PART III

CP3

WHAT KIND OF POWER IN WHAT KIND OF GLOBAL SYSTEM?

12

C12 # The End of Multilateralism?

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C12.P1 > Our world cannot afford a future where the two largest economies split the globe in a Great Fracture—each with its own trade and financial rules and internet and artificial intelligence capacities. A technological and economic divide risks inevitably turning into a geostrategic and military divide. We must avoid this at all costs.
>
> Secretary-General Antonio Guterres speaking in September 2020 at the opening of the United Nations General Assembly

C12.P2 The international system is rapidly being reshaped by the strategic rivalry between the USA and China. For all other countries and regions in the world, this rivalry has profound consequences. At stake are the rules of the game, which will affect markets, technologies, and the ways disputes are resolved.

C12.P3 Different forms of multilateralism have long shaped the international rules of the game. The term 'multilateralism' describes the arrangements created and agreed by states which facilitate cooperation by enshrining commitments to diffuse reciprocity and peaceful dispute settlement (Keohane 1990; Ruggie 1992). It can include formal treaties, informal arrangements, and international institutions involving a number of countries.

C12.P4 Over the last two centuries, the world has seen several forms of multilateralism. A *Concert of Great Powers*—Austria, Great Britain, Prussia, Russia, and France in the early nineteenth century—convened extensive multilateral consultations through which they settled rivalries and agreed, for example, on the neutrality of Belgium and Greece. This system gave way to *rival alliances* as Prussia expanded, beating Austria-Hungary in 1866 and France in 1871. The Triple Alliance comprising a Prussia-led Germany, Austria-Hungary, and Italy confronted the Triple Entente of France, Russia, and the United Kingdom in the First World War.

C12.P5 *International institutions* began to play more of a role after the First World War with the development of the League of Nations and then, after the Second World War, the United Nations and its raft of agencies. That said, these emergent universal-membership multipurpose agencies were soon forced to coexist with USA–USSR Cold War rivalry. This created a *balance of power* system and a debate

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among scholars of international relations as to whether sheer power politics determined outcomes, or whether institutions played (at least) an intervening role.

C12.P6 Multilateralism during the Cold War was used by the USA and the Soviet Union to advance arrangements within their respective blocs, as well as to regulate the rivalry between them. At times, multilateralism served to moderate excesses in superpower competition and its impact on other countries. At other times, their rivalry sidelined formal multilateral institutions because of a stalemate between the rivals.

C12.P7 The new strategic rivalry between China and the USA raises questions about what role international institutions are likely to play as China and the USA vie for control of the rules and of the institutions which help implement, interpret, and adjudicate those rules.

C12.S1 A Changing Context: The USA–China Strategic Rivalry

C12.P8 The rise of China and the ebbing of US primacy in global institutions sped up after the global financial crisis of 2008. The resulting strategic rivalry is driven by three classical elements of great power competition, which form the backdrop to the evolving role and nature of international institutions.

C12.P9 *Competition to control resources and access to resources and markets* is the first element of their strategic rivalry. For the USA, much has changed. After the Second World War, the USA mostly managed its markets through a combination of foreign direct investments, bilateral and regional free trade agreements, and the creation and upholding of multilateral rules, such as those enshrined in the World Trade Organization (WTO), into which China was inducted in 2001. But two forces have changed the US position.

C12.P10 China is now a competitor for markets. We saw this play out in the Pacific when the USA proposed a Trans-Pacific Partnership in 2010 which would encompass 12 countries in the Pacific (and from which they would withdraw).[1] Within two years, China had proposed its own alternative, the Regional Comprehensive Economic Partnership (RCEP) encompassing the ten members of the Association of South-East Asian Nations (ASEAN)[2] plus Australia, Japan, New Zealand, and South Korea.

C12.P11 More broadly, China has developed its Belt and Road Initiative (BRI), which was launched in 2013 by President Xi Jinping to create an infrastructure linking partners to the west of China (the former Soviet republics), to the south (India,

[1] Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and China.

[2] Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

Pakistan, south-east Asia) and elsewhere (see Chapter 13 in this volume). Huge investments have poured into railways, energy pipelines, highways, efficient border crossings, special economic zones, and other strategic investments. The BRI is buttressed by new multilateral organizations which China has created (about which, more below).

C12.P12 In Europe, Chinese investments have increased rapidly. Where in 2008 annual Chinese outbound foreign direct investment into the 28 EU economies was €700 million, by 2016 it had grown to €35 billion.[3] The Eurozone crisis accelerated China's investments in infrastructure—in the ports of Piraeus, Zebrugge, and Valencia, for instance—and in the gas and electricity grid of Portugal. In 2019 Italy became a formal partner in China's BRI.

C12.P13 Meanwhile, the USA has also changed its strategy of engagement with the rest of the world. In the Pacific, the USA opted to withdraw its signature from the Trans-Pacific Partnership (TPP) in early 2017 and sought to negotiate new terms for its existing free trade agreements, such as the North American Free Trade Agreement (NAFTA). In fact, the TPP partners went ahead without the USA, signing the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which entered into force on 30 December 2018.

C12.P14 In Europe, President Trump began his presidency by setting an aggressive tone, criticizing European allies over the North Atlantic Treaty Organization (NATO), announcing that the USA would withdraw from the Paris Climate Accord, withdrawing from the Iran nuclear deal, and castigating European countries for permitting Huawei to provide 5G equipment. In January 2020, President Trump announced his intention to take further action on the trade front, renewing his threat to increase the US tariff on European cars.[4]

C12.P15 In a global competition for resources and access to resources, China is expanding its investments and treaties with countries, while the USA (although loud about its discontent with the current system) has not yet clarified its new strategy for securing resources and markets abroad in the face of that competition.

C12.P16 The second element of their strategic rivalry is *competition for dominance in new technologies* and the data that enable their full exploitation. This includes artificial intelligence (AI) and data science, advanced battery storage, advanced semi-conductor technologies, genomics and synthetic biology, 5G cellular networks, quantum information systems, and robotics.

C12.P17 In the aftermath of the Second World War, the USA enjoyed a dominant position in technology through a powerful set of policies. Government-driven investments in basic research and development resulted in radical discoveries that served as well-springs for later-stage development activities in private industry

[3] https://merics.org/en/report/eu-china-fdi-working-towards-more-reciprocity-investment-relations.
[4] https://www.cnbc.com/2020/01/22/trump-claims-the-eu-has-no-choice-but-to-agree-a-new-trade-deal.html.

and government. These were translated into military capabilities at unrivalled speed. Outstanding training in science, technology, engineering, and mathematics (STEM) attracted the best and brightest from across the world. Commitments to open trade won new markets abroad, further fuelling domestic innovation.

C12.P18 US leadership in technology is now less clear. Federal support for research and development has stagnated. Insecure supply chains, a deteriorating manufacturing capability, and reliance on competitor nations has hampered the military uptake of new technologies. The Trump administration's trade and immigration policies are likely to have exacerbated the blunting of America's competitive edge, alienating the allies, students, and researchers who help to keep the USA competitive. A recent report also notes that 'a persistent cultural divide between the technology and policymaking communities threatens national security by making it more difficult for the Defense Department and intelligence community to acquire and adopt advanced technologies from the private sector and to draw on technical talent'.[5]

C12.P19 China meanwhile has been investing hugely. Its 2015 'Made in China 2025' plan aims rapidly to expand China's high-tech and advanced manufacturing base, especially in AI, advanced robotics, next-generation information technology and telecommunications, and electric cars and new energy vehicles.[6] The plan explicitly seeks greater global self-sufficiency in high-tech industries (70 per cent by 2025) and a dominant position in global markets. It has been estimated that by 2030 China will be the world's largest investor in research and development.[7]

C12.P20 Today, the technology competition between the USA and China has become fierce as a raft of recent US trade and commerce restrictions have driven a wedge between US and Chinese companies, breaking the global production chains which linked them. In the short term, this has imposed great costs on Chinese companies, most obviously in the case of Huawei. But US policies are also accelerating the development of China's technological self-sufficiency. The strategic rivalry over technology could move rapidly from competition within a system which binds China and the USA together to the emergence of ever more separate spheres of influence.

C12.P21 *Controlling the rules* which govern interactions among countries is a third element of the strategic rivalry. After 1945, parallel patterns of cooperation emerged between East and West, as well as within each bloc. Within the US sphere of influence, NATO and the Organization for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), the World Bank, and General Agreement on Tariffs and Trade (GATT) emerged. In the East, the

[5] https://www.cfr.org/report/keeping-our-edge/.

[6] Other major sectors include agricultural technology, aerospace engineering, new synthetic materials, advanced electrical equipment, emerging bio-medicine, high-end rail infrastructure, and high-tech maritime engineering. https://www.cfr.org/backgrounder/made-china-2025-threat-global-trade.

[7] https://www.cfr.org/report/keeping-our-edge/.

USSR developed the Warsaw Treaty Organization and the Council for Mutual Economic Aid (COMECON). Bringing the two blocs together was the United Nations (UN), a raft of long-standing institutions of technical cooperation (such as the Universal Postal Union, the World Meteorological Organization and the International Atomic Energy Agency), and specific summits, agreements, and treaties.

C12.P22 At the end of the Cold War in 1990, the Soviet institutions collapsed and what had previously been Western international organizations became universal, with Russia and the countries that had formerly been in its sphere of influence joining the IMF, the World Bank and the GATT/WTO. Initially, these organizations remained dominated by the USA. But over the past two decades, the US dominance of organizations has begun to wane. The 2003 war in Iraq split the US-led Western alliance. The 2008 global financial crisis accelerated the rise of China and the BRICs (Woods 2010). President Trump's administration, by withdrawing engagement and support from international organizations, accelerated the diminishing of US influence.[8]

C12.P23 Meanwhile, China has greatly increased its engagement with existing multilateral institutions (more on this below), while building new multilateral arrangements at the same time. These include: the Shanghai Co-operation Organization, an eight-member group that includes Russia and central Asian countries as well as India and Pakistan; the Asian Infrastructure Investment Bank, a multilateral organization with 102 members based in Beijing which helps to finance infrastructure; and the New Development Bank, formed by emerging economies and based in Shanghai.

C12.S2

What Role for Multilateral Organizations in the China–USA Rivalry?

C12.P24 As the USA and China seek new forms of control over markets, compete for dominance in technology, and vie for greater influence over the rules of the game, history highlights some trade-offs. Effective international institutions rely on the 'buy-in' of powerful members who don't have to buy in. They can refuse to participate, as the USA and USSR did in the 1920s with the League of Nations. They can participate nominally, but mostly circumvent the multilateral process or institution, as the USA and USSR did in respect of the UN Security Council during much of the Cold War. Or powerful states can make their participation

[8] This withdrawal includes late payments and arrears in its UN contributions, threatening to further reduce its contributions (e.g. to the WHO), refusing to fund the UN Relief and Works Agency and the UN Population Fund, and withdrawing from the UN Human Rights Council and UN Economic and Social Council.

conditional on a high degree of control, which creates ongoing tension between what the majority of member states in an institution wish it to do and what its most powerful members will agree to it doing.

C12.P25 In the aftermath of the Second World War, these choices played out in the new institutions created to rebuild the global economy. The IMF and the World Bank were designed in 1944 as mechanisms for cooperation among countries, regardless of their political ideology. The idea was to provide a forum for agreeing common rules and pooling financial provisions which would help to buffer the effects of monetary shocks and financial crises while also providing financing for post-war reconstruction.

C12.P26 The rivalry between the USA and the Soviet Union soon trumped the multilateral processes. The Soviet Union joined neither the IMF, the World Bank, nor the new trade arrangements set out in the GATT. And for its part, the USA quickly opted for more direct and politically conditional ways of lending with a view to shaping reconstruction in Asia and Europe: in Europe through the Marshall Plan and in Japan through the Supreme Command of Allied Powers (SCAP).

C12.P27 The USA also sought, through informal means, to expand its influence and control over the IMF and World Bank. As the Cold War developed and the IMF and World Bank grew their operations, their lending patterns and conditionality came closely to reflect US geostrategic interests (Woods 2006). Likewise, the GATT became a 'club' for members with similarly political views (Davis and Wilf 2011). Meanwhile, the United Nations Security Council and General Assembly soon became fora for set-piece debates and votes which entrenched the East–West divide and rivalry.

C12.P28 That said, international cooperation also played an important role in limiting aspects of the USSR–USA strategic rivalry. Treaties helped in specific instances to contain the impact of superpower competition on other countries. For example, the Soviet Union and the Western occupying powers (the USA, France, the UK) agreed on the Austrian Independence Treaty and that country's neutrality in 1955. In 1962, the Soviet Union and the USA signed the International Agreement on the Neutrality of Laos.

C12.P29 Later in the Cold War (signalling what would be called détente), the superpowers agreed treaties which included arms restraints, including the Anti-Ballistic Missile Treaty (ABM) in force 1972–2002; the Strategic Arms Limitation Agreement signed in 1972; the Accidents at Sea Agreement of 1972; and the Berlin Quadripartite Agreement of 1971. Less effective were efforts to engineer broad-based agreements, such as Nixon and Brezhnev's Basic Principles Agreement of 1972.

C12.P30 Informal negotiations and summits also opened up important avenues for problem solving. For example, the July 1955 summit which brought the heads of government of the Soviet Union, USA, UK, and France together in Geneva to discuss European security, disarmament, and East–West relations did not result in

any formal agreement, but did lead to what was described as a 'Geneva spirit' of willingness to engage in a limited way. The resolution of the Cuban Missile Crisis and the 1977–8 USA–USSR agreement that the USSR would limit its engagement in Somalia offer further examples of structured informal talks.

C12.P31 The Cold War period also highlighted that international organizations can acquire a more independent role, not least because they can insert themselves into the setting of agendas, the gathering of information, and the resolving of states' collective action problems (Abbott and Snidal 1998). Crucial to shifting this from theory to practice is the leadership of the international organization. Powerful heads of organizations can increase the scope for multilateral action by adeptly forging coalitions in support of their mandate and finances, and by managing their organizations staff, ethos, and performance effectively (Hall and Woods 2018). Two examples illustrate this.

C12.P32 Dag Hammarskjöld, as secretary-general of the United Nations, seized the opportunity presented by the 1956 Suez Canal crisis, which did not directly involve the superpowers (Israel, France, and Britain were using force to respond to Egypt's President Nasser nationalizing the canal), to create a peacekeeping mandate under the control of the secretary-general rather than the great powers on the Security Council.

C12.P33 Another example is provided by Robert McNamara, who as president of the World Bank from 1968 to 1981 transformed the organization. Its membership grew and he personally undertook to ensure negotiations brought China into the bank in 1980. He increased the bank's resources severalfold, including an increase in the bank's concessional lending arm (the IDA) from $400 million to $4 billion per year. In short, he massively increased the organization's financial and technical power.

C12.P34 So multilateral organizations can play an important role, even amidst a great power rivalry. This will necessarily involve achieving a fine balance between the wishes of their most powerful members and the legitimacy and effectiveness of their mandate. The leadership of any organization can make a difference to whom it serves and how. This may be why China has been seeking greater influence over the leadership of existing multilateral organizations.

C12.S3 The Rise of China within Existing Institutions

C12.P35 Unlike the Cold War rivalry between the Soviet Union and the USA, the new strategic rivalry has China seeking to compete with the USA mostly within the rules, institutions, and precedents created by the USA.

C12.P36 China has greatly enhanced its position and role in key organizations. In the United Nations, China is now the second largest contributor to the general budget as well as the peacekeeping budget. Chinese officials now head up four of the

15 UN specialized agencies: the International Civil Aviation Organization, the International Telecommunication Union, the Food and Agriculture Organization, and the UN Industrial Development Organization.

C12.P37 China has used its engagement with UN agencies to craft programmes which complement and reinforce its Belt and Road Initiative; these agencies include the United Nations International Children's Emergency Fund (UNICEF)[9] and the United Nations High Commissioner for Refugees (UNHCR)[10]. In 2016, China pledged $200 million to create a new United Nations Peace and Development Trust Fund (UNPDTF),[11] which is administered by a steering committee of five, four of whom are senior Chinese officials. In 2019, the UNPDTF's projects were heavily focused on 'enhancing the complementarities and synergies between the Agenda and the Belt and Road Initiative' and 'strengthening capacities of developing countries participating in the Belt and Road Initiative'.[12] That said, other countries have begun to push back against China's influence.[13]

C12.P38 In the IMF, China is now the third most powerful member state with 6.08 per cent of the voting power (Japan has 6.15 per cent, Germany has 5.32 per cent, the USA has 16.51 per cent); it is also one of the few states with its own seat on the executive board.[14] Since 2011 a succession of senior Chinese officials have held the position of deputy managing director of the organization. Similarly in the World Bank, China is now the third largest vote-holder, and a senior Chinese official is the managing director and World Bank group chief administrative officer.

C12.P39 The World Trade Organization does not have weighted voting power. The agency exists to facilitate trade negotiations, to monitor compliance with existing rules, and to provide a dispute settlement mechanism. Powerful countries use the dispute mechanism, which requires costly and time-consuming preparation, technical knowledge, and information.[15] China has become the third most active country in the dispute settlement process (having mostly been a third party in disputes until 2006). By the end of 2019, China had been involved in 65 disputes, and had generally agreed to abide by WTO rulings on disputes, albeit more slowly and with less effect than complainants would like.[16]

[9] https://www.unicef.org/press-releases/henrietta-fore-unicef-executive-director-high-level-symposium-belt-road-initiative.

[10] https://www.unhcr.org/news/latest/2019/3/5c9df95b4/un-refugee-chief-connects-chinese-companies-boao-forum.html.

[11] https://www.un.org/en/unpdf/index.shtml.

[12] https://www.un.org/en/unpdf/2030asd.shtml.

[13] https://thewire.in/diplomacy/china-obor-belt-road-un-pushback.

[14] https://www.imf.org/external/np/sec/memdir/members.aspx.

[15] The five most active users are five of the largest economies in the world: the USA, EU, China, Canada and India.

[16] https://chinapower.csis.org/china-world-trade-organization-wto/.

C12.S4

The US Response to China's Engagement in Multilateral Organizations

C12.P40 The US response to China's engagement in multilateral organizations has changed over time. At first, the USA urged China to 'take responsibility' and to engage more with multilateral organizations. But since 2016, the USA has itself sought to take a step back from multilateral engagements and to weaken institutions (including NATO, the TPP, the Paris Climate Agreement, and the Iran deal), even as it now seeks to counter China's influence within them.

C12.P41 On 14 April 2020, President Trump announced that he would cut funding to the World Health Organization (WHO),[17] on account of its defence and praise of China's response to the coronavirus; this despite the fact that he had himself effusively praised China at first (on Twitter) for its handling of Covid-19. Subsequently, in early July 2020, the US president gave notice to the US Congress and the United Nations that the USA was formally withdrawing from the WHO (effective as of 6 July 2021).[18] This will exclude the USA from mechanisms of reporting and information sharing which enable America's own agencies to be more effective. Equally, without US participation, global efforts will be less effective. Meanwhile, at the WHO's annual meeting in May 2020, China pledged $2 billion over two years to help fight the pandemic.

C12.P42 Since December 2019, the USA has continued to block any appointments of new judges to the appellate body of the World Trade Organization. The effect has been to render the body inoperative since 11 December 2019, since it does not have the requisite minimum of three judges to hear a case. China's response has been to circulate a reform proposal underscoring the importance of global trade rules and criticizing those blocking appointments to the appellate body.[19]

C12.P43 Earlier in 2019, against a backdrop of rising concerns about China's growing influence in Latin America, the Trump administration began to assert its control over the InterAmerican Development Bank. The regional bank's board had decided to hold its annual meeting in Chengdu, China. It was an important meeting, with the 48 members of the regional development bank (which include the USA, which holds 30 per cent of votes, and China with 0.004 per cent of the votes) celebrating the bank's sixtieth anniversary. On 22 March 2019, six days

[17] https://www.whitehouse.gov/briefings-statements/remarks-president-trump-press-briefing/.

[18] Gostin has questioned the legality of the withdrawal on the grounds that a) the USA must first fulfil all its financial obligations to the organization, and b) that withdrawal could need congressional approval, since US President Truman had specifically referencing a joint resolution of both houses of Congress in 1948 when joining the WHO. In the words of the Supreme Court: 'When the President takes measures incompatible with the expressed or implied will of Congress, his power is at its lowest ebb.' Gostin at https://www.thelancet.com/pdfs/journals/lancet/PIIS0140-6736(20)31527-0.pdf.

[19] https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=254127&CurrentCatalogueIdIndex=0&FullTextHash=371857150&HasEnglishRecord=True&HasFrenchRecord=False&HasSpanishRecord=False.

before the event, the bank announced that the annual meeting would not be held in Chengdu, but would be relocated to another venue.[20] Journalists reported that this was due to a disagreement over whether a representative of Venezuela's opposition party should be permitted to attend.[21] The meeting was held later in Guayaquil, Ecuador.[22] Further to this, in 2020, the US administration pressed for its nominee—a former aide to President Trump—to be appointed to the presidency of the bank, in the first ever imposition by the USA of an American rather than a Latin American president. In all, 16 of the Bank's 48 governors abstained from the vote.[23]

C12.P44 In November 2019, when the World Bank tabled its latest five-year lending plan for China,[24] US officials objected loudly (as well as formally).[25] The chairman of the Senate Finance Committee opined that the 'World Bank, using American tax dollars, should not be lending to wealthy countries that violate the human rights of their citizens and attempt to dominate weaker countries either militarily or economically', and Representative Anthony Gonzalez (Rep., Ohio) who has introduced legislation to curb World Bank funding to China, added: 'For me, even a dollar is too much for our taxpayers to be contributing to China.'[26]

C12.P45 In fact, the World Bank does not use US taxpayers' money to lend to China. The World Bank earns money by lending to China, money which is then used to pay for its operations (based in Washington DC) and which contributes to the bank's concessional lending to poorer countries. China is in a category of borrowers that pay up to 1.9 per cent over the London Inter-Bank Offer Rate (LIBOR),[27] and in 2019 the bank reported an increase in its income, due in part to an increase in loan spread revenue.[28] Furthermore, China's borrowing from the World Bank permits other countries to share practices with China (as well as to learn from China). It is noteworthy that the bank's lending aims in China include advancing market and fiscal reforms to encourage private-sector development; promoting greener growth by reducing pollution and reducing carbon emissions;

[20] https://www.iadb.org/en/news/idb-changes-location-annual-meeting.

[21] https://www.reuters.com/article/us-venezuela-politics-china-iadb-exclusi/exclusive-iadb-cancels-china-meeting-after-beijing-bars-venezuela-representative-idUSKCN1R32NU.

[22] https://www.idbinvest.org/en/news-media/guayaquil-ecuador-host-2019-annual-meeting-idb-and-idb-invest.

[23] https://www.devex.com/news/mauricio-claver-carone-overcomes-regional-opposition-to-become-first-american-idb-president-98080.

[24] http://documents1.worldbank.org/curated/en/902781575573489712/pdf/China-Country-Partnership-Framework-for-the-Period-FY2020-2025.pdf.

[25] 'US Objects to World Bank's Lending Plans for China.' https://www.nytimes.com/2019/12/05/business/us-china-world-bank.html?referringSource=articleShare.

[26] https://www.aljazeera.com/ajimpact/world-bank-china-billions-loans-objections-191206010906821.html.

[27] https://treasury.worldbank.org/en/about/unit/treasury/ibrd-financial-products/lending-rates-and-fees.

[28] http://pubdocs.worldbank.org/en/625641565356285634/IBRD-Financial-Statements-June-2019.pdf.

and increasing Chinese citizens' access to health and social services. It is not clear to which of these the USA objects.

C12.P46 Simply put, if the World Bank lends less to China and other countries that can afford to pay its full lending charges, then the bank will have to shrink or have members such as the USA make greater contributions to it. If the Washington DC-based World Bank shrinks, it will be other lending institutions, such as the Beijing-based Asian Infrastructure Investment Bank, that will step in.

C12.P47 In other multilateral organizations, the USA has sought to ensure that China-backed candidates do not head international organizations. In 2019 the agency at stake was the Food and Agriculture Organization (FAO), an organization conceived and born in the USA (its first headquarters were in Washington DC). The USA is one of the largest contributors to its budget and a key resource partner.[29] In 2019 all member countries participated in the election of a new head. The USA was determined to beat the Chinese candidate. However, the Trump administration miscalculated in its refusal to support the EU-backed French candidate, splitting the vote, and leaving the way clear for the Chinese vice-minister Qu Dongyu to be elected.[30] The USA did better in early 2020 when China campaigned for a Chinese candidate to be appointed head of the World Intellectual Property Organization (WIPO).[31] The USA threw its support behind a candidate from Singapore, who beat off the challenge from China.

C12.P48 The US strategy towards multilateral organizations (many of which it created) is not yet clear. In some cases, it is engaging with other countries to uphold multilateral rules and processes for changing the organizations, thereby shaping multilateralism and counter-balancing China's new influence, as it did in the WIPO leadership election. In other cases, such as the WHO and WTO, it has adopted a more aggressive, unilateralist approach which risks estranging potential allies, weakening the multilateral processes, and pushing the world towards 'rival alliances'.

C12.P49 Writing in September 2020, the race is now on to see who is appointed director-general of the World Trade Organization. The US Trade Representative has already declared that a successful candidate must understand the need for 'fundamental' reform of the WTO, recognize that China cannot currently be dealt with in the WTO, and not have so much as a 'whiff' of anti-Americanism in their background.[32] Meanwhile, China's ambassador to the WTO has said that a key criterion for selecting the next director-general will be whether he or she has a

[29] https://usunrome.usmission.gov/wp-content/uploads/sites/54/Brochure.pdf.

[30] https://foreignpolicy.com/2020/01/22/us-state-department-appoints-envoy-counter-chinese-influence-un-trump/.

[31] https://www.scmp.com/news/china/diplomacy/article/3048799/horse-trading-and-arm-twisting-us-battles-china-over.

[32] https://www.bloomberg.com/news/articles/2020-07-28/the-next-wto-chief-treads-a-fine-line-between-the-u-s-and-china.

'firm belief in the multilateral trading system with strong determination and adequate ability to bring WTO members together', and whether they are 'someone who can shoulder pressure from the non-believers and march on'.

C12.P50 This and other leadership races may themselves shape future multilateralism[33] by cementing rival coalitions around candidates, and/or advancing candidates who have (or who do not have, by design) the independence and capabilities to affect how the multilateral organization advances international cooperation.

C12.S5 Conclusions and the Implications for Europe

C12.P51 Multilateralism is evolving as the strategic rivalry between the USA and China plays out across three domains: markets (and access to markets), technology, and influence over the rules of the game. To date the European Union has been part competitor (for markets), part referee (on technology), and often 'punching below its weight' in setting the rules of the game. As multilateralism evolves, European powers will need to evolve their own strategies.

C12.P52 This chapter has laid our three types of multilateralism which are likely to persist. Multilateralism within alliances—formalized in international institutions—is one. China and the USA will each use institutions they dominate to cement relations with their own allies, while they simultaneously develop other arrangements such as the BRI mentioned above: for example, the USA in the InterAmerican Development Bank (where it has 30 per cent of the voting power and China only 0.004 per cent), and China in the Asia Infrastructure Investment Bank (where it has 29 per cent of voting power and the USA is not a member). European powers will now have to decide whether to continue mostly to look inwards, strengthening arrangements within the European Union, or to use their shared institutions (from the European Central Bank and the European Investment Bank, to the EU's aid programme and trade policy) to cement alliances outside of the EU.

C12.P53 For the rest of the world, this is not a wholly bad thing. Classical realists would say that balance-of-power politics—the competition for dominance between superpowers—necessarily sacrifices the sovereignty of small states. But within an alliance, these formal institutions can give smaller states some influence over the rules. One example is the IMF in the 1980s, when the Soviet Union was not a member and the USA had a dominant voice and role. The IMF's lending practices and policies were tightly aligned with US national security priorities. But the formal and informal agenda setting and decision making within the IMF in the 1980s offered opportunities for European and other states to influence the rules.

[33] Other leadership selections taking place during this period include those of the OECD, the European Bank for Reconstruction and Development, and the International Finance Corporation.

C12.P54 Today the strategic question for European powers is: what alliance do they wish to lead or join? The US-led alliance is changing fast. So too is European support for it. In a very recent poll of 11,000 citizens across nine European countries, reported in June 2020, a staggering percentage of people (up to 70 per cent) noted that their perceptions of the USA had worsened over the course of the virus. This led researchers to conclude that the Covid-19 crisis revealed 'a US divided in its response to the present crisis and haunted by its history' with the risk that Europeans will come 'to see the US as a broken hegemon that cannot be entrusted with the defence of the Western world'.[34]

C12.P55 A second form of multilateralism is that provided for by international institutions in which both superpowers are represented. Today the IMF is in the process of becoming a different institution. As mentioned above, China now has the third largest share of votes in the organization, as well as senior officials. While the USA is still dominant and continues to urge the organization to be 'tougher' on China over its exchange-rate regime (and President Trump accuses China of currency manipulation),[35] the institution reports that China's external positions are balanced.[36] China's influence has increased dramatically. And China, the USA, and other countries will have a shared interest in seeing the IMF act to preserve financial stability and to manage debt crises on every continent in the wake of Covid-19. Meanwhile, European members of the IMF still act separately, formulating their own policies, with Germany, the UK, and France enjoying their own executive directorships, while other European countries are represented in constituency groups. The result is that their influence is less than it could be. If Europeans wielded their voting power as one, they would enjoy a powerful immediate veto (as does the USA) over decisions requiring a special majority, a power which reverberates informally across the work of the management and staff of the organization. Similarly, in other organizations, European powers have begun, rather belatedly, to think about how better to join forces, such as in the UN Security Council.

C12.P56 The impact of international organizations on cooperation between the USA and China will be influenced by the leadership of the organizations themselves. Past examples underscore that an executive head who can mobilize a coalition of countries to counter a dominant member's view, and/or can maximally leverage the staff, information, technical knowledge, and resources of the organization, can have an impact. Dag Hammarskjöld did this as secretary-general of the United Nations when he created peacekeeping, and Robert McNamara did this as president of the World Bank when he greatly expanded the institution's membership

[34] https://www.ecfr.eu/page//europes_pandemic_politics_how_the_virus_has_changed_the_publics_worldview.pdf.

[35] https://www.cnbc.com/2019/08/05/trump-accuses-china-of-currency-manipulation-as-yuan-drops-to-new-low.html.

[36] https://www.imf.org/en/Publications/ESR/Issues/2019/07/03/2019-external-sector-report.

and activities. Without such leaders, international organizations are almost guaranteed to be stalemated by the vetoes of rival superpowers, sidelined by both, or turned into pawns of one rival or the other. It is vital for Europe to act both to ensure such leaders are selected, and subsequently to hold them to account.

C12.P57 Multilateralism is also likely to proceed outside of formal institutions. Multilateral consultations took place among Europe's five great powers in the early nineteenth century to resolve matters of mutual reciprocal interest. Today the leaders of the world's largest economies have many such issues. They meet as the G20, which is principally a committee for crisis management. At their summit in April 2020, they collectively committed to coordinate some of their own responses—on fiscal policy, for example, on resolving trade disputes, and in monetary policy. They also agreed to use existing international agreements and institutions including the International Health Regulations, the IMF, World Bank, International Labour Organization, and OECD. European powers will most powerfully shape such ad hoc and informal multilateralism by looking outwards and forging common strategies which advance European aspirations vis-à-vis markets, the development of technology, and global governance.

C12.P58 The strategic rivalry between China and the USA is a rivalry between nations which both depend on global markets, global finance, global innovation, and the co-option of other countries and regions of the world to sustain their own success. So too do European powers. For this reason, they will need to find more powerful ways to shape the emerging multilateralism.

C12.S6

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