

# The future of multilateralism

Toward a responsible globalization that empowers citizens and leaves no one behind

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Today's globalized world has generated a variety of globalized problems – from climate change to financial crises to cybersecurity – that can be effectively addressed only through multilateral agreements. Multilateralism is fundamental to the liberal world order created at the end of World War II. It has been crucial in maintaining peace and prosperity. It has also been central to the past successes of the G20 in addressing the global financial crisis and promoting international financial stability.

Nevertheless, this system is now under threat, with its core goals and values challenged from a variety of quarters. The political dissatisfaction with multilateralism in major advanced industrialized countries such as the United States is associated with the failure of global governance in the post-Bretton Woods system to stem the tide of slow growth, rising inequality, falling labor force participation, rising migration, social fragmentation and job insecurity associated with globalization and automation.

For the past two to three decades, it has been widely recognized that the current multilateral system needs to be reformed due to rapid changes in the economic, demographic and political weight of advanced and emerging economies. Political rigidities in multilateral organizations charged with overseeing economic globalization – such as the IMF, World Bank, UN, WTO and others – have prevented adequate reform. The resulting disillusionment with formal multilateralism has led to the consideration of various alternatives, such as the parallel pursuit of bilateral deals or cooperation that is limited to likeminded or geographically proximate countries. None of these alternatives has plausible chances

of completely replacing multilateralism, however, since a globalized world facing globalized challenges requires an open, rules-based international order to ensure that the system works in the service of all nations and people. What is needed is to find the right balance between true multilateralism, defined as universal rules of the game, and the large number of plurilateral agreements that permit greater flexibility to move an agenda forward when universal consensus cannot, or need not, be achieved.

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### THE CHALLENGE: FINDING GENERAL PRINCIPLES TO MAKE MULTILATERALISM SUSTAINABLE

The challenge is to design a set of legitimate, widely agreed-on general rules,

administered impartially by representative and accountable arbiter institutions, such that all nations: (1) refrain from doing harm to others by instituting beggar-thy-neighbor policies, (2) internalize their cross-border spillovers, (3) cooperate on managing the global commons, (4) cooperate in the provision of global public goods, (5) promote global economic growth and development, and (6) tackle inherently global problems – all the while retaining enough flexibility to accommodate a wide range of possibly divergent domestic policies, economic models, and paths of development.

»The new multilateralism must recognize that there is no one way to satisfy human needs and aspirations.«

#### PROPOSAL

To lay the groundwork for an inclusive dialogue in the G20, we recommend the establishment of a Working Group on the Future of Multilateralism to develop a set of principles that can help lay the foundations of a new pact on multilateralism with an eye toward accepting institutional

diversity, while ensuring the provision of global public goods and managing the global commons.

Multilateralism needs to address its discontents and evolve to be fit for purpose in an era of renewed great power competition, political economy tensions, issue politicization, and a decoupling of economic prosperity from social prosperity.

We must recognize that globalization and multilateralism are means to an end (i.e., social and economic prosperity) rather than ends in themselves. To that end, multilateralism can be, and ought to be, used as an instrument to promote strong, sustainable, balanced, and inclusive growth within all nation-states and thereby strengthen the world economy.

We also must recognize that despite all the convergence achieved in the last half century, there remain substantial differences in views across the world on desirable institutional frameworks to promote sustainable development. Yet existing multilateral institutions largely champion one “correct” approach to governance that is universally valid. The new multilateralism must recognize that there is no one way to satisfy human needs and aspirations, and that diverse policy approaches are desirable to address diverse cultural challenges. There are, however, universal values, such as those contained in the Universal Declaration of Human Rights, to which all nations have subscribed.

The new realities of the digital economy and rapid technological development necessitate resolute and concerted action to address crucial challenges. Coordinated efforts to address Base Erosion and Profit Shifting (BEPS) to improve the fairness of corporate taxation, especial-

ly of digital companies, and to shore up the privacy treatment of consumer data across borders, are pointed examples of areas in which supranational coordination is required. The new multilateralism must be conceived as a vehicle for enhancing citizen and national empowerment and leadership.

Following Joshua Cohen and Charles Sabel, legitimation and accountability in the context of global governance require a process of transnational deliberation that can generate explanations for actions taken (or not taken), which others can acknowledge as legitimate, even when values and interests diverge and disagreement prevails. Countries should be “free to experiment and implement different solutions as long as they can explain to their peers – policymakers in the other countries – why they have arrived at those solutions. They must justify their choices publicly and place them in the context of comparable choices made by others.” A similar model is that of “experimentalist governance” in the EU, whereby supranational institutions decide on the goals to be accomplished while national agencies are given freedom to advance these goals in the ways they see fit, as long as they report their actions and results in forums/networked agencies.

The role of subnational and non-state actors in this renewed multilateralism is key. Global governance must transcend exclusive clubs of regulators and technocrats by moving beyond state-centered multilateralism toward a bottom-up, multi-channel multilateralism “that actively embraces the potential contributions to global social organization by civil society and corporate actors.” (Ruggie) Often

these actors are able to sidestep political contestation and advance new global norms via market and social mechanisms more effectively than any national government. The climate change agenda is an example of this kind of multilateralism; formal intergovernmental agreements supplemented by a range of actions and advocacy by subnational government officials, corporations, financial institutions, and individual campaigners.

#### STATEMENT OF PRINCIPLES

The aim of the Working Group on the Future of Multilateralism is to define a set of G20 Principles for Sustainable Multilateralism that account for some or all of the above-mentioned realities, challenges and opportunities: a set of general “traffic rules that help vehicles of different size and shape and traveling at varying speeds navigate around each other, rather than impose an identical car or a uniform speed limit on all” (Rodrik).

The following are suggested areas that a set of principles should inform. The guidelines and principles, when formulated, must ensure that the system as a whole is to everyone’s net benefit, as this gives incentives to all countries to participate, a property of the system that is essential to its enforcement.

#### Focus on public well-being

The goals of multilateral agreements must be formulated clearly in terms of the public interest. The agreements must enhance the well-being of people living under diverse national circumstances and must recognize states’ demands for policy autonomy. The objective must not be harmonization for its own sake, but rather the promotion

of empowered citizens, living meaningful and prosperous lives in sustainable, inclusive and thriving communities.

### **Complementarity between the national and the multilateral**

The underlying aim is to make multilateralism complementary to the capacities of nation-states, not a substitute for it. Just as national politics must induce citizens of nations to constrain their pursuit of self-interest in order to achieve common national goals, so multilateral politics must induce nations to constrain their pursuit of national interest in order to achieve common transnational goals.

Accompanying the integration of the global economy, we have witnessed a proliferation of global challenges, including financial crises, cyber threats, climate change, and much more. These challenges affect all nations of the world and it is in the interests of each nation that they be addressed successfully. Multilateral coordination generates win-win opportunities for all nations. In order to exploit these opportunities, the gains from multilateral coordination must be spread appropriately, enabling all participating nations to benefit.

### **Subsidiarity**

The principle of subsidiarity can help bolster the legitimacy of multilateralism. Thus full-fledged multilateralism should serve a subsidiary function, dealing only with policies, such as child labor or currency and tariff wars, that must be implemented universally, without national or more local, divergences. Other types of plurilateral agreements might achieve limited advantages for a smaller group of

countries without adversely affecting the rest of the world.

### **Systemic coherence**

The new multilateralism must be designed with a view to ensuring the systemic coherence of the world order. In view of the diverse cultures, conditions, capabilities, norms and values represented in the community of nations, diversity of policy approaches is desirable. Nevertheless, this diversity of approaches must be brought into consistency with the multilateral agreements aimed at addressing global challenges. When multilateral policies come into conflict with national policies, the result is ambiguous. Where negative spill-overs are proscribed, multilateralism can avoid beggar-thy-neighbor “cheating” through which one country can game the system for their own benefit. But in other cases, where multilateral policies are not seen as delivering on national goals, the “sovereignty cost” may undercut support for the whole system. Multilateral agreements and national policies need to be formulated accordingly.

In order to ensure the continuity of policymaking and the resilience of the world order, the new multilateralism should build on the existing patchwork of plurilateral, multi-level, multi-channel coalitions and alliances designed to address specific overlapping interests, governed by general principles, and guided by multilateral consensus. This system could provide room for variation in institutional practices across nation-states within a framework of global cooperation and coordination.

Achieving systemic coherence in policymaking requires agreement on an

overall approach to policymaking. This approach needs to be achieved through an evolving dialogue among nations at multiple levels, involving a wide range of stakeholders from the domains of politics, business, academia and civil society. An illustration of such an approach, which may provide a useful point of departure for the evolving dialogue, is Elinor Ostrom’s Core Design Principles, as applied to the relationships among nations: (1) encourage national solidarity; (2) match rules addressing global problems to national needs and conditions; (3) ensure that all states affected by the rules can be involved in changing the rules; (4) ensure that the rule-making rights of states are respected at the multilateral level; (5) develop a system, carried out by the member states, for monitoring states’ behaviors; (6) agree on graduated sanctions for rule violators; (7) agree on accessible, low-cost dispute resolution mechanisms; and (8) build responsibility for addressing global problems through nested tiers of governance, in which diverse national policies and multilateral agreements constitute a consistent system of policymaking.

These ideas are not new. In his 1933 article on “National self-sufficiency,” John Maynard Keynes recognized that “there is no prospect for the next generation of a uniformity of economic system throughout the world, such as existed, broadly speaking, during the nineteenth century; that we all need to be as free as possible of interference from economic changes elsewhere, in order to make our own favorite experiments towards the ideal social republic of the future; and that a deliberate movement towards greater national self-sufficiency and economic isolation will

make our task easier, in so far as it can be accomplished without excessive economic cost.” His key point was to encourage experimentation, even at the cost of a certain degree of global economic inefficiency.

»»Multilateral coordination generates win-win opportunities for all nations.««

In service of systemic coherence, the G20 must itself seek greater coordination with the UN system, Bretton Woods institutions, and related bodies. To give an example of a concrete proposal, a recent follow-on report to the 2015 Albright-Gambari Commission Report recommends that the G20 be upgraded to a “G20+” by: (1) assembling G20 heads of state at UN Headquarters during the UN General Assembly every two years; (2) establishing formal links with intergovernmental organizations for policy implementation and follow-through, and (3) establishing a small secretariat to enhance systemic coordination and enable the accumulation of a collective institutional memory and consensus. Reforms of this kind, supported by a set of principles of multilateral engagement, would make the G20 not only a more effective institution but also a more inclusive and, therefore, sustainable one.