

The End of the Global Liberal Order?

Written by Mauro F. Guillén

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MAURO F. GUILLÉN, MAR 4 2017

The post-World War II settlement was unique in its longevity and in the prosperity that it helped bring to many parts of the planet. It was strong enough to accommodate the process of decolonization and to avoid a frontal conflagration between the two superpowers, although it fueled numerous armed conflicts throughout Africa, Latin America, the Middle East, and South and Southeast Asia. Most importantly, in the post-World War II era a number of institutions designed to promote a liberal global economic and geopolitical order were put in place, which have survived the fall of the Berlin Wall and the onset of large-scale terrorism. These institutions are the International Monetary Fund (IMF), the World Trade Organization (WTO), and the World Bank in the economic sphere, and the United Nations (UN) in the geopolitical realm. In addition to these all or nearly all-inclusive multilateral organizations, the international community has also inherited a mutated North Atlantic Treaty Organization (NATO), which continues to play a pivotal role in security arrangements.

These organizations are far from perfect. Some of them have done mostly good, including the UN, the IMF and the WTO, while others, most notably the World Bank, have a far more mixed record in terms of accomplishments. For instance, the UN has made important contributions to advance the causes of poverty reduction, gender equality, and peace. The World Bank, by contrast, has been criticized for its emphasis on large infrastructure projects that do not necessarily address the needs of the poor (Stiglitz, 2002). Multilateral organizations were intended to bring geopolitical stability to the world, and to promote the orderly functioning of the global economy and exchange of goods and services between countries. They pursued a gradual agenda of liberalization of trade and investment in the world, providing a sense of direction and a recipe for sustainable economic development. These institutions also played a key, though sometimes controversial, role during times of crises. By and large, however, no major meltdown has occurred in the world since 1945, nothing comparable to a world war or a Great Depression (Guillén, 2016).

Globalization and Liberalism Under Siege

At the present time, however, this liberal geopolitical and economic order is under attack. While some of its old antagonists, like Russia, continue to assail it while simultaneously benefiting from it, the staunchest opponents are now populist movements in Europe and the United States. Intriguingly, they originate in both the far left wing and far right wing. Both claim that globalization and the liberal economic order have unequally benefited society. On the far left, the villain is the financial sector for the most part, while on the far right the scapegoat is the immigrant. The Occupy Wall Street movement, for instance, became a strong critic of policies protecting the financial sector and of the bailouts of banks during the crisis. On the far right, xenophobic parties in France, Germany, Holland, Sweden, and the UK have gained in popular support. Recent election results in Europe and the United States demonstrate that these rather extreme positions are gaining in popular support (Janssen, 2016).

At recent gatherings of global economic leaders, China has emerged as the improbable defender of the liberal economic order. For instance, at the 2017 World Economic Forum meeting in Davos, Chinese President Xi Jinping was, in the absence of the U.S. President, the main defender of free trade (Elliott and Wearden, 2017). Beijing has everything to gain from continued free trade and investment, and little to lose politically, unless it cannot deliver economic growth to its citizens. China, by itself, cannot hold the order together, especially because it is underrepresented at the IMF and the WTO in spite of its growing economic might. The United States and Europe must continue to be the main pillars of the global liberal order because they will continue to account for more than 50

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percent of global trade and global investments (Guillén, 2016).

The main threat to the global liberal order derives from political upheaval in Europe and North America. The U.S. is now moving away from global engagement, as evident from the actions of the new administration, and the European Union is in a permanent state of crisis due to the influx of refugees and problems with the currency union. Moreover, the relationship across the Atlantic is under stress due to divergent trade and migration agendas and the Trump Administration's insistence that European partners contribute more to the NATO budget. Russia's divide-and-conquer approach to geopolitics and heavy handed diplomacy also threatens to further complicate the transatlantic partnership.

In Defense of Global Engagement

The future may not be as bleak as it appears to be if the international community takes a series of steps in defense of global engagement. First and foremost, the U.S. needs to remain globally engaged by boosting multilateral institutions such as the UN, inviting emerging powers and new partners to the negotiating table on major global issues, and providing leadership to overcome pervasive conflicts, like those in Ukraine and Syria. This is a premise that cannot be abandoned. Without the U.S., there will be far more geopolitical chaos and far more protectionism in the world. The problem is that a large segment of the American electorate is asking for less international involvement and more protectionism. Opportunistic leaders are taking advantage of the situation to undermine the existing order without proposing a new one. Either the current political alignment in Washington renews its commitment to stability in the world or the balance of forces changes in the next two electoral cycles. There is no third alternative, or it is simply unacceptable.

The second crucial step that needs to be taken in defense of the global liberal order involves a change in the direction of the European Union and the Euro Zone. Brexit is a European and global tectonic shift, and it should help the rest of Europe reflect on what went wrong. The consequences of the crisis in terms of slow growth and persistent unemployment must be addressed with far more resolution, not only by the European Central Bank but also by Europe's most robust economies. For instance, Germany could utilize their financial surpluses to stimulate the EU economy through increased spending and investment. A declining and stagnant Europe is a bad omen for the world, and EU countries should collaborate more effectively to avoid a recession in the Euro Zone.

The third key step in defending the global liberal order is institutional renewal. The world has changed significantly since 1945. Despite changes in the last 70 years, the international community still relies on the same institutions and processes. They need to be reformed, giving more influence to emerging economies, such as China and India, and by assigning voting rights to them that are proportional to their new weight in the global economy. Institutions like the WTO, World Bank, and the UN also need to be recalibrated in terms of their mission and tool kits by addressing problems in a way that respects local variations and preferences without using a one-size-fits-all approach (Guillén and Ontiveros, 2016).

Conclusion

Change is pervasive in the world, and the only possible response to it is change itself. For that, global leaders will need to start talking and will need to start generating new ideas and solutions to vexing issues. The global liberal economic and geopolitical order has overwhelmingly served to improve the livelihood of people around the world. It still represents the best option for a peaceful and prosperous future, but it will need to be reformed or it will become moribund.

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