

# **Trade Governance Under Structural Rivalry: A discussion of Simon Evenett's "Securing Trade: Prospects for Trade Governance as Fragmentation Spreads"**

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Daria Taglioni

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# **1. Framing the Contribution**

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## Frame & Core Contribution

- The paper assumes a shift: **from liberalisation to a world where security organises trade.**
- Critical capabilities are **unevenly distributed**; interdependence is **weaponised**.
- Central question: **What can be saved of the WTO and multilateral principles under this hypothesis?**
- Core contribution:
  - A **scenario-based stress test** of the rules-based system.
  - A vision of a **modular trading system** where:
    - Non-discrimination, transparency, soft dispute settlement persist,
    - through overlapping coalitions, sectoral deals, variable geometry.

# The Architecture of the New Global Trading System in One Slide

## What drives outcomes in Evenett's framework:

- **Three actor groups** Fortress (large, security-capable), Ambivalent (mid-sized, mixed exposure), Dependent (high trade reliance, low coercive power).
- **Four plausible futures** Spheres of Influence; Complete Decoupling; Extractive Regional Hegemons; Partial Stabilisation (attractive but demanding).
- **Two cross-cutting forces shaping trajectories** AI diffusion (expands the security frontier, deepens interdependence); Cost of capital (cheap → duplication; expensive → cooperation).
- **Five implications for trade governance** (1) Reform pressure comes from *trade-dependent* coalitions; (2) Soft law becomes the workable interface; (3) Transparency re-emerges as a security tool; (4) Standards and regulatory cooperation = next rule frontier; (5) Institutional redundancy → *robustness*, not inefficiency.

**Across all scenarios:** multilateralism survives through *modules*, not universal bargains.

## What Simon Has Shown — and Where We Can Build

### Evenett's argument (beautifully laid out):

- WTO functions have degraded simultaneously (negotiation, DSU, transparency).
- The strategic environment is now rivalry-driven; capabilities are uneven.
- Under fragmentation, **modularity** is the realistic governance form.

### My discussion today:

- Bring **evidence** to the assumptions underlying the scenarios.
- Focus on the **micro-foundations** of modularity: Who demands it? Who supplies it? How can it be governed?
- Identify **missing conditioning factors**: financial fragmentation, AI capital cycle, heterogeneity inside “dependent” countries.

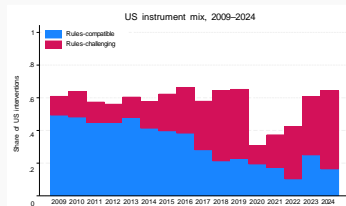
## **2. Evidence That Sharpens the Framework**

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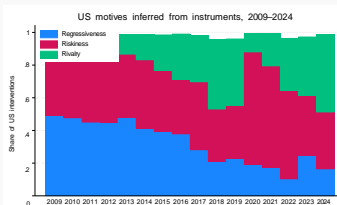
## 1. Rivalry as Dominant Policy Logic (Selective Globalization)

- GTA–NIPO evidence: since **2018**, rivalry overtakes riskiness + regressiveness as the dominant motive.
- Policy mix shifts from rules-compatible tools to **rules-stretching** instruments (export controls, localisation, investment screening).
- This confirms Simon's starting premise: **the world of his scenarios already exists.**
- But it also suggests a non-linear dynamic: strategic motives accelerate faster than institutional adaptation.

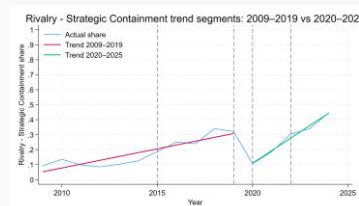
# Evidence US: From Traditional to Strategic Instruments (2009–2024)



*Pre-2015: trade defence & targeted support. Post-2018/19 & 2022: tariffs, controls, localisation, FDI screening.*



*Pre-2015: Reg+Risk dominate; post-2019: Riv+H rises sharply; ↑ again post-2022.*



*Sustained rise in Riv+H post-2020.*

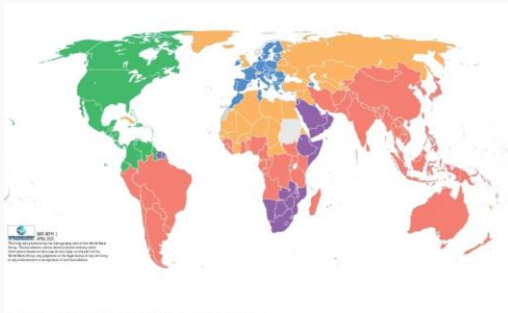


## 2. Polarization and the Erosion of Risk-Sharing

- Trade remains robust, but **cross-bloc** (cross-community) trade growth collapses post-2007.
- CKLT model extension (1995–2022):
  - Diversification channel that stabilised economies under hyperglobalisation now **weakens**.
  - Specialisation channel becomes stronger.
  - **No evidence** that polarization increases resilience.
- This stresses Simon's "spheres of influence" scenario: fragmentation may reduce policy autonomy **and** macro resilience.

*Source: Artuc, Goldberg, Lasso and Taglioni (work in progress)*

# Evidence: Polarization and Cross-Community Trade Growth Slowdown

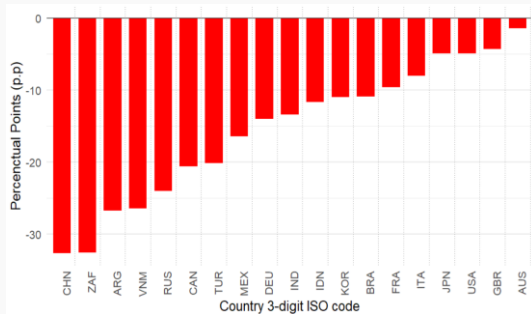


SOURCE: ARTUC, GOLDBERG, LASSO & TAGLIONI (FORTHCOMING) (\*)

## From Globalization to Fragmentation: World Trade Communities in the 2020s

Global trade has splintered into five distinct blocs in the 2020s, up from just two in the 1990s—centered around North America and Europe. (\*) Calculation using UNCOMTRADE bilateral data. Each color represents a community.

*Trade network built from COMTRADE total bilateral trade. Communities estimated using the Greedy Modularity Algorithm. Each color represents a distinct trade community.*



*Slowing cross-community CAGR is measured as difference in outside-community trade growth rate between 2000s and 2020s ( $CAGR_{21-23} - CAGR_{02-07}$ ), G20 countries ranked by ascending order.*

### 3. Dependent Nations Are Not Passive: Africa's Evidence

- Intra-African trade is more **manufacturing-intensive** and capability-building than Africa's extra-regional trade.
- Deep agreements (competition, services, investment, governance) raise exports by up to **56%**.
- Small coalitions (**3–6 countries**) deliver regional public goods (telecom roaming, payments, security) even without continent-wide consensus.
- Implication: "Dependent nations" in Simon's typology include **institutional innovators**, not just rule-takers.

*Source: New WB Report "Integrating Africa From Threads to Hubs", forthcoming*

## 4. Who Demands Modularity? (Plurilateral Micro-Foundations)

- Firms embedded in GVCs with both high foreign-supplier and foreign-buyer shares have greatest payoffs from **multilateralised sectoral deals**.
- Joint exposure predicts:
  - stronger pressure for coordinated rule-making,
  - cross-border lobbying,
  - higher probability of joining plurilaterals (ITA-style).
- This micro-evidence provides the “why-now” underpinning for the modular system Simon envisions.

### **3. Three Strategic Tensions the Paper Opens Up**

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## Tension 1: Trade—Finance—AI Interlock

- AI diffusion is not a background parameter; it is a **capital-hungry, short-lived, securitised asset cycle**.
- Financing of AI infrastructure increasingly tied to:
  - sanctions architecture,
  - export controls,
  - investment screening,
  - dollar- and non-dollar payment systems.
- Question: **Can we design trade modularity without modelling financial modularity?**

## Tension 2: Who Are the Institutional Entrepreneurs?

- “Dependent nations” mask critical heterogeneity:
  - some are **networked hubs** (minerals, corridors, digital payments),
  - others are siloed or fragile.
- Africa’s experience shows that networked dependents can **create** modules— not just join them (e.g., regional payments systems, pool-based security missions).
- Question: **Should the typology distinguish networked vs. isolated dependents?**

## Tension 3: Designing Coherent Modularity

- In Simon's scenarios, overlapping coalitions are feasible—and likely.
- But modularity risks:
  - regulatory fragmentation,
  - forum-shopping,
  - inconsistent standards
- Africa again provides evidence:
  - when mandates overlap without coordination, **regional public goods collapse**;
  - when anchor incentives + finance + enforcement align, integration accelerates.
- Question: **What governance principles keep modules interoperable rather than centrifugal?**



## 4. Closing

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## Closing Reflections

- Simon offers a compelling structural lens and a governance prototype for a rivalrous world.
- Evidence from trade policy, GVCs, and regional integration suggests:
  - the structural shifts he posits are already underway,
  - institutional innovation is emerging from unexpected places,
  - modularity must be governed to avoid incoherence.
- **The forward-looking question:** How do we build a modular system that enhances resilience and inclusiveness—especially for “dependent” but **networked** economies—rather than formalising their marginalisation?

Thank you!

[dtaglioni@worldbank.org](mailto:dtaglioni@worldbank.org)