strengthening and reform of multilateralism in its 2017 'Reflection Paper on Harnessing Globalisation' (European Commission, 2017b), the loss of its main allies in maintaining the multilateral order (most importantly the US) will remain a challenge.

Balancing multiple principles (e.g. transparency/democratic control and efficiency). There is an increasing demand for more transparency in all policy areas. This turn towards transparency is driven to foster good governance and rule of law, strengthen accountability

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and democracy and in some case even to promote effectiveness and efficiency (Peters, 2013: 7) Transparency is often seen "as a non-negotiable value on the road to good-governance and democratic accountability" (Bianchi, 2013: 12). According to Brunne and Hey (2013), promoting transparency is associated with fostering the open and participatory nature of deliberations, the exchange of information, reporting and compliance, and engagement with stakeholders. Indeed, many scholars consider transparency to be a key principle of a democratic governance. It eases control and scrutiny and helps in improving accountability. Transparency is seen as "part and parcel of a principle of democratic governance" (Bianchi, 2013: 4). This concern for closing the democratic deficit also spurs initiatives by the European Union on transparency. As a result, as Delimatsis (2017) suggests, in the EU law context transparency is highly related to legitimacy and hence highly desirable. Indeed, in the European Union there has been an increasing attention to transparency precisely for these reasons. This commitment to transparency is codified in the Treaty as well as in many legislative acts such as the transparency directive and the European Citizen's Initiative (ECI) regulation.

However, in practice, transparency in trade negotiations and political relations is frequently overshadowed by secrecy and informality in order to achieve success. And in fact, in trade policy, adherence to the principle of transparency might create adverse effects. Trade negotiations often require secrecy in order to achieve success. The norms of secrecy are engraved deeply in the diplomatic setting and the context of international negotiations (O'Reilly, 2017). According to Bok (1982, as cited in Abazi and Adriaensen, 2017: 1), the function of secrecy is to generate a "space of trust between the parties that maintain the secret and a sense of separation from the outsiders towards whom the secrets must be guarded". Several scholars have pointed to other possible negative effects of increased transparency in trade policy. Pollack (2002) and Coremans (2019) argue that increased transparency in EU trade negotiations generates new or aggravates existing transaction costs for the affected actors, due to introducing new or changing existing working practices. Second, transparency generates costs arising from "credible commitment" strategies. Such costs occur when the political cost of moving away from a publicly committed negotiation position prevents compromising (Hagemann and Franchino, 2016). Moreover, it may result in disproportionate transaction costs when decision-makers hide underlying motives in favour of demonstrating responsiveness to public demands. This point is also made by Buchanan and Keohane (2006: 427) who argue that transparency might negatively impact the quality of deliberations. Third, there may be costs which arise from "conflicting preferences": the requirement to share information with a larger number of actors, given the diverse interests of the actors involved in the process, affects decision-makers' ability to reach a decision in the aggregate interest of the relevant actors (Young, 2017).

This tension between transparency and secrecy in trade policy creates a trade-off that constitutes an important challenge for the future. On the one hand, the EU needs to negotiate trade agreements which carry a broad support by citizens, either directly (responding to protests and concerns) or through the European Parliament (and possibly other parliaments). This requires a level of transparency and accommodation of concerns (see for example human rights clauses and trade and sustainable development chapters in trade agreements). On the other hand, the Commission aims to create jobs and satisfy consumer-demand via trade agreements, the negotiations of which require secrecy to achieve pre-determined preferences.

Balancing multiple objectives. Both the GSP and FTAs already contain clear commitments to human rights protection and the pursuit for sustainable development. The GSP contains a commitment to 27 international conventions related to human rights, labour rights, the environment and good governance. FTAs include human rights protection as an essential element in the first chapter of the agreement (Hachez, 2015) and include commitments to core labour rights in the trade and sustainable development (TSD) chapters (Marx, Ebert and

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Hachez, 2017). This creates expectations from stakeholders that non-trade objectives can be pursued through trade instruments. Yet, the effectiveness of both trade instruments to protect human rights and pursue sustainable development is hotly debated (Harrison et al., 2018). Debates focus on weak implementation systems and vague promises. Concerning implementation there are criticisms on the current monitoring mechanisms as well as on the lack of any sanctioning regime in case of non-compliance. Some of the existing practices might be reconsidered in the current debates on GSP reform in the EU. The GSP scheme will be reformed in 2021 and proposals have been made for the reform of GSP in order to better foster the protection of human and labour rights and protect the environment. Regarding FTAs and TSD, the European Commission launched a consultation process in 2017 in order to receive proposals on how to strengthen the TSD chapters in FTAs. This generated discussions and several proposals which resulted in a 15-point action plan. Implementing reforms to make the implementation of commitments towards the protection of human rights and the environment effective will constitute a major challenge.

3.2.1.3 MERCOSUR in trade and development governance

The Southern Common Market (known in Spanish as MERCOSUR) is a regional trade bloc originally established by Argentina, Brazil, Paraguay and Uruguay through the Treaty of Asunción in 1991 and the Protocol of Ouro Preto in 1994. These four countries are its full members. Venezuela requested its inclusion in 2006 (after leaving the Andean Community[5]) and became a full member until December 2016, when it was suspended[6]. Bolivia and Ecuador are associate members[7] in the process of becoming full members. Chile, Colombia, Guyana, Peru and Suriname are associate countries and New Zealand and Mexico are observers.

According to Treaty of Asunción (art 1), member states aim at building a common market that includes the free circulation of goods, services and production factors; the setting of a common external tariff (CET); coordination of macroeconomic and sectorial policies; and harmonisation of legislation in relevant areas. The Treaty of Asunción established, as an Annex, a tariff elimination schedule called the 'Trade Liberalization Plan', in order to achieve a free trade area. The FTA was successfully achieved over the first three years and, in 1994, the Protocol of Ouro Preto allowed the advancement of a MERCOSUR institutional framework.

However, in terms of trade liberalisation, the bloc's progress has stagnated in the customs union consolidation process. As a result, at present, it is considered to be an 'imperfect customs union' and several challenges remain in achieving the goal of a true customs union, including enforcing the Customs Code; the real abolishment of the double taxation; full compliance of the agreed CET, among others (Vellela y Barreix, 2002; IDB-INTAL, 2018; 2019).

MERCOSUR is an intergovernmental process, which means that its organs are composed of countries' representatives. In this sense, in order to bridge the gap between rule production and implementation by decision of governing bodies, some acts of secondary legislation at a regional level count on automatic binding effects[8]. With regard to nontrade issues, MERCOSUR has developed a broad agenda that comprises advances in topics such as

[5] For more details, see Malamud (2006)

[6] One of Mercosur's innovative clauses was the so-called 'democratic clause' that requires every member to be a democracy. Under this requirement and questioning President Nicolas Maduro's regime, the other members of the bloc excluded Venezuela temporarily until – under their understanding – democratic institutions are restored in the country (Legler and Nolte, 2019).

[7] Associate members are those countries that have signed an FTA with MERCOSUR. Associate members in process of becoming full members are those countries that have negotiated their accession to the Customs Union.

[8] Decisions 23/00; 20/02 and 22:/04 from Common Market Council (CMC).

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education, health, gender, migration, small farms, human rights, and democracy, among others.

Recent Developments

MERCOSUR's approach to the global governance of trade and development has always been ambiguous, oscillating between a more liberal and a more developmental approach. In fact, some of its agreements, such as the Agreement on Trade in Services, are clear examples of the 'WTO plus' liberal approach. In addition, big regional companies in key sectors such as petrochemical and steelmaking industries, have been key players in the creation of MERCOSUR (Sanchez Bajo, 1999). However, in some respects, MERCOSUR emerged as a defensive bloc in the face of globalisation, reflected in, for example, the protectionist bias of its CET. In other words, as a regional trade bloc, MERCOSUR emerged in the open regionalism era of the 1990s (IDB, 2001) but since its creation it has presented hybrid aspects (Peixoto and Perrotta, 2018), swinging between an open regionalism initiative and an old-fashioned integration process[9]. This is the main reason why MERCOSUR cannot be totally classified as an open regionalism initiative, despite the fact that it emerged in the 1990s.

In addition, since the middle of the 2000s until at least 2012, MERCOSUR gave priority to its social and political agendas (Bianculli, 2018), also highlighting the production agenda beyond border measures, in a clear shift towards the "post-hegemonic", "postliberal" or "post-trade" regionalism wave (Riggirrozzi and Tussie, 2012; Sanahuja, 2012; Da Motta Veiga and Rios, 2007; Legler, 2013; Deciancio, 2016). However, none of these "labels" are totally accurate for defining the MERCOSUR integration process, since it is a process based on the strategic alliance between Argentina and Brazil, and this stable partnership has changed only partially by influence of political cycles and regionalisms waves. This hard core has nurtured its survival through the last 26 years (Peixoto and Perrotta, 2018: 2) despite the several cycles of stagnation and relaunching (Rozemberg and Gaya, 2019).

Challenges

Currently, South America is undergoing a period of profound changes at social, political and economic levels. The end of the "commodities era boom", political changes in Argentina and Brazil, and the crisis in Venezuela challenge the future of regional integration. MERCOSUR members recently expressed their dissatisfaction over recent evolution of the integration process and its external relations and agreed on the need for a deep change in the framework of integration. Options vary from the consolidation of the Customs Union to relaxing its rules or even to take a step back by eliminating the Custom Unions and focusing on the refinement of the FTA (IDB-INTAL, 2019).

The main challenges for MERCOSUR include a deep internal revision process – in a world increasingly hostile to globalisation and its pillars such as free trade (Sanahuja and Rodriguez, 2019) – and the catch-up process needed for better engagement in global value chains. In addition, the conclusion of the negotiations on the MERCOSUR-EU trade chapter, after twenty years since the launch of negotiations, opens a new phase for MERCOSUR's external relations, which had been stagnated since 2014.

3.2.1.4 ASEAN in trade and development governance

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967 in Bangkok by Indonesia, Malaysia, Thailand, the Philippines and Singapore – later known as the ASEAN 5. As a product of Cold War geopolitics, its formation reflected attempts by

[9] For the old versus new regionalism debate, and differences between open and new regionalism as well, please see Bianculli 2016.

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fledgling autocratic anti-communist regimes to consolidate state-building projects in the wake of leftist political opposition and receding Western guarantees to protect anti-communist regimes from domestic opposition (Jones, 2011: 39-40). From its inception, ASEAN served as a tool for elites in the region to pursue domestic state-building agendas (Nesadurai, 2009). Unlike the European Union, which reflects a form of state-promoted regional economic integration, ASEAN merely reflects a form of regional inter-state cooperation (a narrower definition of regionalism). In its Cold War phase, the emphasis was largely on security issues and there was little intention to pursue meaningful economic integration.

Early economic initiatives in ASEAN, from the 1990s, reflected a form of 'closed regionalism' where member states used regional cooperation within ASEAN to protect their respective economies, rather than as a hub to further connect their economies to global markets ('open regionalism'). This is evidenced by its first three initiatives – the ASEAN Industrial Projects (AIP), Preferential Tariff Agreements, and the ASEAN Free Trade Area (AFTA). The AIP sought to divide major industrial projects among member states and grant them monopoly in the region (Severino, 2008). For example, the urea fertiliser industry was to be produced mainly by Indonesia and Malaysia, while superphosphates by the Philippines (Severino, 2008). The PTA was another initial project aimed at the voluntarily reduction of tariff barriers among members with the expectation that member states would give the other member states' products priority in their trading relations. The subsequent AFTA (from 1992) aimed to improve the PTA mechanism to increase intra-regional trade in response to the emergence of trading blocs in other regions, particularly the EU and NAFTA. These efforts, however, did not work well – from the beginning member states have produced similar products, thereby making them compete with rather than complement each other. The protectionist elements of these trading arrangements were also challenged by the more advanced economies, such as Singapore (Severino, 2008).

Recent developments

It was only after the Asian Financial Crisis and the acceleration of economic globalisation (as well as the rise of China) that member states shifted their approach to a more open regionalism in order to better connect with and make them more competitive in the global market (Nesadurai, 2009). Open regionalism often refers to the proliferation of regional economic agreements without violating the regulations and principles of the WTO and without discriminating against extra-regional partners. In the case of ASEAN, this approach is evidenced by the proliferation of AFTA+ agreements with key trading partners as well as the aspirations (but not necessarily outcomes) of the emerging ASEAN Economic Community (AEC).

ASEAN began to negotiate AFTA+1 arrangements with six major trading partners: China, Japan, Korea, India, Australia and New Zealand, marking a shift in focus from ASEAN intra-regional trade to ASEAN external relations. To make these multiple arrangements effective, ASEAN is also currently merging these bilateral arrangements under the single framework of the proposed Regional Comprehensive Economic Partnership (RCEP). Building on the AFTA, the ASEAN Economic Community (AEC) aspires to create a single market and production base for global capital by eliminating intra-regional barriers to trade and investment, as well as facilitating connections to national markets (ASEAN, 2008). The AEC aims to accomplish this through trade facilitation measures such as integrating customs procedures, implementing the ASEAN Single Window, continuously refining the Common Effective Preferential Tariffs (CEPT) system, implementing a Rule of Origin (ROO) of 40% of FCB, as well as harmonising deep changes in domestic standards and regulations (ASEAN, 2009). ASEAN's Vision 2025 not only seeks to integrate the region into the global economy, but also maintaining the region's centrality in this integration (ASEAN, 2015).

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Challenges

Despite these bold assertions, AEC “scorecards” (now discontinued) and independent Economic Research Institute for ASEAN and East Asia (ERIA) reports have shown that while tariffs had been reduced and ASEAN economies are mostly open to foreign investment, non-tariff barriers (NTBs) and non-tariff measures (NTMs) have remained strong. Most crucially, overall liberalisation has been “constrained, partial, and uneven” (ERIA, 2012; Jones, 2015: 650). The ERIA report also suggested significant obstacles to the liberalisation of agricultural and oil/gas sectors within several member states (2012: 14).

Taken together, ASEAN’s approach to trade and development is best described as (i) the creation of a common integrated market for the purpose of attracting inward FDIs and expanding markets for exports for the purpose of national development, combined with (ii) the continued protection of politically important enterprises such as domestic cartels and state-owned enterprise (Jayasuria 2003; Nesadurai 2008; Jones, 2015). While there has been a genuine drive towards greater liberalisation, protectionist tendencies remain. Decades of state-led development in the region have given domestic business elites considerable influence over public policy (Carroll, forthcoming). Liberalisation is supported by economic technocrats (usually in trade and finance ministries) as well as internationally-competitive industrial sectors, while protectionist tendencies come from entrenched coalitions of domestic political and business elites (usually in the less globally competitive sectors) that underpin many of the region’s political regimes, as well as concerns that structural adjustments (as required by the AEC) could lead to social unrest and political instability (Jones, 2015). While the Asian Financial Crisis had somewhat weakened entrenched oligarchic interests in the region, they remain a central feature of the region’s political economy and represent the most significant obstacle to greater liberalisation and regional-scale governance.

Another key challenge faced by ASEAN is the significant development gap between the ASEAN-5 and the CLM countries (Cambodia, Laos, Myanmar). Eliminating a two-tier ASEAN is imperative not only for economic but also for broader geopolitical reasons, as the CLM countries all share borders with China and thus receive more, if not heavy, influence from China when not well engaged by ASEAN. The failure of ASEAN to produce a joint communique for the first time during the 45th AMM reflected the influence of China in Cambodia’s political economy and foreign policy (Thayer, 2012). Thus far, ASEAN uses an ASEAN-X formula to forward regional economic integration that allows more time for the CLM countries to adopt regional agreements into national policy. ASEAN has also implemented the Initiative for ASEAN Integration (IAI) and the Narrowing Development Gap (NDG) to reduce the development gap among member countries and between ASEAN and other regions (ASEAN, n.d.). While these initiatives have demonstrated significant progress, the pace of progress was much slower than ASEAN overall economic liberalisation efforts (Pertiwi, 2011).

More recently, and beyond addressing the development gap, ASEAN has begun working towards realising the Sustainable Development Goals in its regional policy. ASEAN clearly mentions the SDGs in its Vision 2025 and has provisions that promote a sustainable growth agenda with green technology and energy and has similar provisions in its FTAs. The increased attention on SDGs can also be seen from Thailand’s Chairmanship 2018-2019 under the theme “Advancing Partnership for Sustainability”. It marked the first time that ASEAN could agree on a regional framework for combating marine debris, one of the most challenging environmental issues, particularly with some ASEAN countries ranked among the top ten biggest contributors of marine debris. Regional efforts to combat the transboundary haze between Indonesia, Malaysia and Singapore, the most pressing environmental issue in the region, have also been stepped up since the formation of the Panel of ASEAN Experts on Fire and Haze in 2005. However, progress has been stymied by collusion between agri-businesses and national politicians, blunting the impact of such initiatives (Hameiri and Jones

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2013: 470-1). In addition, ASEAN appears to emphasise the development and promotion of Micro, Small and Medium Enterprises (MSMEs) in its development agenda. Such provisions are included in the AEC blueprint as well as in the RCEP (ASEAN, 2015).

Finally, ASEAN faces significant criticisms for its failure to live up to its claim of being "people oriented", particularly in the areas of human and labour rights and in the engagement with civil society. Despite attempts to move away from its elitist and exclusive image, ASEAN's engagement with civil society is marked by a continued resistance towards allowing civil society groups to contest regional policy (Gerard, 2014). CSOs whose agendas are compatible with ASEAN reforms and elite interests are included in policy consultations, while "non-compatible" groups, particularly those pushing for binding regional instruments on human rights issues, are marginalised (ibid). Such arrangements have telling effects on regional development policy. For instance, over a decade after the ASEAN declaration on the promotion and protection of rights of migrant workers, ASEAN member states have yet to agree on a legally-binding instrument for such rights to be enforced as ASEAN elites continue to push back against growing regional CSO pressure (Bal and Gerard, 2018).

3.2.1.5 African Union in Trade and Development

The African Union was established in 2002 in Durban, South Africa, replacing its predecessor, the Organisation of African Unity (OAU). The OAU had originally been formed in 1963 by 32 African states to unify the African continent as part of the Pan-Africanist movement (Murithi, 2012). The AU made a conscious shift away from the OAU's primary focus on decolonisation and a fight against apartheid toward a focus on cooperation and integration to achieve economic growth and development (African Union, 2019a). All of the African continent's 55 independent states joined the union.

The AU is governed by three primary organs: the Assembly of Heads of State and Government (the Assembly), the Executive Council consisting of appointed ministers of the member states, and the African Commission, which functions as the AU's secretariat. Both the Assembly and the Executive Council make decisions by consensus whenever possible, and by two-thirds majority when consensus cannot be reached (African Union, 2019f). The AU additionally has a parliamentary body called the Pan-African Parliament, a number of specialised councils and technical committees, human rights bodies, and several legal and judicial bodies.

Many of the AU's member states are divided into eight regional sub-groups called Regional Economic Communities (RECs), which primarily developed outside the context of the AU, but cooperation between the AU and the RECs has been formally established through a series of treaties, protocols and Memoranda of Understanding (MoUs) (African Union, 2019e). The member states of these RECs have a higher level of regional economic integration with one another, and the AU intends the regional groupings to eventually form the substructure for an African Common Market (African Union, 2019e).

Major Developments

Concern over socio-political unrest, armed violence and extreme poverty in Africa has resulted in sustainable development and the promotion of democracy becoming primary focuses of the AU (Yihdego, 2011). The AU and its member states have been highly critical of the conditions and programmes imposed by the IMF and the World Bank in exchange for loans of capital during times of economic crises, such as the Structural Adjustment Programmes (Murithi, 2012), which have been criticised for being disproportionately hard on poor citizens and causing economic slowdown (Murithi, 2012; Easterly, 2003). In an effort to regain control of the continent's economic development, the OAU established the New Partnership for Africa's Development (NEPAD) in 2001, which remained as such after the transition to the AU until

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the institution was transformed into the African Union Development Agency (AUDA) in July 2019 (NEPAD - AUDA, 2019).

NEPAD was created to identify development problems, propose solutions, and garner political support for the proposed solutions from member state governments. Its mandate was expanded in 2013 when the African Union established *Agenda 2063: The Africa We Want*, which is a strategic plan for inclusive and sustainable development, continental integration, democratic governance, and peace and security (African Union, 2019d). When the UN SDGs were set out, the Agenda 2063 goals were explicitly linked to the SDGs. Though a development agency, the AUDA's enhanced purpose is also tied to economic integration and trade liberalisation and is meant to "act as a catalyst for Africa's integration and play a fundamental role in the operationalisation of the AU Continental Free Trade Area" (Dr Ibrahim Mayaki qtd in NEPAD - AUDA, 2019).

Within the context of NEPAD, the African Peer Review Mechanism (APRM) was set up in 2002 as a self-monitoring programme for AU member states with regard to the achievement of development and good governance objectives. The APRM has a "very broad focus on everything from peace and security to the availability of micro-credit for rule communities" (Killander, 2008: 43). Though originally set up by 12 member states to be a temporary mechanism until a permanent institution was set up within the AU, as of 2019 the mechanism has 38 members and has expanded its mandate to monitor implementation of the AU Development Agenda 2063 and the UN SDGs (African Union, 2019b).

Alongside the expansion of the AU's development agenda, the African Continental Free Trade Area (AfCFTA) entered into force on 30 May 2019. With 54 AU member states as signatories to the agreement as of 2019, the AfCFTA is one of the largest free trade agreements in the world in geographic terms (African Union 2019g). The drivers behind the establishment of the AfCFTA are to accelerate economic growth and socially inclusive development and to enable regional integration. To that end, AfCFTA is supposed to reduce both tariff and non-tariff barriers over time, facilitating intra-African trade (Ajibo, 2019).

The establishment of the AfCFTA is explicitly tied to Agenda 2063: the AfCFTA is one of 14 "fast-track or 'flagship'" projects identified in Agenda 2063, and is intended "to significantly accelerate growth of intra-Africa trade and use trade more effectively as an engine of growth and sustainable development by doubling intra-Africa trade, and strengthening Africa's common voice and policy space in global trade negotiations" (African Union 2019c: 19). Implementation is still in its early stages as many of the signatories have yet to ratify the agreement – it thus remains to be seen what effect AfCFTA will have on intra-African trade.

Challenges

The AU's progress has been somewhat hampered by difficulties in achieving consensus among its member states and in speaking with one voice in international fora (Murithi, 2012; Welz, 2013). The AU has also faced some criticism as being largely elite-led, unknown to the citizens of its member states and unsuccessful in engaging civil society (Killander, 2008; Murithi, 2012). Further, despite expressions of unity, the member states' commitment to unification has appeared to be largely rhetorical (Murithi, 2012) and respect for national sovereignty and non-interference tend to be prioritised over integration and taking a strong stand against human rights abuses, illegitimate regimes and other governance problems (Yihdego, 2011; Tieku, 2004).

With regard to the AU's development objectives in particular, NEPAD and the APRM have struggled with challenges related to implementation, with many member states being criticised for having "only paid lip service" to the peer review mechanism, which they find to be too intrusive into matters of domestic governance (Murithi, 2012). Furthermore, NEPAD's development commitments have been seen as "scattered" and overly political, resulting in the

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"widespread disregard of them in national jurisdictions" (Yihdego, 2011: 583). Another challenge is that the achievement of NEPAD's development goals is dependent on foreign aid, which makes NEPAD vulnerable to 'donor aid fatigue' and conditional requirements for concessional loans (Loxley and Sackey, 2008).

Additionally, despite the establishment of AfCFTA, the AU's trade ambitions may be slow to materialise. Some of the conditions that may be responsible for the existing low levels of intra-African trade may not be immediately resolved by the implementation of the AfCFTA, including low levels of competitiveness and the temptation to resort to non-tariff barriers – such as standards – to protect domestic producers (Ajibo, 2019). Another potential issue relates to the RECs as 'building blocks' of the AfCFTA – the AfCFTA allows for differentiated integration to allow for the higher levels of integration attained by the individual RECs, which could complicate certain terms of the AfCFTA when rules differ between RECs and the AfCFTA, such as Rules of Origin (see Ajibo, 2019: 886).

Finally, the African Union's development agenda and trade strategies face a number of additional hurdles due to the continent's current development challenges, including widespread resource depletion (Ashton 2007), public health concerns (Onzivu, 2012), and difficulties in sustaining democratic governance (Glen, 2012). For instance, public health threats from both communicable and non-communicable diseases have a dampening effect on economic growth and restrict foreign direct investment and trade on the continent, ultimately posing a major challenge to Africa's development agenda (Onzivu, 2012). Accordingly, the AU (and previously, the OAU) have introduced a number of tools to address public health problems, but the effectiveness of these tools is hampered by both a lack of resources and uneven implementation by AU member states (Onzivu, 2012).

3.2.2 Regional Development Banks

Regional development banks (RDBs) are multilateral development banks, like the World Bank discussed in section 3.1.1.3, but that are formed and funded by member states of a specific region to finance development projects within the region. A majority of regional development banks emerged during the 'first development decade' (mid-1950s to the mid-1970s) to tackle major development challenges related to decolonisation and to offset the influence of the Union of Soviet Socialist Republics (USSR) in the developing world during the Cold War. These include the Inter-American Development Bank (IDB), the African Development Bank (AfDB), the Asian Development Bank (ADB), the Andean Development Corporation (CAF), and the Islamic Development Bank (IsDB) (see Wang, 2017). In terms of structure and governance, these banks generally operate in a similar way to the World Bank, but on a regional scale (ibid.).

The second wave of multilateral development banks occurred in Europe following the end of the Cold War, and includes the establishment of the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). The third and most recent wave has been led by China and the other BRICS economies and includes the New Development Bank (NDB) and the Asian Infrastructure and Investment Bank (AIIB). In short, each wave of RDBs occurred in response to a changing geopolitical context.

Regional development banks were set up partly in response to gaps in the World Bank's lending, particularly with regard to much needed infrastructure projects. Furthermore, it has been perceived by many states that important infrastructure and development projects can be prioritised more reliably on a regional level – this perception gained ground after the financial crisis when the World Bank frontloaded existing loans and was unable to process new applications, resulting in funding gaps for some countries that had better luck at the regional level (see Woods, 2010).

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Finally, RDBs are also seen in part as a response to the perceived democratic deficit of the World Bank (see section 3.1.1.3) – states that feel they lack voting power at the World Bank often have more say at the regional level. China in particular, as a leader in both the NDB and AIIB, is able to better ensure its interests are met through these institutions. As Wang points out, the AIIB's first four projects all directly support China's Belt and Road Initiative (Wang, 2017: 4).

We will look more closely at the AIIB, the IDB and the ADB below.

3.2.2.2 Asian Infrastructure Investment Bank

China proposed and spearheaded the establishment of the Asian Infrastructure Investment Bank (AIIB). The bank was formally established in June 2015 with 57 founding member countries and commenced its operations on 16 January 2016. By 13 July 2019, its approved members had grown to 100. The Bank is supposed to complete its start-up phase by the end of 2020. AIIB members collectively account for 78 percent of the world's population and 63 percent of global GDP. The AIIB's headquarters are in Beijing.

As a new multilateral development bank, AIIB proposes to finance, facilitate, and accelerate infrastructure improvement in the region by providing capital loans and technical services. Three thematic priorities—sustainable infrastructure, cross-border connectivity and private capital mobilisation—shaped and guided AIIB's portfolio and business activities. Its goal is to help its members to meet an estimated $21 trillion financing gap between the region's demand for infrastructure.

The AIIB's initial subscribed capital is $100 billion, with 20 percent paid-in and 80 percent callable. China holds a total voting share of over 26.9 percent due to its contribution of US $29.78 billion, making it the largest shareholder in the AIIB and giving it de facto veto power (Mishra 2016), followed by India with an 7.74 percent voting share (AIIB, 2015; AIIB 2019). According to the AIIB Articles of Agreement (AOA), "at least 75% of total votes are required in order to amend the AOA, adjust the capital shares of regional members, increase the capital base of the bank and make other major changes" (AIIB 2015).

The AIIB's has a three-tiered governance structure. The Board of Governors, consisting of senior government officials from each member, has the ultimate authority. The Board of Directors is elected by the Governors and is responsible for the direction of the AIIB's general operations, including setting policies and strategies and overseeing their implementation. Under the direction of the Board of Directors, the President oversees day-to-day operations. Jin Liqun, former vice-minister of China's Ministry of Finance, was elected as the inaugural President and Chairman of the Board of Directors in January 2016 for a five-year term. With China holding the largest voting share and primary leadership role, the AIIB is hence an important financial tool for China in increasing its geo-economic influence in its region and increasing the international momentum of its Belt and Road Initiative (BRI) strategy, the financing of which, some scholars argue, was a major influencing factor for China in leading the establishment of the AIIB (Mishra 2016).

Significant Developments

Since beginning operations in 2016, the Bank has taken steps towards and seen some success in achieving its institutional goals of building a strong principles-based organisation and delivering timely and cost-effective financial services to its clients. The AIIB's large membership base, diverse project portfolio and strong financial position are significant achievements and will allow the Bank to progress quickly (Andronova and Shelepov, 2019). Additionally, the AIIB has achieved and maintained the highest ratings by the three major credit rating agencies Fitch, Standard & Poor's, and Moody's (AIIB, 2018; Andronova and Shelepov, 2019). Indeed, despite some concern from early commentators that the AIIB would

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present a “revisionist challenge to the existing institutional order” (Stephen and Skidmore, 2019: 63), scholars have observed that the AIIB’s practices are in line with other MDBs (De Jonge, 2017; Stephen and Skidmore, 2019). Indeed, other scholars contend that the AIIB, along with other MDBs, have potential to complement existing development financing institutions, especially with regard to provision of infrastructure financing (Wang, 2017; Mishra, 2016).

A significant development for the AIIB was the resolution adopted by the United Nations at the 20 December 2018 UN plenary meeting, which granted the AIIB permanent observer status in order to promote cooperation between the UN and the AIIB (UN General Assembly, 2018). This resolution provides that AIIB will hold a standing invitation to participate in an observer capacity in the deliberations of both the General Assembly and the Economic and Social Council.

The Bank achieved the majority of its performance milestones set forth in its 2016-2018 Business Plan and Budget. It delivered a targeted lending program, with eight projects approved totaling $1.73 billion in 2016. Six of the nine projects are joint initiatives with other international lenders such as the World Bank and the Asian Development Bank. By October 2019, AIIB had approved 49 projects in 18 member countries totaling USD 8.7 billion. Among these projects, 15 were approved in 2017, 11 in 2018, and 15 in 2019, covering various sectors including, *inter alia*, transportation, water, telecommunications, finance, digital infrastructure, and energy (AIIB, 2019).

Challenges

The creation of the AIIB and its ambitious long-term vision have led to high expectations. Meeting these expectations will require the Bank to build deep expertise, lead innovative and technically complex projects and provide a wider range of financial instruments over time, as well as manage relations with the external powers and its main shareholder, China. More specifically the major challenges AIIB faces are four.

Firstly, the bank faces institutional challenges. Still at its nascent stage, AIIB does not yet have the capacity to fully provide quality service and value addition to its clients. To build this capacity, the AIIB needs to finalise its policy foundation and administrative framework; bring on board a top caliber managerial team and experienced professional staff to ensure effective implementation; to operate at the highest possible standards in transparency and accountability; and to develop and nurture a strong ethics-based corporate culture (Liqun, 2016). Operationally, the management still has yet to start a rolling pipeline and to deliver high quality, timely financing to clients. Additionally, as the AIIB begins to work towards its goal to move away from co-financing projects toward becoming the sole financier, abrupt changes to established practices risk “a reduction in the quality of [projects’] implementation and monitoring, leading to deterioration of the bank’s reputation and increased costs of raising funds” (Andronova and Shelepov, 2019: 49).

Secondly, the bank experiences pressures from external forces. The establishment of AIIB is perceived by the US as an attempt to create a Sino-centric financial system to rival western dominated institutions and undermine US supremacy in global finance. Concerned that AIIB would undermine its say in the Asian financial system, Japan has also refrained from joining the new bank. The US and Japanese responses to the AIIB reflects their suspicion regarding China’s motivations for establishing the new institution as well as concern over the potential effects on existing institutions, especially the World Bank and the Asian Development Bank (Stephen and Skidmore, 2019; Mishra 2016). Though the AIIB’s AOA requires the AIIB to work in close cooperation with other development-related international organisations, such as the World Bank, the Asian Development Bank, and other international financial institutions, the

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US government is doubtful and sees the AIIB as a challenge to the existing dominated international financial order. The US government has therefore exerted diplomatic pressure on its close allies not to join the AIIB (Stephen and Skidmore, 2019).

Thirdly, there are challenges in terms of implementation of its projects. The main task of the AIIB is to support investment in infrastructure, which requires high costs and long operating time with high risk (AIIB, 2018). Risks for the AIIB are both political and economic. Politically, many of the countries with the greatest need for infrastructure financing have been plagued by security issues resulting from ethnic conflict, separatism, and insurgency (Mishra, 2016) or from territorial disputes, political turmoil, historical resentment, and military clashes. For instance, the South China Sea disputes and China's military build-up have led to negative perception of China, especially among its neighbouring countries (Baviera, 2016). Economically, due to different stages of economic development, Asian countries take different approaches with regard to financial openness. Because several economies in the region are underdeveloped, it is important to ascertain their capability to repay any loans from the bank, which may prove challenging. If the projects supported by AIIB are suspended, or if the borrower fails to repay the loan, AIIB's ability to meet its goals would be undermined.

Last but not least, China's large role in managing the AIIB has led some scholars and observers to express concern regarding the bank's legitimacy or interests (Uhlin, 2019; Mishra, 2016; Baviera, 2016; Stephen and Skidmore, 2019; Mirza, 2018; Wang, 2017). Furthermore, the steps taken by the Chinese government to protect its large investments made through the bank may be easily politicised. For instance, in the case of Hambantota port, which the Sri Lankan government leased to a Chinese firm for 99 years, Chinese investment has been alleged to be a Chinese tool for creating a debt trap and gaining ownership of vital infrastructure in other countries.

3.2.2.3 Asian Development Bank

The Asian Development Bank (ADB) is a multilateral development bank (MDB) with a focus on the broader Asia Pacific region. The ADB has 68 member countries. In comparison, the Inter-American Development Bank (IDB) and the African Development Bank (AfDB) only have 24 and 54 members respectively. In addition, the ADB also differs from these two MDBs in the way that the ADB's membership consists of not only regional members, but also non-regional members. The ADB has 19 non-regional members of which 16 are European countries. This unique institutional design aims to attract the active participation of the more developed members in ADB's regional project in its early years (Nakao, 2017). In return, the ADB offers a form of compensation under the "tied procurement" clause which stipulates that "capital goods used in a project are to be purchased solely from member countries of the Bank" (Haas, 2001).

ADB was established in the context of the inability of the World Bank in funding development in the broader Asia Pacific. The World Bank was not only seen as 'foreign', but it also focused mainly on India and Pakistan (Haas, 2001). It is for this reason that Japanese and United States' governments developed the idea of having a regional bank for the Asia Pacific. However, this plan failed to get approval due to suspicion among the majority of non-block Asian countries who saw this project as a tool for the US and Japan to extend their influence in the region (Haas, 2001). It was when this idea was delivered by Thai delegation at the UN Economic Commission for Asia and the Pacific (ECAFE) Meeting in 1963 that the idea for a regional bank became more broadly accepted (ADB, 2017a). Interestingly, after the establishment of ADB, it was still Japan and the United States who were the biggest contributors, and in this 'one dollar one vote' system, both receive the biggest share of vote – 17% each. In fact, all of ADB's presidents to date have come from Japan, leading

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commentators to identify ADB as a Japan-led institution (Wan, 1995, Haas, 2001; Dent, 2008, Lipscy, 2008).

As a development bank, the ADB focuses more on financing development and engages less in trade. At its inception, Asia was the poorest region in the world, and thus, the ADB dedicated its initial years to poverty reduction through agricultural and rural development of individual members with the ultimate purpose of achieving self-sufficiency (ADB, 2017a; McCawley, 2017). In addition to development through poverty reduction and self-sufficiency, ADB's early approach to development can also be characterised as a state-led development model that reflects the influence of Japanese developmentalist thinking which, in turn, emphasises the important role of state as the primary driver of development (Dent, 2008; Lipscy, 2008). This is evidenced by the dominance of sovereign loans (loans to government) over direct private financing in the first two decades of its existence.

This approach, however, has shifted with changing dynamics at the global and regional level. Rapid trade liberalisation since the 1990s was not followed by equal economic development as suggested by the Millennium Development Goals. Thus, the international community under the leadership of the WTO convened a Ministerial Conference in Hong Kong in 2005 to build better relations between trade and development, that is, how trade could contribute to development and how trade is also accessible to and benefiting towards the poor (Hynes and Holden, 2016). The WTO proposed Global Aid for Trade (AfT) Initiative to help less developed countries to better access the market by "building productive capacity", "trade-related infrastructure", "trade policy and regulations", and other "trade related adjustment" (Hynes and Lammersen, 2017). ADB's part in this initiative is to report the implementation of the AfT in Asia and the Pacific. While this is not an ADB policy in itself, it reflects a shifting paradigm of development, from state-driven to market-driven growth. The ADB's Trade Finance Program (TFP) was grounded on the fact that one of the challenges for SMEs to develop their business was the lack of trust on the side of the financial institution in financing SMEs, causing the global trade financing gap to reach $1.5 trillion in 2017 (ADB, 2017b; Beck and Malaket, 2018). The TFP is thus created to provide bank loans and guarantees to support trade (ADB, 2019).

With the new development approach, ADB's main challenges come from the implementation of this policy which many see as forwarding the interests of developed countries and foreign investors while undermining the interests of local communities (Rosser, 2009; Simpson and Park, 2013; Sims, 2015; Cammack, 2016). Using the term 'world market regionalism', Cammack sees ADB's policy more as an attempt to contribute to market-building by promoting regionalisation through physical infrastructure, transportation, and regulatory frameworks conducive for enhancing regional competitiveness in the global market itself (Cammack, 2016). Looking at Greater Mekong Subregion (GMS) projects in Laos and Myanmar where the ADB aims to build connectivity in bordering regions of the two countries, Rosser (2009) argues that ADB's policy in this case also reflects the securitisation efforts of a 'global risk regulator'. By this, Rosser means that ADB's development policy in this region seeks to mitigate risks that developing countries pose for foreign investment rather than a genuine development project that would benefit local communities (Rosser, 2009). This is because the ADB is not an impartial actor, but rather driven by the interest of "powerful donor governments" (Simpson and Park, 2013). Notably, within the schema of risk management, the interests of marginal communities are the least considered, as is evidenced by the displacement of local communities in ADB's GMS projects without commensurable compensation (Sims, 2015).

ADB's approach is also criticised to be neoliberal in the way that it favors deregulation and structural adjustment along the lines of the Washington Consensus (Rosser, 2009). For many developing countries, this neoliberal approach represents the interests of developed countries to open up the market of the developing countries. In addition, it is also perceived to be technocratic in the way that ADB favors modern technology as solutions for economic

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development as seen in the AfT program with its main pillar on trade-related infrastructure (Sims, 2015). The technocracy of the ADB represents a top down approach to development where infrastructure projects do not cater to the needs of local communities. For example, the ADB-funded construction of the Luang Prabang Airport, in Laos, displaced local communities without fair compensation (Sims, 2015). Lastly, ADB's programs are also perceived to be coercive in that they tend to punish developing countries for failing to adopt neoliberal economic policies rather than giving them freedom to adopt policies in line with their development agendas (Rosser, 2009). ADB's engagement with Myanmar, for example, is the most notable case in which the ADB had been relatively absent in the country when Myanmar was under authoritarianism. It was only in 2012 that the ADB began its reengagement, which Simpson and Park also consider to be more about representing US interest in Myanmar. Interestingly, despite these criticisms of the ADB, local communities also acknowledge that the ADB's policy in Myanmar is still more "virtuous" compared to those carried out by other actors, including Transnational Corporations (TNCs) from China and from the Myanmar government itself (Simpson and Park, 2013). The ADB is seen to be accountable and equipped with social and environmental safeguards, meanwhile the latter often have no binding commitment to the locals and locals are even denied access to the project which is supposed to help them develop (Simpson and Park, 2013).

3.2.2.4 Inter-American Development Bank

Between Latin-Americanism and American hegemony

The IDB was the first regional development bank in the world and is one of the largest. Its background begins in the Pan American Conference of 1889, when the United States proposed the creation of a bank that grants trade loans to the region in order to challenge British financial hegemony in the region. In 1959, the IDB was finally created within the Organization of American States (OAS) under the postwar global cooperation momentum and the impulse of Raul Prebisch and the Economic Commission for Latin America (ECLAC), looking for financing mechanisms that could contribute toward mitigating the dollar shortages and exchange crises that affected the industrialisation process as well as offset the ideational influence of the USSR in the region at the height of the Cold War (Tussie, 1995).

The objective of the IDB is to reduce poverty and inequality and achieve sustainable growth. For that, it promotes development projects. Direct loans to the private sector were inaugurated in the 1990s together with policy loans. While in smaller Latin America and the Caribbean countries, it is the main lender, in those of relatively greater development, it combines the provision of loans with its role as a catalyst for private loans.

To achieve its objectives, the IDB fulfills three functions: it provides loans and grants, offers technical assistance and acts as a regional facilitator through the coordination of donor meetings and the generation of a development research agenda (Nelson, 2000). It is currently the leading multilateral bank regarding development financing in the region, with an operative capital of 178 million dollars, a portfolio of outstanding loans for 94 million dollars, and approved loans in 2018 for more than 13 million dollars (IDB, 2018). In addition to investment and policy-based loans, the IDB provides grants, guarantees and equity investments.

Governance and structure

The IDB's institutional organisation is inspired by the World Bank's. The IDB Group is comprised of three institutions: a) the Inter-American Development Bank, b) the IDB Invest (formerly the Inter-American Investment Corporation), which provides financing to private sector investment projects without government guarantees, assists small- and medium-sized enterprises (SMEs) and provides guarantees to private and public companies, and c) the IDB

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Lab (formerly Multilateral Investment Fund or FOMIN, in Spanish), a trust fund created with contributions from industrialised countries for $1300 million that offers loans and technical assistance to companies and the public sector.

The board of governors is the highest decision-making body and consists of one governor for each member country, usually the finance minister. The board of governors delegates the day-to-day authority over financial projects, operations, and other decisions to the executive board, which works at the headquarters of the institution located in Washington D.C.. Currently 14 directors represent the member countries. The presidency, currently under the charge of Luis Moreno, is responsible for the overall management of the institution and chairs the executive board.

The IDB currently has 48 member countries, of which 26 are borrowing (all from Latin America and the Caribbean) and 22 non-borrowing (Germany, Austria, Belgium, Canada, China, Croatia, Denmark, Finland, France, Israel, Italy, Japan, Norway, Netherlands, Portugal, Slovenia, South Korea, Spain, Sweden, Switzerland, United States and United Kingdom). Membership requires being a member of the OAS or the IMF, depending respectively on whether the application comes from a regional or extra regional country. Each member has a quota, reviewed every five years or more, which also determines their voting power. The contributions affect ordinary capital (OC), of which countries actually paid only 2%, but the IDB uses as collateral to obtain financial resources in global capital markets based on its AAA rating. IDB resources stem from contributions of its members, loans obtained in financial markets, the trust funds it manages, and co-financed operations.

The borrowing countries are grouped into two groups and four categories according to its level of per capita income and development respectively. Relatively less developed countries access financing at concessional rates and with higher proportions of foreign currency (see table 3.2.2.4). The IDB seeks to devote at least 35% of the volume of all its annual loans to small and vulnerable countries (group II); in addition, the IDB is mandated to devote at least 50 percent of its operations and 40 percent of its resources to programs that promote social equity and reduce poverty. Haiti has obtained grant only status.

Table 3.2.2.4 IDB borrowing countries by groups

	Group A	Group B	Group C	Group D		Financing volume
				Non-concessional	Concessional	
Group I	Argentina, Brazil, Mexico, Venezuela	Chile	Bahamas, Barbados, Trinidad & Tobago, Uruguay			35%
Group II		Colombia, Peru	Costa Rica, Jamaica, Panamá, Suriname	Belize, Dominican R., Ecuador, El Salvador, Guatemala, Paraguay,	Bolivia, Guyana, *Haití**, Honduras, Nicaragua	65%
% hard currency financing	60%	70%	80%	90%		
	* Haiti - donor only country					

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Source: own elaboration based on IDB data.

A journey

IDB's initial agreement was signed by 20 countries in Latin America (although Cuba later withdrew) plus the United States. Since then it was a key milestone in the regional integration process, whose logic has oscillated between North American hemispherical hegemony and Latin Americanism. Borrowing countries retain slightly more than half of the votes (50.02%), the president is a Latin American national, and trust and confidence with borrowers are greater than in comparison to other development banks (e.g. World Bank). Thus, the IDB is seen to inspire and guide instead of impose (Tussie, 1995); in that sense, Nelson portrays IDB's approach toward Latin American countries as "setting broad policy without mandating programming" (2000: 420), which grants substantial autonomy to borrowing government officials. However, the US muscle has been always been decisive: it holds the highest quota (today at 30%) and the Bank's headquarters are located in its capital city (Vivares, 2013). Therefore, the IDB has followed a pattern formed by the interaction of two logics: the relations of Latin American countries with each other, and their collective and individual relations with the United States (White, cited in Tussie, 1995).

The first IDB loans addressed housing, health and education issues; in fact, in its first decades it was known as the "Water and Sanitation Bank" and the "University and Integration Bank". In the 1960s, it enhanced loans in infrastructure under the impulse of the US-led Alliance for Progress. In the following decade, the IDB incorporated Canada as the second non-borrowing country and began to appeal to the private sector as a development pivotal. This paradigm was crowned in the late 1980s with the creation of InterAmerican Investment Corporation following the template of the World Bank. At the same time, it expanded the number of donor countries and promoted policy loans to assist the region during the debt crisis. Under the leadership of Enrique Iglesias and the guidance of the Washington Consensus, the 1990s saw economic development complemented with poverty reduction and state reform. The financing of a variety of projects focused on areas such as food security, labour reform, direct transfers, social inclusion, security, gender and social protection increased alongside the reduction of financing of infrastructure projects, an area left to the private sector. During the 2000s, the IDB incorporated in its agenda the improvement of financial systems and assistance to SMEs, while maintaining its impetus towards poverty reduction in line with the Millennium Development Goals (Retzl, 2015).

Significant recent developments

In its ninth capital increase, IDB defined the following strategic lines: social policies for equality and productivity, infrastructure, strengthening of SMEs and state reform, regional and global integration, and environmental protection and response to climate change. Since then loans have focused on poverty reduction, education, health, state reform and the financial sector, and, more recently, the promotion of renewable energies.

The IDB has established itself as the main development bank in the region. This was helped by its regional character, which allowed it to establish more horizontal cooperation logics with borrowing countries (Nelson, 2000). Concomitantly, the IDB has established itself as a relevant development actor in the region. This has encouraged a series of debates regarding the fulfilment of its role. First, the management of the ever tighter link between civil society and governments. One of IDB's strengths is the greater bond of trust it has with Latin American governments compared to the World Bank (Ibid). However, sometimes this closeness hinders its relationship with civil society, whose interests many governments prefer to set aside so as not to delay development projects. Thus, various associations criticise the lack of transparency

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of the consultation mechanisms, within which it is not possible to promote substantive participation but merely to discuss consummated facts (Videla, Gasparotto and Nardi, 2010). A similar debate has arisen regarding safeguards, especially those related to socio-environmental and human rights protection. Addressing these complaints (see next paragraph), the IDB has sought to strengthen projects' accountability. Although criticisms persist, today IDB's indigenous policy safeguards are considered to be one of the strongest among those promoted by MDBs (Humphrey, 2015). Finally, in order to meet the demand for greater participation of non-regional borrowers, the IDB and other MDBs have led to the creation of Trust Funds that establish alternative financing windows with their own conditions, which may collide with the institution's general guidelines and strain its regional character (Strand and Trevathan, 2016).

Challenges

At present, the IDB faces operational and institutional challenges. First, the competition coming from new "wallets" may reduce the demand for financing by the IDB. For instance, the Brazilian Development Bank known as BANDES (until the political Brazilian crisis), the Latin American Development Bank (LADB) (formerly Corporación Andina de Fomento) and Chinese-led development banks have emerged as important creditors for infrastructure and transportation projects. Partly as a result, in the last decade, the IDB approved an average of USD 12.7 billion of loans per year, which was "only" 20 percent greater than LADB average financing and actually 6% lower than Chinese financing[10].

A second challenge has resulted from weak planning. In order to avoid displacement, the IDB has hastened large infrastructure projects in the last decade, such as pipelines, hydroelectric plants or plantation projects, many of which had severe socio-environmental impacts. In response, civil society organisations denounced the forced displacements of local communities and the ecosystem degradation, such as was generated by the Camisea gas pipeline in Perú and the Tela Bay tourism development in Honduras (Hill, 2013; Bretton Woods Project, 2016). Even green projects such as the installation of wind farms have been criticised for noise pollution and the resulting socio-environmental impact (Godoy, 2013).

A third challenge is to make private sector participation compatible with social inclusion and the reduction of inequality. In this regard, the 50 Years of Financing Inequality Coalition criticised the development model promoted by the IDB, which they argue increases inequality, gives privileged treatment to the private business sector and has had no effect on the persistent exclusion of minorities (Márquez, 2009). Relatedly, the IDB struggles to maintain a regional character vis-à-vis the incorporation of major donors. Finally, geopolitical contexts create additional challenges. For instance, the last Annual Conference planned in Chengdu, China, was canceled due to a dispute between the US and the host government over the Venezuelan representative to the IDB.

3.2.3 Bilateral Trade Agreements

While a core principle of the WTO is non-discrimination – which requires that members of the WTO do not offer more favourable treatment to one trading partner over another – WTO members engaged in a regional trade agreement (RTA) or preferential trade arrangement (PTA) that meet certain criteria are exceptionally permitted to treat their RTA or PTA trading partners differently than their other trading partners. The WTO defines an RTA as any reciprocal trade agreement between two or more partners, and a PTA as any scheme that

[10] For IDB and LADB the figures come from Annual Reports; Chinese financing includes Chinese Development Bank and China Ex-Im Bank, and is based in Gallagher and Myers (2019).

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grants unilateral (non-reciprocal) trade privileges from one trading partner to another (World Trade Organization, 2019b).

In recent years, the number and scope of RTAs and PTAs has increased tremendously. The continued difficulties of the WTO negotiation rounds (Mavroidis, 2011; Desker, 2004) and the increasing need for trade agreements that go beyond the reduction of tariffs to include services, investments and intellectual property (Solis and Wilson, 2017) have resulted in a proliferation of bilateral and plurilateral agreements forged between WTO members outside the context of the WTO. These agreements comprise a wide range of topics beyond tariff schedules and place an emphasis on regulatory harmonisation and the reduction of non-tariff barriers.

The graph below, adapted from data provided by the WTO (2019c), shows 1.) the increase in number of RTAs in force and 2.) the increasing number of agreements that include provisions on trade in services.

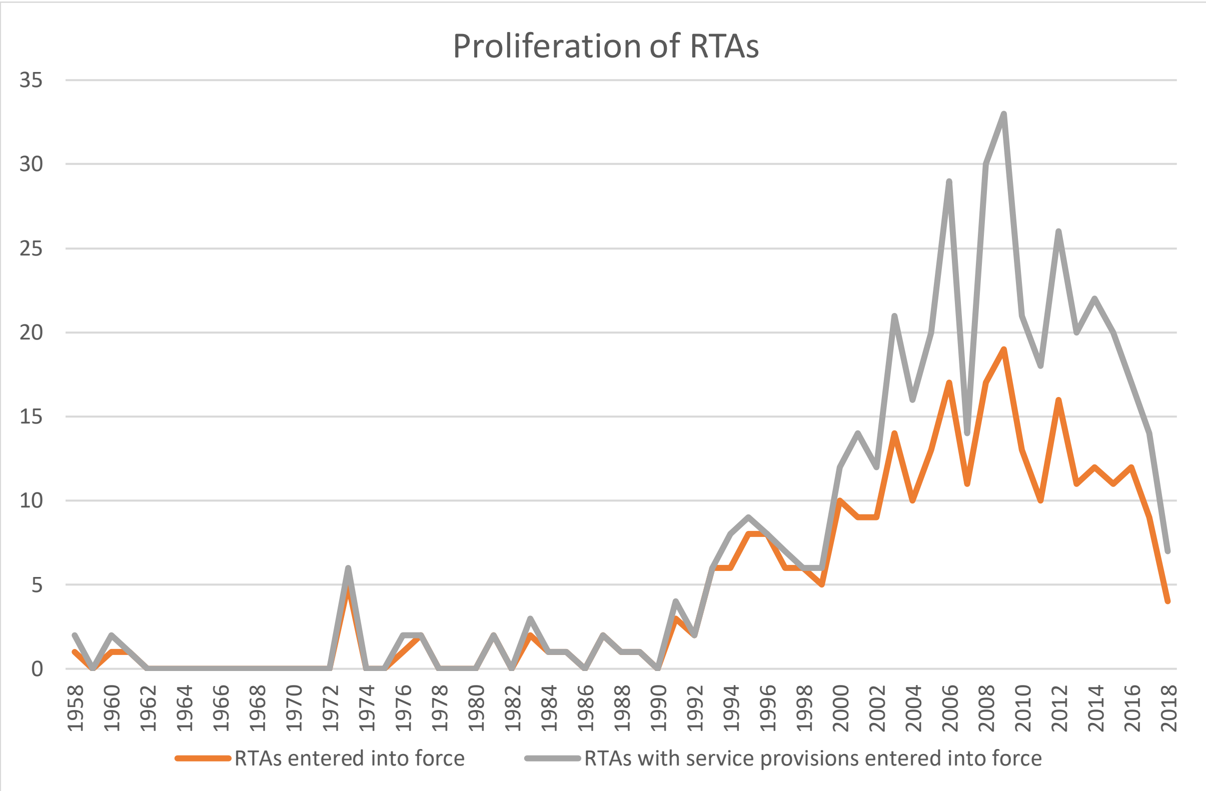

Chart created using data from the Regional Trade Agreements Database published by the WTO (2019c).

3.2.3.2 Key players in preferential trade agreements

3.2.3.2.1 European Union

The EU is today one of the most active players on the global trading scene regarding the negotiation and conclusion of trade agreements. The EU has today concluded numerous trade agreements with countries all over the world. Significantly, the EU's FTAs have an increasingly broad and comprehensive scope and aim to promote other foreign policy objectives, such as the promotion of the EU's principles and values, from democracy and human rights to environment and social rights.

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However, this was not always the case. In the early days of the EEC's trade policy trade agreements were concluded mainly for political reasons with neighbouring countries and developing countries (often former colonies of EU Member States), essentially focusing on tariff liberalisation for trade goods (Woolcock, 2012; European Commission, 2006). In the late nineties, EU trade Commissioner Pascal Lamy even announced a moratorium on new bilateral FTAs in the wake of a new round of WTO negotiations (Melo Araujo, 2016). However, in the context of the stalled Doha Round of negotiations at the level of the WTO, which failed, *inter alia*, to deal with the EU demands to cover competition policy, public procurement, investment protection and transparency (the 'Singapore issues'), the EU made a 'strategic turn' in its trade policy and started to pursue an active FTA policy (Gstöhl and De Bièvre, 2018). In the same period, the EU's trade policy also became part of the EU's 'Strategy for Growth and Jobs', the so-called Lisbon Strategy (2000-2010) and, reinforced by the 2008 economic and financial crisis, the 'Europe 2020' Strategy.

In this context, the European Commission adopted in 2006 Global Europe trade strategy, which prioritised the conclusion of a new generation of comprehensive trade agreements with key trade partners (European Commission, 2006). These FTAs had to be "comprehensive and ambitious in coverage, aiming at the highest degree of trade liberalisation including far-reaching liberalisation of services and investment". Indeed, in the light of the growing integration of global supply chains and importance of 'behind-the-border' issues, the new generation of EU FTAs cover, in addition to the liberalisation of trade in goods, chapters on services and e-commerce, competition policy, regulatory issues, intellectual property protection (IPR), trade-related energy, labour and environmental standards, and public procurement (Van der Loo, 2016; Melo Araujo, 2016). On the basis of two economic criteria (i.e. market potential and the level of protection against EU export interests), countries or regions such as MERCOSUR, ASEAN, South Korea and India were identified in the Global Europe strategy as "priorities". The Commission has stressed from the outset that this FTA policy is "no European retreat from multilateralism" as it argued that "FTAs, if approached with care, can build on WTO rules by going further and faster in promoting openness and integration, by tackling issues which are not ready for multilateral discussion" (European Commission, 2006). This FTA policy has remained largely unchanged, although the 2015 Trade for All strategy stressed the importance of better implementation and enforcement of FTAs, transparency during FTA negotiations and attention to the value-dimension of FTAs, including environmental, social and labour protection and human rights (cf. supra).

State of play and typology of EU FTAs

As noted above, the first generation of trade agreements were mainly concluded with neighbouring and developing countries and had a limited scope (i.e. trade in goods). Moreover, these FTAs were often part of broader Association Agreements (such as the Stabilisation and Association Agreements with the Western Balkan countries and the Euro-Mediterranean Association Agreements with the countries of the southern Mediterranean). The EPAs concluded with the ACP countries in the context of the Cotonou Agreement (see section 3.2.1.2) remain a different type of EU FTA considering their specific development-oriented focus. SInce the 2006 Global Europe strategy, a new generation of comprehensive FTAs have been signed with countries such as South Korea (2011), Japan (2019), Canada (2016), Singapore (2018) and Vietnam (2019). The EU also concluded a specific type of 'deep and comprehensive free trade agreements' (DCFTAs) with Ukraine, Moldova and Georgia (2013), which aim to gradually and partially integrate these countries into the EU Internal Market (Van der Loo, 2016). Moreover, negotiations were recently finalised with Mexico and MERCOSUR and trade talks with Australia, New Zealand, Chile and Tunisia are making good progress. In addition, the EU has also concluded numerous non-preferential Partnership and Cooperation Agreements (PCAs), which are agreements that do not establish a preferential FTA but include only previsions related to economic (and political) cooperation (such as with

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former Soviet countries). The EU is also negotiating several stand-alone investment agreements, such as the EU-China Comprehensive Agreement on Investment (CAI) (European Commission, 2019c).

However, not all EU FTA negotiations are making progress. Negotiations with the US on the Transatlantic Trade and Investment Partnership (TTIP) were suspended as soon as the Trump administration was inaugurated in January 2017. In addition, negotiations with several Asian countries are progressing (very) slowly, including with Indonesia, Thailand, the Philippines and Myanmar, for economic and/or political reasons. FTA negotiations with India (launched in 2007) were brought to a de facto standstill in the summer of 2013 due to a mismatch in levels of ambition, but at the 2017 EU-India Summit both parties declared their intention to re-engage actively towards a timely relaunch of negotiations for a comprehensive and mutually beneficial India-EU Broad-based Trade and Investment Agreement (BTIA).

Significantly, whereas the EU has concluded numerous FTAs, it has only three customs union agreements in place. The customs union with Turkey has been in force since 1995 and is based on the 1963 Ankara Agreement and its Additional Protocol (1970). The scope of the customs union with Turkey is limited to industrial products and processed agricultural products. Efforts to broaden and deepen the customs union remain stalled, mainly due to the political situation in Turkey. In addition, Andorra and San Marino also have customs union agreements with the EU.

Sustainable development and EU FTAs

In line with the Trade for All strategy and the Treaty of Lisbon's integration of the EU's CCP into the general external objectives of the EU (which include the promotion of sustainable development), trade and sustainable development (TSD) chapters have become a crucial aspect of the new generation of EU FTAs (Cuyvers, 2014; Hradilová and Svoboda, 2018). These chapters basically reaffirm the parties' international commitments in the field of environmental protection (for example, more recently, the Paris Climate Agreement) and labour standards (e.g. ILO conventions). In order to maintain a level-playing field, these chapters state that neither party can lower its social or environmental standards in order to encourage trade or investment between them and stress that these standards should not be used for protectionist purposes in trade. However, the TSD chapters are kept out of the purview of the regular dispute settlement mechanism available in the EU FTAs and are enforced instead by dedicated mechanisms that include monitoring, dialogue and cooperation between the parties in the TSD Committees, stakeholder involvement through Domestic Advisory Groups and bilateral Civil Society Forums, and, as a last resort, a dispute settlement by a Panel of Experts with which compliance is jointly achieved. The resulting lack of enforceability has been criticised (Hradilová and Svoboda, 2018; Orbie, Martens, Oehri and Van den Putte, 2016; Marx et al., 2017; Bronckers and Gruni, 2018). This Commission, however, has aimed to address this criticism in its 2018 non-paper on improving the implementation and enforcement of TSD chapters in EU Free Trade Agreements (European Commission, 2018f).

The new architecture of EU trade and investment agreements

After the Walloon region temporarily blocked the EU's signature of CETA in 2016, a broader discussion was launched on whether, in addition to the EU, all the EU member states need be involved in the conclusion and ratification of trade agreements (as so-called 'mixed agreements') or whether these FTAs should only be concluded at the EU level (as so-called 'EU-only agreements'), thus avoiding the risk that one member state can block the conclusion of an EU FTA for the entire EU (Van der Loo, 2018; Kleimann and Kübek, 2016). This discussion took place in parallel with the landmark Opinion 2/15 of the ECJ in which the Court

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broadly interpreted the EU's post-Lisbon trade competences and concluded that the entire EU-Singapore FTA falls within the exclusive competences of the EU, with the notable exceptions of portfolio investment and ISDS (see section 3.2.1.2). In order to avoid the burdensome and unpredictable ratification procedure by 28 member states (and their national parliaments), and in the light of Opinion 2/15, the Commission proposed in September 2017 to 'split' future trade and investment agreements into 'EU-only' FTAs covering exclusive EU competence (which only need to be ratified by the EU) on the one hand, and separate mixed investment agreements (which also require ratification by all 28 member states) on the other (European Commission, 2017a) .

The Council largely agreed with this proposal in May 2018 but stressed that it would decide on a case-by-case basis on the splitting of FTAs and that Association Agreements would in principle remain mixed (Council of the European Union, 2018b). In the meantime, the Union signed its first 'split' FTA and investment protection agreement with the Singapore and Vietnam FTA. The EU's FTAs negotiated with Mexico and MERCOSUR (and under negotiation with Chile), however, will most likely be 'mixed' as they are part of broader Association Agreements.

3.2.3.2.2 China

China's official trade policy has been elaborated in a series of white papers published by the government, including *China's Foreign Trade* (2011), *China and WTO* (2018), and *China and the World* (2019). This part mainly draws from these and other official documents in order to describe China's official strategies with regard to trade and the trade and development nexus.

According to the official papers, the primary objectives for China's trade policy are to raise the quality and added-value of its exports, increase imports, and better integrate into the global value chains. The Chinese trade policy adheres to a comprehensive strategy that attaches equal importance to both bilateral and multilateral trade, with both regional and global orientations. China's ultimate goal is to create a network of free trade areas – with particular attention to neighbouring areas – radiating across the transit lines of the Belt and Road Initiative, but that are open to the world.

To this end, China regards the multilateral trading system and regional trade agreements as two wheels driving economic globalisation forward at both global and regional levels. The 2018 white paper states that the "multilateral trading system, with the WTO at its core, is the cornerstone of international trade and underpins the sound and orderly development of global trade" (The State Council Information Office of the People's Republic of China, 2018). According, the paper points out, China has "faithfully" supported the WTO and fulfilled its commitments to the organisation, emphasising the importance of openness, transparency, inclusivity and non-discrimination in the multilateral system (Ibid.). To promote multilateral cooperation, China has established a number of global and regional multilateral platforms including the Belt and Road Forum for International Cooperation, the China International Import Expo, the Forum on China-Africa Cooperation, the China-ASEAN Expo, the China-Arab States Expo, the China-Africa Economic and Trade Expo, and others. Furthermore, China has has begun negotiations with ASEAN and five of ASEAN's FTA partners – Australia, China, Japan, New Zealand, and South Korea – for the the Regional Comprehensive Economic Partnership (RCEP). China has also expressed commitment to beginning negotiations for the Free Trade Area of Asia-Pacific (FTAAP) and for a trade agreement for the East Asia Economic Community.

At the same time, China has promoted bilateral free trade arrangements. In fact, as of November 2018, China had trade relations or agreements in place with more than 230

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countries and regions (The State Council Information Office of the People's Republic of China, 2019) and had joined almost all major international economic and financial organisations and multilateral economic mechanisms. In addition to working to secure an agreement on the RCEP, China has attempted to speed up negotiations on the China-Japan-ROK Free Trade Agreement and the China-EU investment treaty. China also expresses support for the development of the African Continental Free Trade Area (AfCFTA) and the advancement of regional economic integration in Africa.

The white papers indicate that as China promotes liberalisation and facilitation of trade and investment with the goal to reinforce the momentum for economic globalisation. Additionally, in these papers, China claims that it never deliberately pursues a trade surplus in goods, but rather “welcomes imports that diversify market supply and upgrade its industrial structure” (The State Council Information Office of the People's Republic of China, 2018). In recent years, on top of its commitments to the WTO, China has initiated significant reductions to import tariffs on an interim basis for multiple items.

Challenges

In recent years, China has faced several challenges in implementing its trade policy. Despite its position as one of the world’s foremost trading partners, China is involved with a number of trade disputes, including a trade war with the United States and, to a lesser extent, the European Union and others. Because China and the US are the world’s first and second largest economies and because the two countries are each other’s largest trading partners, Sino-US cooperation is fundamental for international stability – and the trade war between the two of them has global repercussions.

China’s trade surplus with the US has increased steadily. In 2017, China’s total trade surplus with the US was between just over $300 billion or just over $335 billion, depending on whether US-Hong Kong trade figures are included (United States Trade Representative, 2019; Zhao, 2018). The US has been criticised for misrepresenting the statistics of its trade deficit with China by excluding services (for which the US has a trade surplus with China) and by excluding trade with Hong Kong (Zhao, 2018). Nevertheless, with the “make America great again” slogan, the US under President Donald Trump has resorted to unilateralism and protectionism and has raised tariffs on Chinese imports in an attempt to reduce its deficit. While engaging in tense negotiations, the two countries have levied significant tariff increases and have threatened to increase tariffs still further on imports from the other side. Though trade relations between the US and China have long been characterised by some level of containment and distrust, the Trump administration has made China the main focus of its protectionist trade policies, and the subsequent exchange of retaliatory measures has become a fully-blown trade war (Hur, 2018). Though the 13th round of negotiations held in Washington DC in October 2019 appear to have made some progress (at the time of writing, the deal was not yet finalised), the trade disputes have had and will continue to have significant impact on trade and the global economy – exacerbating the problem of slowing economic growth. Furthermore, settling the dispute through bilateral negotiations rather than via the multilateral platform of the WTO undermines the existing multilateral trade system. Settling these trade disputes and, relatedly, managing the challenges of rising unilateralism and protectionism, will be major challenges for China in the coming years.

The sources of Sino-US trade war go far beyond trade deficit and point to another challenge for China’s trade strategy: the perception held by some countries (especially those in the West) that China is an unfair trading partner. Even if ill-founded or inaccurate, the perception has real consequences – as we saw above, it was a driving force behind the US’ decision to adopt

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measures to reduce Chinese imports. Some countries and trading blocs (such as the EU) have accused China of putting in place a variety of non-tariff barriers to trade in order to maintain the country's trade surplus, including "a lack of transparency; industrial policies and non-tariff measures that discriminate against foreign companies; strong government intervention in the economy, resulting in a dominant position of state-owned firms, unequal access to subsidies and cheap financing; poor protection and enforcement of intellectual property rights" (European Commission, 2019c). However, China maintains that it does not deliberately seek trade surplus and considers threats of a trade war and continuous tariff hikes to run counter to the fundamental principles of the WTO. Managing the country's reputation as a fair and open trading partner will be crucial for China as other countries become increasingly protective of their economies.

Another challenge for Chinese trade policy relates to the broader challenges faced by the multilateral trading system and the WTO in particular. China expresses support for the WTO as the center of the multilateral trading system while the US under the Trump administration has pushed for potentially debilitating WTO reforms (see section 3.1.1.2). Recently, China changed its position by supporting necessary reform of the WTO, but to rather enhance its authority and efficacy, and has put forward three basic principles for WTO reform: preserve the core values of non-discrimination and openness of the multilateral trading system; safeguard the development interests of developing members, which are entitled to special and differential treatment in contrast to developed members; and follow the practice of decision making by consensus (Delegation of China to the WTO, 2019).

3.2.3.2.3 Southeast Asia

Southeast Asian countries pursue trade agreements within both regional and bilateral frameworks. The main regional framework was developed from preferential trade agreement (PTAs) which voluntarily reduced tariff barriers among member states in 1977 (Intal Jr., n.d.). The insignificant tariff difference between members and non-members, compounded with the unreadiness of member states, made this agreement develop slowly. It was only in the early 1990s, when NAFTA and the European Union were formed, that Southeast Asian countries realised the importance of having their own regional trade block. In 1992, ASEAN countries established the ASEAN Free Trade Area (AFTA) which aimed to reduce tariff rates to a maximum of 5% among members. AFTA is an interesting case as member states produce similar products making them compete against, instead of complement, each other. This also explains the relatively low intra-regional trade volumes within the region. However, Southeast Asian states share similar interests in establishing AFTA for the purpose of increasing their bargaining position in international trade. The literature characterises AFTA as a form of "open regionalism", where ASEAN states aim to "attract foreign direct investment to the region through the 'carrot' of the single regional market" (Nesadurai, 2003). At the same time, this model reflects characteristics of the development state model as governments play a major role in directing the AFTA to benefit their preferred domestic economic actors through expanding export markets for state-backed domestic cartels (Nesadurai, 2003).

This open regionalism character is more apparent when ASEAN negotiated ASEAN+1 agreements, including ASEAN-China Free Trade Agreement (ACFTA), ASEAN-Republic of Korea Free Trade Area (AKFTA), ASEAN-Japan Free Trade Area (AJCEP), ASEAN-India Free Trade Area (AIFTA), and ASEAN-Australia-New Zealand Free Trade Area (AANZFTA). These arrangements indicate that Southeast Asian states use AFTA as a tool to negotiate FTAs with non-regional trading partners. From these arrangements, AKFTA, ACFTA, and AIFTA are currently limited to reducing tariff barriers for trade in goods and only AJCEP and AANZFTA involve reducing tariffs not only for goods but also for services and investment. Regarding trading partner selection, some scholars argue that Southeast Asian states prefer

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to establish FTAs with major trading partners (Bowles and MacLean, 1996), while others argue that this selection is based on larger state security objectives (Leu, 2011). Furthermore, it has been argued that these FTAs are formed to diversify trading relations and reduce overdependence on a small numbers of trade partners (Leu, 2011). In recent years, ASEAN has worked to reduce bilateralism with individual trading partners, through merging the six ASEAN+1 agreements under the umbrella of the proposed Regional Comprehensive Economic Partnership (RCEP).

The slow progress of the FTA process at the WTO level combined with the Asian Financial Crisis of 1997, which further slowed down the FTA process at the regional level, has led countries that are dependent on international trade to initiate bilateral FTAs. For example, Singapore currently reaches 15 trading partners both within the region – such as Japan, Korea, and China – and outside the region – such as Jordan, India, Panama, Peru, and Costa Rica – through bilateral arrangements (Sen, 2004: 9). While this initiative was initially heavily criticised by other ASEAN member states as undermining ASEAN centrality, several ASEAN states have since followed suit. Trade intensity and trade partner selection, however, differs among member states depending on their national trade strategies and objectives. Within the ASEAN 6, for example, Singapore is the most active in negotiating bilateral trade and multilateral trade and promoting access to industrial and service markets (Sally and Sen, 2005). Singapore uses bilateral FTAs both to promote further multilateral FTAs and to maintain political ties with selected trading partners (Sally and Sen, 2005). Thailand, Malaysia, Indonesia, the Philippines, and Vietnam pursue a relatively similar strategy in that they all adopt partially liberal trade policies while imposing some protectionist measures. While Thailand and Malaysia are rather defensive on the question of services, Indonesia and the Philippines are more sensitive on the issue of agriculture. Thailand and Malaysia have currently signed eight bilateral FTAs, Indonesia and Vietnam signed five bilateral FTAs, and the Philippines signed only two bilateral FTAs (ARIC, n.d.). This is in contrast to the CLM countries which tend to rely on the ASEAN framework for building their FTAs. Cambodia has signed no bilateral FTAs, while Laos and Myanmar have signed only one each, with Thailand and the United States respectively (ARIC, n.d.).

With regard to pursuing non-trade objectives through trade policy, such as those related to sustainable development or labour standards, most bilateral FTAs signed by ASEAN or individual member states before 2010 have no provision for non-trade issues. It is only recently, and limited to FTAs with the European Union, that non-trade provisions have been included in agreements, and these also vary among member states. Both the EU-Singapore and the EU-Vietnam FTAs, for example, have a "Trade and Sustainable Development" provision covering labour and environmental aspects (Council of the European Union, 2018c, European Commission, 2018g). In terms of labour regulations, both agreements highlight the importance of productive employment and decent work conditions for all, the importance for both parties to cooperate on trade-related labour issues, and the ratification of ILO conventions. However, the agreements differ in that the EU-Singapore FTA focuses only on environmental protection with respect to timber and fish products, while the EU-Vietnam FTA also covers climate change, biological diversity, forest products, and marine resources. The Indonesia-EU Comprehensive Economic Partnership (IEU CEPA) is even more comprehensive, covering tourism, SME cooperation, science and technology, energy, transport, education and culture, human rights, forestry, agriculture and rural development, marine and fisheries, health, personal data protection, migration, and corruption, among others (Official Journal of the European Union, 2014). Other than FTAs with the EU, the proposed RCEP, currently under negotiation, also includes non-trade provisions on SMEs, reflecting the importance and concern of member states on this issue which is also evidenced in the ASEAN's Vision 2025 document (ASEAN, n.d.).

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3.2.3.2.4 Latin America

Latin American countries stepped into the "globalisation era" by developing a dense network of preferential trade agreements. The first modern regional trade agreements in Latin America were intraregional customs unions formed or revived in the early 1990s: notably the Andean Community of Nations (known in spanish as CAN), the Caribbean Community, the Central American Common Market, and the Southern Common Market (MERCOSUR) (Quiliconi, 2014). MERCOSUR and CAN countries have in turn signed PTAs in the following years, such as the Bolivia-MERCOSUR PTA, signed in 1995 and the Chile-MERCOSUR PTA, signed in 1996.

At the beginning, the majority of these PTAs were among countries with similar levels of development, with two important exceptions that crossed the North-South divide: the North American Free Trade Agreement (NAFTA), signed in 1992; and the Canada-Chile PTA, signed in 1996. A few years later, the negotiations of the Free Trade Area of the Americas (FTAA) and the EU-MERCOSUR PTA were launched. In fact, the FTAA was launched in 1998 in Santiago de Chile (the FTAA was the trade agenda of the broader Summit of the Americas that was launched in 1994). Negotiations with the EU were launched in 1999, and they are based on the Interregional Framework for Agreement (EMFICA) signed in 1995 to promote an Interregional Association Agreement founded on three pillars: trade liberalisation, political dialogue and cooperation.

However, this scenario changed in the middle of 2000s. Some countries and blocs – such as the Central American Common Market (known in Spanish as MCCA), Peru, Chile, and Colombia – kept on negotiating and signing PTAs with developed countries – mostly with the US, the EU and China. Paradigmatic cases for this trade strategy are Dominican Republic–Central America Free Trade Agreement (CAFTA-DR) between the United States and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic, in force since 2005, and the Pacific Alliance between Chile, Colombia, Mexico and Peru, created in 2011. Other countries and blocs, such as MERCOSUR and Venezuela, have changed their external negotiations strategy and have focused on south-south trade negotiations and on expanding non-trade agendas. These countries are the main pillars of the post-hegemonic (or post-liberal) regionalism wave.

Indeed, there has been increasing variation in terms of the ways in which South American countries have approached trade negotiations after the 2000s – with a division in strategy forming between Atlantic and Pacific states along what has been called "The New Tordesillas Line" or "East-west-divide" (Valladao, 2007). In the case of MERCOSUR for example, though member states and the bloc as such did not formally and explicitly contest North-South agreements, MERCOSUR members have been nevertheless reluctant to sign such agreements and maintained a hard line during the FTAA negotiations (Zelicovich 2016; Mota Veiga & Rios, 2007). MERCOSUR's tendency toward post-hegemonic regionalism, in fact, is highlighted in the differences between MERCOSUR on one side and CAN (without Bolivia and Venezuela) and Central America on the other side. The growing importance of Asian Markets as well as the US' focus on terrorism and the subsequent reduction of its presence in South America during the 2000s have been cited as reasons for the emergence of the post-hegemonic regionalism (Burges, 2007; Gardini, 2011; Briceño Ruiz and Ribeiro Hoffman, 2015; Riggirozzi and Tussie, 2012) and the consolidation of the divide during the following years.

One of the paradigmatic cases of the post-hegemonic regionalism is the South American Countries Union (known in Spanish as UNASUR), created in 2008. In this sense, the "return to politics" in foreign relations, the "return of the State" to politics, the "return of the

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development agenda" (Riggirozzi and Tussie, 2012), the search for greater autonomy from the market, a greater emphasis on a positive integration, and the increasing attention on social agenda are some of the characteristics of this regional strategy (Sanahuja, 2012). This project is an economic and political construct that aims to achieve its members' trade goals while retaining room to maneuver for an active role in development and regional autonomy, particularly regarding the United States (idem) (Deciancio and Tussie, 2019).

However, the end of the "commodities boom", the onset of right-leaning leaders voted into office in Argentina and Brazil and opposing views on how to treat Venezuela have changed the regional landscape. Post-hegemonic regionalism lost impetus. In this context, MERCOSUR-EU trade negotiations were concluded; MERCOSUR-Canada negotiations are progressing rapidly and there is a renewed interest in the Pacific Alliance-MERCOSUR convergence process. The Atlantic-Pacific trade strategies have become less divergent. In a scenario where MERCOSUR has lost part of its "defensive birthmark", there is a real possibility that the bloc could be transformed into a FTA, dropping its common external tariff altogether and thus enabling countries to engage in individual trade negotiations with third countries.

In sum, the scenario in Latin America has evolved since the boom of the "open regionalism" wave. At the beginning of the 1990s, the regional trade agreement architecture in Latin America was simply organised around a geographic logic (Quiliconi, 2014). Nowadays, the majority of the PTAs in Latin America are not intraregional. The web of bilateral PTAs in the region is a real "spaghetti bowl", and most of the PTAs are indeed North-South treaties. Nonetheless, there is an enormous and complex grey area that is shaping the regional integration between these two extremes.

3.2.4 Official Development Assistance (ODA)

In addition to participating in development efforts at both the international level and the regional level, through their membership in the World Bank and regional development banks, many states also contribute bilaterally to the economic development and social welfare of less developed states through official development assistance (ODA). ODA consists of various kinds of support, including monetary aid, grants, capacity-building training, technical transfer, supplies and other forms of aid. The Organisation for Economic Cooperation and Development (OECD) tracks ODA flows worldwide, though the organisation has rather specific criteria for what counts as ODA (including an exhaustive list of possible eligible recipients) (OECD 2019a), that we do not necessarily follow here for the purposes of this discussion.

Nevertheless, according to the OECD's criteria, the biggest donors of ODA in 2018 as a percentage of gross national income were Sweden, Luxembourg, Norway, Demark, and the United Kingdom (OECD 2019b). In terms of grant equivalent, the biggest donors were the United States, Germany, United Kingdom, EU institutions and Japan (OECD 2019b), but the EU taken together contributes more than the largest single state donor: the United States. Because China does not report foreign aid separately from other types of development contributions, determining China's ODA remains difficult. However, figures from one study that purports to show 15 years of Chinese ODA suggest that China has recently become a major provider of ODA, particularly in terms of grant equivalent (AidData, 2019).

Additionally, though the volume of South-South cooperation (SSC) is comparatively lower than ODA flows from countries making up the OECD Development Assistance Committee (DAC), which is comprised of developed (and predominately Northern/Western) countries, "the relative decline in North-South development cooperation has made its growth seem more spectacular" (United Nations Economic and Social Council, 2008: 1). Furthermore, it has been

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recognised that SSC development assistance is crucial for achieving the SDGs and other development objectives, drawing on mutual expertise derived through shared challenges and similar development needs and giving greater voice to developing economies in shaping the development agenda (UNDP, 2019). As such, SSC is seen as an important complement to – though not a substitute for – North-South cooperation (Li, 2018).

In this section, we will look into the ODA strategies of the EU, the US and China.

3.2.4.2 ODA strategies of key donors

3.2.4.2.1 The European Union

In the EU, development cooperation is executed on at least two levels, the level of the Member State as well as on the level of the EU. The EU is a development cooperation actor in its own right (Carbone, 2007) with quite a significant budget. According to an OECD review in 2018, the EU's extensive use of budget support and a variety of delivery instruments are generating a significant impact in recipient countries. For example, in 2018, EU budget support covered a large variety of sectors, with 250 contracts implemented in 89 countries. In 2018, these contracts gave rise to EUR 1.8 billion of payments (European Commission, 2019d). However, this is significantly lower than the budgets of several EU Member States such as Germany, United Kingdom, France, Italy and Sweden.

Development

The most important development in relation to the EU as a donor and international development actor is its focus on a human-rights based approach to development cooperation (Marx, McInerney-Lankford, Wouters and D'Hollander, 2015). Since its emergence as an international donor, the EU has progressively recognised the importance of human rights, institutions and good governance for achieving development outcomes. As a result, the EU has gradually integrated human rights in development cooperation policies. This fits within the Union's broader evolution towards becoming a global human rights promoter (Broberg, 2013). Consequently, a number of policy initiatives were developed to integrate human rights in the EU's development cooperation policy. The Commission's 'Agenda for Change' advanced a vision on EU development cooperation in which the objectives of development cooperation are closely intertwined with human rights and democracy. The Commission's communication 'Human Rights and Democracy at the Heart of EU External Action' underlines the need to develop a Human Rights Based Approach ('HRBA') to "ensure that human rights and democracy are reflected across the entire development cooperation process" (European Commission, 2011: 11). The development of a comprehensive HRBA for EU development policy was reiterated with the adoption of the EU Strategic Framework and Action Plan on Human Rights and Democracy in 2012 and was reinforced by Council Conclusions on the Action Plan on Human Rights and Democracy 2015 - 2019.

D'Hollander, Marx and Wouters (2014) distinguish three distinct but interrelated policy strategies, adopted by the EU to integrate human rights in development cooperation. First, human rights have been integrated as part of the EU's policy on aid allocation/budget support. The EU applies 'negative' and 'positive' conditionalities whereby partner governments lose or gain access to development funding depending on their commitment to complying with human rights obligations (Lavenex and Schimmelfennig, 2011). Second, the Commission promotes projects which aim to support 'bottom-up' processes of citizens demanding human rights protection or democratic governance. A third approach (HRBA) aims to embed human rights issues and broader human rights-based principles or standards in all areas of development

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cooperation such as education, health care, agricultural development and food security, energy and water provision.

Challenges

The main challenge relates to the implementation of the HRBA in a context in which other international actors, such as China with its Belt and Road Initiative, place less emphasis on human rights in their development cooperation and international investments. First, by scaling up funding for human rights and democracy initiatives, the Commission is expanding its support for bottom-up processes with a focus on non-state actors. A key question here is what type of actors will be supported and how programmes and projects are managed. Most EU funding tends to focus on professional NGOs, labour unions and trade associations as the embodiment of civil society. Although the Commission recognises that informal organisations are also part of civil society, these are less supported (D'Hollander et al., 2014). Addressing this problem, the European Endowment for Democracy (EED), operating in a select number of countries, has been set up as a more flexible instrument less bound to administrative requirements (Richter and Leininger, 2012).

Secondly, a number of internal factors have made it difficult for donors to put the theory of human rights-based development into practice. Arguably, there are several internal and organisational disincentives within donor institutions which impede a substantive rethinking of development programming from a human rights perspective. A HRBA requires significant organisational restructuring and this is not always evident. Thirdly, a HRBA faces challenges in mustering sufficient ownership by local stakeholders, which is essential for achieving a sustainable impact. The nature of the local 'policy space' as well as the capacity of local actors constrain or enable the integration of human rights in development cooperation initiatives. Indeed, when domestic constellations of power and interests do not favour human rights-based or democratic reforms, the process is likely to remain superficial (Andrews, 2013; Carbone, 2017). Also competition by other donors, not pursuing a HRBA, complicates the implementation of a rights-based approach (Oshodi, 2015). Finally, some scholars are sceptic about applying negative conditionalities. From an aid-effectiveness perspective, enacting 'political' conditionalities by freezing or suspending budget support is seen as a disruptive measure which ultimately has little impact on elites but a potentially high impact on the broader public (Molenaers, Dellepiane and Faust, 2015). On the other hand, the use of positive incentive-based conditionalities to stimulate progressive reforms has faced several operational deficiencies whereby the relatively small size of budgets was considered insufficient to foster structural changes (Molenaers and Nijs, 2009).

3.2.4.2.2 The United States

The primary agency in charge of carrying out the United States' international aid strategy is the U.S. Agency for International Aid (USAID), established in 1961. The agency identifies its roots in the various organisations set up by the U.S. government to implement U.S. President Harry Truman's Point Four Program of a decade earlier (USAID, 2019c), though some historians argue that the genesis was much earlier (Helleiner, 2010). The U.S. uses international aid as a tool of foreign policy: the agency is transparent about its goals that prioritise U.S. economic and security interests while pursuing a variety of humanitarian and social justice objectives (USAID, 2019c; Berthélemy, 2006). These priorities show up empirically – as Berthélemy shows, USAID's contributions are disproportionately higher to key trading partners (Berthélemy, 2006).

The U.S. is the world's largest net provider of international aid, making a total of $49 billion in commitments in 2017 (USAID, 2019a), of which just over $35 billion met the OECD's definition

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of ODA. However, as a percentage of gross national income (GNI), the U.S. comes in 21st out of the then 29 OECD DAC member states: the US' 2017 ODA contribution was 0.18% of the U.S. GNI, which falls significantly short of the 0.7% target set by the United Nations as well as of the 0.31% average of all DAC members (OECD, 2018).

USAID operates missions in more than 80 recipient countries and conducts projects in more than 100. USAID missions are generally established on the basis of a bilateral treaty with the host country and employ local staff, and work toward goals defined in the Country Development Cooperation Strategy (CDCS). USAID provides technical and financial support to development projects in these countries, working with civil society organisations, educational institutions, non-governmental organisations and other local development actors. In general, a significant majority of donor aid is provided to non-state actors such as NGOs, rather than to the relevant state ministries, which may allow USAID to bypass governmental actors and pursue its own formal and informal objectives (Rahman, Miah and Giessen, 2018: 255–57).

Development: Times of "Transformation"

USAID's congressional mandate – the Foreign Assistance Act – has been revised from periodically since its enactment in 1961 to encompass changing development and foreign policy needs, such as "soft security" development programs implemented following the terrorist attacks in New York City on 11 September 2001 that are designed to counter violent extremism and terrorism through programs emphasising education, training, job creation and media programming with content on peace and tolerance (Miles, 2012; Aldrich, 2014).

Additionally, various presidential administrations have attempted to reform the agency, including the "USAID Forward" initiative by the Obama Administration and, most recently, following an executive order by the Trump Administration in 2017, USAID has embarked on a series of reforms that were branded "Transformation at USAID" in 2018. Though an overall strategy for the reform has yet not been made public, a report prepared by the Congressional Research Service suggested the primary goals for the reform include (i) building recipient countries self-reliance (and phasing out aid), (ii) greater involvement of the private sector, (iii) placing a greater emphasis on supporting U.S. national security strategy, (iv) restructuring for better management and stronger leadership, and (v) "using taxpayer dollars more efficiently and effectively" (Morgenstern, Brown and Lawson, 2019: 2). These goals can be seen in part as an attempt to reduce spending on foreign aid – a motive that is underscored by the Trump Administration's (as of yet unsuccessful) attempt to significantly reduce the agency's budget (Reuters, 2019; Morgenstern et al., 2019).

Challenges

Though USAID considers itself to be "America's good-news story" (USAID, 2019b) and its aid programmes are part of the United States' diplomatic strategy, the agency's development agenda has faced and continues to face serious challenges. In addition to challenges from the executive branch regarding the agency's budget and management, "bureaucratic disorder" and disunity among key actors responsible for U.S. foreign and security policy such as the US State Department (which the agency reports to), USAID, and the defense department can result in incoherent policymaking and counter-productive strategies (Keane and Diesen, 2015; see also Atwood, McPherson and Natsios, 2008). Even without the threatened budget cuts, the agency has struggled with underfunding and understaffing (Atwood et al., 2008) – and resolving such issues is politically difficult because public support for spending on foreign aid is very low, in part due to a persistent public misperception about what portion of the government's budget goes toward foreign aid (Scotto et al., 2017).

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Further, some of USAID's strategies and motives for attaining certain development ends have drawn criticism, suspicion, or resistance from civil society, citizens, and host countries. For instance, tactics used by USAID to convince Bolivian farmers to cultivate coffee instead of coca as part of the agency's strategy to reduce drug trafficking may have played a role in the Bolivian government losing trust in USAID and ultimately requesting USAID to close its mission in the country (Paquette, Sommerfeldt and Kent, 2015). In another example, USAID's democracy promotion activities in Cuba were construed by some as intended to support Cuban dissidents in order to effect a regime change and ultimately led to the arrest and imprisonment of a USAID staff member by Cuban authorities on charges of espionage in 2009 – bringing attention to and calling into question the legitimacy of USAID's democracy promotion activities (Firchow, 2013).

In a similar vein, USAID's tendency to form coalitions with non-state actors and bypass state bureaucracies not only has negative consequences for how the agency is perceived by the host country's policymakers, but also may risk the agency losing out on key information and expertise from the government ministries normally responsible for the policy area (Rahman, Miah and Giessen, 2018). Further, USAID may also have to make up for the built-in reach of the state – in a case study on USAID initiatives in forest management in Bangladesh, the authors show that USAID spent a significant proportion of the total aid on publicity and networking activities (Rahman, Miah and Giessen, 2018: 256). Such circumvention also brings forth the question of which actors will be responsible for coordinating and implementing projects in the future after USAID, since the state authority is often left out of the process.

3.2.4.2.3 China

As the world's largest developing country, China has been an advocate, practitioner and promoter of global poverty reduction and development. In pursuit of these goals, China conducts South-South cooperation, providing to other developing countries assistance with no political conditions attached, and supporting and helping them, particularly the least developed countries (LDCs), in eliminating poverty. In providing foreign aid, China's official policy is to adhere to "the principles of not imposing any political conditions, not interfering in the internal affairs of the recipient countries and fully respecting their right to independently choosing their own paths and models of development. The basic principles China upholds in providing foreign assistance are mutual respect, equality, keeping promise, mutual benefits and win-win" (Information Office of the State Council, 2014).

The foreign assistance budget in China is managed by the Ministry of Finance in line with the budget and final accounts system, while the overall foreign assistance policy of China is coordinated and overseen by the Ministry of Commerce. To better coordinate its foreign assistance policy, the China International Development Cooperation Agency was established in March 2018. The main task of this agency is "to formulate strategic guidelines, plans and policies for foreign aid, coordinate and offer advice on major foreign aid issues" (China International Development Cooperation Agency, 2019).

China's focus on other developing countries is part of China's strategy to "bridge the South-North development gap" (The State Council Information Office, 2018). According to an official White Paper published by the Chinese government, China has developed the 'Aid for Trade' (AfT) initiative, by providing resources to LDCs and other developing countries for infrastructure construction, training, "productivity improvement", and trade and investment development (Ibid.). Furthermore, China established the LDCs and Accessions Program in 2011 in order to help LDCs in their accessions to the WTO, and six LDCs have benefitted (Ibid.). China has also sought to work cooperatively with international organisations and the WTO in particular to through the 'South-South Cooperation Assistance Fund' to jointly carry out projects related to AfT and to help

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developing countries better integrate with global value chains (Ibid.). In addition, it has donated USD1 million to the WTO Trade Facilitation Agreement Facility to assist the implementation of the AfT (Ibid.).

Major forms of Chinese foreign assistance comprise three types: grants (‘aid gratis’), interest-free loans and concessional loans. Grants are mainly offered to help recipient countries build small or medium-sized social welfare projects. Interest-free loans are mainly used to help recipient countries construct public facilities and launch projects to improve people’s livelihoods. Concessional loans are mainly used to help recipient countries undertake manufacturing projects and large and medium-sized infrastructure projects with economic and social benefits. Concessional loans are raised by the Export-Import Bank of China on the market. As the loan interest is lower than the benchmark interest released by the People's Bank of China, the difference is made up by the state as financial subsidies. The main difference between grants and loans is that grants have “a more generous nature and more effective control over loans” where the loans can be cancelled (Copper, 2016: 3). However, such a difference becomes ambiguous because overall the loan interest rates are already low (Ibid.).

Over the last six decades, China has provided 166 countries and international organisations with nearly RMB400 billion in aid and dispatched over 600,000 aid workers (China Daily, 2019). These foreign assistances were mainly provided in the following ways: undertaking complete projects, providing goods and materials, conducting technical cooperation and human resources development cooperation, dispatching medical teams and volunteers, offering emergency humanitarian aid, and reducing or exempting the debts of the recipient countries.

Recent Developments

Recent initiatives pursued by China’s foreign assistance stategy include assistance focused on regional development, the national implementation of the UN 2030 Agenda for Sustainable Development, and the Belt and Road Initiative. With regard to the first, China has sought to strengthen group consultation with recipient countries through regional cooperation mechanisms and platforms, such as the Forum on China-Africa Cooperation (FOCAC) and China-ASEAN Summit. On more than one occasion, China has announced assistance packages in response to the development needs of various regions. The best example in this regard is the FOCAC Beijing Action Plan (2019-2021) adopted at the 2018 Beijing Summit and the Seventh Ministerial Conference of FOCAC held in Beijing in September 2018. Beijing made several new commitments of assistance to African countries, including to “implement 50 agricultural assistance programs, provide RMB 1 billion of emergency humanitarian food assistance to African countries affected by natural disasters”; to support “the setting up of a US$5 billion special fund for financing imports from Africa”; to “extend US$20 billions of credit lines and support the setting up of a US$10 billion special fund for development financing”; and to “carry out a tailor-made program to train 1,000 high-caliber Africans” (Forum on China-Africa Cooperation, 2018). Since the 18th National Congress of the Chinese Communist Party, China has adhered to the principle of establishing a community of fate between China and Africa, and China’s aid to Africa has become an important carrier of bilateral political exchanges (Song, 2019: 82). China’s foreign aid is carried out under the framework of South-South cooperation with the goal of promoting the common development of developing countries, nevertheless China does not agree with the political connotation of the concept of ODA as defined by the OECD (Zeng, 2017: 50). China insteads understands foreign aid to be “a means not only to help other developing countries but also to create economic linkages that can be mutually beneficial” (Samy, 2010: 83).

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Additionally, China has made implementation of the UN 2030 Agenda for Sustainable Development a priority. It was the first country to issue a national plan and a progress report on implementation. China has provided assistance to other developing countries within the framework of South-South cooperation to help them implement the 2030 Agenda. According to the State Council Information Office of the People's Republic of China (2019), "[o]ver the three years since the China-UN Peace and Development Fund went into operation in 2016, China put in place 27 programs under the 2030 Agenda for Sustainable Development Sub-Fund, which have benefited 49 Asian, African and Latin American countries". By 2018, in more than 30 Asian, African and American countries, China had launched more than 200 development cooperation programs under the South-South Cooperation Assistance Fund (SSCAF) which was set up in 2015 on disaster relief, healthcare, protection of women and children, refugee relief, and environmental protection (Ibid.).

Finally, the Belt and Road Initiative (BRI) was proposed by Chinese president Xi Jinping in 2013. The BRI intends to connect Asia with Africa and Europe via land and maritime networks with the aim to achieve policy coordination, infrastructure connectivity, unimpeded trade, financial integration and closer people-to-people ties with other countries. According to a World Bank research report, the initiative could help 7.6 million people out of extreme poverty and 32 million out of moderate poverty (Ruta, Dappe, Lall, Zhang, Constantinescu, Lebrand, Mulabdic, and Churchill, 2019). It is expected to increase trade in participating countries by 2.8 to 9.7 percent, global trade by 1.7 to 6.2 percent and global income by 0.7 to 2.9 percent (Ibid.). The initiative has already made significant progress: according to an official Chinese White Paper, "since the First Belt and Road Forum for International Cooperation in 2017, China and other countries along the routes have signed more than 100 customs inspection and quarantine cooperation documents and established more than 40 customs inspection and quarantine cooperation mechanisms" (The State Council Information Office of the People's Republic of China, 2019).

The BRI has greatly promoted China's economic cooperation with countries connected through the routes. By 2018, 126 countries and 29 international organisations have signed cooperation documents to join the BRI. China has directly invested more than 90 billion dollars in other countries for projects related to the BRI (People's Daily Online, 2019). Among the BRI's professed achievements is the increase in trade volume between China and BRI countries, which is estimated to be more than USD 6 trillion, making up 27.4 percent of China's total trade in goods (Ibid.; The State Council Information Office of the People's Republic of China, 2019). Junjin Cao argues that BRI will be most effectively implemented if it can be articulated with Chinese foreign aid model (Cao, 2016).

Challenges

While China's foreign aid has resulted remarkable achievements and thus has been highly appreciated, it faces criticism and challenges from both home and abroad. A first challenge is that China's foreign aid strategy is not well understood or supported by Chinese citizens. Many citizens feel that China lacks a grand strategy when it comes to foreign aid. The opaque nature of Chinese foreign aid decision making renders the principle, procedure, and volume of China's foreign aid a national secret and does little to allay citizen's concerns. Furthermore, as nationalism rises, foreign aid does not enjoy domestic support since some of parts of China are still underdeveloped. In addition, since specific assignments are allocated to different departments of government and more agencies are becoming involved in the implementation, bureaucratic competition hinders Chinese foreign aid policy from realising its goals. Each of the agencies may have its own clear strategy, but these strategies do not appear to make up an overall comprehensive Chinese foreign aid strategy (Cao, 2016). Chinese governmental

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actors as the implementors of its foreign aid projects are not “directly involved with policy execution but more in charge of facilitation and support”, which can hinder implementation (Jiang, 2020: 188). Another challenge is the specificity of the Chinese foreign aid policy design: most of the foreign aid policies consist of a general direction for Chinese foreign aid, including China-Africa agro-cooperation, but do not contain concrete action plans (Ibid.: 184).

Chinese foreign aid also faces external challenges – both from the third parties’ perceptions and from the aid recipients. Some of China’s practices in developing countries have been criticised as new colonialism (Ohashi, 2013: 82). First, China’s political system often renders the impression that all agencies and firms involved with implementing China’s foreign aid projects are making “concerted efforts to further China’s national interests” (Ibid.) under the unified leadership of the Chinese Communist Party. While China has begun to cooperate with third parties or international organisations in implementing its assistance toward developing countries, this lack of trust in China’s intentions can hinder cooperation and undermine China’s capacity to pursue its foreign aid strategy. Additionally, China has been accused of “offering a help hand to dictators” in order for China to secure resources (Ibid.), further undermining China’s perceived legitimacy as a development actor. Thirdly, some recipients have complained about the implementation of some of the development projects. For instance, the contracts for many of the projects in recipient countries have been awarded to Chinese firms, which have frequently employed Chinese labourers instead of employing local workers, leading to the decline of the local industry (Ibid.). Finally, some projects are prone to ecological environment damage due to the very nature of the project – such as infrastructure construction – which, combined with Chinese companies’ weak environmental awareness, attract Western media’s criticism of China’s foreign aid (Liu, 2016: 86).

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3.3 Non-state actors

3.3.1 Private Initiatives and Voluntary Sustainability Standards

Non-state actors have become important actors in global governance, also in the areas of trade and development. The most important non-state actors in this context are multinational enterprises (MNEs)[11] and non-governmental organisations (NGOs). The importance of MNEs has grown hand in hand with the spectacular increase in global trade of the last five decades[12]. The volume of international trade has not only expanded, but more fundamentally, the nature of international trade has changed rapidly and is now characterised by global value chains and global production networks. Products we buy and consume on a daily basis rely on the functioning of global value chains, meaning that the production process of most goods takes place in more than one country. Changes in information technology "have permitted firms to geographically splinter their 'production lines', designing international supply chains that allocate different parts of the production process to firms in different countries" (Hoekman, 2014: 4; see also Hamilton, Petrovic and Senauer, 2012; Cattaneo, Gereffi and Staritz, 2010). MNEs play a crucial role in coordinating/governing these global value chains. As Nolan and Boersma (2019) note it is hard to overstate the impact of global value chains. Global value chains have become a very important governance mechanism in global governance (Ponte, 2019).

Also the role of NGOs has increased over the last three decades. In development cooperation, they have a long-standing role as service providers and project implementers. Some NGOs in development cooperation, such as Oxfam, ActionAid and Médecins Sans Frontières, operate in multiple countries and are multinational organisations in their own right (Weiss, 2013). However, NGOs also have become active in setting rules and trying to change the behaviour of other global governance actors. Keck and Sikkik (1998) analyse how networks of activists and NGOs collaborate and operate, in a transnational fashion, to influence the behaviour of other actors such as international intergovernmental organisations. Also there is significant literature on how NGOs target companies via different types of actions and strategies such as naming and shaming and shareholder activism (De Bakker, Rasche and Ponte, 2019; De Bakker, Den Hond and King, 2013). Finally, NGOs and business collaborate and establish new 'multi-stakeholder' organisations which are involved in the transnational regulatory process. This section briefly introduces the different types of initiatives and how they operate. The section also identifies some key developments and challenges.

Initiatives

The three decades have seen a significant increase in private governance initiatives which directly relate to trade and development. Actually many of these initiatives aim to make trade more sustainable and in this way link trade and development through the concept of sustainable development. These initiatives attempt to give international trade a sustainability dimension. In other words, they link the 'North' to the 'South' by governing global value chains (Ponte, 2019).

The various private initiatives differ from one another. Abbott and Snidal (2009) have developed a means of classifying these different initiatives. They subdivide the new initiatives on the basis of the actors involved in the regulatory process. They distinguish between three major actors – the state, companies and non-governmental organisations – which develop

[11] One can find many different names in the literature such as business, corporations, multinationals, etc. We use the standard OECD reference to multinational enterprises (MNEs).

[12] There is a slowdown in international trade after the financial crisis of 2008

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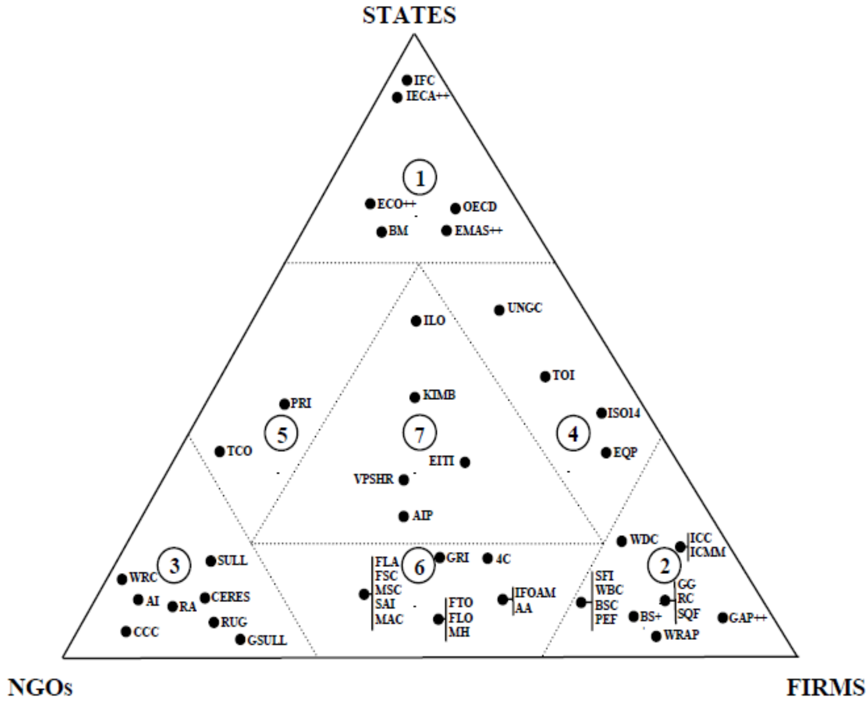
rules, either separately or together, that govern global value chains. These three actors form the 'governance triangle' (see Figure 1). Within this triangle, Abbott and Snidal distinguish seven zones, depending on how many parties are involved in the regulatory or global governance process. The involvement in the regulatory process can imply several things. First, non-state actors can be involved in developing new rules and standards which are important in the context of trade and development governance. This can be done either through agenda-setting or through independent rule-making and standard setting. Second, they can be involved in the implementation, monitoring and enforcement of international rules and projects. They can do this through bringing specific expertise and capacity to the regulatory process (Abbott, Levi-Faur and Snidal, 2017).

Figure 1: Governance Triangle



Source: Abbott and Snidal, 2009

Abbott and Snidal place new regulatory private and public-private initiatives in each of these zones. Three zones contain initiatives in which one actor develops the standards, three zones contain initiatives in which two actors develop standards, and one zone contains standard-setting initiatives which are developed by all the three parties. A typical example of zone 1 initiatives is the OECD Guidelines for Multinational Enterprises. The guidelines were originally adopted by the OECD Ministerial Council in 1976 (revised several times afterwards), which aim to encourage positive contributions by MNEs to economic, environmental, and social goals. They are now applicable in forty-six states (all thirty-four OECD member states and twelve non-OECD members) (Marx and Wouters, 2017). They contain recommendations to multinational companies regarding socially responsible business operations specifically relating to matters such as the environment, fighting corruption, labour relations and competition. Zone 2 is characterised by company or industrial sector-driven initiatives such as Responsible Care in the chemical sector. These initiatives are mainly industry- and company-

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driven. Self-regulatory efforts which ensure sustainable and social performance have emerged from within the private sector with increasing speed since the early 1990s. These standards are commonly adopted as a corporate ‘Code of Conduct’ (CoC) or a set of ‘business principles’ by an individual firm or a group of firms organised in an industry association. On the one hand there are corporate initiatives that focus on a range of sustainability issues which directly influence trade dynamics. On the other hand there are corporate initiatives that focus on specific issues. For example, Vandenbergh and Gilligan (2017) detail the different private and corporate initiatives which aim to reduce the risk of climate change. Their book discusses many different approaches and shows a proliferation of private climate initiatives which influence the way MNEs do business and trade. Specifically in the area of development governance, business-related governance initiatives are operational through different types of foundations which contribute to development policies. Probably the most well-known foundation in this respect is the Bill and Melinda Gates Foundation.

Zone 3 comprises NGO-driven initiatives. NGOs come in different forms, disguises and abbreviations. To illustrate, Wikipedia identifies *interalia* BINGOs, SBOs, TANGOs, TSOs, GONGOs, DONGOs, INGOs, QUANGOs, CSOs, SCOs, TNGOs, GSOs, MANGOs, NGDOs and PVDOs (see list of abbreviations for full names) A leading example in the context of the trade governance is the Clean Clothes Campaign (CCC). Launched in the Netherlands and the United Kingdom in 1989, the CCC was initially driven by a group of non-governmental organisations working on labour rights and women’s rights, which reacted to a particular incident in a garment factory in the Philippines. CCC has spread out and formed national branches in several European countries, with an extended network of about 250 partner organisations worldwide (Clean Clothes Campaign, 2013). The main standard which the CCC developed is the ‘Code of Labour Practices for the Apparel Industry Including Sportswear’ based on existing ILO conventions. The CCC’s key goal is to campaign for the adoption and implementation of this code by companies, whereby it uses different tools including raising public awareness on labour conditions, lobbying and pressuring specific companies. In development cooperation, many thousands of NGOs are involved in the implementation of development cooperation policies and service delivery in developing countries.

Zones 4, 5 and 7 are less populated in terms of initiatives but contain, for example, the UN Principles for Responsible Investment (zone 4), the UN Global Compact (zone 5) and the 1977 declaration of the International Labour Organisation on multinational companies. These zones also constitute initiatives which are more broadly defined as public-private partnerships with which we deal in the next section.

One of the most important developments in terms of private initiatives for trade and development governance over the last decades occurred in zone 6, which constitutes a collaboration between NGOs and companies. Examples of this type of initiative include the Forest Stewardship Council, the Marine Stewardship Council and more than 200 other certification schemes. They are currently more known under the general heading of ‘Voluntary Sustainability Standards’ (VSS). The United Nations Forum on Sustainability Standards (UNFSS) defines VSS as “standards specifying requirements that producers, traders, manufacturers, retailers or service providers may be asked to meet, relating to a wide range of sustainability metrics, including respect for basic human rights, worker health and safety, the environmental impacts of production, community relations, land use planning and others” (UNFSS, 2013: 3). Although the idea of voluntary standards is quite old (Marx and Wouters, 2015), their proliferation is of a more recent nature. All these initiatives differ in how they set and enforce rules, although there are quite some commonalities. In order to understand their position in global trade and development governance, it is important to understand how they set and enforce rules and standards. In a stylised way, one could say that they do this in three distinct steps. First, they develop standards, often embedding them in existing national and international laws by, for example, including international legal commitments in their

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foundational principles. In this way, they integrate public rules and standards in a private set of procedures. Second, they translate these principles and standards into measurable indicators and action. VSS operationalise international norms and principles in specific standards and benchmarks, which makes compliance assessment possible. Often VSS initiatives start with defining general principles as noted earlier and delegate the formulation of specific standards to working groups or committees which can take local conditions into account. These general principles are hence translated into specific 'compliance benchmarks'. These benchmarks contain more specific criteria that are related to each of the broad principles. Each of these benchmarks is in turn further defined and operationalised into measurable indicators. Third, they develop a comprehensive institutional framework to monitor compliance with these standards. After operationalising international norms into specific standards, VSS put systems in place to monitor compliance with standards by VSS adopters. Monitoring allows for the assessment of compliance with specific standards. Monitoring in VSS is a function of two interrelated components, namely audit-based systems and complaint systems (Marx and Wouters, 2016). The former refers to the assessment of conformity with standards and rules by independent third parties through a set of standardised procedures primarily based on audit procedures. The latter, complaint systems, allow different stakeholders to constantly monitor compliance with commitments and in case of non-compliance, file a complaint. These systems empower external stakeholders by allowing them to raise issues relevant for the functioning of VSS.

Developments

A first major development is the evolution of these private initiatives. On purely private MNE initiatives there is little consolidated data on how many initiatives are operational, but there are many of this type of inititative since most large MNEs develop private regulatory initiatives to govern their supply chains. The Yearbook of International Associations identifies many thousands of international NGOs. They contain a wide variety of different organisations focusing on different topics. More linked to the areas of trade and development Oliver Westerwinter (forthcoming) compiled a new dataset on transnational public-private governance initiatives (TGIs). TGIs are organisations in which states and/or intergovernmental organisations cooperate with business and civil society actors to govern global problems. He identifies 636 TGIs which were created between 1885 and 2017. His database shows a very strong increase in number of initiatives from the 1990s onwards. Another source on transnational public-private initiatives is the SDG public-private partnership facility. Currently more than 4000 partnerships are recognised and linked to one SDG or more SDGs (see also Marx, 2019).

Specifically in relation to VSS, two datasets are available which allow researchers to track the evolution of VSS over time. One is the 'Standardsmap' of the International Trade Centre which counts approximately 250 VSS. The other is the Ecolabel Index database which is more comprehensive in scope and currently counts around 465 VSS. Figure 2 shows the evolution of the number of VSS from 1940 to 2019 based on the Ecolabel Index Database. The figure shows a strong increase in number of initiatives between 2000 and 2010, then a slowdown in growth and finally stagnation in the last 3-4 years.

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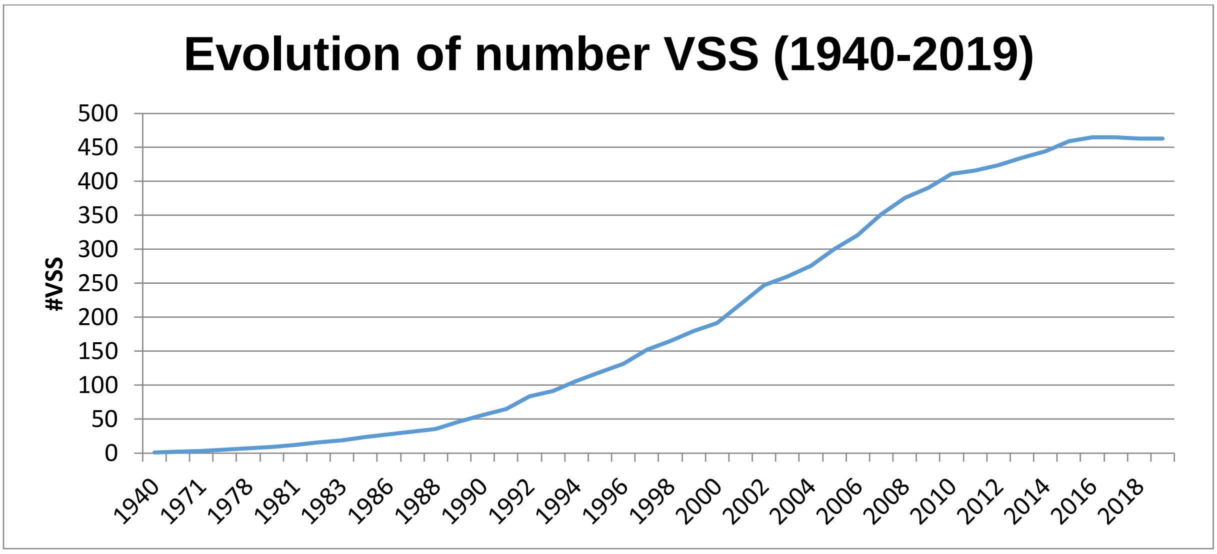

Source: Ecolabel Index Database – own calculation

What drives this development is still unclear. Werker and Ahmed (2008) have suggested that the growth of NGOs in the development cooperation sector is driven by the outsourcing of government services, new ventures by would-be not-for-profit "entrepreneurs" and the increasing professionalisation of existing NGOs which allows them to expand and create spin-offs. The importance of increased professionalisation and the role of entrepreneurial professionals is also highlighted by Henriksen and Seabrooke (2016) and Seabrooke and Sending (2019). Besides these factors a global agenda such as the Sustainable Development Goals can also influence the development and involvement of private and public-private actors in trade and development. SDG 17 explicitly encourages the establishment of public-private partnerships to achieve the sustainable development goals.

A second major development is that many of these private regulatory initiatives and especially VSS are integrated in more traditional public policies. This complementarity between public and private governance instruments is being increasingly recognised in the academic literature. In a recent paper, Lambin and Thorlakson (2018) show how new partnerships between governments, private companies, and NGOs are reshaping global environmental governance. They focus specifically on the role of VSS in these new public-private partnerships. They argue that, contrary to widely-held views, interactions between governments, NGOs, and private companies surrounding the adoption of sustainable practices are not generally antagonistic, and public and private environmental governance regimes rarely operate independently, but rather reinforce each other. Eberlein, Abbott, Black, Meidinger and Wood (2014) also demonstrate the importance of interactions in transnational business governance. As they show, the number of schemes applying private authority to govern business conduct across borders has vastly expanded in numerous issue areas. Eberlein et al. (2014) argue that as these initiatives proliferate, they increasingly interact with one another and with state-based regimes.

This interaction can happens in at least three ways. First an increasing number of bilateral trade agreements refer to the relevance of private initiatives. This is an approach taken by the European Union in its trade policy. All recent bilateral trade agreements signed by the European Union contain a commitment between the parties to work together in the area of voluntary standards and eco-labels. For example, the first of the ‘new generation’ of trade agreements – that of the European Union with South Korea (2011) – mentioned that parties will cooperate in the area of fair and ethical trade, private and public certification and labelling schemes including eco-labelling. All subsequent FTAs of the EU contain similar language. Second, VSS and private initiatives are increasingly integrated in public policy. For example,

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the European Union's Directive on Renewable Energy requires biofuels to be certified by a recognised certification scheme in order to be considered a sustainable biofuel and count for the targets on renewable energy (Schleifer, 2013). The recent revision of the Act on the Sustainable Use of Timber in South Korea explicitly recognises some VSS as proof of verification that timber and timber products are legal. The revision of this Act, which has been implemented since 1 October 2018, made South Korea one of the first East Asian countries to issue mandatory legislation that regulates the legality of imported and domestically produced timber and timber products. According to the revised Act, unverified timber cannot be sold in South Korea and has to be returned to the country of origin or destroyed. Third, governments worldwide are using their purchasing power to pursue sustainable development through sustainable public procurement. In sustainable public procurement, VSS are increasingly used as a short-cut to facilitate sustainable buying (Marx, 2019a; D'Hollander and Marx, 2014).

Challenges

A first challenge has to do with legitimacy and credibility. Private initiatives have been confronted with several legitimacy challenges. For NGOs these challenges relate to who they represent and how representative they are (Chandhoke, 2005; Marx, Becault and Wouters, 2012), their dependency on funding organisations and donors and the influence of these donors on the independence of private actors (Edwards and Hulme, 1996; 2002), and the hollowing out of state capacity or the replacement of the state as a service provider (Pfeiffer, 2003). Corporate initiatives have been criticised for being PR-stunts with little or no effect (Klein, 2007). VSS and public-private partnerships have been confronted with claims that they are not credible. Marx (2013) shows, on the basis of an analysis of 426 VSS, that many VSS differ in how they are designed and that quite a number of them lack any credible enforcement architecture. This is confirmed by an analysis on a smaller sample by Fiorini et al. (2016). Several of these claims also have been countered in the literature with some authors arguing that the way private actors operate is sometimes remarkably democratic and representative (Dingwerth, 2007), can be very effective (Vandenbergh and Gilligan, 2017) and does not necessarily hollow out state capacities, but complements them (Lambin, Meyfroidt, Rueda, Blackman, Börner, et al., 2014).

A second challenge has to do with increasing the effectiveness of these initiatives. This has two dimensions. First, they need to create sufficient impact on the ground to be a genuine governance tool. There are quite a few studies analysing the impact of VSS and the degree to which they contribute to sustainable development[13]. These studies show mixed results in terms of impact. Some show positive impacts and others show little or sometimes even negative impact. Results are often very context specific. However, one result, which is quite consistent, is that it is difficult for VSS to perform equally well on all dimensions of sustainability. Maybe it is also too much to expect standards to deliver on all dimensions of sustainability, even if that is the stated goal. Standards typically have a strong impact on some sustainable development indicators but less on others. For example in relation to labour rights protection, VSS can have a positive impact on some labour rights such as working hours, wage and safety requirements, but less on others such as freedom of association. A second dimension related to effectiveness focuses on the degree to which standards are adopted. Some scholars focus on adoption by companies and other organisations, other scholars look at adoption on the level of countries. Concerning the latter, one can observe that in some countries only a few VSS or public-private partnerships are active, while in others, many more are active. Westerwinter (forthcoming) finds this to be the case for TGIs, Marx et al. (2015) find this to hold true for VSS. In relation to specific VSS, Marx and Cuypers (2010) and Marx and Wouters (2016) find a 'stuck to the bottom' problem for some least developed countries

13 Many of the leading impact studies are brought together on the Evidensia Website: https://www.evidensia.eco/

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which are not involved in any way in VSS dynamics. This creates a challenge of exclusion and limited adoption of these transnational governance initiatives. In order to have a significant impact, the use of many of these governance systems should be scaled up.

A third main challenge which emerges has to do with coordination and cooperation between the many existing initiatives. Due to the proliferation of many initiatives, the policy or governance space is currently very crowded and there is only a limited degree of cooperation between many different initiatives. In the last chapter we will delve deeper into the issue of institutional complexity. In relation to private and public-private initiatives, the lack of cooperation is very outspoken and creates different types of problems. Marx and Wouters (2016) aimed to capture the degree of cooperation between VSS by looking at the use of mutual recognition as a mechanism to coordinate between different initiatives. They found that mutual recognition between VSS is very low. This creates two types of problems. For consumers, wanting to use these VSS as a means to buy sustainable goods, it creates confusion. For producers who need to comply with VSS requirements, it creates additional costs since they sometimes need to comply with multiple VSS. The lack of cooperation between systems is due to several factors such as different strategies and objectives, different procedures to assess conformity with VSS or plain competition.

3.3.2 Public-Private Partnerships

Public-private partnerships (also referred to as PPP or P3) encompass collaborative hybrid-governance arrangements between a private entity and a public entity and can occur at both local and global levels. Though the types of initiatives that may be categorised as a PPP vary widely, for the purposes of the global governance of trade and sustainable development, public-private partnerships that are transnational in nature and focused on providing a global public good or solving a global problem are most relevant. PPPs often fall into one of the following categories, based on the goals of the initiative: (i) resource mobilisation partnerships; (ii) advocacy partnerships; (iii) policy partnerships; and (iv) operational partnerships (Bull, 2010). In each case, the PPPs are focused on provision of a collective good – thereby excluding terrorist networks and the mafia (Bexel and Mörth, 2010).

Though the first transnational public-private partnerships may have been formed more than a century ago (Westerwinter, 2018), such initiatives have grown in number and prominence in recent decades, reflecting a broader trend to engage private actors in governance (Marx, 2019; Schäferhoff, Campe and Kaan, 2009) as we saw in the previous section, as well as an increase in the political power of businesses (Fuchs, 2004). This is especially true in the field of sustainable development since the adoption of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs), which recognises the necessity of involving private actors in the policy process in order to achieve the ambitious targets (Marx, 2019).

The mapping of transnational public-private partnerships (what he refers to as “transnational public-private governance initiatives (TGIs)”) by Oliver Westerwinter (2018) described in the previous section suggests that in 2017 there were 570 TGIs in operation. Other studies suggest that there are as many as 4000 PPPs related to the SDGs alone (Marx, 2019) – a number which includes initiatives that do not meet Westerwinter’s somewhat more narrow definition[14]. Though PPPs have traditionally been more prominent at the national level, they are becoming increasingly common at the global level and engage in globe governance for a variety of issue areas, especially in the fields of health and environmental protection (Mert,

[14] Westerwinter defines TGIs as “institutions that 1) involve at least one state and/or IGO,4 one business actor, and one civil society actor; 2) are transnational in terms of their participants and scope of activities; 3) perform tasks that are related to governing global problems; and 4) are institutionalized to the extent that they create a stable basis for shared expectations about behavior”(Westerwinter, 2019: 8).

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2014). This rise was greeted enthusiastically and PPPs were officially made part of the UN's environmental governance system at the World Summit on Sustainable Development in 2002 (Ibid.)

For many, public-private partnerships are an opportunity to engage a wider range of stakeholders, thereby bringing greater legitimacy and expertise to governance processes and facilitating "bottom-up" governance (Reinicke, Deng, Witte, Benner and Whitaker, 2000; Abbott and Snidal, 2009; Bäckstrand, 2006). For these scholars, public-private partnerships are part of what Abbott and Snidal refer to as "Transnational New Governance", the development of which was necessary to fill the regulatory gaps that have arisen due to increasing complexity and difficulty of regulating international business (Abbott and Snidal, 2009; Zammit and Utting, 2006; Reinicke et al., 2000), characterised by a proliferation of global supply chains and the complicated legal character of large multi-national enterprises. In other words, these scholars see PPPs as demand-driven – a response to gaps or institutional failure, whereas others see the rise of PPPs as an attempt to advance the interests of the actors involved (for an overview of these divergent viewpoints, see Bexel and Mörth, 2010).

Multi-stakeholder arrangements can draw upon the expertise and technical capacity of the private sector, the regulatory weight of the state, and the oversight of civil society to solve complex problems that are difficult to regulate at the state-level alone. As was described insection 3.3.1, PPPs would fall into sections 4, 5 or 7 in Abbot and Snidal's conception of the Governance Triangle (2009), depending on whether the partnership is between a public institution and one or more NGO (zone 5), such as the IT product sustainability certification organisation called TCO Development; between a public institution and one or more private firms (zone 4), such as the risk management framework 'Equator Principles' established in 2003; or between all three (zone 7). Compared with the other zones, there seem to be relatively fewer initiatives that would fall in zones 4 and 5. To better illustrate PPPs role in trade and sustainable development, we next provide a case study of an initiative that brings together governments, private firms and NGOs and is a prominent PPP that plays a role in both trade and sustainable development governance: the Kimberley Process.

Case study: The Kimberley Process (KP)

A transnational PPP that has received significant scholarly attention is the Kimberley Process Certification Scheme (KPCS). The initiative was established in 2003 uniting private actors in the diamond industry, NGOs and 81 countries to stem the trade of "conflict diamonds", described by the KP as "rough diamonds used to finance wars against governments" (Kimberley Process, 2019). Though industry-led and voluntary, the certification scheme is upheld by its implementation in participating governments' legislation and enforced by border and customs controls of each participant (Haufler, 2010). In addition to regulating trade of diamonds, the KPCS has a development component aimed at formalising the diamond mining industry and ensuring the benefits are more widely shared (Shaw, 2010). Most scholars and observers consider – though albeit with a few reservations – the initiative to be largely successful (Shaw, 2010; Grant, 2013).

As scholars have pointed out, the broad network engaged in creating the Kimberley Process may have played a role in the relative speed with which the issue of conflict diamonds not only became part of international consciousness but also with which the initiative went from ideation to implementation (Haufler, 2010; Grant and Taylor, 2004). Notably, the initiative was able to gain support from the United Nations as well as the biggest firms in the diamond industry, though the support from the latter came after significant pressure from a major NGO campaign threatened the reputation and "brand" of diamonds (Haufler, 2010; Grant and Taylor, 2004; Shaw, 2010). The initiative also has been endorsed by the G8 and the WTO (Grant 2013).

KPCS claims that its members have successfully stopped 99.8% of conflict diamonds from reaching the global market and some scholars have echoed this success story, saying that

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the KP has been successful in bringing the number of conflict diamonds on the market to “nearly zero” (Grant, 2013). Others have pointed out, however, that some problems remain and falsification of KPCS certification documents certifying diamonds from suspicious sources or conflict zones occasionally occurs in states with weak or corrupt governments (Haufler, 2010). Additionally, the KPCS’ handling of allegations of government-sponsored violence against citizens in Zimbabwe’s diamond-producing regions was fraught with difficulties – including internal division (Haufler, 2010), boycotts from civil society Observers, and the withdrawal of Global Witness, one of the founding civil society organisations involved in the KPCS (Grant, 2013) – in addition to a failure to adequately address the problem. The governance debacle caused some doubt over the KPCS’ ability to handle such situations in the future as well as over the appropriateness of the initiative’s consensus-based decision-making model.

Nevertheless, the initiative has achieved significant success and “stands out among existing efforts as an inclusive and relatively strong institution” (Haufler, 2010). It is not certain, however, whether such a model could be used to govern trade in other “conflict commodities”. Haufler points out that since other commodities do not have a “brand” in the way diamonds do, galvanising consumers to take action against the sale of these commodities would be difficult – especially when such commodities are not sold directly to consumers, as is the case for commodities such as coltan and timber (Haufler, 2010). Additionally, the activation of the key private actors in the initiative that many view as central to the KPCS’ success may not be easy to replicate: more pessimistic observers argue that diamond industry leaders such as De Beers were motivated to participate in order to both counter negative publicity and protect the reputation of diamonds (Shaw, 2010; Haufler, 2010) as well as to even further strengthen their market position by increasing barriers to entry for other diamond producers since the KPCS ensures that KP members only trade with other KP members (Haufler, 2010).

Challenges

Despite enthusiasm for PPPs, some scholars are less optimistic and argue that PPPs are yet another step in the privatisation of the public sphere and are evidence of power balance tipping in favour of business actors, who seek ultimately to extract benefits from the governance system for their shareholders and often at the expense of public interest (Fuchs, 2004; Mikler, 2018; Bull, 2010). Further, some argue that the privatisation of governance has the potential to displace or replace the state or other forms of regulatory governance (Cutler, Haufler and Porter, 1999; Strange, 1996; Gereffi and Lee, 2016; Bartley, 2005), exacerbate problems of (perceived) democratic illegitimacy faced by international institutions (Börzel and Risse, 2005), or to fracture policy responses (Kaul and Blondin, 2016). Still others fall somewhere in between or are either cautiously optimistic: recognising that public-private partnerships have potential to be effective in global governance but that some limitations remain in terms of inclusivity (Martens, Gansemans, Orbie and D’Haess, 2018), enforcement capacity (Abbott and Snidal, 2009), democratic legitimacy and accountability (Bexell and Mörth, 2010), and the promotion of public interests over private ones (Abbott and Snidal, 2009). Furthermore, the narrow, issue-specific focus for most PPPs often means that sustainable development is often an afterthought or ignored altogether (Chen, Li and Man, 2019).

Lastly, another challenge for PPPs is that although a raison d'être for the inclusion of private actors in the policy-making process is enhanced efficiency and effectiveness – private actors are supposed to infuse the policy-making process with expertise, enhanced levels of capacity and greater resources to better solve problems (Börzel and Risse, 2005) – engaging private actors in a governance initiative does not always yield greater efficiency. While in some cases, the involvement of private actors has made a PPP more efficient (such as in the case of the KPCS as we saw above), in other cases, the results are more mixed: 2018 case study on Taiwanese disaster management by Yang, Shieh, Huang and Tung showed that public-private

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partnerships were less efficient and less effective than systems that were purely public (Yang et al., 2018).

4. Global Architecture

4.1 Introduction

The global governance of both trade and development include a wide range of different institutions and approaches – from a handful of formal international organisations set up by national governments to hundreds, if not thousands, of voluntary standards set and implemented by private actors. None of these institutions works alone – each may build on, reference, compete with, antagonise or substitute one another, and in many cases, more than one of these interactions occur simultaneously. This dizzying array and diversity of approaches and institutions is uniquely interlinked within the governance regime complex, with a broad assortment of consequences resulting from such regime complexity, both positive and negative. We will return to the concept of the regime complex in section 4.2.3.

Further, each of these institutions faces a number of challenges – some of which are shared among several institutions and some of which are *sui generis*. Furthermore, some challenges occur within an institution itself, while others take place as a result of interactions between different institutions. A better understanding of these challenges will allow us to gain a deeper sense of the overall challenges faced by the governance regime as a whole.

Nonetheless, the interactions that take place between different levels and different institutions need not be counter-productive nor have negative outcomes. Indeed, in many cases, interactions within the governance regime can improve governance outcomes, allowing for solutions to be more finely tuned to a situation 'on the ground' or for the net to be more widely cast to provide solutions for a greater number and variety of governance problems. Still in other cases, institutions of a regime may operate with little to no impact on one another at all.

In the sections that follow, we will first take stock of the various challenges faced by the institutions described above, drawing out common challenges of both an internal and external nature. Throughout, we will narrow in on the different types of interactions (whether positive, negative or neutral) that we have observed in the previous section. Finally, we will assess how our findings sit within the literature on regime complexity, and, in particular, how this might be conceptually refined.

4.2 Common Challenges

The challenges detailed in the description of each institution and approach in the previous section are both numerous and diverse. However, it is possible to detect certain commonalities across cases which allow us to aggregate from specific examples. While many challenges are internal to a governance institution, relating to the way the institution is set up and how it makes and enforces rules, many other challenges that an institution may face arise externally. Each governance institution – whether public or private, regional or global – not only operates within the context of its own regime, comprised of many other institutions, but also within a broader global geopolitical and economic context (Oberthur and Gehring, 2006). The interplay between institutions and institutions' responses to global political and economic forces can present formidable challenges.

We thus identify five primary categories under which the challenges facing the institutions seem to fall. The first three categories – institutional structure, legitimacy and effectiveness –

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are internal challenges. The final two – institutional complexity and the geopolitical and economic context – are external challenges. Though most of these challenges are interrelated and may well be placed within more than one category, for the sake of simplicity, we look at the categories individually below.

4.2.2 Internal Challenges

Institutional Structure

First, several challenges relate to the way in which an institution is set up and governed. In some cases, the challenges are inherent in the institutional design, while in others, the factors resulting in a challenge have developed over time (i.e. path dependency). Challenges related to institutional structure include internal decision-making, membership, organisational dynamics, lack of transparency, and lack of central decision-making or oversight.

Decision-making: A frequently occurring challenge has to do with the way in which an institution makes decisions. In cases where decisions are made by vote, the allocation of votes is of crucial importance. Where votes are weighted based on member size or monetary contribution (such as the World Bank), the voting mechanism is seen as unrepresentative and giving unfair precedence to the will of more powerful members at the expense of developing and emerging economies – a situation that, although acknowledged, was not significantly improved despite reform attempts as we saw above in section 3.1.1.1 (Vestergaard and Wade, 2015). A similar situation exists in the Asian Infrastructure and Investment Bank. Alternately, where votes are more fairly distributed or where decisions are made via negotiation and determined by consensus, such as in ASEAN or at the WTO, every member has a de facto veto and important decisions may not be made at all (see sections 3.1.1.2 (WTO) and 3.2.1.4 (ASEAN); see also Chen and Sun, 2019; Delimatsis, 2014; Ansong, 2017). As we saw above, we have observed similar issues at the G20 and MERCOSUR.

Furthermore, when decisions are made through negotiation or in a more decentralised multi-level governance structure, such as for FTAs, decision-making may be made at different levels or require buy-in from a wider-range of institutions such as parliaments, which, as we saw in the case of the EU's ratification of CETA, can be a major hurdle. Similar problems were noted in the development of South American and Southeast Asian trade policy. Relatedly, decisions made in one department of an institution may counteract decisions made in another department, as we observed in the case of US ODA.

Finally, a third challenge in decision-making arises when governance decisions are made unilaterally (or plurilaterally) without adequate input from a governance rule-taker. While this challenge has important implications for perceptions of legitimacy (as we will turn to in another category), it also has practical implications – for instance, as we saw in the official development assistance strategy of the U.S. and the EU, failure to achieve appropriate buy-in from target state governments may result in failure to achieve certain objectives in the recipient countries.

At the global level, these decision-making challenges are often articulated as a division between developed 'Northern' economies and developing or emerging 'Southern' economies, and at the regional level, the division is seen to be between a regional hegemon and smaller, less powerful states. Overall, as more institutions are engaged in decision-making processes in trade and development governance, the difficulty in striking a balance between representation and efficiency in decision-making will remain an enduring challenge.

Organisational dynamics: Another challenge of institutional structure results from the way in which an institution is internally organised. Many institutions have complex bureaucratic structures organised into several different departments, often with field offices in more than one country – this complexity can create inefficiencies when, as we saw in the case of the

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USAID, other US governmental offices make decisions that have an impact on development aid strategy, causing conflicting agendas, and creating competition for resources.

Additionally, bureaucracies have a tendency to develop path dependencies and preference affinities that can limit the scope of action an institution sees as viable and perpetuate inefficiencies (Alter and Meunier, 2009; Haas, 1990; Barnett and Finnemore, 1999). As Barnett and Finnemore put it: “the same normative valuation on impersonal, generalised rules that defines bureaucracies and makes them powerful in modern life can also make them unresponsive to their environments, obsessed with their own rules at the expense of primary missions, and ultimately lead to inefficient, self-defeating behavior” (1999: 700). Similarly, this path dependency or bureaucratic momentum can lead to changing goals, expansion of scope, and creation of rules beyond, perhaps, the original purpose or mandate (Guzman, 2013; Haas, 1990), which may result in contestation or withdrawal by members or participants, as we have observed in the case of the US contestation of the WTO dispute settlement mechanism, or in WTO members turning toward unilateral and plurilateral measures.

Lack of central authority: Another challenge of institutional structure, is the opposite of the previous one, namely the lack of central ‘bureaucracy’: an institution or group of individual actors lacks any kind of permanent secretariat or central authority able to lead or oversee governance activities. This is generally the case for VSS and public-private partnerships, which, typically formed individually and voluntarily by a variety of private actors, tend to focus autonomously on a specific governance area – there is no central body to regulate these initiatives. Additionally, as we saw above, both the G7 and G20 face coordination challenges resulting from the lack of a permanent secretariat.

Legitimacy

A second category involves perceptions – both of the governance rule-takers and other institutions within a governance regime. The perception of an institution’s legitimacy is a critical component of gaining compliance with the rules, standards and guidelines set out by the institution (Mazepus 2018), as well as maintaining or gaining membership, funding, and support.

Perceptions of inclusivity: The challenge of unrepresentativeness in the internal decision-making and membership of some institutions that we saw above has implications for how the organisation is perceived as a legitimate governance institution, in addition to the practical difficulties identified in the previous category. Developing and emerging economies, as well as some policymakers, activists and scholars, contend that decisions of global or regional importance are made by a small group with neither input from nor attention to non-member states. This perception has, at least in part, resulted in the formation of new institutions in which developing and emerging economies have more voice (such as the AIIB) or in contestation within existing institutions, such as the WTO. A similar complaint was also lodged against the G7, and though the formation of the G20 was in large part an attempt to ameliorate this gap in representativeness, the legitimacy of the G20 is still fiercely debated (Slaughter, 2013b).

Transparency: Related to the problem of perceived lack of inclusivity is the lack of transparency. Opaque governance structures or non-inclusive voting mechanisms can result in a lack of trust in an institution’s intentions and motivations, ultimately leading to the perception that the institution is illegitimate. Such a perception has ramifications for the institution’s authority and ability to set and enforce rules – in short, a lack of transparency and trust can undermine an institution’s capacity to govern. As we saw above, the perception that an institution was elite-driven (at the expense of non-elites) has been observed as a challenge for the development banks, including the World Bank, the ADB, and the IDB; regional organisations such as ASEAN, MERCOSUR, and the EU; and organisations such as the WTO, the G7 and the G20. Though each of these institutions are state-driven, non-state

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initiatives also struggle with problems related to transparency: as we noted in section 3, a lack of transparency in both VSS and public-private partnerships has resulted in the initiatives being perceived as public relations stunts, undermining their credibility and utility.

Effectiveness / Outcomes

A third category of challenges has to do with the implementation of governance activities and their outcomes. There are several recurring problems that reduce the effectiveness of governance measures in terms of output, including an institution's inability to enforce compliance with its rules and standards, failure to engage local institutions and rule-takers, and inadequate or absent attention to human rights or sustainable development. As we observed above, failure in these areas can result in unintended consequences such as uneven outcomes (such as in uneven development among states in MERCOSUR, ASEAN, and the EU) and negative spillovers (as we saw in the case of the WTO and individual states' ODA).

Enforceability: A challenge that is seemingly inherent in global governance and appears to affect, to varying degrees, each of the institutions we described above is that of enforceability, or the authority to compel rule-takers to comply with rules. Scholars have pointed out the tension in global governance between achieving democratic legitimacy and wielding authority (Koppell, 2010) and even the tendency of states to deliberately design institutions in such a way that the institution is not able to coerce the state to follow rules (Guzman, 2013) – in many cases, global governance institutions have little choice but to rely on the willingness of the rule-takers to comply.

Very often, this issue arises due to states' desire to protect their sovereignty – states limit the scope or mandate of an institution or the bindingness of rules by making decisions harder to reach (by, for instance, requiring consensus), by building in exit mechanisms or by making rules non-binding in the first place. While the voluntary (and non-binding) nature of VSS already implies a lack of enforceability, even the authority of institutions with robust dispute settlement mechanisms can be thwarted by the actions of rule-takers, as we saw in the recent developments of the WTO above, among which the actions of a single (albeit powerful) member are sufficient for dismantling the DSM system. Additionally, even treaty-based bilateral agreements such as FTAs, while legally enforceable in theory, can be politically or diplomatically costly to enforce and are therefore subject to geopolitical calculation – this is especially true of "non-trade" chapters in FTAs such as chapters on sustainable development. Finally, ASEAN's emphasis on shielding state sovereignty at all costs means that the RO has little recourse in the event that a member defies a rule, with major implications for the institution's authority.

Engagement of local institutions: Another frequent challenge stems from the disconnect between the international and local levels – policies adopted and rules enacted on the global level may not be sufficient or appropriate for the particulars of a local context, or the rules may not be adequately implemented on the ground due to a failure to engage actors with knowledge of the local situation. As we saw above in section 3.2.4.2.2, the US ODA strategy failed in Bolivia because it attempted to bypass local government institutions and attempted to work directly with the farmers in an effort to stop coca farming, thereby losing the trust of the Bolivian government and ultimately being forced to shut down its mission in the country. Similarly, in section 3.2.4.2.1, we saw that the EU has struggled to develop ownership by local stakeholders of its HRBA to ODA, resulting in superficial reform that is subject to domestic power and interests. This challenge also plagues the development banks as well as VSS, which often set rules and conditions without sufficient attention to unique local contexts or engagement with local authorities and institutions.

Expanding agendas: Another challenge in both the development and trade regimes arises when institutions attempt to engage in rule-making in other areas outside their original objectives or mandate. While an institution may normatively argue in favour of creating

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linkages between issues, such as by including human rights and sustainable development chapters when setting trade rules such as in the case of EU FTAs, such linkages may ultimately undermine the institution's effectiveness in achieving its primary objective. In the case of EU FTAs, we observed that the EU's trade strategy depends on liberalising trade and creating deeper trade relations with its trading partners; yet, the resistance of some of the EU's trading partners to the EU's inclusion of human rights and sustainable development chapters in FTAs has made it more difficult for the EU to conclude negotiations and establish closer trade relations with the partner. We noted another example of this in ASEAN's SDG strategy in section 3.2.1.4, which has been beset by problems of collusion between local politicians and agri-businesses that have managed to weaken policy implementation at the local level, with negative consequences for the RO's regional integration objectives. Further, this tension can be exacerbated when one institution attempts to expand its normative agenda but other institutions with similar functions and objectives do not: This is most clearly embodied in the dynamic between the World Bank's socially-inclusive development approach that requires borrowers and recipients to meet certain good governance conditions and the Chinese ODA strategy, which has been criticised for its "no strings attached" approach to foreign aid and its engagement of dictators in pursuit of both resources and support for the BRI (section 3.2.4.2.3). States may opt for less-demanding Chinese funding, thereby undermining the World Bank's ability to meet its development objectives.

4.2.3 External Challenges

External challenges can arise both within a governance regime, via interactions between different institutions and rules, and from the broader global context within which the regime operates. We look at both types of external challenges in depth below.

Institutional Complexity

Our fourth category contains challenges that have developed due to increasing regime complexity, which is a result of the proliferation of actors and institutions involved in a regime and the (occasionally resulting) absence of central coordination of these actors. This decentralisation often leads to disaggregated decision making (Raustiala and Victor, 2004), or fragmented or polycentric governance, which means that the "responsibilities for tasks such as adopting rules and funding public goods are shared among multiple organizations that have diverse memberships and operate at different scales" (Abbott, 2012b: 571).

There has been significant scholarly discussion on the concept of the "regime complex" and a variety of definitions convincingly put forth. That said, we broadly agree with the definition utilised by Keohane and Victor (2011) and Abbott (2012a; 2012b) and understand international regime complex to be the pool of nested, overlapping or parallel actors or institutions engaged in a variety of governance functions for a given global issue area with a limited hierarchical core (Keohane and Victor, 2011; Abbott, 2012b).

The degree of complexity and nature of the regime complex matters – the regime architecture can have significant consequences for the overall governance capacity of the regime. Depending on the structure and how the different actors, policies and institutions relate to one another, interactions between different institutions and rules can have effects that are positive, negative or neutral (Nilsson et al., 2012) and that can push and pull governance outcomes in different directions and towards different goals, ultimately effecting the legitimacy and effectiveness of the regime. To better understand the degree and nature of the trade and development regime complexes, we will next look more closely at several examples of interactions between different institutions of each regime and the challenges (or opportunities) that result from these interactions.

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Definitions put forth by Oberthur and Gehring (2006) and Nilsson et al. (2012) understand institutional interaction to be what occurs when one institution has an effect on another institution's development or performance. While we broadly agree with this definition, it is necessary to clarify that the institutional interaction need not necessarily *directly* affect one or the other institution's performance. We thus propose a slightly clarified definition: *Institutional interaction occurs when one institution has an effect on another institution's ability to fulfill its objectives*. In this sense, we argue that institutional interaction can occur between institutions that have no direct effects on one another, but that the presence of both within the governance regime has indirect consequences for the outcomes of their governance efforts. These consequences can be positive, negative or neutral (see Nilsson et al., 2012; Oberthur and Gehring, 2006). Accordingly, we follow the lead of Lambin et al. to (2014) contend that interacting institutions and rules can be seen as *complementary*, *contradictory* or *substitutable*.

As institutions themselves can be complex and engaged in a wide range of rule-making functions (Gehring and Oberthür, 2004), institutions that might be otherwise complementary could engage in substitutable or contradictory functions. Moreover, as others have noted, interactions can occur between institutions at multiple levels and between institutions and regulatory schemes (Eberlein et al., 2014; Lambin and Thorlakson, 2018; Nilsson et al., 2012). Below we take a look at examples of each of these types of inter-institutional interactions in the global governance of both trade and development. Our focus will be primarily on public-private interactions because this type of interaction is emblematic of the changing dynamics we have observed in the trade and development regimes, which have seen a dramatic upsurge in the involvement of private actors. Moreover, given the scope of this paper and the rather limited availability of empirical evidence, we will not be able to identify all interactions in this section, but rather provide one or two examples in order to illustrate each type of interaction.

Contradiction: Contradictory, or antagonistic, institutions and rules are those for which the interaction produces effects that diminish the ability of one or both to achieve the intended governance objective(s). The proliferation of rule-makers and rules within a regime can lead to a fragmentation of international law and rules that contradict one another (Alter and Meunier, 2009; Abbott, 2012a). This fragmentation can be exploited by actors who engage in forum-shopping (Sell 2016) or regime shifting (Helfer, 2004) – when an actor selects a particular forum or institution to deal with a governance issue that is more likely to result in an outcome that reflects their interests – or in the use of strategic ambiguity or strategic inconsistency (Alter and Meunier, 2009) – when an actor or institution takes advantage of the existing legal fragmentation and lack of hierarchy and creates a rule that contradicts that of a parallel regime in order to undermine it.

An example of a contradictory interaction is the conflicting approaches to development of the World Bank and China. As described in section 3.1.1.3, while the World Bank ties grants to what the Bank believes to be good governance conditionality, China eschews tying development aid to normative conditions and has provided foreign aid to authoritarian regimes. By providing prospective borrowers the alternative of condition-free funding, China's foreign aid policy undermines the World Bank's ability to use conditionality to achieve its objectives of socially-inclusive and sustainable development.

For another example of contradictory interactions, we turn to the EU's GSP, described in section 3.2.1.2. The EU used the GSP as a mechanism to help developing countries to achieve economic growth by providing unilateral trade preferences. Through this scheme, imports from states that meet the EU's criteria are subject to lower or no customs duties. While this scheme certainly boosts these trading partners' exports to the EU, the presence of this scheme may lower the incentive for trading partner who benefits from the scheme to conclude

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an FTA with the EU, and thereby contradicts the EU's trade objectives to gradually liberalise trade and gain better market access throughout the world.

Additionally, rule-takers can become confused by overlapping or contradictory rules, or, perhaps more cynically, they may take advantage of the contradicting rules to strategically select the rules and institutions that best secure their interests and demand the lowest costs of compliance. This was highlighted as a challenge for VSS, for example, in section 3.3.1.

Finally, differing outcomes and goals may contradict with one another or become self-defeating (Kelley, 2009; Alter and Meunier, 2009; Abbott, 2012a). For instance, in section 3.1.1.2, we observed that a major hurdle of the WTO's Doha Development Round negotiations related to the contradictory aims of states (primarily developed economies) that are pursuing greater levels of intellectual property protection and states (mostly developing economies) that are more interested in ensuring the affordability of medicines (and perhaps in bolstering their pharmaceutical industries).

Complementarity: The proliferation of institutions within a regime need not be counter-productive – in fact, interactions may just as often be complementary. Complementary institutions and rules are those for which an interaction enables one or both to better achieve the intended governance objective(s) than they would have achieved without the interaction having occurred – such interactions create "synergies" (Nilsson et al., 2012).

First, we will consider an example of complementary interactions between different levels and institutions of the trade regime. As we saw in section 3.3.1, some governments' public policy – including trade policy – have begun to recognise certain voluntary standards as legitimate indicators that products meet a requisite set of criteria. South Korea's Act on the Sustainable Use of Timber admits as certain VSS as proof of the timber's sustainable sourcing. Similarly, the EU requires biofuel imports to be certified by a recognised certification scheme (most of which are private initiatives) in order to be considered sustainable. By relying on VSS and private initiatives to facilitate implementation of state trade policy, the state can benefit from the expertise and existing institutional knowledge of the VSS, and the VSS benefits from the legitimating effect of formal recognition by the state. In short, the institutions mutually benefit one another and can each better achieve the governance goals.

For an example of complementary interactions between institutions within the development governance regime, we turn first to the major IOs engaged in development governance: the World Bank and the United Nations. The World Bank has expressly committed to funding projects related to attaining the UN SDGs. Further, despite the long-standing treaty-based relationship between the two institutions, the World Bank cites its commitment to the SDGS (and their predecessors, the Millennium Development Goals) to be the reason for the Bank's deeper engagement with the UN (World Bank, 2019b).

Finally, while as we saw above, competition can result in a number of challenges, competition can also have positive effects by spurring a "race to the top" as actors compete to define norms and set higher standards (Abbott, 2012a: 582–83), as we saw in the case of VSS in section 3.3.1.

Substitutability: While the proliferation of institutions within a regime includes many institutions that serve different functions, it also has given rise to many which are more or less substitutable. Substitutable institutions and rules are those with similar or redundant functions and objectives and which can reasonably replace one another – though interactions between them neither directly enhance nor impair either institution, the presence of substitutable institutions may have other effects, such as fragmentation, competition, and confusion.

As a first example, we turn again to the confusion created by the duplication of VSS (section 3.3.1). When a number of different VSS purport to regulate the same thing, producers have

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many substitutable options at their disposal, which can have a number of side effects: first, producers may choose the option with the lowest compliance cost, which could lead to the 'race to the bottom' as VSS compete for users; second, consumers wishing to use VSS to buy sustainable products may be confused by the different standards, which can undermine the power of consumers to contribute to the governance process by rewarding responsible businesses through their purchases; and third, producers may have to comply with multiple VSS standards, and meeting the varied requirements and paying the certification costs can add up, increasing compliance costs and eroding incentives.

Another challenge stemming from the proliferation of substitutable institutions and rules is increased competition. Though competition between institutions can at times be positive, resulting in a ratcheting up of standards or improved efficiency, at other times institutions may compete for visibility, authority, resources and access (Alter and Meunier, 2009; Abbott, 2012). As we saw in section 3.1.1.3, competition for investors and for clients (from other development institutions such as the UN and from other development banks) is a growing challenge for the World Bank. Similarly, the regional development banks such as the IDB, the ADB, and the AIIB (section 3.2.2), as well as the EU in implementing its ODA strategy (3.2.4.2.1), are facing similar pressures due to competition from other donors or finance providers that provide a similar function.

Finally, an institution that deals with issues similar to those dealt with by another institution may create their own objectives and agendas that influence the other institution. For instance, as we saw in section 3.1.2.2, the G7 and G20 focus on many issues – such as trade liberalisation, economic development and environmental protection – that are formally handled by IOs as WTO, the UN and the World Bank, and decisions reached by the G7 and G20 often force the hand of these IOs, with implications for the IOs internal decision-making processes.

Global Political and Economic Context

Our final category is somewhat more broadly composed of challenges that result from the geopolitical and economic contexts within which the trade and development governance regimes operate. Shifts in economic weight and global power influence the conditions under which institutions set and implement rules and also change the nature and scope of the global governance problems to be solved. In many ways, these challenges are the product of change – that the world for which many governance institutions were originally built is no longer the world in which we now live.

Turn away from multilateralism: In recent years, there has been a shift from attempting to resolve problems of a global nature at a multilateral level to states increasingly using unilateral or plurilateral measures. This is indeed most striking in the trade regime, which has witnessed a dramatic rise in bilateral and regional trade agreements (World Trade Organization, 2011; Bhagwati, 2014). Though scholars have not reached a consensus on whether the increase in preferential trade agreements is beneficial or detrimental to the multilateral trading system (i.e. the WTO), reaching agreements at the multilateral level may be increasingly difficult as states have a greater number of options available to them outside the multilateral system (Conceição-Heldt, 2013) and is one of the most crucial challenges currently facing the WTO, as we saw in section 3.1.1.2. Within development governance, the World Bank faces increased competition from regional development banks, which some states find to be more amenable to their development needs (section 3.1.1.3).

Increasing protectionism: Largely bundled together with the turn away from multilateralism is the increasing tendency of states – especially those who formerly made up the vanguard of promoting liberalisation – to turn toward protectionism. As we saw above, such a move entails not only ignoring rules set by the WTO but also disrupting the mechanisms in place to enforce the rules. As we saw in sections 3.2.3.2.1 and 3.2.3.2.2, the protectionist measures taken by the United States under the Trump Administration have brought PTA negotiations to a halt

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(notably TTIP) and have had a ricochet effect on the trade strategies of major economic powers, notably China and the EU, prompting retaliatory protectionist measures. Furthermore, as was noted in section 3.1.2.2, the G20 has been criticised for its inability to make a commitment to act against protectionism at the 2019 Osaka Summit. Protectionist tendencies have also been blamed for the slow development of negotiations for the ASEAN FTA (section 3.2.3.2.3).

Differentiated needs of developing economies: That states with lower stages of economic development should receive some sort of preferential allowances or additional support in the trade and development regimes is now relatively undisputed. As we saw above, the World Bank offers concessional loans and grants to developing states. However, institutions and states are deeply divided on how and what kind of special treatment is appropriate and which criteria define whether a country is “developing” – in fact, this division is one of the primary disputes that led to the failure of the Doha Round, as we saw in section 3.1.1.2.

Divisions along this line have generally been understood as a division between the Global North and the Global South. Emerging economies have translated their increasing economic power into bargaining power at the multilateral level, but the demanded reforms do not always fully materialise, leading some to question the legitimacy and representativeness of a given institution, as was observed in the incomplete reform efforts of the World Bank we discussed in section 3.1.1.3 and which ultimately became an impetus for the establishment of the AIIB (section 3.2.2.2), the NDB, and the ADB (section 3.2.2.3), which assert a greater focus on the needs of developing and emerging economies within their regions, though perhaps at the expense of a HRBA.

Rise of multipolarity: A closely related challenge has to do with global power shifts that have given rise to an emerging multipolarity. Rising powers in the Globe South and East are concerned that existing institutions established primarily by the Global North are designed to protract the dominance of the Global North and to serve the interests of the powerful founding members (Chimni, 2004). Accordingly, institutions have seen increasing contestation by emerging and developing powers, especially as the states cooperate to leverage their combined weight, as did Brazil, Russia, India and China in the establishment of informal group of BRICS in 2010. While each of these states has expressed commitment to the principles of free trade, sustainable development and the protection of human rights, these commitments have not always borne out in practice, which may present a reconfiguration of the global governance of trade and development. For instance, as we saw above, China has been accused of being willing to provide aid to dictators with no conditions (see section 3.2.4.2.3) and, despite expressing committment to trade liberalisation and generally complying with the Protocol of Accession to the WTO, has also been repeatedly accused by its trade partners of conducting unfair trading practices, such as recent US accusations of dumping, unfair subsidies, and intellectual property theft (Asia News Monitor, 2018), all of which China has vigorously denied. Regardless, the dispute over what constitutes “fair” trade is perhaps indicative of a deeper incompatibility between emerging and developed powers’ conceptions of how the world trading system ought to be organised and how to integrate a state-market economy the size of China into trade governance. One way or the other, the balance of trade governance is changing shape and content.

Increasing power of non-state actors: Another challenge relates to the immense and increasing power of private actors in global governance. In a global economy distinguished by complex and interconnected cross-border production networks and the pervasive belief among states and institutions that markets and, by extension, private actors work best with minimal state oversight, more and more governance functions are relegated to the private sector. Although VSS and public-private partnerships have made valuable contributions to solving governance problems and have considerable potential, the gains they make in terms of involvement of a greater number of stakeholders may be outweighed by a lack of legitimacy

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and credibility and the potential for undermining state authority, as we saw above in section 3.3.1. Furthermore, the influence of private actors on policymaking by other institutions has resulted in the subordination of policy focused on human rights or environmental protection or the interests of local communities in favour of private interests, as we observed above in the cases of ASEAN (section 3.2.1.4) and the ADB (section 3.2.2.3).

Security and geopolitical concerns: Finally, the trade and development regimes must contend with issues of national security and geopolitics, including tensions over borders and sea routes, energy security and other matters of diplomatic or strategic concern. Sometimes, national security is evoked as a justification for actions that would otherwise be seen as against the rules, such as the US' justification of the state's recent unilateral actions as "essential security measures" (see section 3.1.1.2). In other cases, geopolitical tensions may result in fractures within an institution, such as was the case at the most recent ASEAN summit, for which the RO was unable to reach a consensus on a joint communique due to the alleged influence of China on Cambodia (see section 3.2.1.4).

These challenges are summarised in Table 4.1.

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Internal Challenges			External Challenges	
Institutional structure	Legitimacy / perceptions	Implementation/ Effectiveness	Proliferation	Geopolitics / political economy
Challenges resulting from the way in which the institution is organised, how the institution is governed, and how decisions are made.	*Challenges resulting from how the institution or actor is perceived by its targets or by external actors.*	*Challenges related to what effects the institution has and whether the institution or actor achieves its goals.*	*Challenges resulting from the rise of other actors within the regime that may compete, overlap, or conflict with a given actor.*	*Challenges related to political strategy, shifts in the global economy, security concerns, and other geopolitical situations.*
Decision-making: Problems with a lack of representativeness, legitimacy, and achieving consensus (WTO, World Bank, G20, EU Trade, EU ODA, ASEAN, MERCOSUR, ASEAN FTAs, South American FTAs)	Perception of lack of democratic legitimacy or lack of inclusivity (WTO, World Bank, G20, ASEAN, EU, MERCOSUR, ADB, IDB, EU ODA, VSS/Private standards, private-public initiatives)	Lack of authority to create or enforce rules; insufficient mandate to achieve goals (WTO, World Bank, G20, ASEAN, EU FTAs, MERCOSUR, EU ODA, VSS, G20/G7)	Competition: For resources, access, visibility, or authority (World Bank, IDB, ADB, AIIB, US ODA, EU ODA, VSS/Private standards, Public-private partnerships)	Increasing protectionism (WTO, G20, EU Trade) Differentiated needs of developing countries (WTO, ODA, FTAs, World Bank)
Organisational dynamics: Bureaucratic management, path dependency, expansion of scope and contestation (US ODA, EU ODA, G20/G7, VSS/Private standards, WTO, World Bank)	Lack of transparency: Lack of trust in an actor's motivations (ODA, ASEAN, EU, MERCOSUR, IDB, ADB, EU trade policy, World Bank, VSS/Private standards, EU, WTO, G20)	Inadequate attention to human rights and sustainable development (ASEAN, ASEAN FTAs, AIIB, Chinese ODA)	Redundancy (G7, VSS/private initiatives, private-public initiatives)	Turn away from multilateralism (WTO, G20, EU Trade) Security and other geopolitical constraints (IDB, ADB, ASEAN, US ODA)
Lack of central authority (VSS/Private standards, EU, G20/G7)	Perception that initiatives are PR stunts (VSS/Private standards, ODA)	Insufficient engagement of local institutions; failure to engage rule-takers (EU ODA, US ODA, IDB, VSS, public-private partnerships)	Confusion due to proliferation of actors, standards, rules, agreements (WTO, World Bank, ASEAN FTAs, EU ODA, US ODA)	Rise of multipolarity (World Bank, G20) Increasing power of non-state actors (ASEAN, MERCOSUR, ADB, IDB, US ODA, VSS/Private standards, Private-public initiatives)

Table 4.1

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5. Conclusion: What future?

In mapping the trade and development governance regimes, this paper has sought to disentangle the various institutions and governance levels and elucidate the various types of institutional interactions and challenges that occur within each regime. In doing so, we attempted to make better sense of the regime complex by getting a sense of its overall architecture, which has implications for the capacity of each regime's institutions to achieve their range of objectives – regimes that are defined by the leadership of a single institution will likely face fewer hurdles in achieving its governance objectives, while regimes that are characterised by a multitude of non-cooperative institutions will likely suffer from the lack of coherence.

Conceptually, it is useful to consider the continuum described by Keohane and Victor (2011) to understand the potential spectrum of regime complexity:

> "At one extreme are fully integrated institutions that impose regulation through comprehensive, hierarchical rules. At the other extreme are highly fragmented collections of institutions with no identifiable core and weak or nonexistent linkages between regime elements. In between is a wide range that includes nested (semi-hierarchical) regimes with identifiable cores and non-hierarchical but loosely coupled systems of institutions." (Keohane and Victor, 2011: 8)

Though, as Alter and Meunier (2009) and Alter and Raustiala (2018) convincingly argue, there is no single international authority that can step into to resolve conflicts between different rules or decisions promulgated by different institutions making up a governance regime, we maintain that hierarchy, too, can exist in degrees, and that very often a governance regime complex will have one or more institutions with at least limited hierarchy over other institutions. Indeed, such hierarchy is more or less implied in the concept of "nested" institutions (Aggarwal, 1998).

For much of the World Bank and WTO's histories, development and trade governance has been conducted within the boundaries, norms and objectives set by these organisations. As new institutions came onto the scene, they largely operated within the parameters set by the multilateral institutions – the largely hierarchical regimes could well have been considered "nested" for much of their histories.

Governance regimes, however, are dynamic. As we have seen throughout the paper, the trade and development regimes today are characterised by a great deal more complexity than when these leading IOs were established after the second world war. Despite arguably holding on to their positions at the top of the regime's hierarchy, the proliferation of new institutions described in detail throughout this paper, the regime itself has changed and begun to flatten out. New regime leaders such as the AIIB have succeeded in claiming territory that were once the domain of the WTO and the World Bank, resulting in a regime that is less hierarchical and institutions which do not keep neatly within old regime confines.

The trade and development regime complexes have become, in a word, "de-nested", and there are significant implications for global governance. Indeed in a more fragmented regime, the instances of institutional interactions resulting in contradiction or substitution increase, creating additional obstacles in governance. Perhaps more importantly, whereas each regime was previously guided by a more or less consistent set of objectives, as the regimes become increasingly de-nested, objectives are set by more institutions and are increasingly at odds with one another.

Ultimately, and normatively, the preservation of an approach to trade and development that emphasises liberalisation in order to achieve sustainable and socially-inclusive economic growth will require like-minded institutions to work together to reconfirm these objectives for the future – but doing so will also require addressing the primary causes of increased fragmentation and contestation in the first place, including the perception by emerging and developing countries that they have no voice at the multilateral level.

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