

## Point of View

# We Must Place Our Hope in Multilateralism



**Gordon Brown**

*Only by working together can countries fend off fragmentation and deepening crises*



Those who look only to the past or the present are certain to miss the future.” These words spoken by President John F. Kennedy six decades ago resonate with renewed urgency today. With every year that passes, the failures of our outdated economic paradigm are exposed and the need for a new one becomes more obvious.

Global challenges that require global solutions are ever present, whether a changing climate or rising cyber threats. And just as we are facing these challenges, the three pillars of the post-Cold War era anchoring the global system—unipolarity, hyperglobalization, and neoliberal economics—are collapsing around us. These seismic shifts are sowing the seeds of a new wave of populist nationalism exemplified by the “America First,” “Russia First,” “India First,” “China First,” and often “my country first and only” movements springing up round the world.

First, our unipolar world is giving way to a multipolar world—not a world with many states of equal power but a world of multiple centers of power. Twenty years ago, would President Putin have invaded Ukraine? Would an Israeli prime minister have held out for so long against the advice of a US president? Would Arab leaders have refused to meet a US president when he arrived in the Middle East?

Today, released from what seemed to them like a unipolar straitjacket, countries feel they can afford to hedge their bets, be fence-sitters, and act as “swing states.” We have seen this at work in dramatic form in the resistance of half the world—most non-Western countries—to supporting Ukraine in its war against Russia. Today, only 45 countries are imposing sanctions against Russia. Countries feel they can choose to be nonaligned or multi-aligned and can play one big power against another. And as the rising membership of the BRICS group—from 5 to 10, with more members on the way—demonstrates, countries are now forming opportunistic and potentially dangerous liaisons.

Second, we are also moving from the neoliberal world of free-trade economics to a more mercantilist world defined by US “friend-shoring,” European “de-risking,” and Chinese “self-reliance.” With this protectionist shift,

governments are now playing a far more significant role in economic policy—and not principally through higher tariffs but through import and export bans, technology bans, and investment bans, as well as through sanctions.

Last year saw nearly 3,000 trade restrictions implemented globally. The IMF suggests that global losses from increased trade fragmentation could carry a long-term cost of up to 7 percent of global GDP—not to mention a slowdown in cooperation on global issues such as the green transition and AI.

### Power-based world order

Third, we have transitioned from free-for-all hyperglobalization to globalization that is more constrained, as security concerns as well as environmental and equity considerations must now be taken into account. Central banks are no longer the only game in town, and a power-based order is replacing a rules-based order. With global trade in services rising, this does not mean deglobalization nor even slowbalization. What we are seeing is the adoption by more than 100 countries of national industrial policies, with over 2,500 protectionist measures recorded in the past year alone.

Purchasing policies based on “just in case” have replaced the familiar formula of “just in time,” with resilience and security of supply now preferred to simply getting the lowest price. And as they diversify from their dependence on one producer and adopt “China plus one, two, three, four, or even five” strategies, countries trading with China are relocating their export orders to Vietnam, Bangladesh, Mexico, and others.

With global growth estimated to be 2.8 percent by 2030, significantly below historical averages of 3.8 percent, the IMF’s *World Economic Outlook* warns that the 2020s could be the worst decade for growth in recent times. More protectionism will only diminish global growth at a time when further cooperation is required to increase trade and boost prosperity. Extreme poverty, which was to be abolished by 2030 under the United Nations Sustainable

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Development Goals (SDGs), now stands at about 700 million people. At current rates of progress, poverty will still affect 600 million in 2030.

In the 1930s, another era of retrenchment, Winston Churchill said that leaders were “resolved to be irresolute, adamant for drift, solid for fluidity, all-powerful to be impotent.” Today popular disappointment with current leaders is reflected in populist nationalism, with voters blaming globalization itself for their fate when the real culprit is our failure to manage globalization well.

But policies to play friend against foe, one-off trade and security deals, and transitory alliances will take countries only so far. The economic future of every continent depends more on a stable international system. Even if for different reasons, all continents need a multilateral order: Europe because it depends on trade; developing economies because they cannot fulfill their economic potential without a transfer of resources from developed economies; middle-income countries because they don’t want to be forced into a choice between China and the US—China itself cannot become a high-income country without a thriving export market.

America will also benefit from strengthening the multilateral order. It is no longer in a unipolar world where it can hope to succeed through acting

unilaterally. Instead, the US is the obvious leader of a multipolar world to be advanced by working through the very multilateral institutions it created.

### Stronger multilateralism

The World Trade Organization should put to best use the undoubted skills of its director-general, Ngozi Okonjo-Iweala, to solve trade disputes by conciliation, arbitration, and negotiation, marking a move away from its overly legalistic and now broken judge-based appeal system.

Simultaneously, the IMF should enhance its role in crisis prevention and crisis resolution. Under the strong leadership of Kristalina Georgieva, the IMF should give more priority to its pivotal role as an early-warning system for the world economy, mobilize its \$1 trillion lending capacity to offer better insurance against economic shocks, negotiate a much-improved sovereign debt restructuring mechanism, and thus create a more comprehensive global financial safety net.

With 59.1 percent of voting shares in the IMF held by countries representing 13.7 percent of the world’s population, while India’s and China’s combined share is only 9 percent, the IMF must reform its constitution.

The World Bank must become, as its dynamic new president, Ajay Banga, has proposed, a global public goods bank focused on both human capital and envi-

ronmental stewardship. It is estimated that emerging market and developing economies, excluding China, need \$3 trillion a year by 2030 to fund climate action and the SDGs, of which \$2 trillion should be raised domestically and \$1 trillion will have to come from outside.

The Summers-Singh Group of Twenty (G20) report has proposed that multilateral development banks provide an annual increase of \$260 billion. Innovative financial mechanisms, including the use of guarantees to de-risk and scale up private sector investment, must be mobilized to boost and complement these efforts. The World Bank and multilateral development banks will need further funds from shareholders through a capital increase.

Given that the membership of the Group of Seven is too narrow to be the steering committee for the world economy, the G20 should become what it was intended to be: the premier forum for global economic cooperation. For that to work, it needs to be more representative through a constituency system, and it should assemble a professional secretariat that can ensure continuity of policy from year to year.

Maintaining hope in challenging times is essential. Kennedy's nuclear test ban treaty in the 1960s, Ronald Reagan's and Mikhail Gorbachev's nuclear arms reductions in the 1980s, multinational efforts to prevent the depletion of the ozone layer in the 1990s, the 2009 G20 summit stabilizing the global economy, and the more recent Paris accord on climate all demonstrate the potential for global cooperation. But success requires visionary leadership and a willingness to work together.

Two paths are before us. One leads toward global fragmentation and deepening crises, while the other will, if we work collectively, bring prosperity, progress, and hope. I choose hope. **F&D**

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This article draws on a speech by the author at the April 2024 PIIE-IMF conference on steering structural change.



## Fairy Dust's Economic Possibilities



**Zachary Carter**

*Keynes celebrated the ideals of the Bretton Woods institutions as a victory for the human spirit*

One of the most playful addresses delivered by John Maynard Keynes in his 30 years in public life was also one of his last. Speaking among the “veils and beards of Spanish moss” in the late-winter warmth of Savannah, Georgia, Keynes asked his audience of economists, lawyers, and diplomats to consider, for a moment, the fairies from “Sleeping Beauty.”

What, Keynes wondered, might be asked of those benevolent sprites at the “christening” of his beloved “twins”—the World Bank and the International Monetary Fund? Keynes hoped for three “appropriate gifts.” First, a many-colored coat to serve as “a perpetual reminder that they belong to the whole world.” Second, a set of vitamins to give them “energy and a fearless spirit.” Finally, the gift of “wisdom, patience, and grave discretion” to win the trust of peoples in need.

Though it may have been lost on his audience, the invocation of “Sleeping Beauty” was more than a flight of fancy for Keynes; it was a literary allusion reinforcing what he understood to be the fundamental purpose of what became known as the Bretton Woods institutions. Prior