

The future of multilateralism –
Which direction for German multilateral development policy?

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To defend multilateralism, one cannot preserve it in amber.
Rather, those architectures must be adapted to
– and adaptable within – the prevailing geopolitical environment.

Will Moreland, *The Purpose of Multilateralism*

”

... there is nothing more difficult to take in hand,
more perilous to conduct, or more uncertain in its success,
than to make the lead in the introduction of a new order of things.

Niccolò Machiavelli, *The Prince*

”

Das Konzept zur Erneuerung der freiheitlichen Ordnung hat einen Namen:
robuster Liberalismus. Es denkt den Westen neu,
indem es sehr wohl auf den Prinzipien der Freiheitlichkeit besteht,
zugleich aber die liberale Überdehnung beendet
und den demokratischen Bekehrungseifer einhegt.
Robuster Liberalismus setzt auf einen Universalismus,
der weniger verspricht und mehr hält.

Thomas Kleine-Brockhoff, *Die Welt braucht den Westen*

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Executive summary

Effective global governance based on multilateral institutions and mutually accepted rules and procedures is indispensable if Germany is to achieve its political aims. Yet the Western-led, post-World War II system of multilateral cooperation is contested by the rising powers and not entirely appropriate for tackling today's global challenges, particularly those related to sustainable development. This paper is a critical assessment of the current multilateral landscape and its potential future trajectories. It seeks to identify new entry points and levers that the German Federal Ministry for Economic Cooperation and Development (BMZ) can use to successfully implement the 2030 Agenda and other policy agendas in a highly volatile, uncertain, complex and ambiguous world.

The academic discourse: principled, contested and competitive multilateralism

The first part of this paper summarizes the academic discourse about the past, present and future of multilateralism. Stressing the peculiarity of the "unilateral moment" in the 1990s and reflecting on the "liberal overstretch", the rise of regional and global powers, and the increasing debate about the legitimacy of Western-led institutions since 2008, political scientists discussing the future of multilateralism differentiate between three concepts: "principled", "contested" and "competitive" multilateralism. While proponents of the "liberal" international order try to defend what they perceive as universal norms, values and principles, this order is being contested both from within (the United States, United Kingdom, Brazil et al.) and from outside (China and Russia). Scholars agree that multilateralism will survive and be effective only if it reflects the prevailing geopolitical environment and power structure. If not, scholars argue, we will be heading towards a world characterized by great power conflict and the delineation of spheres of influence – or even war.

In such a world, multilateral cooperation for sustainable development will be increasingly politicized and instrumentalized, with negative impact on the successful implementation of global policy agendas such as the 2030 Agenda and the Paris Agreement.

Expert interviews: the past, present, and future of multilateralism

The second part of the paper is based on eight expert interviews, capturing different regional perspectives on the future of multilateralism. Looking back, many experts doubt whether we have ever lived in a liberal international order at all: even at its supposed height, most of the world's population lived in countries that were not free or democratic and enjoyed poor human rights and living conditions. While liberal internationalism was declared the desired norm by a few Western democracies, most countries took a different path and became hybrid and dysfunctional – and, at best, nominal – democracies. From 1945 onwards, this hybridity was the main characteristic of the international order.

The exception, however, was the economic perspective: after the end of the Cold War, every society wanted to profit from open markets and the unrestricted exchange of goods and investment flows from abroad. Ignoring the important distinction between political and economic liberalism, "the West" went on to deepen global governance institutions that were designed for a prospective end-state of a universal liberal internationalism. With the rise of non-Western countries, the universality of political liberalism is now openly contested and its institutions are being challenged. Interviewees agree that, as long as the international order fails to reflect the changing global power dynamic, the stress will grow, and global governance institutions will continue to lose legitimacy.

At the same time, the Western societies that have benefited most from liberal internationalism are now experiencing the downsides of unrestricted global competition. While globalization has created greater equality between nations, it has also increased inequalities within societies, causing nationalist backlash, particularly in those societies that have for decades driven globalization and liberal internationalism. Viewed from Western capitals, this great “castling” is incrementally changing the rules of multilateralism, a system of inter-state cooperation that has for the last 30 years been dominated and controlled by Western democracies.

Consequences for international cooperation for sustainable development

Against this backdrop, we may be facing a prolonged period of a “hybrid international order”: global institutions, designed in a post-World War II/post-Cold War context, are increasingly under pressure from those contesting them. The paper describes six alternative future scenarios for how multilateralism may develop within the coming years and what these alternative worlds mean for development cooperation. Four of them are considered highly likely:

- **Multilateralism à la carte:** While reforms to modernize or upgrade the multilateral order fail, the old international system only serves as the remnant of a once useful framework. Since no effective alternatives to the dysfunctional system are being developed, states follow a highly utilitarian business-as-usual approach: they only use the eroding old order with the intention of positioning themselves strategically, particularly if all other options to advance their interests are less effective.
- **Competitive multilateralism:** The more dysfunctional the current liberal international order becomes, with great competition for power gridlocking its procedures, the more alternative/competing institutions will be created with the aim of bypassing the old order. Competitive multilateralism will be dominated by regional powers/hegemonies and will be limited in scope.
- **Effective liberalism (“liberalism with teeth”):** Effective liberalism is an attempt to renew and reform the current international order from within and make it more effective. It is liberal in character but more functional than political. It is limited in scope and membership (comprising alliances of the like-minded) and coexists with a dystopian old order and competitive forms of multilateralism.
- **Nationalist internationalism:** Nationalist internationalism is driven by societies’ attempt to protect themselves against the downsides of globalization and interconnectedness. To survive in a highly connected, globalized outside world, nationalist countries loosely unite in an informal alliance of the like-minded. Whether nationalist internationalism needs a (liberal) opponent that drives globalization to the next level has yet to be demonstrated.

If we want to preserve the achievements of the past and push the agenda for sustainable development to the next level, future multilateral cooperation must go far beyond the state-to-state level and incorporate many new actors that are not yet playing an established role. To achieve its policy aims in either of the alternative future scenarios, Germany’s Federal Ministry for Economic Cooperation and Development (BMZ) might consider the following 17 recommendations:

1. **Western democracies need to climb down from the moral high ground of principled liberalism.** Over the past 30 years, we have overstretched the liberal agenda and imposed our worldview, our values and our institutional frameworks on other world regions, “partners” and adversaries alike. We have seemed more interested in making the world safe for democracy than in making headway on our development agendas. If we want to see

progress on the latter, “we need to wave good-bye to the liberal overstretch and have to replace it with a more realistic, more skeptical, non-hegemonic concept of liberalism.”

2. **Effective multilateralism starts at home.** While the German Government fails to speak with one voice on the international stage and to coordinate its policy initiatives and instruments better, Germany’s efforts to strengthen multilateral cooperation will be less effective – and possibly even fruitless. If Germany wants to leave a footprint and be competitive on the international stage, it first needs to pool its public resources more strategically and improve its intra-governmental coherence. However, all this would be just a necessary first step towards leveraging Germany’s potential as one of the world’s biggest donors to international cooperation for sustainable development. Ultimately, Germany can make a difference only if it acts as *primus inter pares* within the European Union.
3. **Germany needs to work more through the EU.** With its limited resources, Germany should do everything it can to generate sustainable impact in development cooperation. This not only addresses the question of bilateral versus multilateral approaches to development cooperation. It also raises the unresolved question of whether, and how, European Union Member States could pool their resources to establish a truly European development cooperation agency operating at all three levels – bilateral, regional, and global.
4. **The EU needs to leverage its sharp and soft power.** The EU underestimates the strength of its arsenal of “sharp power”. It has tremendous power to make others adhere to standards: the European single market with its 500 million consumers sets the highest market standards in the world, and economies and businesses around the world want to access that market. Europe should use its regulatory power to define social and environmental product standards, driving sustainable products and innovations.
5. **We need to learn to cooperate multilaterally without a benevolent liberal hegemon.** Although achieving progress on global agendas such as climate change or the 2030 Agenda is more difficult without the biggest actor on board, progress is not solely dependent on US participation and support. Demand and support for multilateralism will continue to vary, depending on the issue, and functional as well as strategic considerations will always fuel a demand for global governance, whether to tackle climate change or to support cross-border human security.
6. **For want of better alternatives, existing multilateral institutions need to be strengthened and renewed.** Turning away from the UN system would not only create new inefficiencies but would also play into the hands of countries with an interest in playing out power asymmetries through the bilateralization of development cooperation. UN bodies guarantee a minimum level of inclusivity, so they should be defended against attempts by great powers to integrate small powers vertically into their spheres of influence. Germany and like-minded governments therefore need to strengthen the UN and its institutions, not only with declared support but also with funds and political initiatives implemented by UN institutions.
7. **The WTO needs to be reformed.** Reforming UN institutions will not be enough to restore the legitimacy, relevance and strength of multilateral institutions and processes and trust in them. Sustainable development is dependent on economic stability and prosperity, so fixing the WTO is key. As one of the world’s economic powerhouses and its third largest exporter, Germany should do everything possible to push for a reform of the WTO and for China’s full integration into a fair and rules-based international trade order.

8. **Regionalization and regional institution-building can serve as a crucial second layer of global governance.** When multilateral global governance institutions are blocked or inefficient, the most effective next layer is regional governance, their insufficiencies notwithstanding. It is impossible to ignore the fact that the regionalization of multilateralism might lead to spheres of influence, but more inclusive and open forms of regionalism could help enhance multilateral cooperation at a global level. However, regional multilateral institutions and “minilateral” forms of collaboration cannot be a substitute for more universal institutions; they need to be as complementary as possible.
9. **Investing in “minilateral” cooperation can boost effective multilateralism.** Middle powers can play an important role in the push for implementation of international development agreements and in keeping multilateral cooperation alive in a world that is dominated by rivalry between the great powers by forging “minilateral” alliances (i.e. small but highly effective coalitions of like-minded states). Even though “minilateralism” falls short of universal multilateralism, it is a useful temporary fallback at times when universal multilateral institutions are dysfunctional, gridlocked or contested.
10. **Within the G7 and the G20, Germany – together with other middle powers – needs to leverage its political and economic weight more strategically.** While experts disagree whether informal formats such as the G7 and the G20 help to marginalize the UN or are necessary to integrate and hold accountable key actors, they agree that Germany (together with other middle powers) could leverage its economic and political weight within these groupings more strategically to promote measures to tackle climate change beyond the level of a humanitarian or environmental issue – and should do so even at the cost of visible disagreement. To force informal groupings to practice what they preach, they need to be supported and complemented by more tangible formats, like the EU-China Dialogue.
11. **Western countries need to accept the rise of new powers as a reality and systematically cooperate with them in new institutions.** The Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) are prime examples of how China has taken ownership of the multilateral system. However, these institutions do not have to rival the Bretton Woods institutions. To have the best chance of charting the course of these new institutions and improving their standards of development aid and governance, Germany and other Western countries need to take responsibility and engage more intensely with them.
12. **Leading the transition from ODA to TOSSD.** The success of the OECD-DAC framework in supporting low-income countries (LICs) in their transition to middle-income countries (MICs), helping them to alleviate poverty and connecting them to the globalized economy has led to an anachronism: the ODA framework will soon become obsolete. A swift transition from ODA to TOSSD (Total Official Support to Sustainable Development) would not only transform the 20th century development logic but would also demand that emerging economies, corporations and civil societies take greater responsibility for their own prosperity and for the management of global public goods. Germany could play a lead role in shaping and operationalizing the TOSSD framework.
13. **Offering a real alternative to the “Chinese model”.** The future of the multilateral order depends on the West’s ability to develop strategies that allow for competition with China’s asymmetric approach to addressing global challenges. However, pushing back on the bilateralization of development cooperation will be successful only if Western development institutions refrain from imposing over-ambitious conditionality.

14. **Liberal democracies and development institutions need to compete with China and shift their emphasis to infrastructure development and technology transfer.** For far too long, traditional donor countries and Western-led multilateral development organizations have been hypnotized by China's rapid rise and its bold Belt and Road Initiative. Western countries can join forces to respond to the rise of China and deliver infrastructure without giving up on social, environmental and governance standards. Rather than focusing on its rivalry with China, the West should consciously convince developing countries of the advantages of more sustainable models of development.
15. **Expanding the space for liberal values and civil society.** For many years, the space for civil societies has been constantly shrinking – and not just in autocratic and authoritarian regimes, in which mistreatment of civil society organizations is the norm rather than the exception, but also in Europe and the United States. Reaching out to and cooperating more closely with civil society organizations and systematically incorporating civil society issues into minilateral and multilateral forums could again expand the space for civil society and improve the social and environmental impact of development projects, particularly in Africa and Latin America.
16. **Sub-national state actors should be systematically incorporated into multilateral formats.** As international agreements and processes start to erode, national and sub-national actors emerge that have not previously played an important role in the management of global public goods, especially cities and sub-national governmental entities. National policies might conflict with other states interests, but sub-national and non-state actors can be a useful vehicle for embedding progressive and sustainable policies.
17. **The role of the private sector and finance institutions in multilateral development cooperation needs to be reassessed and extended to develop creative business models for sustainable development in Africa.** Despite the German Government's efforts to leverage private sector investment in sustainable development – within its own jurisdiction and, for example, in the context of the G20 –, there is still plenty of scope for business to be involved in supporting the achievement of the Sustainable Development Goals. Germany should continue to lead the European and G20 dialogue on the future of Africa and drive the discussion on business opportunities instead of allowing the debate to be framed along the lines of Africa as "a continent to be saved".

Despite a challenging global environment, there is enough leeway and space for innovation in international cooperation to make progress on international development agendas such as the 2030 Agenda. The German Federal Ministry for Economic Cooperation and Development can play a crucial role in leveraging this potential.

Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
AL	Arab League
ASEAN	Association of South East Asian Nations
AU	African Union
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, South Africa (group of emerging economies)
CC	Climate change
CHN	China
CSIS	Center for Strategic and International Studies
EU	European Union
FDI	Foreign direct investment
G7/G20	Group of 7/Group of 20 world leading economies
GAVI	Global Alliance for Vaccines and Immunization
GCC	Gulf Cooperation Council
GCF	Green Climate Fund
GDP	Gross Domestic Product
GFTAM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GMF	German Marshall Fund of the United States (GMF)
HIC	High-income country
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IEA	International Energy Agency
IMF	International Monetary Fund
IND	India
INF	Intermediate Range Nuclear Forces
INGO/NGO	International Non-Governmental Organization/Non-Governmental Organization
IRENA	International Renewable Energy Agency
ISAF	International Security Assistance Force (Afghanistan)
LDC	Least developed country
LIC	Low-income country
MDB	Multilateral development bank
MDG	Millennium Development Goals
MENA	Middle East/North Africa

MIC	Middle-income country
NATO	North Atlantic Treaty Organization
NDB	New Development Bank
New START	Strategic Arms Reduction Treaty (2010)
ODA	Official development assistance
OECD/DAC	Organization of Economic Co-operation and Development/Development Assistance Committee
P-5	Five permanent members of the UNSC
PESCO	Permanent structured cooperation
PPP	Purchasing power parity
RIAC	Russian International Affairs Council
SAIIA	South African Institute of International Affairs
SCO	Shanghai Cooperation Organization
SDG	Sustainable Development Goals
SJTU	Shanghai Jiao Tong University
SOE	State-Owned Company
SWP	Stiftung Wissenschaft und Politik
TCE	Treaty on the Constitution for Europe
TOSSD	Total Official Support for Sustainable Development
UK	United Kingdom
UN	United Nations
UNAIDS	Joint United Nations Program on HIV/AIDS
UNFCCC	United Nations Framework Convention on Climate Change
UNGA	United Nations General Assembly
UNSC	United Nations Security Council
USA	United States of America
USD	US dollar
WB	World Bank
WHO	World Health Organization
WTO	World Trade Organization

Part I: Desk study

1. Methodological remarks

This paper takes a two-pronged approach. It is based on an in-depth desk study of the international scientific debate on the future of multilateralism (part I) but also on highly selective expert interviews (part II). When good advice is rare and situations are gridlocked, listening to different perspectives and perceptions is essential to gaining new insight and developing new ideas for effective multilateralism, despite the indisputable difficulties we face.

The interviewees were recruited from, or have expertise in, most major global regions and key actors playing a role in international cooperation for sustainable development today: Western Europe, the United States, Latin America, Africa, China, Russia and Oceania/South-East Asia. The interviewees are:

- o **Parag Khanna**, Founder and Managing Partner of FutureMap, Singapore / Washington, D.C.
- o **Thomas Kleine-Brockhoff**, Vice President, The German Marshall Fund of the United States (GMF), Berlin
- o **Andrey Kortunov**, Director General, Russian International Affairs Council (RIAC), Moscow
- o **Hervé Lemahieu**, Director, Asian Power and Diplomacy Program, Lowy Institute, Sydney
- o **Günther Maihold**, Deputy Director, Stiftung Wissenschaft und Politik, Berlin
- o **Daniel F. Runde**, Senior Vice President, Center for Strategic and International Studies (CSIS), Washington, D.C.
- o **Elizabeth Sidiropoulos**, Chief Executive, South African Institute of International Affairs (SAIIA), Johannesburg
- o **Junhua Zhang**, Professor of Political Science, School of International and Public Affairs, Shanghai Jiao Tong University (SJTU), Shanghai / Berlin

The interviews were semi-structured and addressed four key areas: (1) the current state of affairs of the multilateral order, its main characteristics, protagonists, institutions and rules; (2) the changes that have already taken place in the multilateral order (with a focus on multilateral development institutions); (3) a look ahead to the future of the multilateral (development) order and its institutional landscape; and (4) recommendations on how best to preserve and/or adapt the current multilateral system (particularly in the realm of sustainable development) so that it can deliver effective and sustainable results. The interviews were broken down into key messages. These key messages were then clustered and collated into working hypotheses, which form the backbone of this paper.

2. Definitions and historical context

2.1 Technocratic versus political approaches to multilateralism

From a purely technical perspective, multilateralism can be defined as “the practice of coordinating national policies in groups of three or more states”, either through ad hoc arrangement or by means of institutions.¹ Such cooperation does not necessarily have to be harmonious: in fact, it just describes a process of organizing policy to achieve nation states’ policy goals, increase efficiency and reduce transaction costs, provide indispensable information, and

¹ Keohane (1990), 731.

increase impact, effectiveness and predictability while also mitigating the risk of interstate conflict. Multilateral policy coordination is usually based on a set of shared principles of conduct, and while shared values are perceived to ease cooperation between states, evidence and historical examples prove that in some cases, cooperation can do without them.²

However, a mere technical description fails to acknowledge the environment in which inter-state relationships take place. As John G. Ruggie posits “nominal definition of multilateralism misses the qualitative dimensions of the phenomenon that makes it distinct”.³ This means that multilateralism is not a self-serving purpose, an end in itself or a higher principle, as is often suggested. Nation states and societies invest in relationships with other states – or transfer parts of their sovereign rights to supranational institutions – only if this serves their interests (peace, prosperity, wellbeing, independence and self-determination). Multilateralism should therefore be discussed in political rather than technical terms, even though a deep understanding of the technicalities within political setups is important.

It is, therefore, important to note that “transnational challenges may threaten all, but they do not exist in a geopolitical vacuum”.⁴ In diplomatic phraseology, account needs to be taken of the concept of power or the balance of power over time; in academic phraseology, we need to differentiate between contested, competitive, principled and effective multilateralism, as explained in section 3.⁵

In its purest form, multilateral cooperation is therefore primarily about shared interests, not shared values. The idea that multilateralism also constitutes a community of values that should be promoted beyond its current reach is a more recent concept and has never been accepted globally.

To understand the current problems and deficiencies of the multilateral order, it is therefore necessary to remind ourselves of the historic circumstances and geopolitical context in which it was formed and served its purpose (or failed to do so).

2.2 Multilateralism revisited – the problems of Hobbes and the opportunities of Locke

If it is not to be trapped by hindsight or normative prescriptions, the current multilateral order needs to be put in its historical context. Scholars from both the realist and the liberal schools of political science criticize the current political debate as being ahistorical and too technocratic: “Historical amnesia makes it easy to assume [that] the positive dynamics within recent multilateralism are intrinsic.”⁶

Today’s international order is the product of two order-building projects. One is the creation and

² Richard Haass refers to two historic cases in which international orders functioned without shared values but were built on shared assumptions and overlapping interests: one was the Concert of Europe, the other the Cold War. The Concert of Europe, according to Haass, worked “because each state had its own reasons for supporting the overall system” and because “there was enough overlap in interests and consensus on first-order questions” (i.e. the prevention of war between the major powers). The Cold War order was different: “At its core was a rough balance of military strength in Europe and Asia, backed up by nuclear deterrence. The two sides showed a degree of restraint in their rivalry. ... Both sides followed informal rules of the road that included a healthy respect for each other’s backyards and allies. Ultimately, they ... codified that mutual understanding in the Helsinki Accords. Even in a divided world, the two power centers agreed on how the competition would be waged; theirs was an order based on means rather than ends”, Haass (2019), 24-26.

³ Ruggie (1992), 566.

⁴ Moreland (2019), 12.

⁵ More/Keohane (2014); Jones et al. (2019); W. Moreland (2019).

⁶ Allison (2018a); Ikenberry (2011); Moreland (2019), 10.

expansion of the modern state system (the Westphalian order) that promulgated rules and principles associated with state sovereignty and norms of conduct for major powers (which, in the absence of international institutions and binding rules between states, worked largely as a balance-of-power scheme based on the newly evolving theory of “just wars” and the concept of “might and right”).⁷ The other is the construction of what came to be known the “liberal order”, which over the last two centuries has been led mainly by the United Kingdom and the United States. This is a concept that has been continuously expanded and is now falsely being used as a synonym for “liberal-democratic”, a value-driven form of domestic government.⁸

These two projects dovetailed. While the Westphalian project focused on solving the “realist” problem of creating stable and cooperative interstate relations under conditions of anarchy, the liberal order-building project to promote interstate cooperation was possible only when relations between the great powers stabilized. To put it more prosaically, the “problems of Hobbes” had to be solved before advantage could be taken of the “opportunities of Locke”.

The project of constructing a liberal order is much more recent and was based on the evolving system of the Westphalian Order. In the late 18th and early 19th centuries, the principles of today’s liberal internationalism were emerging in the United Kingdom’s championing of free trade and the freedom of the seas, although this liberal internationalism was limited because it coexisted with imperialism and colonialism (Pax Britannica). The modern liberal international order took shape only in the 20th century, when the United States began to dominate world affairs. This ascendancy came in three different phases and constituted what was later described as the Pax Americana – a nod to the fact that “the character of multilateral order rests on the values of the leading power to shape the composition of that system”.⁹

2.3 Phase I – the United Nations and the Bretton Wood institutions

Drawing lessons from the League of Nations’ failure and incorporating ideas from the New Deal, American architects of the post-war order advanced more ambitious ideas about economic and political cooperation, an open trading system and a global organization in which the great powers would cooperate to keep the peace: the United Nations and the Bretton Woods institutions.

Originally, this vision was global in spirit and scope. However, as a result of the weakness of post-war Europe and rising tensions with the Soviet Union, it evolved into a more American-led and Western-centered system. As the Cold War unfolded, the United States took ultimate

⁷ Hathaway/Shapiro (2017), particularly the chapters on “The War on Law and Peace” and “Might is Right”.

⁸ Due to its politicization and ideologization in recent years, the term “liberal order” invites many misunderstandings. For years, scholars (mainly from Western countries) have engaged in a controversial debate about the “liberal international order”. For the sake of this report, the term “liberal order” is used as it is defined by Stewart Patrick. The goal, he makes clear, “was to create an open world—a rule-based global order in which peace-loving countries could cooperate to advance their common purposes within international institutions” (Mazarr, 2018). Or, as the President of the American Council on Foreign Relations (CFR), Richard Haass, puts it, “the goal was to ensure that the conditions that had led to two world wars in 30 years would never again arise. To that end, the democratic countries set out to create an international system that was liberal in the sense that it was to be based on the rule of law and respect for countries’ sovereignty and territorial integrity. Human rights were to be protected. All this was to be applied to the entire planet; at the same time, participation was open to all and voluntary. Institutions were built to promote peace (the United Nations), economic development (the World Bank) and trade and investment (the International Monetary Fund and what years later became the World Trade Organization).” (Haass, 2018).

⁹ Moreland (2019), 10. Rather than projecting its power directly by means of force, a “leading power” is a guarantor within the system that threatens the use of force as a means of last resort to enforce its interests and to uphold its hegemony over the system. But even hegemons never exert total control, as we saw during the Cold War with its countless peripheral conflicts and the rise of the Non-Aligned Movement. Also note that as long as the “leading power” acts as guarantor, the overall system is exempt from the effects of power competition: power competition only affects the system once the guarantor role is not effectively discharged.

responsibility for the system, making new commitments and adopting functional roles in both security and economics through the projection of military and economic power but also through technological innovation, cultural influence and soft power.¹⁰ In effect, the US economic and political system became the central component of the larger liberal hegemonic order.

The claim that the liberal order had produced 70 years of peace and prosperity overlooks a major fact, however: the first four decades were defined not by a liberal order but by a Cold War between two antagonists threatening each other with nuclear annihilation. During those four decades, both superpowers enlisted allies and clients around the globe, creating a bipolar world. Within each alliance or bloc, order was enforced by the superpowers, who also supported proxies to fight peripheral wars to contain the main opponent while at the same time avoiding great power conflict.¹¹

Many commentators also forget that the “liberal international rules-based order” established by the UN Charter did not create an international system of equals. The Charter – which prohibits nations from using force against other nations or intervening in their internal affairs – privileges the strong over the weak. Enforcement of the Charter is the preserve of members of the UN Security Council on which only powerful nations have a permanent seat and a veto and are therefore “exceptional”, as Indian analyst C. Raja Mohan once stressed. When they decide it suits their interests, they make exceptions for themselves.¹²

Seen in this light, the modern international order is not American or Western even if, for historical reasons, it may appear that way; it is something more universal. However, it cannot be denied that in the decades following World War II, the United States stepped forward as the hegemonic leader, taking on the privileges and responsibilities of organizing and running the system. It presided over a far-flung international order organized around multilateral institutions, alliances, special relationships and client states – a hierarchical, even hegemonic, order with liberal characteristics.¹³

2.4 Phase II – unipolar moment and unilateral overstretch

With the fall of the Berlin Wall and the disintegration of the Soviet Union, the United States became the world’s sole “hyperpower”, leading to even greater power disparities in the international system. It also seemed as if the post-World War II liberal international order was being given a second chance. When in November 1990 the UN Security Council unanimously authorized the use of force to throw Iraq out of Kuwait, US President George H. Bush saw the dawn of a “new world order”. A year into the Clinton Presidency, Francis Fukuyama even foresaw “the end of history”, a world in which all nations would embrace free market economics and democratic governance.

Blinded by historic success and overwhelmed by historic opportunities, differences between liberal internationalists and neo-conservatives were apparent only in form, not substance. In the

¹⁰ The basic functional roles the US adopted after 1945 were first and foremost to uphold the openness of the newly established liberal international order, the protection of the freedom of the seas and skies through the US Navy and Air Force (and space program), security guarantees for its partners backed by the US’s nuclear arsenal, its demand for decolonialization deriving from the Atlantic Charter of 1941 (and imposed on France and Britain during the Suez Crisis), and the US dollar as reserve currency (after the end of the gold standard) to stabilize the international finance architecture (today, more than 60 per cent of all foreign bank reserves are denominated in USD, and nearly 40 per cent of the world’s debt is in this currency).

¹¹ Westad (2017), 351-405; Gaddis (2005).

¹² Mohan (2015), 177. See also: Nymalm/Plagemann (2019), 12–37; Ruggie (2004), 304-308.

¹³ Van Oudenaren (2004).

Clinton era, the US invested the “peace dividend” in a worldwide roll-out of the Rio Agenda, positioned itself as guarantor of peace in the Balkans (through the Dayton Agreement) and set a precedent with NATO’s humanitarian intervention in Serbia (1999); after 9/11, and led by George W. Bush, the neo-conservatives aimed at imposing the Pax Americana by military means (“nation-building” and “regime change”). Consequently, American-led multilateralism became ever more ambitious in its normative claim, a mindset that carried not only the 1990s world conferences but also the MDG decade, the 2030 Agenda, and the Paris Agreement.

With Russia absent from the global stage and China still rehearsing its future role backstage, the West was ignorant of the weak signals of international opposition and discontent – first, Russia’s opposition to NATO’s self-mandated intervention in Serbia 1999 and then, after 9/11, the US-led anti-Taliban alliance based on the right to self-defense under the UN Charter and supported by invoking Article V of the NATO Treaty¹⁴.

It is clear now that the end of the Cold War produced a unipolar moment, not a unipolar world. From an economic development perspective, the two short decades between 1991 and 2008 were an era of unprecedented economic growth, with a massive increase in global trade, skyrocketing global GDP and an improvement in human security and wellbeing.¹⁵

As a result, paradoxically, the United States’ uncontested position in the world economy has shrunk: measured in terms of purchasing power parity (PPP), the US economy, which accounted for half the world’s GDP after World War II, now accounts for just one seventh.¹⁶ What is happening is not the decline of the liberal international order but a dynamic process in which other states are catching up and becoming more connected. In an open and rules-based international order, this is what happens. Indeed, according to John Ikenberry, today’s power transition represents not the defeat of the liberal order “but its ultimate ascendance”. Brazil, China, and India have all become more prosperous and capable of operating inside the existing international order and benefiting from its rules, practices and institutions, including the World Trade Organization (WTO) and the G20. Their economic success and growing influence are tied to the liberal internationalist organization of world politics, and they have deep interests in preserving that system: “Rising powers are finding incentives and opportunities to engage and integrate into this order, doing so to advance their own interest. For these states, the road to modernity runs through – not away from – the existing international order.”¹⁷ It must be conceded that this is a huge success story and one that can directly be linked to the mechanisms of the liberal international order. But its playbook – the “Washington consensus” – was contested and criticized as being a neo-liberal

¹⁴ Other unilateral military interventions followed: the invasion of Iraq on dubious grounds in 2003; the air-strikes against Gaddafi’s troops in 2011; and NATO’s coalition against ISIS in the Middle East since 2014.

¹⁵ Two other developments during this phase should be noted. The first is the growing global interdependence, especially in the economic sphere. The second is the growth of an increasingly ambitious network of universal normative standards epitomized in the Millennium Development Goals (MDGs) and the Rio Process. This is notable because even if the current backlash on globalization can damage normative standards, it cannot easily do away with the fact of global interdependence.

¹⁶ However, as Joseph Nye suggests, hard power was not – and is still not – the only currency the United States used to pursue its interests and convince others to promote their interests. Whereas in an increasingly multipolar world the ability to exert coercion upon antagonists remains essential, the US influence is based also on a wider arsenal of soft and sharp power tools. See: Nye (2017). While “hard power” refers to military power and coercive capacity in terms of deterrence and potential for inflicting violence (Nye, 2004), “soft power” is a country’s ability to persuade others to do what it wants without relying on force or coercion; soft power is based on attraction, created by a country’s policies and political ideas. “Sharp power” (Walker/Ludwig, 2017) means distraction and manipulation to influence others. In that sense, it is related to soft power, but gives less emphasis to its attractive and persuasive characteristics.

¹⁷ Ikenberry (2011), 61.

agenda only when its downsides became visible, i.e. during the East Asia crisis and later during the Russia and the Latin America crises.¹⁸

In a way, the liberal international order has sown the seeds of its own discontent. Paradoxically, the challenges facing it now – the rise of non-Western states and new cross-border threats – are artefacts of its success.¹⁹ Even as China and other rising states try to contest US leadership, they have deep interests in an open and rules-based system. For all these reasons, the liberal international order has had no competitors until now. On the contrary: the rise of non-Western powers and the growth of economic and security interdependence are creating new constituencies for it. Yet at the same time, globalization – which is a by-product of post-Cold War liberal hegemony and American unilateralism – did not only produce beneficiaries. The “Washington consensus” has been criticized as a neo-liberal agenda that forced developing countries into debt crises and hence into dependency on Western economies. After three regional economic crises (East Asia, Russia and Latin America), the “Washington consensus” became the metaphor for undue Western influence over developing countries’ internal affairs camouflaged as liberal ideals for contesters and anti-globalization protesters alike.²⁰

While the emergence of new powers on the world stage has led to a multipolar system in which many actors seek to enforce their vision of an international order, the debate about universal concepts for multilateralism is becoming ever more difficult. At the same time, global interdependence has grown to a point where it can no longer be controlled by governments and is virtually impossible to disentangle (making it impossible to act collectively on a state-to-state level). “Instead of liberating governments and businesses”, Henry Farrell and Abraham L. Newman argue, “globalization entangled them. As digital networks, financial flows, and supply chains stretched across the globe, states – especially the United States – started treating them as webs in which to trap one another. ... Globalization, in short, has proved to be not a force for liberation but a new source of vulnerability, competition, and control; networks have proved to be less paths to freedom than new sets of chains. Governments and societies, however, have come to understand this reality far too late to reverse it.”²¹

This raises two key questions. First, how will the declining hegemon – the United States – manage its transition from an exceptional unipolar moment to a multipolar world? To put it more bluntly, will the US and China slip into Thucydides’ trap²² and go to war or will they find a peaceful way to transform US hegemony into shared leadership and cooperation and adapt the liberal international order to the new realities of the 21st century? The second key question, which is deeply intertwined with the first question, is how globalization is to be managed if countries’ and societies’ interdependencies can no longer be disentangled.

2.5 Phase III – self-delegitimization and populist backlash

By now, it should have become clear that there will be no return to the old international order in which the United States had a predominant role as liberal hegemon, not only because a unipolar

¹⁸ Stiglitz (2002). Bello (2002).

¹⁹ Ikenberry (2011), 68-69.

²⁰ Stiglitz (2002); Bello (2002).

²¹ Farrell/Newman (2020), 70-71.

²² Allison (2017): “The past 500 years have seen 16 cases in which a rising power threatened to displace a ruling one. Twelve ended in war.”

world does not serve the interests of the United States (it is too costly) but also because it is too limiting for others.

What is more, overstretched unilateralism and unipolar hubris have led to questionable results that have delegitimized the liberal international order not only “abroad” but also “at home”. One reason for the erosion of trust in the liberal international order is that military interventions have produced mixed results at best.

The other reason is the erosion of trust in the capitalist system and its main vehicle – unrestricted globalization. While the global extension of free market economy principles has narrowed the income gap between societies and lifted hundreds of millions out of extreme poverty, it has also led to greater inequality within societies. Although the 2008 economic crisis was the first major recession to originate in the US since 1929, it has led to a backlash regarding globalization and a denunciation of the institutions that pushed for it. For all these reasons, the liberal international order might be at greater risk from the powers and societies that invented it (USA, UK) than from those that contest it and want to see it adapted to the multipolar reality (CHN, IND, RUS et al.).

3. Theoretical concepts of multipolarity and multilateralism

Political scientists have translated these observations into a theoretical framework that allows for a more conceptualized debate around how to solve the problems of multilateralism and the liberal international order. The debate centers on four overlapping concepts: “contested”, “competitive”, “principled” and “effective” multilateralism.

Although states and non-state actors are often committed to multilateral strategies, they may disagree about the policies that multilateral institutions should pursue. The established multilateral order and its institutions are, then, being challenged through the use of other multilateral institutions and by resorting to unilateralism or bilateralism and, sometimes, coercion.

However, the externalization of conflict can only be pursued by great powers or alliances of relevant actors. We are currently witnessing all these forms at the same time. When the strongest actor – the United States – applies all strategies simultaneously (unilateral withdrawal from multilateral bodies and agreements including the Paris Agreement), bilateralization of policies (trade agreements) and coercion (migration management at the US’s southern border, threat of war with Iran), other strong actors (such as China) may retaliate in kind. But smaller countries cannot; they have to rely on the protection, fair rules and orderly procedures represented by multilateral institutions, which are being threatened by the retreat of great powers. Therefore, small states insist on “principled multilateralism” (see below).

The dilemma is that once the strongest actors withdraw from multilateral organizations, they lack the means to impose the rules and procedures that will guarantee the continuation of their policies. However, as great powers can always act unilaterally and, in recent years have increasingly chosen to do so, multilateral institutions also lose their credibility and attractiveness to a degree that outside actors start to compete with their policies. The consequence is a race to the bottom aimed mainly at short-term gains. A situation like this has been dubbed “contested multilateralism” (see below). If the “spoilers” cannot be won over to rejoin the multilateral procedures and institutions they contest, this can quickly lead to “competitive multilateralism”, i.e. the creation of alternative systems of governance.

3.1 Contested multilateralism

“Contested multilateralism” is defined as a “situation that results from the pursuit of strategies by states, multilateral organizations, and non-state actors to use multilateral institutions, existing or newly created, to challenge the rules, practices or missions of existing multilateral institutions”.²³

Contested multilateralism occurs when states (and, sometimes, also non-state actors) are dissatisfied with an existing institution, find pathways to intra-institutional reform blocked or too cumbersome, and decide that it is worthwhile either to shift their focus to other institutions or to create new ones. The outcome of “contested multilateralism” is therefore a more fragmented institutional landscape with an increased regime complexity and the diffusion of norms and standards (a process quickly leading to dual standards or even a race to the bottom).

In the field of development policy, this happened with the establishment of the China-led Asian Infrastructure and Investment Bank (AIIB) or the BRICS-led New Development Bank (NDB), causing as yet unknown competition with the Western-led World Bank and the Asian Development Bank (ADB) as members of the Bretton Woods family.²⁴

3.2 Competitive multilateralism²⁵

“When a dissatisfied coalition cannot turn readily to an established institution to challenge the practices that it opposes, it may create a new multilateral forum with different rules and practices that more closely align with its interests.”²⁶ This – in essence – is the definition of “competitive multilateralism”.

In a world of “competitive multilateralism”, states may slip into renewed geopolitical competition, as was the case during the Cold War. If this were to happen now, we would presumably witness more than just two competing systems of multilateralism based on different values, norms and governance systems; most likely, there would be three, four or even more spheres of influence.

In the realm of security policy, we already see this happening: renewed competition between the great powers is rapidly replacing post-Cold War cooperation, and the space for diplomacy is steadily shrinking.²⁷ This happens for a reason: the liberal international order, with its openness and cross-border exchanges, has produced new vulnerabilities that are now being assessed by regimes and societies that feel endangered (i.e. information networks, social media, economic interdependence, mobility and migration, financial investments, shared (energy) infrastructures, digitalization etc.). One effect of reduced trust in the realm of security is the increase in proxy wars (Ukraine, Libya, Syria, Iraq, Yemen, Venezuela) and the fusion of civil wars with cross-border terrorism.

In the realm of trade policy, “competitive multilateralism” comes at an even higher cost. Since separated spheres of influence (enforced by mercantilist policies, tariffs and non-tariff barriers) lead to a reduced exchange of goods, “competitive multilateralism” in the economic sphere can

²³ Morse/Keohane (2014).

²⁴ Other examples are the US bypassing or challenging the WTO by imposing tariffs on Chinese goods; the US “empty chair policy” vis-à-vis the WTO Appellate Body and NATO’s “self-mandated” interventions in Kosovo and elsewhere (challenging the UN Security Council’s monopoly as a legitimizing authority for the use of force); and so-called “coalitions of the willing” (i.e. the coalition against ISIS or the Astana Alliance). In essence, the more dysfunctional a multilateral institution becomes, the higher the risk of it will be contested.

²⁵ Morse/Keohane (2014), 389.

²⁶ Morse/Keohane (2014), 398.

²⁷ Jones/Feltman/Moreland (2019).

quickly turn into a “lose-lose” situation. Concepts of economic “competitive multilateralism” work only if less advanced and competitive economies form trading blocs to protect themselves from more competitive economic powers or blocs (exclusive trade and multilateral agreements). What we see currently in the “trade war” between the US and China goes beyond that. On the one hand, it is an effort to delineate trading blocs that follow different sets of rules; on the other hand, it is an attempt to force spoilers and free-riders to adhere to the commonly agreed rules of the game (i.e. no theft of intellectual property, no currency dumping, transparent social and environmental standards for production, etc.) to level the playing field again in order to make it a greater “win-win” situation for everyone who adheres to these rules.

Development cooperation policy, however, finds itself between a rock and a hard place. As was the case during the Cold War, development cooperation is increasingly being instrumentalized as part of the competition between great powers for political influence, market access and resource exploitation (China’s Belt and Road Initiative, bilateral trade agreements, the build-up of energy security systems, OECD/DAC aid conditionality, restrictions on access to knowledge and data). Hence, development cooperation would account for the biggest political, economic and social “collateral damage” if the world moved towards “competitive multilateralism”.²⁸

The key question, therefore, is how a multilateral system can contribute to the creation of an environment that is conducive to sustainable development in a world that is so deeply intertwined that disentanglement or de-globalization is not a rational option for sustainable social development. The litmus test, though, is whether decoupling or de-globalization is even feasible without doing even greater harm in the medium and long term (i.e. interdependence versus autarky, shared access to resources and the management of global public goods versus power politics and “the right of might”).

3.3 “Principled” and “effective” multilateralism

The obvious risks and downsides, as well as the inherent dilemmas of the contested as well as the competitive paths to multilateralism – particularly for smaller countries – are one of many reasons for the defense of the liberal international order as a principle.

A more principled approach to liberalism is deeply rooted in neo-institutionalism, a school of thought that believes in behavioral change to average out power disparities and, hence, “might over right”. “Principled multilateralism” questions power as the dominant analytical concept of inter-state relations and envisages a world order in which cooperative relationships grow steadily as a result of deepening collective identities and shared norms transcending the nation state. In this theory, value- and institution-based cooperation is seen as the glue holding together a more coherent global order, giving rise to what Harvard scholar John G. Ruggie has defined as “principled multilateralism”, i.e. “an institutional form which coordinates relations among three or more states on the basis of generalized principles of conduct – that is, principles which specify appropriate conduct for a class of actions, without regard to the particularistic interests of the parties or the strategic exigencies that may exist in any specific occurrence”.²⁹ “Principled multilateralism”, unlike “unprincipled realpolitik” or “political pragmatism”, demands a

²⁸ In the realm of development policy, dissatisfaction with existing multilateral organizations (in this case the WHO) led to the privately initiated Global Alliance for Vaccines and Immunization (GAVI); other examples would be the establishment of the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and, later, UNAIDS, as well as the creation of the International Renewable Energy Agency (IRENA) to promote the roll-out of renewable energy (thereby contesting the fossil and nuclear fuel-oriented International Energy Agency, IEA). Morse/Keohane (2014), 398-399.

²⁹ Ruggie (1992), 561-598.

benevolent hegemon at the center of a liberal international order. This idea of a multilateral order is reminiscent of Francis Fukuyama's "end of history" and is probably the most cooperative and integrated form of liberal internationalism short of supranational concepts (and, therefore, also dubbed "liberal institutionalism").³⁰

The nearest we have come to this ideal state was in 2004/2005, when the European Union Member States negotiated the Treaty establishing a Constitution for Europe (TCE), which was never ratified. Since then, liberal internationalism has been in retreat to a point that we first need to adjust "twenty-first century multilateralism ... to its strategic environment" before we can think about new initiatives for collective global governance. This transition period will be challenging, because it requires a dual task: adapting the realities of great-power politics while simultaneously preserving the current system's capacity to mobilize collective action, protect vital interests and core values. If this effort fails, the risk of slipping into Thucydides' trap increases.

3.4 Towards a robust liberalism

As the universal liberal international order starts to disintegrate and becomes more fragmented, defenders of liberal multilateralism prefer to cut their losses and to start again with renewed strength (robust liberalism). The concept "rethinks the West by insisting on the principles of freedom while at the same time putting an end to liberal overstretch and restricting democratic proselytism. Robust liberalism relies on a universalism that promises less and delivers more. It draws its self-confidence and persuasiveness from self-limitation. In an increasingly tense environment, it equips itself with stable institutions, solid rules and instruments for self-defense."³¹

In the realm of international relations, such an initiative of "robust liberalism" to revive liberal institutionalism could be launched in "minilateral alliances" – small, highly coherent sets of actors with the utmost relevance for the system they seek to change. However, its most important new feature is its exclusiveness: even though it stands for universal values, robust liberalism does not have a global ambition. It is a functional entity for its members, not a governance instrument for the world.

For these reasons, Colgan believes that "the coming divide in world politics will not be between the United States (and the West) and the non-Western rising states. Rather, the struggle will be between those who want to renew and expand today's system of multilateral governance arrangements and those who want to move to a less cooperative order built on spheres of influence."³²

Adapted to the world of development cooperation, this means setting up systems of mutual interdependence and communities of shared interest that define their own rules of engagement and codes of conduct. On the one hand, this entails the risk of fragmentation, inefficient use of scarce resources and the dilution of standards. On the other hand, it could lead to system

³⁰ One interviewee hinted at the fact that the German understanding of multilateralism is almost identical with the academic concept of "principled multilateralism": while for Germany, multilateral cooperation is an end in itself (and, in many policy areas, Germany is willing to transfer sovereign rights to multilateral institutions), for most other countries, multilateralism is transactional – a mechanism to get access to scarce resources and to pursue national interests. Hence, multilateralism is a powerful tool to regain sovereignty, not to sacrifice it to hegemonic powers (i.e. for post-Soviet states, former members of the Warsaw Pact bloc and for countries in Latin America). Viewed like this, the same interviewee argued, "Germany will soon hit a reef if it doesn't change its position on multilateralism". "In the final analysis", the same interlocutor said, "it all comes down to the question of distribution of resources – wrapped into the coat of multilateralism."

³¹ Kleine-Brockhoff (2019), 27 (author's own translation).

³² Colgan (2019), 85-98.

innovation, tangible solutions and unilateral cooperation that is rooted in mutual trust and interest.

All this is already happening before our very eyes – but it is happening as a result of system failure, dystopia, overstretch and the loss of trust in the old system. It will be essential to save the core principles and the values that these international cooperation institutions produce, not the institutions themselves. Institutions and the forms they morph into are simply vehicles to promote our interests, rather than an end in themselves. Or, as Will Moreland has put it, “To defend multilateralism, one cannot preserve it in amber. Rather, those architectures must be adapted to – and adaptable within – the prevailing geopolitical environment.”³³

4 Impact of the current multilateral order on development cooperation

4.1 Collateral damage? Development cooperation in a multipolar world

Outside the realm of security and trade, competition has also emerged over international development and economics. Other than in the 20th century, this is not a “Cold War” struggle to export a universal ideology to non-aligned countries. However, as in the Cold War, development policy is once again seen as a vehicle for gaining geopolitical influence.

Across Latin America, Africa, Asia and parts of Europe, investment in infrastructure, energy and technology is beginning to turn from domains of relative G20 cooperation into spaces for the expansion of influence by the great powers and access to markets and raw materials as well as to people’s “hearts and minds”.

As US-China tensions increase, the North-South relationship is changing, South-South networks are gaining traction, and spaces for coordinated multilateral cooperation are shrinking. We are witnessing not only diversification in the donor and actor landscape (from international organizations such as the World Bank, regional development banks, and public donors to private investors and INGOs) but also increased bilateralization of development cooperation (China’s Belt and Road Initiative, Japan’s and India’s counter-initiative, the Free and Open Indo-Pacific Strategy, FOIP, and a mushrooming of South-to-South development agencies/programs), and the emergence of alternative multilateral organizations that contest and compete with the Bretton Woods institutions (AIIB, NDB).

The BRI is a case in point: through an ever-increasing number of bilateral agreements (currently almost 40) and informal cooperation initiatives in strategically important regions (the Riga Declaration and the 17+1 initiative, the Forum on China-Africa Cooperation, the EU-China Joint Statement for Deepening the Comprehensive Strategic Partnership for Mutual Benefit, and the Multilateral Cooperation Center for Development Finance, MCDF), China is aiming to rebalance, if not compete with, Western-led development cooperation.

Western observers argue that Chinese infrastructure loans and investments will hard-wire countries’ future policy choices. To play devil’s advocate, one could argue that from a recipient perspective, the diversification of choices is first and foremost a development to be welcomed. The key question is what is the price-tag?

If we are witnessing – as we are – a race to the bottom in human rights standards, in good governance, undue influence on political decision making and state capture, and the exploitation

³³ Moreland (2019), 3.

of global public goods, then value-based development cooperation could become the first collateral damage of competition between the great powers.

This is particularly true of the least developed countries (LDCs) and fragile or failed states. Whereas fragile and failed states are particularly prone to corruption, undue influence and transactional short-term considerations, LDCs might soon lose public attention, as many are neither strategically positioned vis-à-vis the great powers nor rich in strategic raw materials. What we might soon witness is a highly divisive development cooperation landscape, one that is the battle-ground of competition between the great powers (“flag planting”)³⁴, and another that is largely being neglected and handed over to relief and rescue organizations.

These developments call into question the traditional OECD-DAC/World Bank/MDB definition of “countries eligible to receive ODA”. The ODA definition is based almost exclusively on economic indicators (income level per capita), not on human development or human security indices.³⁵ This narrow definition of socio-economic development leads to the so-called “funding quandary” in which higher income levels often lead to decreasing flows of ODA and other sources of capital, cutting off the already low tax-to-GDP ratio in these countries that is essential for self-sustained development.

The funding quandary makes middle-income countries (MICs) extremely vulnerable in terms of power asymmetries and interdependencies and provides easy access for geopolitically motivated actors seeking to exploit this development dilemma. Societies that have freed themselves from European colonialism particularly welcome this freedom of choice. They want to rid themselves of dependency on the Old Continent, continued undue influence by vested interest from Europe and aid conditionality.³⁶

So, despite the undisputed progress made during the MDG period, the 2020s will no longer be dominated solely by Western-led institutions. The coming period of development cooperation will be highly competitive and will be dominated by a few great powers and those multilateral organizations and actors that deliver what is needed (or demanded – for whatever reasons). This is going to be a highly contested “pick-and-choose” world.

Countries – donors and recipients alike – will, therefore, deepen existing partnerships and try to create new ones: North-South, South-South, triangular cooperation, informal networks for knowledge sharing and technology transfer, peer-to-peer dialogues, etc.³⁷ This will be a race for influence and trust, access to information and customers, the erection of shared platforms and infrastructure and access to it.

The Western narrative of sustainable development is increasingly being questioned. This is because the promise of the “old multilateral institutions” – equitable prosperity and development, a rules-based global economy, a balanced form of prosperity in a globally interdependent world that was envisaged by Bretton Woods – did not hold true for all. In the coming race, only big actors – state actors and private actors alike – will play a role. This is a process that started with the breakdown of the original role of the IMF in the 1970 that gave rise to giant global banks, corporations and their allies in governments across the world, a system that “became an

³⁴ Besada/Kindonray (2013).

³⁵ Barcena/Manservisi/Pezzini (2018).

³⁶ This at least is being argued by influential critics of the 10 principles that formed the so-called Washington consensus, such as former World Bank Chief Economist Joseph Stiglitz and William Easterly. See: Stiglitz (2002).

³⁷ Barcena/Manservisi/Pezzini (2018).

instrument for the diffusion of a neo-liberal order that has triggered crises of financial instability, inequality, and climate change”.³⁸

Critics of Bretton Woods and Western-led development policies therefore have a valid point when they ask whether “development institutions actually helped or hindered the objective of increasing living standards for recipient countries”.³⁹ All this is now being fueled by geopolitical competition and the “nationalist roar”, i.e. the backlash against globalization and those institutions that spearheaded it.⁴⁰ The irony is that national anger now is particularly directed against the very rules-based system that could address the problem.⁴¹ To change this dynamic, development cooperation actors need new and powerful narratives linking aid more closely with national interest – which, in essence, is the Chinese approach.⁴²

If “the West”, for instance, refocused its international cooperation and geared it more towards much needed infrastructure development⁴³, its narrative of social improvement based on open societies, free entrepreneurship and good governance could easily compete with the Chinese narrative.⁴⁴ This is exactly why there is widespread doubt over whether there could be cooperation between the Western and Chinese models of development: “the West” and China have a different understanding of social standards, human rights and social development. In the final analysis, the difference between the Chinese and the Western models is their long-term societal impact: whereas the Chinese development model reaches out to elites, promises short-term gains and highlights the principle of non-interference in internal affairs, the Western model aims for the long term, reaches out to civil societies and stresses the need to moderate interdependencies.

In essence, the West needs to understand that it is heading towards a new conflict of systems. A key assumption in this competition is that the Western way of life will still be attractive to others, even if we renounce our normative claims. But the proof of the pudding is in the eating; because we need to enter into this competition to prove the superiority of our concepts, we will know only with hindsight whether that is in fact the case.

4.2 Management of global public goods

As the world becomes more multipolar and conflicts between the great powers dominate international relations, the universal agenda to fight poverty, improve people’s livelihoods, provide for utilities, improve education and gender equality etc. becomes increasingly difficult to implement. States will increasingly be inclined to pursue their own interests rather than contributing to all 17 Sustainable Development Goals.

This is particularly true for the management of global public goods, most notably the fight against climate change and the protection of biodiversity. According to a survey conducted by the Global Compact Canada, no world region has put combating climate change at the top of its

³⁸ Gallagher/Kozul/Wright (2019).

³⁹ Besada/Kindornay (2013).

⁴⁰ Maihold (2019); Kharas/Rogerson (2017), 13-18.

⁴¹ Lebeda (2019).

⁴² Chen (2016); Godement/Moritz (2018), 16-19.

⁴³ The ADB estimates that in Asia and the Pacific, the need for infrastructure investments will exceed USD 22.6 trillion by 2030 (or USD 1.5 trillion per year, not including the cost of climate change mitigation and adaptation), see: ADB Press Release (28 February 2017): “Asia Infrastructure Needs Exceed \$1.7 Trillion Per Year, Double Previous Estimates”.

⁴⁴ Fukuyama (2016).

development agenda.⁴⁵ This observation holds also true for many other cross-border challenges: health epidemics, displacement, natural disasters, economic crises, climate change, water scarcity and cyber security, to list just a few. The logic is that if one country is affected by only one of these problems, many other countries are affected too. States therefore have an intrinsic interest in cooperating to mitigate the risks and to reduce the costs that come with these risks.

Since many of these cross-border challenges conflict with the vital interests of states and touch upon aspects of sovereignty and non-interference, there are no quick wins or shortcuts to multilateral cooperation: climate change issues, for instance, are closely interlinked with questions of energy security and the “right to develop”, the latter playing an important role in social and political stability in any country around the world. Cybersecurity aspects touch not only on aspects of infrastructure safety but also on the ability of states to use cyber proactively, i.e. for defensive or even offensive measures (military, economic). The same is true of migration and mobility: while controlled labor migration is essential for highly-connected and knowledge-based economies (the “war for talents”), uncontrolled migration poses a massive risk to the stability of societies and economies and entails other risks, too (public health, terrorism, organized crime, etc.).⁴⁶

And since all these aspects are heavily value-laden, they cannot be reduced to technicalities. But why not? Do we not have to face difficult choices? We can either insist that our values are adopted by other societies as a precondition for getting substantial work done, or we can start making real progress on issues of shared interest, interdependencies and mutual challenges. When it comes to managing global public goods, a more pragmatic approach to development cooperation might be easier than in other areas. Whether this is realistic will have to be discussed on an issue-by-issue basis. However, during the Cold War, this kind of pragmatism kept open the channels of communication between the great powers and paved the way for ending autocratic rule in the Soviet Union and Eastern Europe (Helsinki Accords etc.).

⁴⁵ Kharas/Rogerson (2017), 20.

⁴⁶ Kharas/Rogerson (2017), 22-26.

Part II: Expert interviews

1. Current state of affairs and properties of the international order

In 2016, two years after Russia's annexation of Crimea and at the height of the Syrian civil war, the US foreign policy magazine *"Foreign Affairs"* issued a special edition entitled *"That was the liberal international order"*. It was an epilogue to the post-Cold War order that was the result of the (temporary) disappearance of struggles between the great powers in international affairs – an anomaly that Francis Fukuyama had described as the "end of history", i.e. the notion that the liberal democratic order had proved its superiority and that all countries would now want to become liberal, democratic market economies ready to join international institutions and govern the world cooperatively.⁴⁷

Not surprisingly, interviewees challenged this narrative. They doubted whether we had ever lived in a liberal international order and argued that this was definitely not the case during the Cold War, when the liberal order "was largely limited to a group of like-minded states centered on the Atlantic littoral", "did not include many large countries such as China, India and the Soviet bloc states, and ... did not always have benign effects on non-members".⁴⁸ Even at times when "the liberal peace seemed to be the incarnation of multilateralism", according to one interviewee, the majority of the world's population lived in countries that were unfree, undemocratic, and had poor human rights conditions – not to mention dignity. While liberal internationalism has been declared the desired norm by a few Western democracies, reality looked very different. Even though the West wanted to believe that the "arc of the moral universe is long but bends towards justice" (and, hence, towards liberal democratic orders), most countries took a different path and became hybrid, defunct and, at best, nominal democracies. Russia is just one example.

From 1945 onwards, this hybridity was one of the main characteristics of the international order. What was supposed to be a universal liberal international order never existed. But the victory of the US and its European allies in the Cold War allowed us to lull ourselves into believing that, for lack of alternatives, rivals or challengers, unilateralism was the universally accepted form of multilateralism, if only by quiet consensus. However, to conclude from the absence of alternatives or rivals that "they" want to become like "us" was, according to one interviewee, "the grand misunderstanding of the late 1980s. We thought," this interviewee argued, "that history is being written in Berlin where the Wall came down, not in Beijing where the tanks were rolling."

And yet from an economic perspective, all societies alike did indeed want to profit from open markets, the global and unrestricted exchange of goods and investment flows from foreign countries – the rules and procedures that Western democracies describe as "liberal". However, from a political point of view, the priorities of newly liberated societies were quite different. Societies that had formerly suffered from Soviet oppression aimed first and foremost to create coherent nation states (with all their ethnic connotations) and self-determination, principles that, in the eyes of East European EU Member States, were massively endangered in 2015/2016 by the influx of refugees from the Greater Middle East and Africa and the EU's insistence on burden-sharing. In short, while societies praised the benefits of a free, open and rules-based market economy, they also at the same time wanted to hold on to their sovereignty and independence – an argument made very convincingly by one European interviewee.

⁴⁷ See also Mazarr (2018).

⁴⁸ Nye (2017).

Ignoring this important distinction, the European Union moved on to create institutions and processes that were designed for a prospective end-state of an ever wider and deeper union (Kantian peace) – an end-state that lay somewhere in the distant future. Or, as one interviewee put it, “Our theory of change has produced institutions that look like summer huts, believing that there will be an eternal summer. In reality, we have long been in autumn storms; and now our institutions look like badly and crooked nailed wooden shelters [Sic] that can barely withstand the storm.”

And now, as the era of unilateralism, Western-dominated collaboration and institution-building has come to an end, “we are stuck with an inadequate multilateral order”, this same interviewee continued. “We have created a Eurozone without a political center; an EU internal market allowing for the free movement of people and goods but without external borders; a security architecture without sufficient defense capabilities; a financial system that is believed to be self-balancing; a climate regime that relies on voluntarism; and a trade system in which the largest player – China – is a serial and systemic rule violator.”

1.1 Prolonged conflict of systems?

Shackled to dysfunctional or at best ineffective governance systems, we are now – according to our interviewees – entering a phase of prolonged competition between rising and declining powers. Interviewees are convinced that “as long as the international order doesn’t reflect the global power dynamic, the stress will be mounting and institutions of global governance will further lose legitimacy.”⁴⁹ Or, as Henry Kissinger put it in his seminal book *“World Order”*, “Every international order must sooner or later face the impact of two tendencies challenging its cohesion: either a redefinition of legitimacy or a significant shift in the balance of power.”⁵⁰

For years, we knew that many of our (global governance and regional) institutions desperately needed a brush-up. Even though the World Bank and the IMF has continually granted middle-income countries more voting rights, the Bretton Wood institutions are still Western-led entities and the US insists on its power of veto.⁵¹

However, complacency, lack of leadership and the need for constant crisis management have prevented our governance systems from adapting when there were favorable domestic and international environments. We overlooked the weak signals of change, we were ignorant about the fact that not all societies wanted to become like us, and we failed to seize the opportunities for a more sensitive approach to international cooperation and shared responsibility (as in the case of Libya in 2011).

⁴⁹ The inability of the international community to reform/adapt inadequate multilateral institutions in time and adapt them to a world that goes beyond Cold War thinking (USA-RUS) (integration of China, Iran and others); failure to ‘rise to the occasion and update the multilateral order; the decline of interest in the multilateral order on the part of rising powers/challengers (RUS, CHN, IND). Examples include the INF Treaty and START (a bilateral rather than a multilateral framework); the future of the Cotonou Agreement (ACP-EU).

⁵⁰ Kissinger (2014), 365.

⁵¹ Even though the capital structure and voting rights at the World Bank have shifted over the years, the basic pattern of dominance by the developed countries generally, and the US specifically, remains in place. After the 2001 reform package was adopted, the non-borrowing high-income members still held 62 per cent of the votes at the World Bank. Reforms throughout the 2000s further extended the borrowing countries’ voting rights. But with the Trump administration at the helm – and considering the delayed IMF quota review process – developing countries are worried, calling on the IMF and World Bank to “strengthen their efforts toward addressing the severe under-representation of some regions and countries, including at the managerial levels”, see: The Bretton Woods Project (6 December 2018): IMF quota reforms: The fight for democratic governance continues ([Link](#)). See also: Griffith-Jones (2001), p. 4. For a broader discussion of increasing developing country participation, see Griffith-Jones/Kimmis (2002).

Persisting features of the international (dis)order

Even though we feel that multilateral institutions seem to be challenged, it is evident that not everything is in flux. Many of the key parameters have not 'changed (and will not 'be fading away soon). So, before coming to hasty conclusions, it is worthwhile reminding ourselves of the anchors of stability:

- **Nation states** will remain the most important actors on the international scene. In fact, their role has been strengthened in recent years as a result of their monopoly of hard and sharp power (currencies that have gained in value in recent years).
- **Major powers** are increasingly reluctant to adhere to multilateral rules and procedures, a feature that has always dominated international affairs but was not acknowledged 'as a problem as long as big powers behaved like benevolent hegemony.
- **All state actors** are interested in a rules-based order, since it reduces uncertainty and increases reliability and predictability. This is even true of spoilers such as Russia, which benefits from international disorder, power vacuums left by the retreating US, a hesitant EU and G2 competition. But in the medium and long term, Russia will not be able to play the spoiler's game because its behavior will sooner or later lead to robust actions by its opponents.
- For the foreseeable future, the **US still has the biggest arsenal in hard, sharp and soft power**, i.e. military strength, political and economic coercive means as well as cultural attractiveness and the ability to persuade and recruit followers voluntarily. And the EU has a sufficiently full arsenal of sharp and soft power: a good indicator of this is the fact that flows of refugees and migrants head towards the US and the EU, not to China, Russia or other autocracies.
- While the **European Union still serves as a role model** for peace, security and stability (and many countries want to become part of it), China will not be able to gather or integrate its neighboring countries horizontally or succeed in building alliances based on mutual agreement and trust.
- Even though many of the rising powers perceive the UN as a legitimate forum for global affairs (India, pre-Bolsonaro Brazil and South Africa in particular), **the UN/UNSC will not be able to reform** because, for China and Russia (but also for France and the United Kingdom), being part of the UNSC P-5 is essential to their claim of great power status. This reflects reality in the case of China, less so in the case of Russia, France and the UK, despite their extensive nuclear arsenals.
- If **multilateral institutions** do not reflect the power dynamics between their most important actors, they will continue to lose legitimacy. Major powers will increasingly bypass multilateral institutions which – in their view – do not serve their national interests and/or set up alternative institutions to challenge or compete with existing institutions. This vicious cycle further destabilizes the international order and leads to a decreasingly inclusive multilateralism.

Taken at face value, this analysis of the international system's properties and features suggests that the crisis of the multilateral order is the combined effect of four self-enforcing

Russia is a telling example of a country that willingly bought into international cooperation but not at the price of the loss of sovereignty. Even though Russia joined or cooperated with many of the Western-led institutions after 1991, it remained a challenging partner simply because it wanted to be treated not like any other (small) country but as a great power, a civilization with global reach. Moreover, it wanted to secure what was left of its sphere of influence for economic reasons (Ukraine), for geostrategic reasons (Crimea, Georgia, the Caucasus), and for historical and ethnic reasons (Serbia et al.). Vladimir Putin's speech at the Munich Security Conference in 2007 was a clear signal that the tide was turning. But the relationship between "the West" and Russia became openly hostile only when the Ukrainian Government pushed for an association agreement with the EU. While from Moscow's perspective the West tried to expand its sphere of influence into Russia's *cordon sanitaire*, the EU held on to the principle of sovereignty and self-determination, embedded not only in the Westphalian principles but also in the Charter of Paris.

While the West was preoccupied with sorting out its relationship with Russia (and simultaneously dealing with Afghanistan, Iraq, the Greater Middle East and ongoing economic hardships caused by the financial and economic crisis), China steadily ascended to the world stage, starting with its accession to the WTO in 2001. As China rose, the West sat on the fence, watching its theory of change unfolding, i.e. that trade and the rise of a wealthy middle-class would lead to a more pluralistic, democratic society in China. However, the reality never matched the theory, or at least, it has not done so yet. Indeed, quite the opposite happened: with the financial crisis worsening in 2009 and 2010, the West – and with it, large parts of the world economy – slid into its severest economic crisis since the 1930s, de-legitimizing Western institutions that enabled economic systems to turn "neo-liberal". Soon, what started as an economic crisis in the United States and then rapidly spread, with major global impact, became a crisis of legitimacy for Western institutions, most notably the IMF and the World Bank, but also for liberal democracies more generally. With the economic crisis unfolding, banks crumbling, and currencies in meltdown, people on the streets throughout Europe and the United States demanded a slow-down of globalization.

Hence, the biggest challenge to multilateral cooperation comes not from those outside but from anti-globalization sentiments within our societies. As one interviewee stated, "Unless liberal democracies turn illiberal voluntarily, the anti-liberal threat will not undermine the stability of liberal states – even though it has a huge impact on state-to-state relations." Masses of voters in many Western democracies are now turning their backs on centrist parties that for decades were the cornerstone of socio-economic stability, cooperative internationalism and liberalism. In the eyes of the disillusioned, these parties have been unable to mitigate the negative side-effects of globalization, such as unchained capitalism, the stratification of societies and the rise of inequality, and chaotic mass migration, to name just a few. Now that societies feel that powers like Russia and China take advantage of these sentiments, people in Western democracies believe for the first time since World War II that their children will be worse off than their parents' generations.

Two landslide events are indicative of the profound shift: the UK referendum on leaving the European Union in June 2016 and the election of Donald Trump as US President in November 2016. The two leading powers that, in the 19th and 20th centuries, have invested most in the creation, extension and defense of the liberal international order are now disengaging from it – at least gradually and/or temporarily.

At the same time, China – starting with the election and rise of Xi Jinping as "Paramount Leader" – is becoming more assertive (Belt and Road Initiative, South China Sea, the one China policy, rising defense budget), more autocratic (potential lifelong leadership of Xi), more repressive (Uyghurs, Hong Kong, social credit system), and more competitive (Huawei, FDI policy). Now that

China is the world's largest economy, surpassing the US economy in terms of GDP, its rise and the West's inability to influence China's development path are obvious.

While "the West" retreats from positions that, until recently, were considered vital to the national interest of Western democracies (geographically as well as in relation to specific issues), other powers – Russia and China in particular – are filling the void. Viewed from Washington, Brussels and other Western capitals, this great "castling" is incrementally changing the rules of a game that has been dominated and controlled by Western democracies for the last 30 years.

1.2 Hybrid international order

Against this backdrop, experts estimate that we will live in a prolonged period of what they call a "hybrid international order": while the architecture of global institutions is still of post-World War II/post-Cold War design, this order is being put under increasing pressure by "quitters" (US, UK), "challengers" (EU Member States), competitors (China), "spoilers" (Russia), "free-riders" (China, Germany), and "pariahs" (Iran). Some interviewees believe that this phase may well last several decades.

Firstly, Russia, China and now also the US and the UK are geared towards zero-sum thinking. Even if Donald Trump is not re-elected, one interviewee mused, the public debate has become so toxic that the current "us-and-them" mindset will not fade away quickly. "We are already in a game of chicken", one interviewee stated: "Who blinks first is considered a coward." With trust levels between the great powers at a historic low, it will be hard to return to a cooperative approach (win-win), particularly since the strongest power in the system, the US, is disengaging.

Secondly, the rise of autocratic leaders endowed with (or claiming) extended powers, freed from constitutional baggage and willing to manipulate their populations in social media echo chambers undermines the principle of the rule of law, shrinks civic space in their countries and creates a climate of hostility and fear that has deep repercussions on the international stage.

1.3 Re-strengthening of nation states

This, according to the experts interviewed for this report, re-strengthens nation states in the international arena. Even though the current international order is still open, transparent and democratic (one country, one vote – which often makes it less efficient), it has, according to some interviewees, become more "Westphalian" in recent years, with sovereignty, non-interference in domestic affairs, and short-term considerations playing a more important role today than a few years ago.

And even though the current system is still rules-based, the rules are being massively undermined, especially by the major powers, which all too often make exceptions for themselves (China on WTO rules; the US on climate change; Russia and China on international humanitarian law; and Russia on the Westphalian principles).

More than ever, the key questions are: Who sets the rules? Who oversees the rules? And what are the instruments that can be used to realign non-compliant actors? If these questions remain unanswered, the current order will be exploited to serve nation states' interests. One interlocutor dubbed this opportunistic behavior "multilateralism à la carte"; another called this pick-and-choose behavior "selective minilateralism" (i.e. ad-hoc cooperation with a few opportunistic like-minded partners).

The re-nationalization of international politics and the lack of investment in a functioning multilateral order has already led to bypasses and dual-track politics, if not straight back-door diplomacy, as in the case of the Astana Process, an inflation of summit diplomacy (instead of due process in multilateral institutions), and the return of “strong leaders” in politics even in constitutional democracies (Macron, Trump, Xi, Erdogan, Putin etc.). In such a world, multilateral cooperation is increasingly being judged against its ability to produce short-term gains instead of building trust and enabling conditions to pursue common interests between its agents in the long term.

1.4 G-x diplomacy: preempting or complementing the United Nations?

The re-strengthening of nation states is also being reinforced by government-to-government diplomacy (G-x). The G20 in particular, with its ever-growing agenda, has – according to one interviewee – led to the creeping marginalization, if not preemption, of the United Nations and other institutions of global governance.

On the other hand, if the UN, and particularly the UNSC, is unable to reform to reflect the changing global power landscape, then formats like the G20 are useful to co-opting rising powers, giving them a voice and holding them accountable. From this perspective, G-x formats are complementing the UN system of multilateral cooperation rather than competing with or undermining it.

However, another interviewee’s critique of G-x diplomacy goes deeper: it has led, he said, to “multilateralism-lite”, i.e. a “window-dressing mode of international cooperation and governance”. According to this expert, G-x diplomacy requires ever more ambitious limelight declarations by Heads of State or Government in the knowledge that in a multiplex world, agreements to implement these pledges are ever harder to achieve. This, our interviewee stated, leads to a lock-in situation that will sooner or later end in a severe credibility and legitimacy crisis for these G-x formats.

2. First- and second-tier policies and corridors for cooperation

In a world in which the corridors for cooperation are getting narrower, it will be difficult to find the right entry path. Scope for advances in multilateral cooperation needs to be tested in each policy area: some are more open to cooperation, others are already virtually closed.

As a rule of thumb, policy areas that are key to upholding the Westphalian principles (sovereignty, independence, self-determination, non-interference – i.e. “first-tier policies”) are usually less open to cooperation than those that are more technical in character (“second-tier policies”). First-tier policies constitute orders (such as security or monetary systems); second-tier policies are measures aimed at achieving first-tier policy aims. That is why first-tier policies are described as “hierarchical policies”, while second-tier policies are defined as “functional policies”.

Development cooperation belongs to the realm of functional policies – it is not an end in or of itself and does not constitute an order. Therefore, in a world of increasing geopolitical competition, development cooperation is being instrumentalized more and more by the great powers. However, some interviewees hinted at the fact that cross-border challenges might lead to a change in behavior. Climate change, migration, cyber-connectivity and economic interdependence increasingly challenge states ability to pursue their first-tier policy aims alone. In these policy areas, non-cooperation – at least in the long term – would be more costly (i.e. threaten

regime stability) than accepting the downsides of cooperation (i.e. slow progress and other inefficiencies, dilution of solutions based on the lowest common denominator, etc.).

This means that cooperation – as well as non-cooperation – will be highly selective and will depend on the policy area in question. Experts agree that, as a rule of thumb, readiness to engage in multilateral cooperation seems more likely in policy areas with high interdependency and a focus on technical questions (such as protocol standards for transponders in aviation). But, experts say, before we can get there, we need another level of trust and intensity of communication between the great powers. Currently, mistrust makes it difficult to create desperately needed new multilateral frameworks (INF, START, new warfare, cyber, AI, privacy rights, IPR, biotech, genetics, space, climate change and geo-engineering, migration, maritime/Arctic, etc.), a gridlock that will lead to even greater fragmentation of sectoral and regional multilateral institutions and frameworks.

Secondly, according to some interviewees, we tend to underestimate the governance capacity and impact on the global order of regional orders and the role in these orders of sub-national state actors, corporations, transnational non-governmental organizations, and civil society – actors that, at least in certain policy areas (including multilateral cooperation for sustainable development), can make a huge difference. This is particularly true of policy areas in which the nation state has no prerogative (as is the case in the realm of security, trade, finance, and human rights policy), where non-state actors can influence public discourse (for example, Fridays for Future), bring about change through innovation and develop new business models, as consumers and, more recently, as influencers through social media campaigns (for example, #MeToo).

3. A multiplex world versus. vertical integration

While during the Cold War and the unilateral era superpowers were (more or less) uncontested hegemonies of (by and large) homogenous blocs or camps, in today's world they are at best a *primus inter pares* in like-minded groupings, either sectoral or regional. Because of the above-mentioned developments, today's world, according to Amitav Acharya, is a "multiplex" rather than a multipolar world – one that "is not defined by the hegemony of any single nation or idea"; it will be "less driven by trade and more by development concerns" (an opinion that could be challenged, given Donald Trump's emphasis on trade).⁵²

Since a multiplex or nodal world offers more choices for smaller and developing countries than a bipolar or unipolar world, horizontal integration (building alliances and partnerships of the like-minded) is no longer an adequate channel for the great powers to protect, pursue and project their interests through, *inter alia*, development policies. Therefore, the US – like China – is now increasingly raising the cost of non-alignment or non-cooperation through means of vertical integration based on power asymmetries.⁵³

If the global order continues to fragment and decentralize – something on which all interviewees agree – then the maintenance of order will increasingly depend on regional orders. As Henry Kissinger argued back in 2014, "The contemporary quest for world order will require a coherent strategy to establish a concept of order within the various regions and to relate these regional

⁵² Amitav Acharya (2018).

⁵³ One interviewee made the convincing argument that in this game, authoritarian regimes will lose out against their liberal opponents because their vertical integration strategy is based solely on coercion (sometimes, dependence will do; hard and sharp power) and not on commonly shared values of other soft power assets.

orders to one another.”⁵⁴ Amitav Acharya adds, “In a fragmented and pluralistic world, exploring local and regional initiatives in diverse issue areas that complement older but fragmented global institutions could be one of the most promising ways to build world order in the twenty-first century.”⁵⁵

Despite its internal challenges, the European Union is a good example of how regional groupings can establish and project regional orders within and beyond their borders, balance power asymmetries, withstand attempts by the great powers at vertical integration and build enough of their own sharp power capabilities to raise the cost of non-cooperation, even for hegemon.⁵⁶

Another often-cited example of effective collaboration below the nation state level are the city and state alliances on climate change in the United States. Despite the Trump administration’s denial of anthropogenic climate change and its withdrawal from the COP21 agreement, these sub-national, informal alliances play an important role in balancing the national government’s fossil fuel strategy, although with mixed results: since Donald Trump took office, CO2 emissions in the US have risen constantly, reversing a 10-year positive trend. However, there is consensus that without these initiatives, the situation would be even worse.

Transferring this logic to the realm of multilateral cooperation for sustainable development means a shift from the state-to-state level of cooperation to sub-national state entities such as cities, federal states and regions within nation states – a step that seems particularly urgent if the world wants successfully to implement the 2030 Agenda. Integrating the sub-national level more systematically into multilateral cooperation (as is being done informally in the context of the G20, i.e. via “engagement groups” such as B20, C20, L20, S20, T20, U20, W20, Y20) would automatically give non-state actors and civil society a greater role in articulating their interest on the international stage (with questions concerning the legitimacy and agency of that role).

However, the experts interviewed warned about neglecting state-to-state engagement even though progress might be limited in scope and the process cumbersome. It should also be pointed out that sub-national cooperation could be interpreted as bypassing cumbersome nation-state level diplomacy and thereby undermining trust, which is the most important currency in international relations. Viewed this way, sub-national cooperation could in fact lead to conflicts between nations rather than open up new avenues for collaboration.

Interviewees recommend a blended, multi-layer and highly experimental approach in which the state-to-state level of cooperation goes hand in hand with other levels of sectoral, regional and intra-societal cooperation (see “Policy recommendations”), a vision that is best reflected in Amitav Acharya’s “multiplex world”.

4. Impact on multilateral development cooperation (and other policy areas)

The inability of the international community to adapt multilateral institutions to global power shifts is having a profound impact on individual policy areas. This is best demonstrated in the area of multilateral cooperation for sustainable development. The financial crisis of 2009/2011, the de-legitimization of the “Washington consensus”, the failure of the Bretton Woods institutions adequately to adapt to new global realities and developing countries’ demands for a different

⁵⁴ Kissinger (2014), 371.

⁵⁵ Amitav Acharya (2018).

⁵⁶ As demonstrated in the EU’s diplomacy vis-à-vis the United States on threatened tariffs on steel and aluminum and products for the automotive industry, or the EU’s industrial standards on human rights and environmental protection that force importers to adhere to these rules if they want to trade goods and services with EU member states.

kind of development support led to the creation of two new development banks: the New Development Bank (NDB, formerly known as the BRICS Development Bank) in 2014 and the Asian Infrastructure Investment Bank (AIIB) in 2015. In the judgment of two interviewees, “the AIIB is a direct result of the US failure to reform the IMF and the World Bank” and to concede China and other emerging market economies a greater say at the table (beyond and above its extended influence through more voting rights).⁵⁷

The result is a world in which two models for economic development are now competing. One links liberal-democratic good governance and sustainability standards with the prospect of long-term development within a globalized economy (conditional development aid or the “Bretton Woods model”). The other promises supposedly “non-conditional” quick wins through the build-up of infrastructure at the cost of social, humanitarian and environmental standards, increased public debt and unprotected exposure to bilateral power asymmetries vis-à-vis China (a model that seems to be more respectful of sovereignty and that might appear – at first sight – to dispense with ideological “baggage”).

While the China-dominated AIIB can be seen as a small “boutique development bank”, as one interviewee put it, in mimicking established multilateral development banks and allowing China to showcase its compliance with the highest international development standards, Beijing in fact is more interested in pushing forward its bilateral development and foreign economic policy through the Belt and Road Initiative, which has already earmarked some USD 1 trillion to infrastructure projects throughout Asia, Central Asia, Africa, Latin America and Europe.⁵⁸

Even more worrying is China’s ability and willingness to play different power games simultaneously. While China positions itself as a good global citizen by adhering to internationally agreed rules and procedures (in the UN Security Council, for example, or by playing an active and well-received role in international peacekeeping or in the AIIB) on the one hand, it is pushing for the bilateralization of relationships with other countries on the other, even trying to vertically integrate entire regions that are considered part of “the West” (the 17+1 initiative). This strategy enables China to profit from power asymmetries and to bypass international standards enshrined in the statutes of multilateral development banks. And whenever China competes for access to foreign markets (either in the context of the WTO or through its Belt and Road Initiative), it is able to support its state-owned enterprises (SOEs) with subsidies to improve their competitiveness, a clear violation of WTO rules and one that enabled China’s economic rise in the first place.

As important as compliance and reciprocity are for a rules-based order, the question of who sets the standards in international cooperation for sustainable development – the West or China – will not be decided between the two. The question is rather which development model is more attractive (and affordable) for third countries in the short, medium and long term, particularly for Africa, which will double its population by 2050 and, along with Asia, will make the greatest demand for infrastructure development in the coming decades. In the analysis of Amitav Acharya, these developments will lead to a shift in development priorities: the next wave of development

⁵⁷ Roberts et al. (2017).

⁵⁸ OECD (2018), “The Belt and Road Initiative in the global trade, investment and finance landscape”, in: OECD Business and Finance Outlook 2018, OECD Publishing, Paris (https://doi.org/10.1787/bus_fin_out-2018-6-en). Germany’s engagement as the largest non-regional shareholder in the AIIB stemmed from the idea of influencing and controlling the work and standards of the Bank from within rather than from the sidelines (like the US and Japan). Now that the AIIB plays a rather marginal role in comparison with the BRI, Germany needs to rethink its strategy. It needs to increase its share and/or coordinate its policies more closely with other non-regional shareholders that are critical of Chinese conduct (i.e. Canada, France, the Netherlands, Spain, UK and, to a lesser extent, Italy) and with regional members (Australia, India, Indonesia, the Philippines, Vietnam and South Korea).

and globalization “is likely to be more economic and less political or ideological (especially compared to the West’s promotion of democracy and human rights)”.⁵⁹

Although norms, standards and values remain important for German multilateral cooperation, its approach to multilateral cooperation needs not only to become more creative and “multiplex” but also to become more pragmatic. Leveraging progress in a multi-order world demands the flexibility to engage in new and changing coalitions and unilateral alliances that are powerful enough to have a global impact but small enough to move forward quickly and efficiently. Three examples:

- **In the area of climate change**, the G20 is the most important multilateral forum, firstly because the G20 emit 80% of the greenhouse gases, but also, and more importantly, because these are the powers with the political and financial leverage to change the world’s course. Within the G20, China and the EU are now the most progressive actors in driving the climate agenda, even though these countries are still planning and constructing coal-fired power plants. At the other end of the spectrum are the United States, Russia, Turkey and Saudi Arabia. If an “alliance of the willing” (China, India, EU) could be formed to drive the climate agenda, those lagging behind would no longer be able to hide behind the G20 – and other important regional actors would follow suit.
- **In the area of international trade**, China as the world’s largest economy and its largest exporter of goods has still not enacted all the necessary reforms to open up its domestic markets to free trade. Beijing still holds on to mercantilist and protectionist measures that distort trade between WTO members. Many analysts therefore portray China as one of the biggest non-compliers with WTO rules.⁶⁰ The US and Europe, which set up the system of open and free trade after decades of negotiation, now perceive themselves as the biggest losers in a system intended to create equal opportunities for all through reciprocity. Free-riding and rule-breaking by China is now the greatest obstacle to fair and equal economic development. Instead of punishing each other with tariffs and arguing over supposedly unfair practices, Europe and the US should join forces and confront China with a tough choice: either comply with jointly agreed rules and procedures or leave the WTO. In any case, Beijing may soon lose its WTO status as a developing country, which could be a lever to start negotiations without burning bridges.
- **In the area of multilateral cooperation for sustainable development**, we will see a shift from global agendas (such as the 2030 Agenda and the Paris Agreement) to a more interest-based, selective approach. This means that none of the countries will refer to the 2030 Agenda as a blueprint for an all-embracing national development agenda but see it rather as a loose point of reference. States will pursue only those SDGs that are vital for the stability, security and prosperity of their societies. The preservation of global public goods will not therefore be a priority for most states that have signed the 2030 Agenda. The prevailing question for states

⁵⁹ Amitav Acharya (2018). Beyond the semantic level, we need a debate about what is perceived to be “political” or “ideological” (undue influence) versus merely “technical”, “functional” or “pragmatic” in nature (free of hidden agendas). There is evidence that we dismiss concepts as being political or ideological if we disagree with them, do not share the underlying concepts or mistrust the protagonists of an idea. On the other hand, we tend to tone down our judgment if we agree with the overall concept, are in line with the key actors or gain more from an idea than we lose. The BRI is a point in case. It was initially welcomed by Chinese partners as a “non-ideological” opportunity to modernize societies throughout Asia and beyond, but now, some of the former proponents criticize Beijing of pursuing geopolitical aims by submerging them economically.

⁶⁰ See the collection of the annual Report to Congress on China’s WTO Compliance by the United States Trade Representative, collected by the University of Southern California’s US-China Institute ([Link](#)). See also the Association of German Industry’s assessment of China’s WTO compliance: “China in the World Trade Organization: Hope and Disappointment” (11 November 2019) ([Link](#))

– North or South – will rather be “What’s in it for me? And what’s in it for our society?”, so we will see a paradigm shift, from aid to trade, in international cooperation for sustainable development. Innovation partnerships and new investment schemes need to be developed to intertwine sustainable development demands with business models, sustained growth and international competitiveness. Here, China and the US are far more advanced than the European Union and countries with a colonial past. How the EU can play a bigger role in creating enabling conditions that are acceptable and competitive is the key question to be answered - and in a wider context than merely the current efforts to update the ACP-EU agreement (post-Cotonou).⁶¹

These examples show that progress in multilateral cooperation for sustainable development is dependent both on an improvement in relations between the great powers and on the ability to enter flexibly and creatively into new constellations and alliances to find solutions for common challenges – without ideological blinkers but also without naivety as far as power relationships and states’ own reach are concerned.

One of the interviewees remarked thought-provokingly “The more time passes without working in multilateral institutions on common solutions, the more time countries will spend on finding solutions elsewhere – either in uni-, bi-, mini- or polylateral constellations. The longer multilateral dystopia is the rule of the game, the more will multilateral institutions be regarded as dysfunctional, cumbersome, and obsolete. There is already a whole generation of diplomats not using multilateral institutions as a central tool for their policy design – particularly in Asia where the World Bank and the IMF play only a marginal role.”

⁶¹ However, Western multilateral development cooperation faces another major challenge: the transformation of ODA into a framework for cooperation on regional and global agendas that frees itself from the North-South dichotomy and post-colonial connotations. Currently, OECD/DAC is debating the conversion of ODA into TOSSD (Total Official Support for Sustainable Development) to account for all contributions to the 2030 Agenda. No matter how this debate develops, measuring development differences and inequality will remain an indispensable yardstick for societies exposed to a highly interdependent, globalized world. In short, equal opportunities and relative wealth matter. Within the next 10 years, most low-income countries (LICs) will become middle-income countries (MICs) and therefore – according to ODA classifications – will lose privileged treatment within WTO, access to cheap loans from development banks, bilateral aid etc. As a result, MICs will face fierce global competition. Without accompanying measures, this will open the gates for even greater geopolitical competition – and, most likely, to the sell-out of natural resources in those countries.

A rapidly changing landscape: actors in multilateral cooperation (part I)

In a hyper-connected world, interdependencies have reached a level unprecedented in human history. To unplug or protect societies from global networks and interconnectedness – as populist movements across the world argue for – would, even if it were possible, come at a high price and run counter to the interests of the majority of citizens. Rather than decoupling, navigating the *terra incognita* of an ever-changing landscape of actors is a prerequisite for developing new and effective models of multilateral cooperation that enhance the wellbeing of societies.

- **The UN** is at its lowest point since the end of the Cold War. The UN Secretariat is being gridlocked by politicization by the great powers, with the General Assembly and the Security Council abused by the P-5 as propaganda platforms. Less and less money is being allocated to the “old multinational order” (particularly to the UN central budget); instead we are seeing a shift towards “earmarking”, new institutions and a bilateralization of state-to-state relationships.
- Since their establishment between 1959 and 1991, the **regional development banks** (mainly ADB, AfDB, EBRD and IDB) have steadily gained in importance and financial strength. Intended to supplement the work of the World Bank, they are now – at least in non-European countries – the main vehicles for intra-regional development. This is particularly true of the ADB, which has been substantially refinanced to enable it to compete with the China-led AIIB. Another newly set up bank, the New Development Bank (NDB), has not yet gained much traction, but it would be worth-while considering whether this South-South development bank could serve as a nucleus for the “southernization” of development cooperation.
- With the blockade of its dispute settlement mechanism by the US, the **WTO** is on the brink of collapse. While there is broad agreement that the WTO has contributed considerably to the spread of wealth across the globe and to achieving the MDGs, there is also a widely shared feeling that its negotiating function, monitoring, transparency, and institutional development desperately need reform. Unless and until the trade war between the US and China is resolved, the WTO will be its first collateral damage, a loss that will be felt by smaller and developing countries first.
- **The US** is no longer a benevolent hegemon. Like other great powers, the US is increasingly turning to unilateralism and bilateralism (vertical instead of horizontal integration) and transactional policies and, thereby, hollowing out the very multilateral order it has created and defended for more than 70 years. Moreover, its erratic retreat from regions and multilateral organizations creates a power vacuum that is being filled by others eager to expand their spheres of influence. Nevertheless, at least for the next decade, the US will remain the only real global power in terms of military power projection capabilities and its role in international trade and financial markets, soft power capabilities, economic output, knowledge production and innovation.
- As an exporter, investor and technology provider, **China** has become a world power in

A rapidly changing landscape: actors in multilateral cooperation (part II)

- **Russia** has become a revanchist power and seeks to disrupt the existing multilateral order wherever it can. It is a junior partner in China's Belt and Road Initiative in Central Asia at the expense of its own integration project, the Eurasian Economic Union (EEU). To widen its *cordon sanitaire* and spheres of influence, Moscow now competes openly with the West in the post-Soviet space and in the Middle East.
- **The EU**, which is still preoccupied with Brexit and internal dissent over many policy issues, acts increasingly as a counter-weight and balancer in the great power struggle between the US, China and Russia. The new EU Commission claims it is acting as a geopolitical actor and to be a force for good (tackling climate change and setting new standards in the realm of digitalization).
- It is not yet clear whether **other regional institutions** such as the AU, ECOWAS, ASEAN or MERCOSUR will be able to strengthen rules-based cooperation and contribute to an emerging network of overlapping regional governance institutions: current developments in Latin America, Central and Southern Africa do not suggest that they will.
- **Middle powers such as France, Germany and Japan** have become the beacons of an open, rules-based multilateral order, initiating minilateral alliances of the like-minded to stop the erosion of multilateral cooperation. Whether these contesting alliances contribute to an accelerated downfall of existing institutions or to their consolidation remains to be seen, however.
- **Large global private sector actors** are increasingly monopolizing economic development, innovation and modernization (digitalization, AI, genomics, biotech). If regulated properly, they can become a force for good; left unregulated, the gig economy, which has already kick-started the fourth wave of globalization, could produce even harsher social conditions than the third wave of globalization, in post-modern as well as in developing countries.
- **Sub-national actors** like cities and federal states within nation states become increasingly important in multilateral cooperation for sustainable development – especially in policy areas that are not the prerogative of nation states (such as development policies). Across the world, mushrooming sectoral city alliances push for regulation and polyilateral cooperation to improve citizens' quality of life and wellbeing. Within the next decade, cities are likely to emerge as forceful agents of cross-border cooperation and hence as a promising actor in a newly emerging landscape of

Part III: Alternative worlds – plausible future multilateral orders

So, what is the right way forward? “For Germany, a reasonable starting point for cooperation with other constructive international players is not the question of a common value-base” states Robert Kappel, the former Director of GIGA, “but rather the willingness to accept the global power shifts as a reality.”⁶² Moreland makes the same argument: “Some hope”, he observes, “that multilateral institutions can subdue geopolitical rivalries. ... Unfortunately, this is a misdiagnosis. Great-power politics, particularly their relative absence, always have been the foundation underlying the multilateral order. If great-power competition is returning, reshaping states’ baseline assumptions, then it is a driving, structural force in international politics to which nations must respond.”⁶³

According to Moreland, the biggest mistake would be to assume that the past quarter-century was the historical norm rather than an aberration in international affairs. Even though the resurgence of great-power competition is worrying, “multilateralism cannot ‘solve’ geopolitics. Nor can it return us an idealized version of a harmonious post-Cold War moment.” To defend multilateralism, “one cannot preserve it in amber. Rather, those architectures must be adapted to – and adaptable within – the prevailing geopolitical environment.”

Therefore, before answering the question about what role middle powers like Germany, France, Japan, Canada or the United Kingdom might play in the evolving new international order and how they could influence international cooperation for sustainable development, we first need a better understanding of plausible alternative future scenarios for international multilateralism.

The report presents six foreseeable alternative worlds of multilateral cooperation. The main characteristics of each scenario – according to their perceived likelihood – are described below, including key actors, key drivers, tipping points and a short analysis of the impact on multilateral cooperation for sustainable development.

The scenario of “principled liberalism” – a world that aims at ever deeper and wider cooperation and integration based on shared values and principles – has been identified as unlikely. This was the world of the 1990 global conferences, of the Rio Conventions, the Kyoto Protocol, and other landmark achievements in international cooperation and agenda setting. It was a world in which all countries were expected to buy into the concept of planetary boundaries, in which human rights were considered to be of universal importance, and solidarity, and in which social and environmental responsibility played a crucial role. This was Francis Fukuyama’s “end of history” world. However, because of the self-delegitimization of the liberal international order, a return to principled liberalism seems highly unlikely. Nevertheless, the European Union in particular will still insist on minimal liberal standards in its multilateral cooperation (and if it did not, it would threaten its social contract/liberal order at home). Therefore, we will always be confronted with the rhetoric of principled liberalism, but it will come across as much softer, less dogmatic and more pragmatic.

Four other scenarios were considered highly likely to occur over the next 10 years:

1. Multilateralism à la carte, alliances of convenience and selective minilateralism
2. Competitive multilateralism, spheres of interest and regional multilateralism
3. Effective liberalism (“liberalism with teeth”)
4. Nationalist internationalism (“Our countries first”)

⁶² Robert Kappel during the “Review 2014” process of the German Federal Foreign Office (2015), 20.

⁶³ Moreland (2019), 7-8.

1. Highly likely scenarios

1.1 Multilateralism à la carte, alliances of convenience and selective unilateralism

The scenario is that while reforms to modernize or upgrade the multilateral order fail or are being hampered by key stakeholders, the old international system serves only as a remnant of a once useful framework. Since no other effective alternatives to the dysfunctional system are being developed, states follow a highly utilitarian business-as-usual approach: together with like-minded partners, they use the eroding old order to position themselves as good global citizens, particularly if other options to promote their interest are less effective.

This also opens the door to more informal modes of cooperation, alliances of convenience and even unilateral initiatives backed by like-minded partners. Multilateralism à la carte is driven by powerful domestic lobby groups that try to preserve their interests in an increasingly hostile international environment. They rely on well-established networks and alliances (often led by regional hegemons) aiming at bypassing a dysfunctional global order or competing alliances that harm their vested interest. The "multilateralism à la carte" world (or, alternatively, selective unilateralism) is more Westphalian in character, rules-based rather than normative (liberal), and more informal and spontaneous than the current international order. It can, however, contain elements of "effective liberalism" (see below).

Protagonists	Proponents of the liberal international order as well as its challengers
Key drivers	<ul style="list-style-type: none">○ No country or group of countries has enough clout to push for a reform of current multilateral institutions○ Emerging regional and global powers bypass the old order and establish new multilateral cooperation institutions with limited outreach and impact○ No major crisis would push the old system towards reform or collapse
Tipping points	None: business-as-usual with diminishing impact; decay and incrementalism
Impact on sustainable development	<ul style="list-style-type: none">○ Window-dressing of multilateral cooperation○ Lip-service to international agendas (slow progress on climate change and 2030 Agenda)○ Cherry-picking○ Occasional initiatives to speed up multilateral cooperation (often brought forward by informal groups like the G20)

1.2 Competitive multilateralism, spheres of interest and regional multilateralism

The scenario is that the more dysfunctional the current liberal international order becomes, and the more competition between the great powers gridlocks its procedures, the more alternative/competitive institutions will be created with the aim of bypassing the old order.

Competitive multilateralism will be dominated by regional powers/hegemony and will be limited in scope (particularly regarding the management of global public goods). Where the global order does not provide for enough frameworks, regional orders will fill gaps and open up spaces for regional cooperation (formal and informal, state and cross-sectoral groupings).

Spheres of interest and regional alliances will be complemented with sectoral alliances across regions. At global level, this order is dominated by the G2 (US, China) or G3 (US, China, EU) and is a highly competitive, often conflictual, multi-order world; at regional level, this could be well-functioning systems of order seeking to bypass and overcome dysfunctional global systems of governance.

Protagonists	G2/G3 regional hegemony and groupings of middle powers; regional organizations (EU, AU, ASEAN; to a lesser extent, AL and GCC), military alliances and more informal groupings (NATO, SCO, PESCO); informal sectoral alliances
Key drivers	<ul style="list-style-type: none">o Conflict of interest/competition between the great powerso Ignorance and bypassing of global governance institutions (UN, UNSC, WTO) to the point of irrelevanceo Perceptions of increasing threatso Build-up of regional systems of governanceo Securitization of sectoral policies (energy, trade)o Build-up of security alliances
Tipping points	Gridlock of WTO (Dispute Settlement Body); Brexit; reelection of Donald Trump; more assertive China (Hong Kong protests); climate catastrophe
Impact on sustainable development	<ul style="list-style-type: none">o Less multilateral diplomacy and fewer legally binding agreements with global reacho More functional regional cooperationo Climate change will remain a cross-cutting issue as adaptation costs soaro No global agenda for tackling climate change in place (Paris 2015 marks the peak of the global climate change agenda)o Regional climate change packages with limited scope but better mechanisms to track, trace, incentivize and sanctiono Climate change adaptation is to the fore, and mitigation becomes less feasible (because of the lack of global or cross-regional agreements)o 2030 Agenda cannot be continued as a global agenda (end of universality)o Cherry-picking of SDGs because of domestic and regional concerns and the influence of interest groups (particularly in the private sector)o End of "financing for development" agenda

- Increase of regional multilateral institutions (dominated by regional – sometimes benevolent – hegemons)
- Irrelevance of World Bank and UN, but UN agencies and programs can continue their work if they are funded
- BRI and AIIB will become more important
- Other regional development banks will become more important
- Regional horizontal cooperation will co-exist with bilateralization and vertical integration by non-benevolent regional hegemons

1.3 Effective liberalism (liberalism “with teeth”)

Due to its normative concerns (liberal-democratic value set/conditionality), today’s liberal international order is being rejected by many non-Western states. At the same time, many of today’s multilateral agreements are considered mere window-dressing because they are voluntary and non-binding and have “no teeth” (enforcement mechanisms).

This is not the case in the world of effective liberalism, which is an effort to renew and reform the current liberal international order from within and make it more effective. But unlike principled liberalism (see below), effective liberalism is limited in scope and membership (alliances of the like-minded). And in most cases, it is likely to coexist with a dystopian old order and competitive forms of multilateralism.

This form of multilateralism is liberal in character (open, democratic, transparent, accountable, entrepreneurial, and with respect for human rights) but more functional than political. It is open to “pragmatic multilateralism”, particularly in policy areas that are less value-laden. Effective liberalism is based in regions that have a high degree of political integration, transnational institutions and processes to develop and enforce common policies (such as the EU or ECOWAS). It is open to informal groupings and minilateral alliances (of convenience), as well as to peer-to-peer collaboration (multilateralism).

Effective liberalism is highly compatible with “multilateralism à la carte” and with “selective minilateralism” where the latter meets key requirements of due process and high standards of transparency and effectiveness (impact).

Protagonists	Countries of “the West” that want to uphold the principle of an open, rules-based international order (FRA, GER, JPN, CAN, AUS), the European Union and most of its Member States; large sections of populations and the political spectrum in the UK and the US; beneficiaries of globalization
Key drivers	<ul style="list-style-type: none"> ○ Market access ○ Economic growth ○ State of human development, human security and wellbeing ○ Undue influence of non-democratic countries in liberal democracies/Europe
Tipping points	<ul style="list-style-type: none"> ○ US turning away from the liberal international order ○ Chinese efforts to undermine an open, democratic, rules-based order ○ EU consciousness of its sharp and soft power capabilities ○ Human conditions worsening in countries without a liberal order ○ BRI partner countries becoming critical of Chinese practices and influence

Impact on sustainable development

- It all comes down to binding commitments and whether international institutions have authority to impose sanctions (qualified majority decision-making; sanction mechanisms; rights to intervene)
- This can best be achieved through regional institutions or in minilateral alliances/coalitions of like-minded partners (often anchored regionally)
- Global institutions for sustainable development will be less relevant (the UN would further lose influence)
- UN agencies and programs would still be useful if funded (but not to define norms and standards)
- Regional multilateral institutions will gain importance
- Regional development banks would be the regional bloc development agencies that would work selectively on the 2030 Agenda but still with a universal claim
- The World Bank would mainly serve US interests, while the AIIB would serve Chinese interests (alternatively, proponents of effective liberalism need to engage more in the AIIB to influence its portfolio and its standards)
- At a technical level, regional MDBs will continue to cooperate, with climate change and other global cross-border threats serving as an umbrella
- Depending on the turnout in the upcoming US Presidential elections, the G7 and the G20 could be re-strengthened and serve as a forum to tackle Climate Change and other global, cross-border threats
- The EU would widen its connectivity strategy to be competitive with China's BRI and to challenge China on social, environmental and human rights standards
- Even though the WTO might be gridlocked, an alliance of liberal states would set up a bypass mechanism to promote free trade between them.
- The EU (like-minded Member States within the EU) would link development cooperation more closely with its foreign policy (a multi-speed EU)

1.4 Nationalist internationalism ("Our countries first")

Nationalist internationalism might be the outcome of a dystopian race to the bottom in the current world order, driven by the attempt of societies to protect themselves against the downsides of globalization and interconnectedness. Nationalist internationalism finds an optimal ecosystem when it faces an opponent that drives globalization to the next level and is geared towards openness, interconnectedness and free trade. It might, however, also blossom on the basis of shared grievances, imagined or real.

Protagonists of nationalist internationalism believe in simple solutions and old recipes to cope with the challenges of a globalized world. "Decoupling" is their byword, and they persuade their populations that societies will be better off if they cut back on openness, interconnectedness and free trade. They are proponents of protectionist and mercantilist measures. The price will be high, since their constituencies will have to cut back on quality of

life, levels of prosperity, well-being, and technological progress in exchange for self-determination, low rates of migration and the rejection of “undue influence” from abroad.

In order to survive in a highly connected, globalized outside world, nationalist countries unite loosely in an informal alliance of like-minded partners. Nationalist multilateralism is a hollow alliance driven by necessity rather than the will to secure its power base vis-à-vis attempts from the outside to unmask its policies as running against the people’s interest and to achieve common political aims (such as social security and the protection of their populations against the impact of climate change).

Protagonists	Countries and societies that perceive themselves as being disadvantaged by globalization through widening inequality, low rate of economic diversification and low innovation adoption rates; countries affected by mass migration; autocratic and authoritarian regimes
Key drivers	<ul style="list-style-type: none">○ Growing inequalities between and within countries as a result of globalization and digital transformation○ Cyber threats, mass migration (including as a result of climate change)○ Rising desire of societies to “unplug” from interdependencies○ Gridlocked domestic political systems○ Rise of nationalist/populist movements○ Nationalists enter government in many former liberal democracies○ Young democracies slip back into autocratic rule
Tipping points	UK post-Brexit faces economic hardships; re-election of Donald Trump and Jair Bolsonaro; lifelong Presidency of Vladimir Putin and Xi Jinping; Poland and Hungary turn more nationalistic/EU imposes Article 2/Article 7 measures; soaring globalization 4.0 due to the Fourth Industrial Revolution
Impact on sustainable development	<ul style="list-style-type: none">○ In this scenario, multilateralism for sustainable development will struggle to survive in countries that decouple from international development○ Some aspects of the 2030 Agenda may survive, depending on how the discourse is framed (away from universalism but highlighting the need to protect the livelihood of societies, improve social services and the quality of natural resources in order to show that even nationalist regimes can deliver what their populations need/sustainability as a prerequisite for regime survival)○ To reach out to populist leaders, personalized leader formats like the G7/G20 are useful○ Rule of thumb: reframing the 2030 Agenda narrative would help national internationalists to pursue the 2030 Agenda; the less technical and complex an issue is, the more likely buy-in by populist regimes is
Remark/quote	Increased predictability and the collective effort to find solutions for mutual (global) problems is an advantage of multilateralism that even authoritarian states, dictatorships and other non-liberal strategic competitors cannot ignore.

2. Less likely scenarios

2.1 Unilateralism

Even though a return to a unilateral order similar to that of the 1990s is highly unlikely, it could happen through a sudden, unexpected disruption, such as the temporary “pause from history” of Russia after the collapse of the Soviet Union. But to apply this logic to current affairs – i.e. a possible collapse of China or “a pause from history” (as was the case during the 19th and first half of the 20th century) – would be the prerequisite for accepting such a scenario as plausible. There are indeed a few weak signals that hint into this direction: (a) Donald Trump’s trade war aims at forcing China to its knees, risking its socio-economic decline, if not collapse (with massive repercussions for the world economy); (b) as the Communist Party of China becomes more repressive and economic growth is low, social discontent and even unrest could lead to internal stress that might lead to a *de facto* disappearance from the global stage – even if only temporarily.

Applying the same logic to the other global power – the United States – would be even harder to imagine. However, even a retreat by the United States from world affairs could be possible, either through voluntary isolationism and a very limited role in international affairs or as a result of a massive constitutional crisis that would threaten the national unity of the United States.

Another conceivable way to think about a unilateral world is *de facto* unilateralism due to the lack of any other grand narrative and a revival of liberal internationalism once the pendulum in Washington swings back and a progressive President again takes the helm.

Key actors	United States and/or China; weak or dependent world regions and middle powers/economies
Key drivers	After the end of the three “-isms” of the 20 th century (fascism, communism and liberalism), a new quest for an overarching narrative/ideology continues (deeper meaning); alternatively, revival of principled liberalism (“The best system we ever had and can think of”)
Tipping points	Systemic shock (war, economic crisis, collapse of world order or one of the global powers)
Impact on sustainable development	Ideological turn in development cooperation; “winner takes all”; depending on which ideology is in charge, all-out measures to implement the 2030 Agenda or to abandon it (as also with climate change and other global public goods); instrumentalization of development policy for political aims and as a power projection tool of a global hegemon; room for individual policy initiatives by non-aligned countries with different concepts of development policy
Remark	A return to a unilateral order seems highly unlikely. For the near future, the US is the only real global power in the system that could serve as a benevolent hegemon. All the other great powers (CHN, RUS, EU) lack the necessary political will, the societal mindset, the financial and human resources and the arsenal (of hard, sharp and soft power) to play that role. A complete collapse of other great powers (CHN, RUS) is also highly unlikely, though this would be a prerequisite for a unilateral order (voluntary or out of necessity). In addition, the US could not generate enough global support for unilateral leadership. Finally, the US would be neither able nor willing to project power globally for an extended period.

2.2 In-limbo world/G-zero world

The in-limbo world is a world in which no single country or bloc of countries has the political and economic leverage – or will – to drive a truly international agenda. The in-limbo world is characterized by a declining liberal internationalism caused by the United States' retreat from world affairs. Policies are transactional and primarily serve narrowly defined national interests; the US only engages selectively in multilateral agendas (i.e. to guarantee the freedom of navigation and communication, in times of international economic crises, or to mitigate and prevent humanitarian hardships).

In the initial phase, spoilers try to profit from the decline of the old system, seeking to widen their spheres of influence by all available means short of war (which could trigger an international reaction or intervention).

In an in-limbo world, regional actors and middle powers are too weak to create complementary or fallback layers of regional governance; they are too absorbed in protecting and defending the remnants of the old order, preserving their national interests against spoilers and upholding order and stability within their own societies. Pockets of cooperation exist not by design but solely on the basis of common cultural or historical heritage or out of sheer necessity.

Key actors	All nations that now have ordering capacity (positive as well as negative) in the international system
Key drivers	Disengagement of key actors from international order; inability of emerging powers to fill this void; ongoing/aggravated crisis of EU; weakness of regional actors to build a second layer of regional governance as a substitute for a defunct global order
Tipping points	Further retreat of US from international institutions; minimalization of the US's global role (militarily, politically, as guarantor of global governance institutions such as WTO); death of WTO; gridlocked new EU Commission, nationalists/populists enter government and many liberal democracies
Impact on sustainable development	At global level, complete breakdown of global agendas; at regional level, pockets of cooperation but only to improve/uphold livelihoods of societies; no management of global public goods; humanitarian crisis management and response will still function, but no preventive measures will be in place (ad-hocism)

Part IV: Recommendations

1. Entry points and levers for German multilateral cooperation for sustainable development

Other than in the early 1990s and the early 2000s, we have not lived in an era where ambitious global transformation agendas could be pushed forward. Quite the contrary: most countries are satisfied if the progress made during the last 20 years is not lost, knowing that a big push forward would be necessary to cope with the challenges we face.

If we want to both preserve the accomplishments of the past and push the agenda for sustainable development to the next level, we need to be more creative than in the past. There will be no single formula that gets us there. What is needed is, rather, a playful mixture of established old and new – as yet unproven forms of multilateral cooperation. Multilateral cooperation needs to go far beyond the state-to-state level and must incorporate many new actors that are not yet playing an established role. We also need to develop new models of cooperation between state and non-state actors (and particularly with cities) and to find modes of delivery that blend different actors' experience and make use of different actors' levers and instruments.

Before coming to the report's key findings and recommendations, one marginal note is important: from a purely functional, problem-solving perspective, multilateralism needs first and foremost to generate efficient and tangible results that serve the interests of the stakeholders and could not be achieved unilaterally or bilaterally. If multilateral institutions cannot create added value, actors and stakeholders will turn to other forms to pursue their interests (the founding of the AIIB being a case in point). But from a small country's point of view, multilateralism is ideally the only form of interstate diplomacy that does not privilege the stronger over the weaker (one country, one vote) and imposes limitations on an international order that is dominated by the great powers (or "concert of powers", as Russia would prefer).⁶⁴ But the problem goes much deeper: we have reached a degree of interdependence that makes the decoupling of economies and societies virtually impossible, at least from a rational actor's point of view. If societies disentangled themselves from globalization, they would most likely rapidly face societal breakdown and international isolation (the North Korea model). Or to put it more succinctly, interests are a matter of conscious choice, but needs are not.

The following 17 recommendations are based on the expert interviews and reflect what has been written by researchers and scientists in recent years.

1.1 Getting started: climbing down from the moral high ground of principled liberalism

If Germany wants to play a constructive role in renewing and strengthening multilateral cooperation for sustainable development, it must take a normative decision before more practical steps can follow. This means that we ("the West") must climb down from our moral high ground and acknowledge that over the last 30 years, we have overstretched the liberal agenda to the extent that we have imposed our worldview, our values and our institutional frameworks on other world regions, "partners" and adversaries alike. We have seemed more interested in making the world safe for democracy than making headway with our development agendas. Or, as one interviewee has put it, "We need to wave good-bye to the liberal overstretch and have to replace it with a more realistic, more skeptical, non-hegemonic concept of liberalism."

⁶⁴ With notable exceptions, as in the case of the P-5 in the UN Security Council or other great-power privileges, such as blocking minorities in international development banks.

On a more practical note, this means that we should no longer blend the idea of a (missionary) liberal agenda with the concept of a rules-based order (which is a procedural quality). This would reflect a decade-old principle of multilateralism that prioritizes cooperation and inclusion regardless of regime type.⁶⁵

In this context, Moreland explicitly cites the Franco-German “alliance for multilateralism” that seeks “to stabilize the rules-based world order, to uphold its principles and to adapt it to new challenges where necessary”.⁶⁶ Indeed, if existing multilateral institutions are not to become obsolescent, it is essential that they adapt to new actor landscapes, environments and challenges. However, moving towards a more value-based “liberal club” would be counter-productive.⁶⁷ It is self-evident that our (development) policies will always rest on liberal-democratic values, but these values should not be a prerequisite for engagement with other countries bilaterally or in multilateral forums. As Amitav Acharya suggests, in place of ideologically charged liberal internationalism, we should encourage pragmatic globalism.⁶⁸

Hence the key question for Germany will be how pragmatic multilateral cooperation can be on the one hand and, on the other hand, how principled multilateral cooperation must be for us not to lose our bearings and undermine the very foundations of our societies at home.

The dilemma, however, will be how we can drive global transformation agendas successfully (2030 Agenda, climate change) without liberal hegemony. One answer may lie in informal forums such as the G20 (see below).

1.2 Effective multilateralism starts at home

If the German Federal Government fails to speak with one voice on the international stage and does not coordinate its policy initiatives and instruments better, German efforts to strengthen multilateral cooperation will be less effective than they could be or possibly even ineffective.

Compared with China’s highly strategic and coherent approach, using all its state agencies, state-owned companies and state-owned financial institutions to push its Belt and Road Initiative, German international policy initiatives appear less strategic, highly fragmented and poorly funded.

If Germany wants to leave a footprint and be competitive on the international stage, it first needs to pool its public resources more strategically and improve its intra-governmental coherence (i.e. through new financial and agenda-setting mechanisms). However, all this would be just a necessary first step to leverage Germany’s potential as one of the world’s biggest donors to international cooperation for sustainable development: in a world of great-power competition, facing two global actors with almost unlimited resources, Germany can make a difference only if it acts with one voice and as *primus inter pares* within the European Union (particularly once the United Kingdom is no longer part of the EU).⁶⁹

⁶⁵ Cooper (2003), 164.

⁶⁶ Maas/Le Drian (2019).

⁶⁷ Moreland (2019), 3.

⁶⁸ Acharya (2018).

⁶⁹ France will not be able to play this lead role because of its colonial past, and Germany should refrain from leaning towards Paris too heavily. If Germany wants to make a difference in implementing the 2030 Agenda, it needs to push for concerted action within the EU.

1.3 Working through the EU

Henry Kissinger once said that “Germany is too big for Europe, but too small for the world”. This is particularly true with regard to the Herculean task of global sustainable development. Germany will make a difference in implementing the 2030 Agenda only if it joins forces with other actors of similar size (see recommendation above).

Germany should do everything it can to generate sustainable development cooperation impact from the limited resources it can invest. This not only addresses the question of bilateral versus multilateral approaches to development cooperation but also raises the unresolved question of whether, and how, the European Union Member States could establish a truly European agency for implementing development cooperation at all three levels – bilateral (best done by regional development agencies in the respective regions), region-to-region and global.

1.4 Leveraging the EU’s sharp and soft power

Another approach is more indirect but could have tremendous impact in the long term. According to virtually all interviewees, the EU underestimates its “sharp power” arsenal: “Both Germany and the EU have tremendous power to make others adhere to standards.” The European market, with its 500 million consumers, sets the highest market standards in the world, and Asian businesses and economies around the world want to access it. Europe has the power to define social and environmental product standards, thereby pushing for sustainable products and innovations worldwide.

The EU does not therefore always need to engage directly with the biggest players to see advancements in tackling climate change, pursuing sustainable value chains or furthering implementation of the 2030 Agenda. The EU is itself a big player and has demonstrated its power many times in trade negotiations when it has inserted layers of conditionality, i.e. regarding obligations on climate change policies. However, until recently, the EU has not thought of itself in terms of strategic power. To make use of its market authority, it needs only a slightly more strategic framing.

Being aware of its sharp power in setting international sustainability standards is probably the biggest lever the EU has not only vis-à-vis China and the United States but vis-à-vis all actors (including European businesses). Europe needs to be a rule-maker, not a rule-taker. As the EU’s biggest economy and innovation powerhouse, Germany needs to play a key role in this approach.

1.5 Multilateralism without a benevolent liberal hegemon

Even though achieving progress on global agendas such as climate change or the 2030 Agenda is more difficult without the biggest actor aboard, progress is not dependent on US participation and support alone. Demand and support for multilateralism will continue to vary, depending on the issue. Moreover, functional as well as strategic considerations will always create demand for global governance, whether to tackle climate change or to support cross-border human security.

For the time being, the world cannot count on significant US support for multilateralism, even though backing might come selectively. However, the gradual absence of the United States should not discourage other major actors from engaging in multilateral forums and finding solutions to shared challenges in a cooperative manner.

Whether or not the US returns to a more collaborative path, Germany and other Western countries need to “give up their free-riding on the United States and accept shared leadership with the rising and regional powers”.⁷⁰

This means in turn that middle powers like Germany need to learn how to deal and interact with great authoritarian powers like China, most likely in concerted action with other middle powers or through regional entities like the EU: multilateralism “without teeth” will remain an empty promise.

1.6 Strengthening and renewing existing multilateral institutions, particularly the UN

Turning away from the UN system would not only create new inefficiencies but would also play into the hands of countries like China that have an interest in playing out power asymmetries through the bilateralization of development cooperation.

Instead, UN bodies guarantee a minimum level of inclusivity that must be defended against efforts by the great powers to integrate small powers vertically into their spheres of influence. Hence, Germany and like-minded governments need to strengthen the UN and its institutions – not only through declarations, but also with funds and through political initiatives implemented by UN institutions.

A strengthening of UN institutions will be successful only if they are perceived as truly global entities, recognizing the interests and aspirations of all. The UN system will regain legitimacy and trust only if Western powers give up their privileges, not only in the UNSC (which is the hardest nut to crack) but also in the World Bank (which has a US-appointed President), the IMF (which has a French-appointed President and a US veto) and in the ADB (which has a Japanese-appointed President).⁷¹

There was consensus among interviewees that UN programs and UN agencies have been doing “incredible work” for decades. Even though trust at political level may be eroding, UN organizations have enough remaining trust, and the networks, credibility and tools, to bring about change on the ground. Hence, “Germany should continue its traditional support for multilateral agencies in order to shore up the institution’s resilience and its efficiency – in spite of challenges the institutions face,” as one interviewee recommended.

1.7 Reforming the WTO

To regain legitimacy, trust, relevance and strength in multilateral institutions and processes, reforming UN institutions will not be enough. Since sustainable development is dependent on economic stability and prosperity, fixing the WTO will be key.⁷²

⁷⁰ Acharya (2018).

⁷¹ With the United Kingdom leaving the European Union, a window of opportunity to re-model the UN Security Council opens. Circles in Paris, Berlin and other European capitals are discussing an interesting suggestion: why not negotiate a package deal between Paris and a new German Government that demands of Germany an agreement on a European financial and social union and, of France, the Europeanization of its nuclear arsenal in return? At global level, such a package deal would logically require the transfer of France’s UNSC seat to the European Union, and that would shake the very foundations of the UNSC. Such a bold initiative would exert massive pressure on the remaining P-5 to rethink their indifference towards UNSC reform and spur substantial support by rising powers such as India, Brazil, Nigeria, South Africa, Japan et al. These steps would also weaken German ownership of the EU and that of France in the security sector. The overall result would be a clear deterioration in conditions for multilateral cooperation.

⁷² While the current discussion about WTO reform is dominated by the US blockade of the Appellate Body, the debate about WTO reform leads back to very days of its creation in 1995: the failure of the Doha Round (with its Doha Development Agenda

Economic competition requires rules in order to guarantee reciprocity and undistorted global free market access. Even though the Trump administration seems willing to let the WTO appellate body wither away and engage in a bilateral trade war with China (and other economies), it is in nobody's interest to abandon the WTO altogether.

Currently, three strategies are being discussed: (1) maintaining the benefits of the WTO but preventing its collapse by establishing an arbitration body outside the WTO (put forward by the EU, Canada and Norway); (2) preparing "the mother of all legal cases", i.e. a collective legal case by as many WTO members as possible listing all rule-violations by China since its WTO accession in 2001; (3) a general overhaul of the WTO and its rules, processes and responsibilities, which is likely lead to lead to a much weaker trade regime than the current framework.

All three strategies are extremely risky. The first strategy aims at bypassing the US administration and hoping for a policy change in Washington in 2021 after the Presidential election. The second strategy depends on the United States and aims at either pushing China out of the WTO or forcing Beijing to comply with its rules and procedures in the future. In any case, China is likely to lose its WTO status as a developing country, which will have a tremendous impact on its future economic growth potential.⁷³ In the long run, without the most powerful actors included, the WTO and any other effort to set up a global trade regime are bound to fail. And in any case, the West cannot push China over the edge if it wants to keep a prosperous global economy.

The third strategy might be the only way to find a consensus that includes the US, China and the European Union but at the expense of smaller economies. A reformed WTO is more likely to serve a G3 world than to enable a fully open, equitable and reciprocal trade regime for all. Without fixing the WTO, though, we will see faster bilateralization of economic relationships.

As one of the world's economic powerhouses and its third largest exporter, Germany should do everything possible to push for a reform of the WTO and to integrate China fully into a fair and rules-based international trade order.

1.8 Strengthening regionalization and regional institution-building

When multilateral global governance institutions are blocked or inefficient, the most effective next layer is regional governance. There are many examples of regionalism today that are open, interactive, and inclusive. First and foremost is the European Union, but the list also includes the African Union, the regional economic communities in Africa (especially ECOWAS) and ASEAN, all good examples of functioning regional layers of governance, their insufficiencies notwithstanding.

Regions have always been crucial for both conflict and cooperation. Consideration of ways to develop a new model of multilateral cooperation with an impact on global governance should not focus too much on the big emerging powers while neglecting the role of other regional powers in the developing world, such as Indonesia, Nigeria, or Turkey.

While there is no point in ignoring the fact that the regionalization of multilateralism might lead to spheres of influence, more inclusive and open forms of regionalism can contribute to enhancing

to better integrate developing countries into world trade), Trade-Related Aspects of Intellectual Property Rights (TRIPS) and China's status as developing country – to name just a few.

⁷³ One interviewee argued that when China was still a "classical" developing country, it was much easier for it to abuse economic rules such as intellectual property rights (IPR). Now that China is a highly advanced economy, it has an increased self-interest in pursuing a rules-based international order. Soon, it will face the same difficulties as Western economies (IPR theft, price dumping etc.). Another interviewee characterized China's positioning within WTO as "intentional ambiguity": it competes economically at eye-level with the US but still insists on its preferential WTO status as developing country.

multilateral cooperation at global level. However, neither regional multilateral institutions nor minilateral forms of collaboration can substitute for more universal institutions; they need to work hand in hand to be as complementary as possible. ASEAN is a case in point: it provides a minimum level of inclusivity for Asia and Oceania. "In the absence of ASEAN, there are only Sino-centric and exclusive models. So, ASEAN needs to be upheld", one interviewee demanded, "simply due to the lack of desirable alternatives."

A web of cooperating regional multilateral institutions could serve as a layer of redundancy to cope with defunct or inefficient multilateral organizations at global level. This is particularly true of the international climate regime (UNFCCC), which is incapable of producing adequate results to halt climate change (as a result in part of the lack of binding measures and the absence of incentives/sanctions). With a "geopolitical EU Commission" at the helm, and climate change being one of the top priorities of new Commission President von der Leyen, the time is ripe for an inter-regional network to tackle climate change. Its focus, according to interviewees, must be on technological innovation, technology transfer, business models to boost this transformative agenda, the introduction of CO₂ trading schemes in all energy-intensive sectors, and an end to fossil fuel subsidies.

1.9 Investing in minilateralism to boost effective multilateralism

Middle powers can play an important role in reviving multilateralism in a world that is dominated by great-power rivalry and spoilers. Many interviewees are convinced that "the future is minilateral", i.e. a tightly-knit web of small but highly effective coalitions of the like-minded. Even though minilateralism falls short of universal multilateralism, experts argue that "liberal countries should get involved in as many plurilateral arrangements as possible." Minilateralism, in their view, is a temporary fallback option in times when universal multilateral institutions are dysfunctional, gridlocked or politicized.

Currently, many liberal countries are experimenting with this kind of interstate cooperation: Japan and Australia are the vanguards of minilateralism in Asia and Oceania, while in Europe, this role falls to France, Germany and Norway. And Canada is opposing US efforts to bilateralize relations with Latin American countries, exert pressure upon Ottawa and undermine multilateral agreements such as UNFCCC and WTO.

Therefore, other than in the interwar years or during the Cold War, middle powers have enough room for maneuver. Collectively, middle powers such as Canada, Japan, France, Italy, Germany and the UK have enough economic and political clout to influence the great powers and to offer an alternative for interstate exchange and cooperation. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP minus the US) is also a forceful example of how small and middle powers are stronger together: even if they do not get the superpowers involved, they can still form blocs to strengthen a rules-based system and pursue the public interest.

Another interviewee also sees a role for rising powers of the global South in balancing the great powers' vertical integration strategies and establishing minilateral alliances to uphold multilateralism as a principle: "If we could overcome the mental barriers and the deeply ingrained narratives of 'the North' and 'the South', the EU and Africa could become balancers of great power competition in coalitions of the willing."

Germany cannot – and should not – act unilaterally in setting up minilateral "coalitions of the willing and capable", even though it has done so in the past (Petersburg Climate Dialogue).

However, more recently, it has joined forces with France to tackle global issues such as disarmament, digitalization and climate change in a newly formed multilateral forum.

Minilateral alliances could also be a way of achieving progress in implementing the 2030 Agenda. Since none of the 193 signatories can pursue all 17 SDGs simultaneously and with the same vigor, minilateral coalitions of countries that prioritize the same SDGs domestically could be a way forward to driving the 2030 Agenda more holistically and more systematically. Canada, for instance, has decided to concentrate on 5 of the 17 goals, with a strong focus on gender equality (SDG 5) as a cross-cutting issue. Germany could follow this example and become a champion for a more selective set of SDGs, including climate change (SDG 13).⁷⁴

1.10 Cooperating with rising powers in new institutions

There is a flip side to UN reform and efforts to grant rising powers more influence in existing institutions: the need for cooperation with new multilateral institutions, such as the China-led AIIB or the NDB. According to one interviewee, “the AIIB and the NDB are prime examples of how China has taken ownership of the multilateral system”. No matter whether we join or reject these new institutions, said this interviewee, “China will continue its path anyway”. Hence, the best chance to chart the course of these new institutions and to improve their standards of development aid and governance is through wider engagement (i.e. demanding larger shares and voting rights, as rising powers did to increase their influence in Bretton Woods institutions).

In the best of all worlds, the AIIB with its high operational standards could become a blueprint for the complementarity of the Western and Chinese approaches to development (i.e. affordable infrastructure development combined with high social and environmental standards). “We have to make ‘new’ institutions, such as the ADB, the AIIB and the NDB, as complementary to existing institutions as possible. They don’t have to rival the Bretton Woods institutions”, one interviewee stated. But so far, as another interviewee observed, Chinese-led and US-led institutions of multilateralism have co-existed side by side with an almost complete lack of cooperation or systemic coordination between these two institutional strands.

If we want to engage China more in multilateral cooperation, one interviewee argued, the only setting where this is possible is within existing institutions and orders – old, reformed and new. And, he continued, a prerequisite for deepened cooperation based on mutual trust is addressing China as a great power rather than as a rule-breaker, a regional hegemon, or an authoritarian regime. If we want to make progress on international development agendas, we need to approach China “irrespective of its political system and irrespective of the fact that China is not a democracy and abuses rights”. This rule of thumb applies not only to China but also to other great powers, most notably Brazil and Russia.

Another interviewee hints at a further important aspect that is usually not considered thoughtfully enough: the question of generational worldview and perception. The argument is that a whole new generation is growing up whose mindset is rooted not in the 20th century (i.e. colonialism, post-colonialism and Western unilateralism) but in the 21st century, which is characterized by globalization and multipolarity. This new generation will be much more pragmatic than ideological, which in turn means that even though new institutions like the AIIB or the NDB do not yet represent large volumes of capital, they do represent “a tremendous degree of convening power”, as can be witnessed in the Forum on China-Africa Cooperation (FOCAC).

⁷⁴ Kharas/Rogerson (2017), 20.

These developments notwithstanding, we must go further than coopting rising powers into our institutional landscapes or joining theirs. We must also start questioning the entire mindset that assumes that Western-born ideas and concepts are superior to other societies' solutions. As Amitav Acharya rightly points out, we need to "give due credit to the contribution of non-Western actors to the marketplace of ideas for global cooperation. Latin American countries championed human rights before the Universal Declaration of Human Rights and had developed a tradition of regional norm- and institution-building before the EU was conceived. The East Asian countries, led by Japan, pioneered a path out of postcolonial dependency and underdevelopment. The UN Convention on the Law of the Sea had much to do with the leadership of Southeast Asian diplomats. The ideas of human development and human security were conceived by Pakistani economist Mahbub ul Haq, while the Responsibility to Protect concept was to a large extent an African contribution."⁷⁵

This means, as former World Bank President James Wolfensohn has remarked, that we "must accept that projects receiving development financing or other forms of multilateral support are not World Bank, AIIB, or IMF projects — they are Indian projects, Ugandan projects, Nigerian projects".⁷⁶ This is a policy shift that has been agreed upon by the High-Level Fora on Aid Effectiveness in Paris (2005), Accra (2008) and Busan (2001). It remains to be seen, however, whether, and to what extent, it will be fleshed out in practice.

German multilateral cooperation for sustainable development must become a forerunner in championing regional, culture-sensitive solutions for regional problems. One step in this direction could be greater engagement in regional, non-Western development institutions like the AIIB.

1.11 Using existing, and creating new, informal groupings more strategically

There is disagreement among experts whether informal formats such as the G7 and the G20 contribute to the marginalization of the UN or whether they are necessary to integrate and hold accountable key actors beyond the P-5.

There is agreement, however, that Germany (together with other middle-ranking powers) could leverage its economic and political weight within these groupings more strategically to promote climate change as a strategic issue and not just a humanitarian or environmental one – even at the cost of visible disagreement.

Informal formats like the G7 or the G20, where the Heads of State or Government meet on an equal footing – even at times of tensions, eroding trust and mounting uncertainties – could be invaluable surrogates (and testing grounds) for multilateral cooperation. The importance of bilateral or leader-driven formats to countries like China, Russia, Saudi Arabia and now Brazil should not be underestimated: here, they can position themselves as equals between highly respected Heads of State or Government.

However, formats like the G7 or G20, which cannot rely on a secretariat, must be accompanied and complemented by smaller groups or formats, such as the EU-China Dialogue. Especially with China, exchange can be encouraged by approaching Beijing on the basis of its global status and ranking. As noted earlier, the West needs to reach out to and respect China as a great power, irrespective of its political constitution. A shift in the West's rhetoric vis-à-vis China would encourage China to join international debates honestly, whether on climate change or other

⁷⁵ Acharya (2017).

⁷⁶ Wolfensohn (2019), 20-21.

concerns of global relevance, because without international cooperation, Beijing will not be able to tackle shared problems that, in the long run, will undermine the regime's authority and stability at home.

In the eyes of China, Germany plays a critical role as the largest economy within the European Union, as a hub for innovation (even though increasingly marginalized), as a role model for the energy transition and environmental standards and – probably most importantly – as a highly respected culture and international partner. Germany could leverage this status if it were better embedded in a concerted effort by the European Union (or spearheaded an alliance within the European Union) to make progress on the climate change agenda. To this end, one expert suggests, at G20 level, Germany “should push for making climate change a strategic and not just a humanitarian issue”.

1.12 Leading the transition from ODA to TOSSD

The success of the OECD-DAC framework in supporting low-income countries (LICs) in becoming middle-income countries (MICs) and hence helping them to alleviate poverty and connecting them to the globalized economy has led to an anachronism: soon, the ODA framework will render itself obsolete. South America is a case in point: according to OECD-DAC criteria, only two countries are now still considered developing countries.

This – for once – is good news because it shows that OECD-DAC has, by and large, been a success story for international cooperation. Born in the spirit of decolonization and global solidarity and midwived by the Eisenhower and Kennedy administrations, the time has now come to close this chapter, turn the page and adapt international cooperation to new realities.

And it is time to do this because – and this is the flip side of ODA's success story – ODA allows recipient countries to position themselves as victims of formerly unjust exploitation systems (colonialization, Western dominance and tutelage). A swift transition from ODA to TOSSD (Total Official Support to Sustainable Development⁷⁷) extended beyond OECD countries and public agency would break this vicious cycle and require rising economies, corporations and civil societies to take greater responsibility for their own wellbeing and for global public goods. Germany could play a lead role in shaping and operationalizing the TOSSD framework, and particularly in managing global value chains.

1.13 Offering a real alternative to the “Chinese model”

In a world where great-power competition is the order of the day and multilateral institutions are being bypassed or weakened, smaller countries become early victims of “balance of powers” diplomacy by the major powers.

China's Belt and Road Initiative is a perfect example of this strategy. By delivering what developing countries need most (grants and cheap loans to build infrastructure), China is using its overwhelming power asymmetry to get access to these countries and their consumer markets, and not just in its immediate neighborhood, where interdependencies are traditionally high, but also with far-away countries in Africa, Central Asia and Latin America and even a number of European countries.

⁷⁷ See: Addis Ababa Action Agenda (AAAA) (para 55) and OECD DAC HLM 2014.

For these countries, China offers – at least at first sight – an attractive alternative to Western aid and loans that come with a political price: “conditionality” (usually minimal standards in good governance, social and environmental standards, human rights, etc.). But these countries underestimate the downside of these new alternatives when they swap one dependency for another and risk losing critical infrastructure to China if they cannot pay back the loans (as in the case of Sri Lanka, which signed a debt-for-equity deal securing China the operation of Magampura Mahinda Rajapaksa Port in Hambantota for 99 years).

One interviewee therefore insisted that “the future of the multilateral order depends on the West’s ability to develop strategies that allow for the competition with China’s asymmetric approach in addressing global challenges while pursuing the West’s vital interest”. The key question is the extent to which large-scale BRI projects hard-wire those countries’ future relationship with China and the rest of the world. As the rating agency Moody’s has observed, “[given] China’s reluctance for transparency about the projects, the viability of BRI projects is increasingly being called into question”. Thus Malaysia, among other BRI countries, has renegotiated the terms of certain BRI contracts, indicating growing unease about scrutiny of the initiative, and this could serve as an entry point to increase the transparency and sustainability of BRI projects and for other actors to play a role in the infrastructure development of developing countries and compete with China in this arena.⁷⁸

However, pushing back on the bilateralization of development cooperation can succeed only if Western development institutions refrain from over-ambitious conditionality, compete with China in offering sustainable and affordable infrastructure and, at the same time, propose accompanying measures to enhance economic and social development in the long term (access to European markets, innovative financing schemes (PPP) and access to finance, skills development, and the like).

1.14 Competing with China and shifting emphasis to infrastructure development and technology transfer

For far too long, traditional donor countries and Western-led multilateral development organizations have been hypnotized by China’s rapid rise and its bold Belt and Road Initiative.

Efforts by Japan, Australia and the US to foster infrastructure in the Pacific is a prime example of how Western countries can respond to the rise of China with joint forces: “If infrastructure is wanted, we can deliver infrastructure”, one interviewee stated, “and we can maintain conditionality and transparency.”

Ultimately, the formula is quite simple. “Money talks”, the same interviewee argued: “If you invest as much money as China, you will gain more influence – probably more than China.” All Western-led multilateral institutions combined (excluding the EU) invest far more in infrastructure development than China. However, multilateral decision-making and project implementation takes far too long to be competitive with Chinese unilateralism. And we should embrace the sobering fact that the political differences between China and the West are fundamental and, to some extent, irreconcilable.

However, rather than focusing on the rivalry with China, the West should convince developing countries of Western advantages. Western values and principles will find their way in the long run. Malaysia and Myanmar have already re-negotiated their big BRI complexes.

⁷⁸ Moody’s (2019).

It all comes down to the question of framing and political communication, getting the right message across, and moving away from conditionality and the moral high ground of liberal idealism to the lowlands of everyday practicality. Germany and the EU need to make progress in getting their messages across. There are reasons why people risk their lives in the Mediterranean to make a living in Europe or walk 3,000 miles on their bare feet to cross Central America to reach the Mexican-US border. We have seldom seen such streams of refugees heading towards China and even more towards Russia from the “Stans”, i.e. the former Central Asian Soviet Republics, as a result of economic pull factors and dire prospects in that region rather than for humanitarian reasons.

1.15 Expanding the space for liberal values and civil society

For years, the space for civil societies has steadily shrunk – and not just in autocratic and authoritarian regimes, where mistreatment of civil society organizations is the norm rather than the exception, but in Europe and the United States, too.

However, there are also signs of improvement. Contracts under the Belt and Road Initiative are now being renegotiated to incorporate social and environmental standards to the extent that there is already talk about the “Green BRI”. Meanwhile, in Africa and South-East Asia, there is discontent about the standards of Chinese development investment and slowly growing grass-roots calls for good governance, human rights and more sustainable solutions.

The EU has always played an important role in providing these, which might be a point of entry into different multilateral theatres (one being the re-negotiation of the ACP-EU Agreement “post-Cotonou”). One Interviewee stressed a similar point: “As we see on the ground, civil society plays an important part in partner countries, e.g. in the field of gender. There, our values did not lose traction.”

Reaching out to and cooperating more closely with civil society organizations and systematically incorporating civil society issues into minilateral and multilateral forums could expand the space for civil society again and improve the social and environmental impact of development projects, particularly in Africa and Latin America.

1.16 Incorporating sub-national state actors into multilateral formats

When the nation state level becomes an obstacle to achieving progress on international agendas, such as we now see with the United States leaving the Paris Agreement, we can still cooperate with US cities or federal states. The nation state is only one level of organization. Cities and regions are becoming increasingly autonomous, and in any case, the nation state level is not always the best level at which to implement effective solutions (for instance, concepts for energy-saving housing or mobility).

As international agreements and processes start to erode, national and sub-national actors emerge that have not hitherto played an important role in the management of global public goods. First and foremost, these are cities and sub-national governmental entities. While national policies might conflict with other states’ interests, sub-national and non-state actors can be a useful vehicle to implant progressive and sustainable policies.

An example illustrates this argument. California, with its 40 million citizens and tech giants, is now the fifth-largest economy in the world, surpassing the GDP of the UK. With its progressive climate

protection laws and orientation towards international climate regimes, it has made progress in limiting the US's CO₂ footprint.⁷⁹

What this example illustrates is that development cooperation needs to find new ways, levers, partners and instruments to manage global public goods and to speed up implementation of the 2030 Agenda. This means in essence that diplomacy must become more creative, multi-layered and informal. A first step could be to revive and strengthen regional policies within the European Union, which could serve as a basis for inter-regional peer-to-peer learning in other parts of the world.

1.17 Rethinking the role of the private sector and designing business models for development

Despite all efforts by the German Government in recent years to leverage private sector investments for sustainable development – within its own jurisdiction and in the context of the G20 –, the role of business in enhancing sustainable development goals is far from fully exploited.

This is for good reason: other than Chinese state-owned enterprises (SOEs), market economy-based enterprises cannot take the same risks and do not have the financial resources to invest in emerging markets, most of which do not provide the necessary infrastructure to run production lanes reliably and cost-efficiently. Moreover, their consumer markets are poorly developed, particularly in Sub-Saharan Africa. Most interviewees are convinced that Germany and the European Union need to review their market economy mechanisms if they are to be competitive with China in third countries.

According to our interviewees, this is particularly true in the realm of infrastructure development: "If Western countries cannot deliver what developing countries need most, these countries will sooner or later turn to China." Interviewees believe that Germany should continue to lead the European and G20 dialogue on the future of Africa and should drive forward the discussion on business opportunities instead of allowing the debate to be framed along the lines "a continent to be saved".

Another angle for a whole-of-society approach to development cooperation (with a special focus on businesses and consumers) would be the deepening and widening of value-chain governance. This would demand a reframing from state-to-state development cooperation to a more society-based approach. International cooperation based on value chain governance would grant even the least developed countries a say at the table and would demand full transparency from these countries. Such an approach would force German governmental agencies to act more coherently and to define a common approach not only vis-à-vis the corporate world but also, together with the private sector, vis-à-vis its foreign interlocutors.

2. Final remarks

Change and substantial improvements in multilateral cooperation for sustainable development will not come overnight, and there are no easy answers or quick wins. However, there is enough leeway and space for innovation in international cooperation to make progress on international development agendas such as the 2030 Agenda.

State-to-state multilateral cooperation at global level might be gridlocked today. However, this creates room for maneuver for middle powers, regional actors and entities, minilateral alliances of

⁷⁹ Lack (2018).

the like-minded, sub-national state actors, businesses and even civil society organizations. Hence, the world ahead is most likely to be governed through a system of minilateral topical alliances ("selective minilateralism") or even ad-hoc alliances with changing partner constellations. This highly volatile world demands far more diplomatic skills, strategic thinking, political will and patience than pure agenda management in palace-like global governance institutions.

As a highly connected state, society and economy, one of the biggest donors in international development cooperation, and a power with good working relations with almost all countries in the world, Germany can play an active part in leveraging these alternatives.

The forthcoming German Presidencies of the Council of the EU (2020) and the G7 (2022), Germany's temporary seat in the UNSC (2019/2020), and its prominent role in the G20 are useful means to experiment with new forms of multilateral and minilateral cooperation for sustainable development.

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