CHAPTER 7

Multilateralism, Interdependence and Globalization

Michèle Rioux

Abstract

This chapter contextualizes multilateralism historically and in today's world. It discusses the importance of redefining the concepts of market economy, competition and hidden protectionism. If the WTO should act as an umbrella institution, it is unclear that it can evolve to succeed in this endeavor.

The first part of the chapter will distinguish three historical periods and a new one that is characterized by many new issues. The second part will discuss the role of the WTO and the most important issues that might lead to its marginalization as a core multilateral organization of the world economic system.

Keywords

configurations of multilateralism (national, international, and global) – interdependence – globalization – UN system – sovereignty – League of Nations – GATT – WTO – Bretton Woods institutions – international "rule of law" – GAFA – COVID-19 – digitalization

Introduction

There are many obstacles to multilateralism that might even pave the way to its marginalization, notable unilateral actions, a crisis of its underlying value system and populism (Rioux 2021). Yet those obstacles are also signs of a possible evolution of multilateralism that might offer new trajectories for institutions and world politics. Multilateralism has evolved over time, and not only in a soft and linear way, as two world wars shaped its different forms.

This chapter discusses three concepts in international studies: multilateralism, interdependence and globalization. It addresses the structural changes that have affected the dynamics of multilateralism in order to understand

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what distinguishes it from, and what links can be drawn with, the phenomena of international interdependence and globalization. This chapter distinguishes the different forms of multilateralism from a historical perspective, from the beginning of the 19th century up to the present. It is structured to follow the three distinct periods in which multilateralism declined and to evaluate the dynamics of the articulation of collective action by following important moments in the attempt to reach beyond national systems.

The first phase of multilateralism saw the emergence of international cooperation to ensure political peace between sovereign and independent nations. The second period is that of the great evolution of multilateralism, catalyzed by the dynamics of international interdependence between 1945 and 1975, which were profoundly impacted by the painful disintegration of international political and economic systems between 1929 and 1945. The third phase is characterized by multilateralism in the era of globalization, which forces us to go beyond the liberal internationalism institutionalized in the international organizations (IOs) of the 20th century. Its explicit manifestation is found in the United Nations system and its specialized agencies. In conclusion, this chapter will identify the challenges of multilateral collective action in the 21st century, while considering the COVID-19 pandemic and its impacts.

Multilateralism 1.0: Nationalisms and the Imperative of Security and Independence of Nations

Initially, while the development of nation-states led to rivalries between imperialist powers that ended in two world wars, the international order was built around the principle of sovereignty, derived from the concept of collective security (Gerbet, Ghebali and Mouton 1973). From the 19th century until the Second World War, multilateral collective action essentially took three forms:

- International diplomacy aimed at establishing and enforcing the principle of sovereignty in order to ensure national security (Concert of Europe and League of Nations).
- International law to manage disputes (The Hague Conference of 1899, which led to the adoption of the Convention for the Pacific Settlement of International Disputes, as well as that of 1907, where delegates unanimously accepted the principle of compulsory arbitration).
- International technical cooperation with the creation of several administrative unions and permanent international commissions, which linked the technical and administrative systems of nations, while allowing them to remain formally independent from one another.

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At the beginning of the 20th century, a consensus emerged around the proposal of the President of the United States, Woodrow Wilson, to create a "general association of nations … for the purpose of affording mutual guarantees of political independence and territorial integrity to great and small states alike."[1] The principles of national sovereignty and independence were institutionalized in an increasingly multilateral legal framework. The concept of collective security became a central pillar of this framework and had far-reaching consequences: States recognized that their sovereignty and integrity were based on collective action against any threat to world peace.

Despite its limitations, multilateralism extended beyond the technical and political realms (Moreau Defarges 2004). Emphasis was placed on the avoidance of military conflicts, but one cannot neglect to mention other areas of multilateral collective action, such as the field of labor (with the creation of the International Labour Organization (ILO)), communications (postal services, telecommunications), as well as standardization, intellectual property and patents in relation to the accelerating process of industrialization. The ILO survived not only the economic crisis of the 1930s but also the Second World War, and it celebrated its centenary in 2019. As for the League of Nations, created in 1919 by the Treaty of Versailles, it experienced a difficult period from the outset due to the difficulties of consensus decision-making, the isolation of Germany and the notable absence of some countries, including the USA, which had played a central role in its creation. Many countries soon left the organization, and the initial optimism gradually gave way to growing collective insecurity. This phenomenon, exacerbated by the economic crisis of the 1930s and by rivalries between nations with imperialist aims, led to the demise of the League of Nations.

Multilateralism 1.0 was not up to the challenges of its time, which initiated a process of international disintegration that undermined international relations and exacerbated international rivalries and conflicts (Kindleberger 1973). Although this first phase of multilateralism may have failed completely in practice, it did provide valuable lessons regarding multilateral collective action for the future.

1 President Wilson's Message to Congress, January 8, 1918; Records of the United States Senate; Record Group 46; Records of the United States Senate; National Archives.

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Multilateralism 2.0: Managing International Interdependencies and the Rule of Law in Political, Economic and Social Affairs

Multilateralism 2.0 emerged from the ashes of the League of Nations to create an entirely new basis for international cooperation (Emmerij, Jolly and Weiss 2003).[2] Combining a pragmatic realism, by granting a veto to the great powers that had prevailed in the second great world conflict, and an ambitious idealism regarding everything that touched on economic and social issues, international cooperation developed very rapidly. The creation of the United Nations brought about three notable changes in international cooperation: the use of the rule of law, the principle of equality of states (except in the Security Council) and the expansion of cooperation to areas of public policy such as education, science, currencies and finance, trade, development, culture and health.

The democratic principle was replicated at the international level, just like the principles of functionality and solidarity. Krasner (1983) defined multilateral cooperation as a set of principles, norms and rules or decision-making procedures around which actors' expectations converge in an issue area. Keohane (1990, 732) defined multilateralism as a practice of coordinating national policies for a group of three or more states. Ruggie (1992) defined multilateralism in the same way as Keohane, while identifying some important elements: three or more states cooperating according to a code of conduct that is "indivisible" and that ensures diffuse reciprocity. The idea that multilateralism consists in cooperation between more than three states seemed necessary.

Spirit counts more than numbers. In fact, the multilateral system that took shape after the Second World War was based on a unilateral and bilateral approach by the architects of the post-war order, the USA. The Reciprocal Trade Act (1934) of the United States inspired several trade agreements and the famous General Agreement on Tariffs and Trade (GATT), which institutionalized the "most favored nation (MFN)" principle, which meant that if two states parties to the GATT granted each other a mutual concession, it had to be extended to all other parties. The USA truly turned its back on isolationism and played a hegemonic role in the new international system.

The rule of law, the use of institutionalized dispute settlement mechanisms and widespread reciprocity form the basis of a pragmatic and progressive liberal internationalism aimed at the predictability and stability of a democratic international order ensuring the primacy of human rights. The UN system, with the Bretton Woods institutions (the IMF and the World Bank), led to ambitious objectives in international cooperation that engaged states in a

2 This section is based on the introduction to Rioux and Fontaine-Skronski (2015).

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dynamic of management of international interdependencies, which constituted an evolution from the imperative of national security and independence prevailing in multilateralism 1.0. Although a "world" policy system was never envisioned (because IOs generally referred to the application of national policies and measures), coordination and joint efforts in collective action were nonetheless effectively developed in a very fractured world (between East/West and South/North divides).

The reconstruction of the economy was based on the simple principle of a community of nations governed by the rule of law and bound together by trade. The goal of liberal internationalism was to combine sovereignty and interventionism, at both the national and the international levels, which meant that economic freedom would be subordinated to the goals of economic stability and social justice (Eichengreen and Kenen 1994).

Nonetheless, multilateralism 2.0 encountered two major difficulties. First, inequalities between states (meaning that, even if they claimed to be equal, multilateralism could not erase inequalities in development and power) remained. Indeed, although the system aimed to be universal and to integrate all states into the same "undivided" international order, a strong Western-centric perspective, in geopolitical and economic terms, prevailed. The second and perhaps most important challenge came from the structural changes inherent to globalization, which were (and will continue to be) increasingly deregulated to promote the rise of influential and powerful private actors.

Multilateralism 2.0 eroded in the 1980s and 1990s as the Bretton Woods institutions and the USA underwent an ideological shift, from a dynamic of international interdependence to one of globalization, based on the shrinking of state interventions. National systems became integrated into an increasingly deregulated global capitalism. A neoliberal ideological shift and the promotion of unfettered globalization by the USA fostered the emergence of a global governance oriented toward the withdrawal of states and the involvement of global firms in the definition of global rules, norms and standards. In this new world, managing international interdependencies is no longer sufficient (Graz 2004).

Multilateralism 3.0: The Challenges of the Global Governance of Interconnections in a Context of Globalization

The structural changes linked to globalization and digitalization processes constitute major adjustment challenges for IOs and the international community. In a world of interconnectedness, it is no longer a matter of managing interdependencies through national policy coordination. Going beyond

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multilateralism 2.0 means considering the rise of new actors that are sometimes more powerful than states. Some have introduced the concept of global governance (Rosenau 1995), while others evoke the concepts of polylateralism (Lamy 2015), network governance and transnational or multilevel regulation (Djelic and Quack 2018; Drahos 2014). What these concepts have in common is that they tend to take into account the plurality of actors and centers of governance that characterize multilateralism 3.0.

The challenge is to grasp the dynamics and results of these multiplied actions, and the logics of cooperation and rivalry that are deployed to structure globalization and its regulations. Overcoming this difficulty also implies the growing importance of regulatory and political cooperation. Multilateralism is changing in nature: it is agreed that states can, and often must, regulate, if only to ensure healthy conditions of competition or to achieve public policy objectives. Pascal Lamy evokes the notion of "precautionism" to distinguish interventions aimed at activating the precautionary principle from those with protectionist objectives. The issue remains to define the rules that will allow actors to agree on the definitions of market economy and "fair" competition.

Another challenge of multilateralism 3.0 is to make an accelerated transition to a dynamic that is in line with the imperatives of current global issues, such as ecological and digital transitions. The ecological transition requires a review of the foundations of both international cooperation and public policies, in all countries of the world. However, there is currently no IO responsible for organizing the efforts of the global community in this direction. Digital technology is also a revealing and accelerating force for positive and negative changes that states, and even less so IOs or large private companies, do not yet grasp. This will have to be achieved in order to activate a multilateral cooperation that can manage the opportunities and threats that arise from technological changes.

On the issues of GAFA (Google, Amazon, Facebook, Apple) regulation, multilateral action is slow, and rivalries between the USA and China, which are both looking to defend their companies, have a spillover effect on the rest of the world. The COVID-19 pandemic has had an accelerating effect on structural change, which in turn reveals and amplifies the challenges of multilateralism 3.0. The current issue of the distribution of vaccines and the post-COVID-19 global economic recovery will define the forms that multilateralism will take, and how its practice will be articulated on large and small scales. The issues of climate change and cybersecurity require a flexible multilateralism that is open to a plurality of actors, where states cooperate to provide global public goods without necessarily creating a rigid framework in terms of national policies (Van Langenhove, 2011). At the same time, Lamy (2015, p. 5) reminds us that

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> nations will only be less disunited if more values unite them, which is a prerequisite for the recognition, and therefore the existence, of a supranational power, as we Europeans know. Then, finally, we will be able to speak without lying about the "International Community".[3]

Conclusion

We have discussed three historical configurations of multilateralism: (1) the national configuration and mercantilism; (2) the international configuration and the management of trade interdependencies; and (3) the global configuration, that of market integration, the borderless world and the transnational firm, which implies new institutional trajectories.

International organizations are particular forms of institutional arrangements that are currently facing complex challenges in regulating the world system. These challenges are multiple; they have various dimensions (political, economic, legal, social, cultural and environmental) and they are differentiated according to the distinct perspectives of a plurality of international actors, whether they be states, firms or civil society organizations. If IOs are socially and historically constructed organizations, they also reflect the arbitration and power relations that allow for the institutionalization of an order whose stability depends fundamentally on its capacity to respond to new challenges and, above all, to adjust to changes.

Although multilateral IOs are now facing a crisis of multilateralism, they are following a resilient institutional trajectory that could allow them to evolve and adapt. As Devin (2016) points out, IOs are always on the move: they are in constant transformation. However, sometimes shifts happen that cause organizations to disappear or find themselves marginalized, which impacts their effectiveness, credibility and legitimacy. International organizations are rooted in history, which can never be fixed. Contexts and systems evolve and change, and now the transformations brought about by globalization present IOs with the major challenge of demonstrating their relevance and capacity to adjust (Ruggie 2003).

3 En français : Les nations, au fond, ne seront moins désunies que si davantage de valeurs les unissent, condition préalable à la reconnaissance, donc à l'existence d'un pouvoir supranational, comme nous, les Européens, le savons. On pourra alors, enfin, parler sans mentir de la « Communauté internationale ».

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There are many unknowns about how new institutional trajectories will emerge in a world that is increasingly intertwined, technologically advanced and undermined by the effects of a change-accelerating pandemic. The ongoing transformations and their impacts on institutions, old and new, are silently charting the future of multilateralism. According to the Paris Peace Forum (Livre Blanc du Forum de Paris pour la Paix 2021, 4), "[m]ore than a rupture, the COVID-19 shock has acted as a gas pedal and amplifier of pre-existing political trends. In terms of international politics, multilateralism was the first casualty." Most states have preferred to go about managing the crisis alone, and corporations, while they must be involved and responsible in many ways, cannot organize the world and respond to issues that are beyond their control and their commercial interests.

New institutional trajectories are emerging in relation to the need for multilateralism to evolve in line with the dynamics of the transformations of capitalism in the early 21st century (Rioux and Fontaine-Skronski 2015). The challenge is to find a form of multilateralism that will provide channels for multilateral cooperation, bringing states, businesses and civil society organizations into action, and that will develop an interconnectedness addressing the structural changes of capitalism in relation to globalization, digitalization and the COVID-19 pandemic from an ecological transition perspective. If this is not achieved, the world could face a period of deglobalization, with effects even more devastating than those of globalization. Finding the right balance will be difficult but the pandemic has, paradoxically, exacerbated and accelerated changes that might lead the world toward new responses that will shape the new face of multilateral collective action.

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