

ARTICLES

Towards Multilateralism 2.0: International Economic Relations in the Post Covid-19 Crisis

FLORIN BONCIU, PhD.

Institute for World Economy, Romanian Academy

ROMANIA

fbonciu@gmail.com

Abstract: The present paper analyzes the trends (such as technological changes, geopolitical changes, institutional changes, climate changes, demographical changes) that occurred after the 2008 crisis and which challenged globalization and the post-World War 2 multilateralism. The proposed hypothesis is that these changes would have changed anyway the world order and international economic relations, but the Covid-19 crisis accelerated, modified, and combined these trends in an unexpected ways. As the world economy and the participating actors need to adapt to the new circumstances, the paper proposes some requirements for the design of a new multilateralism which may lead to a more sustainable and less conflictual world. The conclusion is that challenges and changes, both related and non-related to Covid-19 crisis should be accepted and regarded as opportunities. The final part also presents some specific considerations about the challenges and opportunities for Romania in the post crisis period.

Key words: Covid-19 crisis, multilateralism, international economic relations, world order

JEL Classification: F01, F23, F53, O43

1. A changing world: trends manifested prior to Covid-19 crisis and implications after the crisis

Understanding the trends and changes that will characterize this decade is a difficult endeavor because after the crisis of 2008-2009 a number of significant changes took place and not all of them have been favorable for the continuation of the globalization process in the format that existed for more than 30 years. Among these changes, there were:

- a. Technological changes* described under the name of the 4th industrial revolution. Among them artificial intelligence and the large-scale use of robots seemed to be the most influential, especially for the labor market;
- b. Geopolitical changes* that were pointing to a relative withdrawal of the USA from Middle East and some other areas (which varied from Afghanistan to Western Europe), a more assertive presence of China as a regional actor but with a larger perspective, a repositioning of the Russian Federation as significant player in numerous areas neighboring its huge territory, a more active presence of Turkey in the areas where the Ottoman Empire had a say more than a century ago;
- c. Institutional changes* that affected both international institutions with universal vocation and the idea of multilateralism, such as the World Trade Organization, the International Monetary Fund, the World Bank, UNESCO, or the World Health Organization. These changes were either implicit, determined by the new balance of power resulted from several decades of progress registered by some developing countries (among them China, India, Vietnam), or explicit, determined by the actions of some important actors (first of all, the USA, but also Israel and others) which criticized and blocked the functioning of the World Trade Organization, pulled out of UNESCO, announced the retreat from the World Health Organization, suspended or delayed the payments of contributions to the United Nations Organization etc. These changes weakened for the moment the proper functioning of the existing international organizations, without proposing something else. The establishment of some new international organizations by BRICS countries (such as the New Development Bank or the Asian Infrastructure Investment Bank that began their activity in 2015) has already determined positive results, but the scale of their operation is still too limited for representing real alternatives to the Bretton Woods institutions;
- d. Climate changes* which have become so evident and with consequences that are so serious that the awareness for the phenomenon and its implications raised considerably for most of the world population. The idea of taking

steps for a global response to climate changes enjoyed a broad support, but the real evolution has been rather disappointing. The Paris Agreement, signed in 2016, by the representatives of 196 states has been subsequently declined by the USA, while other states (e.g. China) defined their own road map function of the resources and the costs of implementation they considered as acceptable;

e. *Demographical changes and the migration phenomena.* Demographical changes, both as regards the structure of populations by age groups and by ethnic structure for the states with a multi-ethnic structure have an objective nature and are defined by a long inertia. During the early 2000s there were a lot of discussions and analyses about the aging phenomenon which was specific mostly to the developed countries, but later, towards 2020, the focus shifted to the implications of the political choices of the new generations, especially in case of major countries like the USA. In case of the USA, a country with a multi-ethnic structure, the passage of time led not only to the gradual reduction in total population of the Baby Boomer generation, but also to the gradual replacement of the Anglo-Saxon majority to a Spanish majority. An equally impressive phenomenon is to be found in France, but also, to different degrees in other former colonial powers, the so called “inverse colonization” which represents massive inflows of people from the former colonies which may change the demographic structure (Stern, 2020). To these situations one can add the massive inflows of emigrants coming to the Western Europe during the middle of the last decade especially from war zones (such as Syria) but also from Central and Eastern Europe. All these changes involving people have initiated economic, social and political implications that will mark the decade until 2030.

The mere enumeration of these changes reflects their profound nature and structural implications. The world economy had to become anyway different until 2030 but these trends have been accelerated, modified, or combined in ways impossible to anticipate before the onset of the Covid-19 pandemic. The majority if not all states were little prepared but at least aware about the changes mentioned above; unfortunately they proved to be totally unprepared for the pandemic, although they had been warned about this risk in numerous occasions in the past 30 years (Maratz Henig, 2020).

It is worth mentioning that a simulation of a pandemic determined by a coronavirus, carried out in the USA on October 18, 2019 under the name Event 201 by Johns Hopkins Center for Health Security together with World Economic Forum and Bill and Melinda Gates Foundation indicated the lack of preparedness for such a risk (Center for Health Security, 2019). Similar conclusions were reached by a simulation of pandemic that took place in Great Britain in 2016 under the name of Exercise Cygnus (Pegg, 2020). In retrospect, one can note that the numerous warning signals regarding the risk of a pandemic had been provided by reputed virologist and the implications of these risks have been described by various successful writers and film directors (Maratz Henig, 2020).

The Covid-19 crisis which started in March 2020 has determined a simultaneous decline of supply and demand, being, by its very nature, a natural catastrophe and not an economic crisis. All states have been confronted with similar challenges but the implications of these challenges have been different because the states entered the crisis with very different situations as regards their health care systems, the quality and effectiveness of administration, financial, scientific and human resources. For these reasons, beyond general matters, each state had to look for its own solutions, function of available resources, know-how and the reaction of its population. The Covid-19 crisis made irrelevant many ideas regarding the minimal state, globalism and universalism because very acute problems of life and death asked for immediate decisions and actions under very unusual conditions. Such decisions and actions could not have been taken by means of time consuming consultations of a large number of individual actors which did not have the financial and material resources or the administrative tools for immediate actions, many times of a coercive nature, that had to be implemented immediately at a state level. In the contemporary world, in the West as well as everywhere, it is an objective reality that such means are available only at the state level.

The onset of the Covid-19 crisis reminded once again that different periods and circumstances, as well as different states, ask for different administrative methods. If during the periods of peace and progress democracy, liberalism and universalism may lead to an increased efficiency and the increase of wellbeing, during the periods of profound crisis, be it war, natural catastrophes (the pandemic belongs to this category) or deep economic crises (such as the Great Depression of 1929-1933) a strong, effective and efficient state/administration is required in order to make best use of the existing resources, to motivate the population towards clear and measurable goals that bring a glimmer of hope at a reasonable time horizon. And because everything has a price, such strong states may be accused in the post-crisis period of lack of transparency, lack of consultation of stakeholders and even lack of economic efficiency. The question is who can speak about economic efficiency

when the salvage of human lives is at stake? Economic efficiency is indeed very important and useful, but, as any criterium, should be considered in each context and not in an abstract way.

The survival of people and companies during the pandemic is a complex task which requires human, material and financial resources which are so huge that all other aspects remain in the background, waiting to be rediscussed, redefined and brought back to the fore only after the imminent danger has gone.

2. The limits of the post WW 2 multilateralism and the need to define a new multilateralism

In order to define the best ways forward for the short and medium term horizons humankind may need what Peter Scoblic and Philip Tetlock named “ a better crystal globe” (Scoblic and Tetlock, 2020). Perhaps we need a broader perspective of our analysis or maybe the world order and the institutions needed for its functioning should be redesigned according to a new reference framework.

The reality of the period March-November 2020 showed that the existing world order was not functioning in an effective and efficient way, one can even say it did not function reasonably: the world missed a leader to offer solutions and directions defined by balance and wisdom, in the same way that a good communication was missing between the political and the scientific worlds.

In fact, during the period 2008-2019 the international order based on rules functioned imperfectly while globalization had been perceived by many people rather as an interdependence and interconnectedness of problems and not of solutions (Lo, 2020).

Under these circumstances, beyond a certain degree of international coordination, there had been numerous state level approaches that were influenced by:

i. Traditions and socio-cultural values (such as the greater importance allocated to individual rights in Western countries, especially in Anglo-Saxon and Scandinavian ones);

ii. Nature of states (more democratic or more authoritarian);

iii. The personality of leaders in power at the moment of the onset of the Covid-19 crisis (an example in this context is that of Donald Trump in the USA or, at the other end of the spectrum, of Angela Merkel in Germany).

A hasty conclusion would be to consider that under the new circumstances the world order based on multilateralism is on the verge of being replaced by an order based on the central position of states, a fact that would lead to further focus on bilateralism or regionalism (more precisely to agreements, rules and mechanisms established primarily on a bilateral basis, as it happened with the new agreement between USA-Canada-Mexico that replaced the former NAFTA). But, from a historical perspective, one can note that the major crises of the 20th century (which were not of a pandemic nature), such as the two world wars, economic and financial crises, the effects of the climate change have led to an increase of multilateralism, according to the logic that says that global challenges require global solutions which, in turn, require multilateralism.

At the same time, the existing world order which originates in the specific circumstances of the period from the end of the Second World War is far from being efficient and effective in managing local and regional crises. This fact has become evident before the onset of the Covid-19 crisis due to the incapacity to prevent and to solve conflict situations, such as those from Syria, Yemen or Lebanon (Aydin, 2020).

Another proof of the malfunctioning of the current multilateral mechanisms manifested during the period 2016-2019 in case of the World Trade Organization where its three main functions (negotiation, dispute settlement and provision of transparency) were no longer operational (Mattoo and Narliokar, 2020).

The situations mentioned above pointed to the difficulties and malfunctioning of the multilateral mechanisms related to military, humanitarian, and trade crises. The Covid-19 crisis showed the reduced efficiency of another multilateral organization, namely the World Health Organization.

The Covid-19 crisis also raised some questions (especially in the initial stages during the spring of 2020) in relation to the efficiency of a particular case of multilateralism which is represented by the European Union. The particular character of this form of multilateralism stems from the fact that it has some supranational elements determined by the transfer of state attributes to the community institutions. Such a profound form of multilateralism is expected to generate a better cohesion and coordination. But, at least during the first months after the onset of the Covid-19 crisis, there were many differences among the EU member states as regards their approaches and responses to the pandemic and, in some cases, a level of solidarity less than expected (a case in point being the initial level of solidarity with Italy).

In our opinion, taking into account the above mentioned aspects, **we should not reach the conclusion that multilateralism is no longer useful**, but, on the contrary, **we should reach the conclusion that a collective effort is needed in order to define a new type of multilateralism** (some authors define this as Multilateralism 2.0). This new type of multilateralism should start from the realities of the 21st century, both as regards the actors that manifest in the world economy and as regards the challenges we face (climate changes, pandemics, technological changes, demographical changes etc.).

It is worth mentioning that attempts to adapt the existing multilateralism to a new global context existed since early 1990s. More recent attempts (Narlikar, 2020) to define a new type of multilateralism focused on issues that varied from **fundamental ones** (such as the need to define new values that will describe the world order of the 21st century) to **pragmatic ones** (such as the renegotiation of the statute and functions of existing multilateral organizations, the identification and transformation into partners of the categories disadvantaged by the existing globalization and multilateralism or a better communication of the advantages of a new multilateralism for solving the global problems).

Based on the existing studies, the following represent an attempt to identify certain requirements needed in defining a new type of multilateralism, requirements that may be also useful to Romania in defining its international position in the post Covid-19 crisis.

Such requirements for a new multilateralism should:

- ⇒ Consider the new realities regarding the balance of power at a regional and global level. As result, the new multilateralism could not be defined only based on values and prospects specific to the Western world;
- ⇒ Consider that certain developing countries from Africa and Asia have reached a level of development and national maturity which influence in an objective manner their approach to global economy and international relations, giving priority to their national approach. Different stages of development generate different views on the global economy and this fact should be regarded as an asset and not a liability;
- ⇒ Consider the cultural and spiritual differences that exist among states and people for defining a multilateralism that is accepted by all. In this respect, an effort is needed in order identify values that are indeed common for the whole humankind;
- ⇒ Recognize the importance of a good communication campaign about the challenges confronting the global economy and the value of cooperation and collective action. Global problems require global solutions;
- ⇒ Avoid the mistake of replacing the design of a new multilateralism with an effort to save the old one. The focus should be on the need to adapt to the new realities and not on the conflict between the old and the new multilateralism;
- ⇒ Take into account that even in the new global environment of the 21st century multilateralism will have a hybrid nature that is a combination of international order based on states and a certain global governance based on international institutions (Lupel, 2019). In our view, based on contemporary realities, the difference between the old and the new multilateralism will be given by the changes in the global balance of power compared to the 1945 period, as well as by the need to redefine the role and attributions of universal organizations, such as the United Nations Organization;
- ⇒ Provide for **3 fundamental mechanisms** necessary for the functioning of the global economy, namely **cooperation, competition, and dispute settlement**;
- ⇒ Have a pragmatic and realist nature, being oriented towards problem solving in order to become credible as fast as possible. The sooner the new multilateralism will be able to solve existing problems, the sooner will be adopted by force of arguments and not by arguments of force;
- ⇒ Give up the supremacy of profitability at any rate and adopt resilience as a means for avoiding and solving further crises (for instance of a pandemic or climate change nature). Both at micro and macroeconomic levels the shift towards more resilience instead of more profit will also mean the transition from “just in time” to “just in case” (Financial Times, 2020).

The above list represents exactly what has been announced, some requirements to be considered when defining a new multilateralism for the post Covid-19 period.

3. Conclusions

During the process of reflection on the global economy after the Covid-19 crisis some considerations proposed by a reputed expert in the field of international relations, John Mearsheimer are worth to be taken into account. In 2019 he argued that the liberal international order established after 1990 would fail, being replaced by a multi-polar world, characterized by 3 types of systems/orders: an international order, with a focus on

cooperation, limited in its enforcement capabilities; and 2 systems/orders manifesting around 2 spheres of influence, that of the USA and of China (Mearshmeimer, 2019). This vision describes in fact the world order that was specific to the Cold War period, the Soviet Union being replaced by China.

The vision of Mearshmeir does not refer to a new multilateralism, it is rather a suggestion about the direction of the world order if the states do not initiate efforts for an active coordination. This is why his vision may be treated as an incentive for avoiding a return to a Cold War type situation.

Another vision on the functioning of the global economy, which starts from the assumption of the continuation of the existing regional trends is that of “orders within orders”, that is international orders that are overlapping and have some loose common rules for all participants and some stronger rules for a smaller number of participants. Such a vision may be acceptable for Russian Federation and even China, in relation to the geopolitical space of Eurasia (Paikin, 2019). Such a vision starts from the hypothesis of a global economy with several centers of power of unequal importance and may generate a multilateralism with variable geometry.

The need of a new multilateralism results also from the following observation related to the 2008-2020 period. Different from previous historical periods, in this case, great powers did not play a significant role in providing solutions for regional or global crises. In order to be convincing these great powers would have offered examples of good practices regarding the safety of people, development and wellbeing. The fact that the great powers could not deliver such examples of good practices may be regarded as an opportunity for the rest of the states for searching for solutions to their problems based on their own forces or in cooperation with each other. In the same context, if European Union succeeds to coordinate the efforts of its member states during the pandemic and to provide support during the recovery period after the pandemic, then it may assert as a global power of a new type because it can offer a model for the others. The chance of the European Union to become a global power of a new type is not related only to the controlling and overcoming of the pandemic. After that, European Union can become an example for the transition to a sustainable economy and society based on the Green Europe Strategy (Nye, 2020).

All these changes of situations, perceptions and approaches taking place at a global level may bring to Romania challenges and opportunities. The challenges are represented internally by the need to overcome several problems of economic, social, health and education nature in the post Covid-19 crisis period. These problems are systemic (like the ones related to transport infrastructure), they exist for a long time and have been aggravated by the Covid-19 crisis. Their solving will require large efforts and resources, as well as a good coordination. At the same time, if these conditions are satisfied, Romania may benefit for its development by the so-called “latecomer effect”, using the newest technologies available at that moment (Mathews, 2006).

Externally, the challenges for Romania may arise from the need to adapt to a different global context characterized by a new balance of power and by new regulations and mechanisms applied by the international organizations. A different category of challenges will be represented by the requirements of the European Union for its member states to implement certain technologies related to Green Europe. As a member state, Romania will have at the same time numerous opportunities because this status will give access to best practices, EU funds and coordination of its own efforts with those of other member states.

At the same time, Romania will enjoy multiple opportunities to define its own objectives and solutions that can be presented and negotiated within European Union institutions, as well as within other international organizations to whom Romania participate. Any redesign of the international order, of the international institutions and of multilateralism may be an opportunity to express Romania’s position and interests and to learn from best practices. A first step towards capitalizing these opportunities is that of understanding the new realities, to take into account the opinions, perceptions and interests of others and to think with courage, open mind and hope for tomorrow.

References:

- [1] Aydin, S. (2020), *The fate of multilateralism after the pandemic*, TRT World, May 21. Retrieved from <https://www.trtworld.com/opinion/the-fate-of-multilateralism-after-the-pandemic-36506>.
- [2] Center for Health Security, (2019), *Event 201*, October 19. Retrieved from <https://www.centerforhealthsecurity.org/event201/>.
- [3] Financial Times, (2020), *Companies should shift from ‘just in time’ to ‘just in case’*, April 22. Retrieved from <https://www.ft.com/content/606d1460-83c6-11ea-b555-37a289098206>.
- [4] Lo, B. (2020), *World order in the time of coronavirus*, Lowy Institute, August 14. Retrieved from <https://www.lowyinstitute.org/the-interpreter/world-order-time-coronavirus>.

- [5] Lupel, A. (2019), *Two Tasks to Get Past the Crisis of Multilateralism*, The Global Observatory, August. Retrieved from <https://theglobalobservatory.org/2019/08/two-tasks-get-past-crisis-multilateralism/>.
- [6] Maratz Henig, R. (2020), *Experts warned of a pandemic decades ago. Why weren't we ready?*, National Geographic, April, 8. Retrieved from <https://www.nationalgeographic.com/science/2020/04/experts-warned-pandemic-decades-ago-why-not-ready-for-coronavirus/>.
- [7] Mathews, J. A. (2006), *Catch-up strategies and the latecomer effect in industrial development*, New Political Economy, Taylor Francis Online. Retrieved from <https://www.tandfonline.com/doi/abs/10.1080/13563460600840142?src=recsys&journalCode=cnpe20>
- [8] Mattoo, A., Narliokar, A. (2020), *Rethink, Revive, Rescue: From the Pandemic to Multilateralism 2.0*, Observer Research Foundation, May 7. Retrieved from <https://www.orfonline.org/expert-speak/rethink-revive-rescue-from-the-pandemic-to-multilateralism-2-0-65775/>.
- [9] Mearshmeimer, J. (2019), *Bound to Fail: The Rise and Fall of the Liberal International Order*, International Security, vol. 43, no. 4, April 29. Retrieved from https://www.mitpressjournals.org/doi/full/10.1162/isec_a_00342.
- [10] Narlikar, A. (2020), *The malaise of multilateralism and how to manage it*, Observer Research Foundation, January 23. Retrieved from <https://www.orfonline.org/expert-speak/the-malaise-of-multilateralism-and-how-to-manage-it/>.
- [11] Nye, J. S., (2020), *Geopolitics after the pandemic*, Australian Strategic Policy Institute, October 7. Retrieved from www.aspistrategist.org.au/geopolitics-after-the-pandemic/.
- [12] Paikin, Z. (2019), *Orders Within Orders: A New Paradigm for Greater Eurasia*, Modern Diplomacy, April 27. Retrieved from <https://moderndiplomacy.eu/2019/04/27/orders-within-orders-a-new-paradigm-for-greater-eurasia/>.
- [13] Pegg, D. (2020), *What was Exercise Cygnus and what did it find?*, The Guardian, May 7. Retrieved from <https://www.theguardian.com/world/2020/may/07/what-was-exercise-cygnus-and-what-did-it-find>.
- [14] Scoblic, P., Tetlock, P. (2020), *A Better Crystal Ball - The Right Way to Think About the Future*, Foreign Affairs, October 13. Retrieved from https://www.foreignaffairs.com/articles/united-states/2020-10-13/better-crystal-ball?utm_medium=newsletters&utm_source=fatoday&utm_campaign=A%20Better%20Crystal%20Ball&utm_content=20201013&utm_term=FA%20Today%20-%20112017.
- [15] Stern, M. (2020), *Michel Gurfinkiel on the Reverse Colonization of France*, Middle East Forum, August 22. Retrieved from <https://www.meforum.org/61415/gurfinkiel-on-the-reverse-colonization-of-france>.