

THE FUTURE OF MULTILATERALISM AND GLOBAL GOVERNANCE

THE FUTURE OF MULTILATERALISM: TOWARDS A RESPONSIBLE GLOBALIZATION THAT EMPOWERS CITIZENS AND LEAVES NO ONE BEHIND

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Abstract

Since the end of WWII, multilateralism has been a pillar of global peace and prosperity. Recent disaffection with globalization and global governance threatens the rules-based order and makes it difficult to address inherently globalized problems such as pandemics and climate change. To safeguard the benefits of globalization and ensure it “leaves no one behind”, this policy brief recommends the establishment of a *G20 Working Group on the Future of Multilateralism* tasked with making the global governance architecture fit for the 21st century, with an eye toward accommodating institutional diversity and demands for policy autonomy while preventing beggar-thy-neighbor policies and ensuring the provision of global public goods. The mandate of the working group will be to draft and agree on a set of *G20 Principles for Sustainable Multilateralism* to make the multilateral system effective, legitimate, and sustainable.

Challenge

Over the last 75 years, multilateralism has been a strong driver and pillar of global integration, 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 since then.

Recently, however, disaffection with globalization and current forms of global governance has emerged, threatening the very edifice of the rules-based multilateral order, partly because of competing economic models that have opened up issues of fairness and of the distribution of the costs and benefits of maintaining the existing multilateral system. The political discontent with multilateralism, most notably in the United States, is associated with the failure of the post-Bretton Woods system to stem the tide of slow growth, rising inequality, rising migration, social fragmentation and job insecurity associated with technological change, offshoring and automation.

Many of the world’s biggest challenges are not a result of disagreements about *how* to cooperate, but a profound loss of direction about *why* to cooperate in the first place. A sense of multilateralism creeping beyond the boundaries set by the principle of subsidiarity has created a backlash of populism, protectionism, and nationalism. The core goals and values of multilateralism have been forgotten, and a growing number of governments lack the domestic backing required to forge stronger multilateral ties. Unfortunately, while stakeholders debate the merits of global cooperation, the window of opportunity to address a myriad of inherently globalized problems—such as climate change, financial fragility, and pandemics—is closing and important institutions like the WTO can no longer carry out core functions of trade dispute resolution.

For the past two decades, calls have grown louder to reform the current multilateral system to reflect changes in the economic, demographic and political weight of advanced and emerging economies.¹ Political rigidities in multilateral organizations – such as the IMF, World Bank, UN, WTO and others – have

¹ Kemal Derviş, “Can Multilateralism Survive?,” *Project Syndicate*, July 20, 2018, <https://www.project-syndicate.org/commentary/no-multipolar-world-order-by-kemal-dervis-2018-07>.

prevented adequate reform from being achieved. At the same time, disillusionment with multilateralism led to consideration of various alternatives, such as replacement of multilateral agreements by bilateral deals or the replacement of multilateral rules by rules for likeminded or geographically proximate countries. None of these alternatives can substitute for true multilateralism, however, since a globalized world facing inherently global challenges requires globally concerted action.

All too often treated as an end in itself, multilateralism must be reimagined as a means to empowering citizens and enhancing social prosperity. While in practice this may entail a thinner globalization, a scaled back but inclusive and sustainable multilateralism is preferable to no multilateralism at all. The challenge is to find a set of legitimate general principles to guide and constrain global rulemaking that all nations can agree on and that “leaves no one behind”.

Proposal

The COVID-19 catastrophe has laid bare key vulnerabilities in today’s hyper-globalized mode of production as well as important gaps in the global governance architecture. The current configuration of economic globalization was designed to maximize efficiency, minimize transaction costs, and reap the benefits of scale. Politicians promised that the rising tide would lift all boats. But while global GDP has risen quite rapidly over the past decades, globalization also resulted in widening inequalities within and across countries, exposed nations to unquantifiable levels of systemic fragility. Not surprisingly, COVID-19 and the resulting economic downturn are only aggravating existing social inequalities within and among countries. Once again as in the aftermath of 2008, it is the most vulnerable and marginalized—poor countries as well as vulnerable people within richer countries—that are hit the hardest.

Moreover, the ever-widening scope of globalization also undermined democracy by reducing nations’ sovereign policy autonomy, inhibiting often desirable policy diversity and experimentation in the process. As Dani Rodrik has argued, there is a trilemma preventing simultaneous achievement of deep globalization, national sovereignty and democracy.² Far too often, small and medium sized nations (particularly in the Global South) have been forced to choose between gaining access to global markets and keeping policy space for the pursuit of their national development strategies.

While COVID-19 is holding up a magnifying glass to deep- and hard-set structural problems in the global governance architecture, even before its emergence the world was already fast approaching irreversible thresholds and tipping points on several global challenges, most notably in the realms of climate change and artificial intelligence.³ The window of opportunity to address some of these problems is closing; the catastrophe brought on by COVID-19 has only added greater urgency to the need for a multilateralism that can deal with the huge dangers that lie ahead.

To safeguard its benefits and ensure it works in the service of all nations and people, multilateralism needs to address its discontents and evolve to be fit for purpose in an era of renewed great power competition and a decoupling of economic prosperity from social prosperity. A multilateralism fit for the 21st century ought to prioritize the wellbeing of the worst-off, build much more robustness into the global system, and accommodate legitimate demands for policy autonomy, while ensuring the prevention of beggar-thy-neighbor policies, the provision of global public goods, and the management of the global commons. This new compromise should be bound by a negotiated understanding of where to position international institutions within the globalization trilemma.

Recommendation

To lay the groundwork for an inclusive dialogue in the G20, we recommend the establishment of a *G20 Working Group on the Future of Multilateralism* to develop a set of principles that can be built on to create

² Dani Rodrik, “The Inescapable Trilemma of the World Economy,” *Dani Rodrik’s weblog*, June 27, 2007, https://rodrik.typepad.com/dani_rodriks_weblog/2007/06/the-inescapable.html.

³ Kemal Derviş, “Closing the Global Governance Gap,” *Project Syndicate*, May 29, 2019, <https://www.project-syndicate.org/commentary/digital-technologies-global-governance-challenges-by-kemal-dervis-2019-05>.

a new pact on multilateralism, with an eye toward accepting institutional diversity while preventing beggar-thy-neighbor policies and ensuring the provision of global public goods and management of the global commons.

The concrete mandate of the *G20 Working Group on the Future of Multilateralism* would be to design and achieve consensus on the traffic rules needed to achieve adequate multilateral cooperation and coordination while ensuring that the multilateral system remains democratically legitimate and politically sustainable. To this end, the *Working Group* should seek to elicit, classify, and compare the views of stakeholders from a broad range of geographies and substantive policy areas on multilateralism and new paradigms of institutional governance.

What are the major normative gaps today related to the global governance system and its role? In what policy domains does it make sense for global rules and institutions to constrain national action? What are the appropriate criteria for selecting them? Does the current multilateral system suffer from a democratic deficit? If so, can it be made democratically legitimate and politically sustainable simply by granting nation-states more policy space? In such a world of potentially democracy-enhancing global governance, what essential traffic rules or general principles are needed to ensure basic cooperation and coordination? How can greater robustness be achieved? How must existing institutions evolve and adjust, and where are new institutions required? Given the desirability of subsidiarity, what is the role of subnational actors in this framework? Should non-state actors (including civil society and corporations) use market and social mechanisms to catalyze collective action? The *Working Group* should address these and related questions.

Looking to 2021, a key outcome of this *Working Group* could be the consensus drafting and approval of *G20 Principles for Sustainable Multilateralism* that respond to the above realities, challenges and opportunities. These *Principles* would act as 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”.⁴

The following are suggested guidelines for such a set of generalizable principles that all countries could agree on to deliver a more inclusive and sustainable multilateralism.

1. Focus on Wellbeing and Equity. The new multilateralism must be conceived first and foremost as a vehicle for enhancing citizen empowerment. It must recognize that globalization and multilateralism are means to an end—social and economic prosperity and security—rather than ends in themselves. This means that multilateral cooperation must be justified clearly in terms of the public interest and used as an instrument to promote sustainable, balanced, and inclusive growth, not simply to promote globalization for its own sake. Operationally, multilateral agreements and global governance institutions must be shown to enhance the wellbeing of the worst-off and most marginalized people everywhere. Governments across the world have already embraced the Agenda 2030 principle of “leave no one behind”; this principle must now be built into multilateralism in a systematic way.
2. Embrace Diversity. Existing global institutions largely assume the existence of one “correct” approach to policy that is universally valid. The new multilateralism must instead recognize that there is no one way to satisfying human needs, and that policy diversity is inherently desirable. First, because there is diversity of preferences and of needs in economic policy, one-size-fits-all approaches might be costly. Second, because there are many policy areas in which the *ex ante* optimal policies are unknown, it may be desirable to allow national experimentation. The current debate on the best approach to deal with the COVID-19 pandemic—whether through containment, mitigation, suppression, or herd immunity—is a good example.

⁴ Dani Rodrik, *Straight Talk on Trade: Ideas for a Sane World Economy* (Princeton; Oxford: Princeton University Press, 2018), 225.

3. Robustness. As COVID-19 tragically illustrates, hyper-globalization has made the world unprecedentedly interdependent and fragile.⁵ Robustness and security were sacrificed on the altar of short-term efficiency and cost reduction. While maximizing immediate efficiency, global value chains also increased the likelihood of cascading failures. To protect humanity from catastrophic risks, the new multilateralism should ensure that the global economy is robust to systemic failure by building in some redundancy and fail-safe principles as well as greater diversification into economic systems. Some degree of adaptive de-globalization may be needed to achieve greater robustness, but doing so effectively requires more rather than less multilateralism. Burden sharing and cooperation, nested in a system of global rules that ensures key vulnerabilities are managed together, are needed to build affordable robustness.
4. Legitimacy. Too many of the decisions at the multilateral level are made by, and to the benefit of, a minority of nations and people. This makes the system fragile and unfair. Legitimizing global governance entails improving the representativeness of global rulemaking processes, enhancing the inclusion of marginalized voices, and bolstering responsiveness and accountability mechanisms. While inclusion and equity are valuable features in and of themselves, they also serve the purpose of making systems more legitimate and therefore more sustainable. 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) that others can acknowledge as legitimate, even when interests diverge and disagreement prevails.
5. Do No Harm. A minimum core purpose of multilateralism should be to prevent “beggar-thy-neighbor” policies through which countries seek to gain advantage at the expense of other countries. 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 once again induce nations to constrain their pursuit of national interest in order to achieve common transnational goals.
6. Subsidiarity. Multilateralism should serve a subsidiary function, dealing only with policies that cannot be tackled at the national or sub-national level and with issues that have spillover effects across borders. Global governance must also transcend exclusive clubs of governments, regulators and technocrats by moving beyond state-centered multilateralism toward a bottom-up, inclusive, multi-channel multilateralism that, in the words of John Ruggie, “actively embraces the potential contributions to global social organization by civil society and corporate actors.”⁶ Often, these actors are able to sidestep political contestation and advance new global norms via market and social mechanisms more effectively and legitimately than any national or supranational government could.
7. Systemic Coherence. The new multilateralism must be designed, however, 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 multilateral agreements aimed at addressing global challenges. When multilateral policies come into conflict with national policies, the result is generally detrimental to both. Multilateral agreements and national policies need to be formulated accordingly. Achieving systemic coherence in policy making requires agreement on an overall approach to policy making, which can only 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

⁵ Kemal Derviş and Sebastian Strauss, “What COVID-19 Means for International Cooperation,” *Project Syndicate*, March 6, 2020, <https://www.project-syndicate.org/commentary/global-cooperation-can-prevent-next-pandemic-by-kemal-dervis-and-sebastian-strauss-2020-03>.

⁶ Dani Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy* (New York: W. W. Norton, 2011), 211.

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 policy making.⁷ 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 2 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.⁸ Reforms of this kind would make the G20 not only a more effective institution but also a more inclusive and therefore sustainable one.

This list is by no means exhaustive; its purpose is to identify consensus “north stars” for guiding a G20 exercise to imagine a better multilateralism for all.

The G20 is the only existing forum in which consensus for a systematic and coherent reform of the multilateral system could plausibly be achieved. While the new multilateralism may need to 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, only the G20, with its economic and geopolitical weight and its myriad engagement groups, has sufficient scope and scale to police compliance with such principles and to serve as platform for the multi-stakeholder dialogue needed to achieve consensus.

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⁷ Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action* (Cambridge, UK: Cambridge University Press, 1990).

⁸ The Stimson Center, *An Innovation Agenda for the UN 75: The Albright-Gambari Commission Report and the Road to 2020* (Washington, DC: Stimson, 2019), <http://www.platformglobalsecurityjusticegovernance.org/publications-resources/an-innovation-agenda-for-un-75/>.

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