

# Economic Principles for A New World Order of Multipolarity and Multilateralism

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## Abstract

This paper argues that, besides geopolitical and security factors, economic variables are key drivers for world order. While this is not the first time world order is splintering, economic interconnectedness traditionally raised fragmentation costs and thus served to hold the world together. Now, however, the logic is reversed: economic integration is, instead, a prime contributor to fragmentation. New mindsets are, therefore, needed. The paper proposes three guiding principles for world order: First, build mechanisms for inadvertent cooperation, requiring for success not explicit collaboration but just individual-nations advancing self-interest; second, separate out problem domains where only zero-sum outcomes are available from those where mutual gain is available, possibly by nudges; and third, provide space for constrained multilateralism—whether plurilateral, minilateral, or otherwise—that is open and inclusive, and that will allow full-blown multilateralism to re-emerge where possible.

JEL: F13, F15, F42, F50, F51, F52, F53, F55,

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## 1 Introduction

If world order is fragmenting, that provides opportunity to reconstruct the international system. But to do so effectively requires first understanding the drivers underlying the fragmentation, and then putting in place a design that takes into account and uses to advantage those centrifugal forces.

World order is the operating environment for the global community—the cross section of nations with diverse self-interests, at different stages of development, with populations seeing different levels of income. That global community chooses to hew to the international system’s rules, norms, and conventions when the benefits to doing so exceed the costs of deviating. Subject to remaining within an accepted locus of flexibility and dissent, not all nations need take precisely identical trajectories of practice. World order faces pressures to fragment when the choices that nations make are mutually inconsistent or otherwise put pressure on the boundaries of acceptable behaviour.

This paper builds on the state of the international system as described in Georgieva (2023), Gopinath (2024), and others, to propose principles for a world order that works, not necessarily optimally, but just reasonably well. The traditional thinking is that most geopolitical and security concerns, all else equal, tend to lead to ever greater world fragmentation, as values, interventions, and threat perceptions all collide ever more obviously. Thus, such geopolitical and security considerations naturally provide a centrifugal force to the international system. In that traditional thinking, however, the global community also values how economic integration—international trade, foreign investment, cross-border flows of finance, ideas, and people—make for increased efficiency, production diversification, economies of scale, and thus increased prosperity, and so provides a centripetal force to hold the world together. World order holds in balance these centripetal and centrifugal forces.

The fragmentation of world order described in, among others, Aiyar et al. (2023); Georgieva (2023); Gopinath (2024) reflects an increase in centrifugal forces, and is predicted to precipitate not only a decline in economic prosperity worldwide but an increase in the likelihood of international violent conflict. The proposal in the current paper shares the same motivations as Gopinath (2024), Rodrik and Walt (2022), Stiglitz and Rodrik (2024), Tucker (2022), Vines (2023), and others, who seek to repair or navigate

world order's fragmentation.

However, unlike many others, this paper takes an opposing view on the role of economic factors in world order. The paper suggests that economic considerations now provide not a centripetal tendency but instead have joined the driving forces for world fragmentation. The reason is simple: Economic integration is no longer unambiguously viewed positively in many of the world's polities.<sup>1</sup> This is not to deny for trade, say, the theory of comparative advantage or that international trade improves global well-being on net. Instead, it is a statement to distinguish collective global well-being from individual nation objectives. Sovereign nations can only seek to advance national interests. Whether global well-being improves as a result is a by-product that attracts little weight in a nation's decision processes.<sup>2</sup>

The current conjuncture is one where for economic integration there is perceived to be a divergence between global goals and national objectives. One powerful driver for this is that trade is perceived to lead to increased income inequality. But the effect is more general: It arises from the simple fact that economic integration changes prices. Those who see prices move against them will obviously oppose further economic integration (Quah, 2024). People correctly associate a decline in their output price with layoffs, unemployment, and factory closings; they don't see their price fall as a signal they should re-tool and learn how to program computers.

Previously, pursuing geopolitical or security goals that put up barriers to economic integration come at economic cost to oneself and one's allies. Policymakers would be reconciled to the idea that that cost was, unfortunately, necessary. Now, however, that economic cost has turned to economic benefit. Across significant parts of Western Europe and the US, it

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<sup>1</sup>Closely related but different from this is that there have long been economists who have warned on risks inherent to globalisation, e.g., Rodrik (2011) and Stiglitz (2002). Arguments that parallel my China Shock argument in Section 3.1 include that of "import dependence" in O'Rourke (2024) and "financial indebtedness" in Stiglitz and Rodrik (2024). Section 3 will explain the relation between these reasonings and my own.

<sup>2</sup>As impressed upon me by readers of early versions of this paper, this is not to say that the underlying economics has changed. It is, instead, that the policy actions I highlight are taken by actors different from those traditionally studied. My approach focuses on individual effects, not overall systemic well-being. While this might appear unconventional to some, it is no different from when analysis focuses on inequality effects, rather than aggregate or representative-agent well-being.

is the so-called “China Shock” (Section 3.1 that has grown uppermost in the thinking of policymakers, where trade with China is viewed to be “taking our jobs, hollowing out our industry, stealing our intellectual property”).

Thus, the traditionally opposing drivers in world order have now aligned instead. This multicollinearity of different forces all working in sync confounds attribution of the ultimate cause for world fragmentation. Policy discussion finds it progressively less relevant to unpack if international disagreement is genuinely because of discord on political values or because one’s economy is no longer competitive along traditional lines and, thus, can no longer generate sufficient prosperity for one’s citizens. Language such as “working to impede China’s advance” or “deter China” have become conventional, with different political and economic stakeholders interpolating into them whatever meaning is convenient.

This alignment of centrifugal forces means simply urging cooperation between nations will be even less likely to be effective in reducing world fragmentation (Gaspar, Hagan, and Obstfeld, 2018; Sanders, 2023; United Nations, 2021). Instead, more helpful will be principles that are finetuned to work against each of the different causes.

The analysis in this paper seeks to provide mechanisms that help keep together world order, even with this turn around in perspective. On the economic reasoning that underlies the paper’s proposals, e.g., the analysis of “inadvertent cooperation”, the closest previous study is Armstrong and Quah (2023). That latter, however, draws still on a traditional model of economic and security considerations working in opposition to each other. By contrast, the current analysis develops the hypothesis that those drivers now work in the same direction. This paper thus advocates principles that seek to keep world order from further fragmenting, even when geopolitical, security, and economic forces are all working to worsen fragmentation.

The remainder of this paper is organized as follows. Section 2 sets out how this paper conceptualises world order. The underlying ideas here will be familiar to most readers but the atypical language recasting will help present more efficiently the subsequent economic analysis. Section 3 develops the hypothesis that economic considerations now work alongside geopolitical and security concerns to worsen world fragmentation. Section 4 advances the principles for stabilizing world order. Finally, a brief summary is provided in the concluding Section 5.

## 2 World Order and Its Fragmentation

By **world order** I mean a particular setting for the rules, norms, and conventions that govern the behaviour of nations towards one another. Examples of such settings might include rule of law; freedom of navigation; respect for national sovereignty and territorial integrity; procedures for international dispute resolution; agreement on the parameters for flows of labour, capital, and goods and services (including digital versions of these); and so on.

International institutions such as the IMF, World Bank, and the World Trade Organization are concrete manifestations of rules and conventions, and so are included in the definition of world order. Nations are part of a world order when they subscribe to that order's rules, norms, and conventions.

World order does not have to be official: Part of world order is the world reserve currency, which is an unofficial naming of some currency to global pre-eminence that emerges through hundreds of millions of uncoordinated savings and exchange choices by individuals and financial institutions across the world. World order can also show multiplicity without inconsistency: history and logic both allow multiple co-equal world reserve currencies circulating alongside one another.

World order assumes the entire world is the cross section of nations that subscribe to it, but of course, when appropriate, the definition allows natural forking into subdefinitions of regional orders. Absence of rules is, by logic, also a rule, just a particularly simple one. Hence, anarchy is also an instance of world order. World order includes the possibility of disorderliness.

Sovereign nations choose their own systems of government: therefore, in a world order that includes independent self-determination and national sovereignty, labels such as democracy or autocracy are not necessarily helpful. Historically, however, labels like these have been used to categorize blocs of nations across the world. The collection of all possible "rules, norms, and conventions" constitute a high-dimensional mathematical space; a particular world order is just a point in that space. As world order evolves, a trajectory of points is traced out in the space of possible world orders.

International economic relations constitute an important subset of world order. World order, thus, typically includes rules that govern international

trade and foreign investment, as well as principles and procedures for trade and investment dispute resolution. Rules here might seek to establish not just the principles of exchange but also the nature of economic competition across nations, conditions under which market economies become no longer market economies because of, say, excessive state intervention, and so on. For concreteness when needed, this economics-directed subset of world order will be referred to as the **global economic order**.

World order fragments when one or more of the following occur. The cross-section of nations can de facto partition into separate blocs, each seeking to have progressively less to do with others. Alternatively, nations can put pressure on the boundaries of the locus of acceptable behaviours. The order-rule of national sovereignty, for instance, would be tested by a foreign power's seeking regime change or prosecuting military invasion or interfering with a nation's domestic political affairs. When its global economic order is globalization-oriented then world order fragments when nations set up barriers to trade and foreign investment.

World order can adapt to fragmentation pressures in different ways. The rules that constitute an order might be rewritten to increase the locus of flexibility: this keeps within the fold those members seeking to deviate from the original rules. Or world order might partition into non-overlapping, non-interacting sub-orders, perhaps dividing geographically, or by differences in political systems or alternative approaches to economic organization: world order then comprises not a single consistent system but becomes a (mathematical set) union of disjoint sub-orders.

## 2.1 Models for Stable World Order

Great Power competition provides a concrete framing for this analysis. Call Great Powers those nations that show a discrete upwards separation from other nations in population count, economic size, military capabilities, or resources generally. A branch of Realist theory hypothesises that conflict between incumbent and rising Great Powers erupts with high probability at a time of Power Transition (Allison, 2017; Mearsheimer, 2014).

Different formalisations for this are possible. The standard model hypothesises that nations seek to maximize the probability of their survival subject to feasibility constraints. Under assumptions such as how survival probability is reduced if one is not the most powerful nation, such an op-

timization program has solution that instructs the incumbent to contain its rising competitor at such time when marginal benefit to containment just equals marginal cost. That critical instant is hypothesised to occur at a specific point in the trajectory of the rising power relative to the incumbent, before parity. Under these assumptions, Realist theory predicts the likelihood of world fragmentation is maximised at the point of power transition.

This model's structure of cause and effect can be alternatively described. Although not just "might makes right", the Power Transition model hews to Thucydides's description that "the strong do what they will; the weak suffer what they must".<sup>3</sup>

A related but logically distinct structure is represented by Hegemonic Stability Theory (Keohane, 1984; Kindleberger, 1973): the model here asks what can hold together the world's cross-section of nations when each of those nations is continually buffeted by exogenous shocks. Examples of such disturbances include the collapse of consumer and investor confidence so that unemployment rises, in turn worsening a vicious cycle of recessionary tendencies; macroeconomic instabilities or financial crises; and natural disasters in specific nations. In the model, global stability is maintained by having a hegemon—a nation with sufficient concentration of power and resources—capable of serving as benevolent banker, consumer, lender, and security officer of last resort.

Yet a third example is represented by the hypothesis that nations raise their security stance when they notice competitors doing so. Whether the initial impetus was indeed taken with a goal of offense or, alternatively just for defense, the hypothesis is that under uncertainty, the potential responder will just follow suit. This is called the Security Dilemma, with the possibility of a vicious cycle of tit-for-tat responses (Jervis, 1976; Tang, 2009). In Security Dilemma too, unipolarity implies stability: a Great Power that is far and away superior to all others would not see need to respond, and so the Security Dilemma spiral would not begin.

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<sup>3</sup>I have translated this to say the strong do what they *will*, not just what they can, which is how the statement appears in Strassler (1996, 5.88, Book Five). As a matter of logic, both strong and weak always do what they can; it is impossible to do what one cannot. Observing merely that the strong do what they can fails to provide meaningful contrast to the weak suffering what they must.

## 2.2 Multipolarity as Causal Variable

In all these quite different models, the distribution of power across nations determines global outcomes. Indeed, in many conceptualizations of world order, the power distribution across national players is the critical causal factor for the dynamics of the international system.

The traditional social science language used to describe power distribution follows probability theory: a unimodal, single-peaked distribution of power and resources is called **unipolarity**, where there is marked concentration around a single point. A bimodal or twin-peaked distribution is **bipolarity**, with concentration around two distinct points. More generally, a multi-peaked distribution of power across nations is **multipolarity**. In Power Transition, Hegemonic Stability, and Security Dilemma theories, as well as many others, unipolarity, bipolarity, and multipolarity all have different predictions for the stability of world order.

From a perspective of egalitarianism, it might seem desirable to have the world multipolar or even, in the limit, displaying a uniform distribution of power with each nation representing a peak as much as any other. For world order, however, many models predict that it is, instead, unipolarity—the most unequal distributions of power—that allows world order to be least fractured and most stable.

Hegemonic Stability Theory displays this most clearly. There, the ranking of nations by power—just a single feature of the distribution of power—is the critical determinant of world order. When the system's degree of multipolarity rises, the gains from the hegemon providing global public goods declines. The gains that the hegemon draws from providing for the entire community of nations are shared more and more with others, equitably. At the margin, the incentive to provide for the entire system falls. Thus, the forces for hegemonic stability declines, and thus the potential for fracture and instability increases.

As previously already discussed, Power Transition theory takes ranking and the competition over it to be the system's causal driver. While the rivalry to be lead nation is most visibly consequential, that contest between nations at ranks 1 and 2 extends seamlessly to nations at ranks  $n$  and  $n + 1$  for all  $n$ . The greater the power to affect world outcomes, the more impactful and destabilizing will be this rivalry across the distribution. Thus, here again, multipolarity destabilizes world order.



For easy description hereafter, unipolarity, bipolarity, and yet other forms are usefully considered as just different values along the axis of polarity, i.e., they are simply different degrees of multipolarity. The conclusion from this quick overview can be stated succinctly: Multipolarity is causal for world order, with the degree of multipolarity determining the stability of the international system.

### 2.3 Multilateralism as Outcome Variable

If the degree of multipolarity is causal for world order, then the degree of multilateralism is one of its outcomes.

In common language and practitioner usage, multilateralism is understood to be that feature of the international system, covering primarily trade and security relations but potentially others as well, that assures appropriate fair and equal treatment across nations. Thus, multilateralism is when there is a sufficiently dense combination of the following three elements: (1) an inclusive and level playing field for cross-country engagement, including notably an equal-access open trading system; (2) a nondiscriminatory, rules-based order; and (3) a default expectation of collaboration on addressing international challenges.<sup>4</sup>

An important implication of multilateralism is the most-favoured-nation (MFN) idea, extending the concept from its traditional usage in trade, where treatment by one nation of another under favorable terms calls for immediate extension of such treatment to all nations. A second key consequence of multilateralism is it enhances every individual nation's security because a threat to any one nation activates rules and collaboration that bring together all, thus raising collective security in defence of the threatened member. The critical part of this, as with MFN, is anonymity, i.e., that there is no a priori identification of either the threat or the targeted victim. The principles of multilateralism apply anonymously and fairly to both unknown antagonist and unknown target. Finally, a third significant implication is that large nations don't take advantage of smaller ones by dint of might and power. Logically equivalent, multilateralism can also be taken to comprise three differently-stated principles: (1) indivisibility

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<sup>4</sup>This conceptualisation of multilateralism is that more typical both in ordinary language and in international relations scholarship. Although related, it is distinct from how, in economics, we refer to "multilateral institutions", e.g., Maggi (1999), where what is meant is, in essence, dealing with more than two parties, i.e., is more than bilateral.

of interests; (2) reciprocity; and (3) commitment to peaceful resolution of disputes (Kahler, 1992; Ruggie, 1992).

All else equal, multilateralism is obviously highly valued by small states. By its striving for a level playing field, multilateralism privileges, at the margin, those with less power over those with more, those that are small over those large.

#### 2.4 A World Order Equality Paradox

Multipolarity and multilateralism jointly form a paradox in world order. If high concentration of power, i.e., unipolarity, makes for stability in world order, why is strong multilateralism—i.e., diffusion of privilege away from the powerful—to be expected for the international system? Some act of conscious intervention must be present if a stable unipolar world order is to be made multilateral. Inequality in cause would not otherwise imply equality in outcome.<sup>5</sup> Indeed, it was at the height of US-centered unipolarity, that in the view of some observers, peak multilateralism emerged:

*Multilateralism, international governance of the “many,” was defined by the United States after 1945 in terms of certain principles, particularly opposition to bilateral and discriminatory arrangements that were believed to enhance the leverage of the powerful over the weak and to increase international conflict. Postwar multilateralism also expressed an impulse to universality (John Ruggie’s “generalized organizing principles”) that implied relatively low barriers to participation in these arrangements.*

(Kahler, 1992, p. 681)

Conversely, therefore, as the world grows more equal and control over resources rises in non-traditional global centers of excellence, will the decline

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<sup>5</sup>Stiglitz and Rodrik (2024) suggest that the equality implicit in late 20th-century multilateralism was more in name than in reality. In their view the multilateralism of that time was designed with sufficient logical backdoors to allow the US to continue to project its unipolar hegemonic wishes. But compared to the current state of the world, with the strongest endorsers of that brand of multilateralism now withdrawing their support, the Stiglitz-Rodrik argument highlights even more the paradox I indicate here when multipolarity threatens even faux multilateralism.

in unipolarity—the rising degree of multipolarity—lead now to instability and fragmentation?

### 3 Economic Interdependence

US-China rivalry is the most obvious driver for current fragmentation of world order. But to understand how its lessons might extend beyond the specifics of this period of history, it is important to unpack the underlying cause and propagation mechanism. Moreover, this US-China competition is not taking place in isolation. From the discussion in Section 2, this specific US-China fragmentation needs also to be considered against the backdrop of a general rise in multipolarity.

US-China geopolitical rivalry today is regularly compared to the Cold War of the mid 20th century. Such language is suggestive of the same deep geopolitical and security concerns as then experienced. During the Cold War, the US-Soviet arms race saw the Soviet Union build its nuclear weapons, army, and air force to where Soviet military capabilities matched those of the US. This was from a starting point with the Soviets and the US just coming out of co-equal combat against the Nazis in World War 2. It was therefore relatively easier for the Soviet Union to do. In the Cold War, the US (and the West more generally) contended with an alternative political system actively promoting communism to replace democracy and capitalism. Across the emerging world, the Soviet Union sought influence, supported regimes that threatened their neighbors, and encouraged communist insurgency movements that destabilized nations. There is little question that in the Cold War the West's security and way of life were under threat.

Today, however, these same Cold War characteristics are more difficult to document credibly in US-China relations. The US is, without question, the world's most powerful military force in every measure, including in strategic alliances, advanced technology, and global extent. Even if its military expenditure is rapidly rising, China comes nowhere close to the US in aggregate defense spending, force projection (whether aircraft carriers or anything else), and aircraft technology. With China having four times the population of the US, its annual military spending remains under a third. The situation is significantly different from that in the Cold War between the US and a highly militarized, post World War 2 Soviet Union.

China remains communist in name but its economic system draws inspiration from capitalism. The last four decades of China's economic development has been driven by massive flows of foreign capital into a manufacturing sector that operates to exacting global standards on its production outputs, and that seeks to maximise profit, not promote socialist ideals. True, China's economy is not entirely free market, but in this, China is not markedly different from many Western economies. A significant fraction of China's markets are arguably more competitive than those in many democracies, both emerging and mature and both West and East. Many Chinese companies routinely suffer losses and go under. If, in business, Chinese industry practice were to replace the West's, Western workers might well find it disconcerting, but not because those practices threatened the Western way of life in favour of bloated lazy socialism. Instead, the opposite.

As did the Soviet Union, China seeks influence across the world. But in this, China is exactly like all other nations, democracies or otherwise. Unlike with the Soviet Union, however, there is no credible evidence that China wants international communism to replace democratic capitalism.

To be sure, China's military rapid-modernization, influence operations, retaliatory economic sanctions, actions in the South China Sea, and cyberhacking activity obviously attract concern worldwide (e.g., BBC, 2023; Kolstad, 2020; Mozur and Buckley, 2021; Wong, 2024). Equally unhelpful, however, has been US arbitrariness and inconsistency on key international agreements. While the US draws on the principles underlying the 1982 United Nations Convention on the Law of the Sea (UNCLOS) and insists on Freedom of Navigation access to the South China Sea, it refuses to become an UNCLOS signatory (Beckman, 2022). The US's official agreement with China includes the One China Policy that " 'acknowledges the Chinese position that there is but one China and Taiwan is part of China' and that the PRC is the 'sole legal government of China' ". However, the US will now and then test its own stated policy by insisting that acknowledgement differs from agreement, and acting as if it viewed Taiwan as a separate sovereign state (Maizland, 2024).

This veering between positions shows up most sharply and most recently in the US approach on industrial policy. The US targeted sharp criticism through the 1980s at East Asia's leading economies—Japan, South Korea, Taiwan, Singapore—as they engaged in state policies to help reposition their industry landscapes. Japan-bashing (White, 1985) was only the most

visible manifestation of this. But at least one could make the case that when these Asian economies undertook industrial policy, it was to improve their productivity, upgrade their skills and human capital, and develop their economies. Inadvertently, these waves of Asian industrial policy raised the level of competition and sharpened efficiency. On the other hand, US industrial policy today—the CHIPS and Science Act, the Inflation Reduction Act—can too often come across as initiating a race to the bottom, rather than to the top, and seem designed to inflict damage to competitors as much as to raise American productivity.<sup>6</sup>

All such actions test the boundaries of rules-based order. But they are, in the main, not confined to just US-China rivalry nor to states having different values and political systems. All states with capability engage similarly. For example, the US's National Security Agency (NSA) has been documented as follows:

*Through a program called PRISM, the NSA was able to demand access, under Section 702 of the Foreign Intelligence Surveillance Act (FISA) Amendment Act of 2008, to data of non-US citizens stored at most of the American technology giants, including Google, Apple, Facebook, and Microsoft. This gave the NSA the ability to collect and analyze the e-mails, texts, chats, phone calls, Facebook posts, tweets, and documents of people worldwide. Through a process the NSA calls upstream collection, it taps directly into the cables and networks passing through the United States. Huge amounts of data traveling across AT&T, Verizon, and other networks are copied, and then the data of non-US citizens is selected for analysis based on certain government criteria.*

(Segal, 2016, p. 21)

Just as informative as fact is attitude. When the US was accused of spying on then German Chancellor Angela Merkel, the response by an American commentator was not to deny but to suggest that those angered were either naive or disingenuous:

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<sup>6</sup>To be clear, this does not deny the benefits that industrial policy can potentially bring both the nation and the global community (Juhasz, Lane, and Rodrik, 2023). Instead, the criticism here points to industrial policy as economic statecraft, not industrial policy as economic policy.

*Countries have a justified interest in informing themselves about the goings-on and prospective developments around the world, including in friendly countries.* (Braw, 2021)

None of this is to suggest “two wrongs make a right” or that geopolitical and security concerns are out of place. Given the range of competing arguments, it helps to be clear about the relative strengths of the different forces at work, not least for properly calibrating the tradeoff between the benefit and cost of disrupting world order.

### 3.1 Not another Cold War: China Shock

If US-China rivalry is not drawn from the same roots as the Cold War, are there nonetheless understandable legitimate considerations for geopolitical competition? There are indeed such concerns, with—in my view—the clearest and most compelling being simply just economic competition.

Nowhere in writings on the Cold War, even those as magisterial and encompassing as Westad (2017) say, is there expressed the idea that the Soviets were “taking American jobs, hollowing out American industry, stealing America’s intellectual property.” Such charges simply never featured in the list of grievances between the US and the Soviet Union. They are, however, high among the factors driving US-China rivalry today. I will hereafter refer to this configuration of concerns (and other related economic developments) as the **China Shock**.

This is important because there are observers who argue that, even conditional on all the security and geopolitical concerns previously mentioned, further fragmentation of world order—complete decoupling of US-China trade relations, for instance—remains unlikely. The title “The Price of Fragmentation” of the IMF Managing Director’s article (Georgieva, 2023) makes clear the concerns over the magnitude of the global costs of world fragmentation: seven percent of global GDP, “the combined GDP of France and Germany and more than three times the size of the entire sub-Saharan African economy” (Georgieva, 2023, p. 135). Such an aggregate concern is rightly the domain of any institution that represents the entire community of nations. As Aiyar et al. (2023) put it, “the benefits of globalization and multilateralism are worth preserving”. This, appropriately, is an accurate description of the collective outcome.

But policymakers in individual nations act not on concerns about that collective outcome. Instead, they act only on concerns over their own national well-being. Even if positively correlated, global collective and individual national interests are not identical. Global costs might well be large, but at the same time, each nation might feel it can free-ride and not suffer for it.

To be clear, for national policymakers, Gopinath (2024) explicitly describes how they “undoubtedly face difficult trade-offs between minimizing the costs of fragmentation and maximizing security and resilience.” But yet other scholars such as Nye (2021), while not as explicit as the IMF, go further and reckon that the solution to the optimization problem that Gopinath describes will show sufficiently daunting weight on the costs of fragmentation. Thus, Nye speaks of the deep economic interdependence between the US and China and suggests further attempts to decouple the two economies would engender “enormous costs”, presumably at the national level not just globally.

While the global price to fragmentation is almost surely significant, that individual nations internalize those costs is, this paper suggests, doubtful. Political debate in many Western economies, and most notably the US, provide little evidence that there is explicit acknowledgement of the benefits of economic integration. Instead, there is generalized concern about the costs that advanced Western economies are having to endure for it. Thus, the China Shock is viewed to be paramount by individual nation policymakers, even if all realize that that disturbance comes with a rise in the well-being of the entire global economy. In each nation that latter change is discounted as irrelevant.

A world with increased multipolarity is described as one where the “benefits advanced economies derive from supporting global public goods, such as international trade, are increasingly shared with other countries” (Gaspar et al., 2018) This description is positive—it points out everyone wins. However, it also says that in a perspective of relative gains, traditional centres of power lose from the improvement in equality across nations. The change is not just general but geographically directional, and so ends up magnifying geopolitical concerns. The measurable shift in the world’s economic centre of gravity is eastwards (Quah, 2011), and diminishes the 20th-century concentration of hegemonic power in the Transatlantic economies. In the framework of Section 2, as the world has become more multipolar,

and thus more equal, the tendency towards instability in world order has also grown.

In this analysis, it is the China Shock that has been behind the calls for decoupling and de-risking actions against China. It is not the decoupling or de-risking or the differences between them that matters; instead, it is de-China that counts. The shock component rests foremost in the economics of “taking our jobs, hollowing out our industry, stealing our intellectual property”. Whether this is because the US is simply uncompetitive or because China cheats—through its business practices, its state collaboration with industry, and its manipulating the value of the Chinese RMB—relative to its status as developing nation is a matter that remains still to be decided based on evidence and international adjudication.<sup>7</sup>

There are likely two added dimensions to the China Shock that are important to make explicit. First is that the decline in unipolarity has been far more rapid than many expert observers expected. Allison et al. (2021, p. 1) describe how as late as the turn of the millennium,

*Time Magazine’s special issue Beyond 2000 asserted confidently: “China cannot grow into an industrial giant in the 21st century. Its population is too large and its gross domestic product is too small.” With a per capita income at roughly the same level as Guyana and the Philippines, most Chinese did not have enough money to buy advanced technological products — let alone the resources to invent them.*

This was not just wishful thinking but the logical conclusion of a widely-accepted view on how China’s economic foundations engaged with modern production modalities:

*... according to the dominant school of thought at the time, as noted by China scholar William Kirby in the Harvard Business Review, many believed “China largely a land of rule-bound rote learners”. Advances in information technology could only be made in free societies by free thinkers, not under an authoritarian regime behind a firewall, the logic went.*

(Allison et al., 2021, pp. 1–2)

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<sup>7</sup>The careful analysis in Autor, Dorn, and Hanson (2013) and the large ensuing literature provide important insights in this ongoing debate.



The second dimension is that this economic progress did not come with the attendant political changes that, again, many expert observers expected. In March 2000 then-President Clinton remarked that China attempting to control the Internet would be like “trying to nail Jell-O to the wall”<sup>8</sup> (Clinton, 2000). Political theories developed in, e.g., Fukuyama (1992); Lipset (1959) led many to expect that China’s political system would converge towards Western-style liberal democracy as its per capita income rose and social and economic structures modernized. This failed to take place.

My argument that the China Shock adds an economic dimension to world fragmentation is consistent with but not the same as a number of other important ideas about economic forces and disruptions to world order. O’Rourke (2024) refers to an aversion to “import dependence” that can emerge when nations are mistrustful of one another. Stiglitz and Rodrik (2024) describe how, with unexamined capital market openness, “financial indebtedness” can arise that can then lead to foreign interference. Yes, these do suggest economic openness will not repair geopolitical and security fracturing. However, these work because of a fear of ill-intent from one’s trading partners. So, in these analyses, it is the risk of aggressive action by the other nation that drives how trade affects international relations. In contrast, my China Shock description kicks even when all ill will is absent and the trading partner intends only good things for one’s own nation. In that sense, the China Shock idea is far more dangerous: it applies even when all appears to be otherwise safe.

Gowa (2015) describes how geopolitical considerations have, historically, conditioned trade flows. Then one’s own trading bloc is populated mostly with one’s allies, while trade across blocs is, by definition, with one’s antagonists. Then the more inter-bloc trade there is, the more acute is the perception that one is not self-sufficient, even together with one’s allies, and thus the greater is the incentive to acquire by conquest what one’s allies cannot provide. This too is a scenario where increased trade increases fragmentation. The Gowa mechanism is not unrealistic but it does assume that already drawn are the lines of fracture into blocs of allies and rivals.

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<sup>8</sup>Interestingly, Clinton also said at that same time to his American audience “Most of the critics of the China WTO agreement do not seriously question its economic benefits.” This, again, is the central part of my China shock emphasis: What was expected then turned out to be so much at odds with the reality that unfolded.

In contrast, the China Shock mechanism is one that endogenizes those lines of fracture, so a presumptive ally can turn into a geopolitical rival.

Finally, while the China Shock is the most relevant current development, similar features had in the 1980s manifested for US-Japan relations (Vogel, 1979; White, 1985). Then too surprise was expressed about how determinedly and quickly Japan moved from dependence on the West, after World War 2, to superior economic and technological achievement. Then too did American policymakers make reference to geopolitics and security, even with Japan obviously already democratic and firmly in America's Pacific Alliance. In an influential, widely-read piece on how Japan raced ahead, White (1985) wrote:

*But the more important thing that went wrong (. . .) was almost too simple to consider. If all people of the world were entitled to equally free trade, then the cheapest producers would be those who paid their people least, yet mastered world-class technology. In other words, nations whose workers were grateful for starvation wages could conquer the markets of countries like America, whose workers demanded the world's highest wages.*

Economics says, of course, those other nations don't have to pay exactly starvation wages, just wages lower than in "countries like America". White warned that it wouldn't be just Japan that mattered in this analysis but "behind loom China and India, desperate as they are to raise their standards of living—at the expense of American standards, if necessary". In this reasoning is not just Japan that stands ready to compete against the US thus but also China and India. Indeed, every single time in the article White compared China with Japan, India is always mentioned alongside the former. Given that China and India are, and were, the only two nations with a workforce approaching a billion each, the juxtaposition is natural. But what this analysis also highlights is that any nation—whether autocracy or democracy—that ends up in the same economic position relative to the US will come under the same scrutiny on its economic profile. Disappointment, therefore, might lie ahead for those nations today—Vietnam, India, Mexico—that imagine themselves benefiting from US-China conflict by playing a strategy of being America's "China plus 1", i.e., seeking to take up those parts of the global supply chain that China is now forced to relinquish. There is every reason why "plus 1" nations could eventually

become themselves the target of US-X rivalry, just as X has shifted from Japan to China.

This Section has argued that, together with geopolitical and security concerns fragmenting the world, economic considerations matter as well. Moreover, those economic considerations cannot be relied on to provide countervailing forces against world fragmentation. The Georgieva-Gopinath-Nye emphasis on how economic integration raises the cost of fragmentation is a global collective argument; it does not apply for policymaking in individual nations.

## 4 New Principles

The reasoning from Sections 2–3 cautions that world fragmentation might, with even higher likelihood, imminently worsen. The countervailing force that some observers hope will emerge from considerations of economic integration is likely weaker than those of geopolitics and security. Alternatively, whether or not the geopolitical and security considerations are genuine and profound, what matters is their alignment of the centrifugal force now seen to be emerging from economic relations.

The parameters of this challenge of global fragmentation therefore make urgent the need for some mechanism that can help check the destabilizing dynamics that are already in place.<sup>9</sup> This section suggests four principles to help reduce further world fragmentation. As the analysis will become relatively abstract, it is helpful to set down first what those principles will turn out to be.

The first principle: use nations' self-interests: look for problem domains where *inadvertent cooperation* arises, i.e., where nations even though only looking out for just their self-interest end up, inadvertently, improving the collective good. This is not to say nations are actively seek to draw down the collective good to benefit themselves. Instead, it refers to when nations are indifferent on matters outside their individual well-being: whether the collective good rises or falls is not their concern. Inadvertent cooperation occurs when collective well-being rises even though there is no conscious attempt at collaboration. In Adam Smith's words, "It is not from the

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<sup>9</sup>Recent work with goals and approach closest to the current paper are Rodrik and Walt (2022), Stiglitz and Rodrik (2024), Tucker (2022), and Vines (2023), although our formalisms and proposals end up quite different.

benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.”<sup>10</sup>

Second, divide and conquer: across those problems that world order sees as challenge, some admit inadvertent cooperation (or come close); others are zero-sum problems; yet others show *epic fail* features, i.e., have equilibria under individual optimization that, for all nations, are unambiguously strictly worse than other outcomes that are feasible but are not equilibria. Prisoners’ Dilemma games are examples of these. Epic fail challenges are not zero-sum problems; they are worse. Separating out these three different kinds of global challenges help focus the design of guidelines and rules, and thus help reduce the fragmentation of world order. Under certain conditions, epic fail problems offer the possibility of third party nudges, i.e., small side-payments, judiciously applied, can produce a large shift in the equilibrium outcome, away from where everyone loses to where everyone wins. Such nudges, therefore, represent an individual-centered way to solve a collective action problem.

Third, if multilateralism does not emerge as an equilibrium for all the nations in a particular world order, restricting membership might help. *Plurilateralism* is a constrained multilateralism where within its membership all the features of multilateralism apply, but that plurilateral membership is only a strict subset of the entire community of nations. All nations are free to join or leave a plurilateral system, but the requirement is that those within must obey its rules while those outside are not permitted to disrupt. By remaining open and inclusive in potential membership while requiring certain codes of behaviour for those inside, a plurilateral system can be effective in delivering a restricted multilateralism and, additionally, can permit full-blown multilateralism to re-emerge when the larger community sees benefit for all.

The remainder of this section provides an analytical framework, using basic game theory, to illustrate the workings of these principles. The discussion will vary across a range of different payoff matrices to describe alternative scenarios, and consider situations where side-payments enter the frame. International Relations research has a long and fruitful history using such a methodology to provide a unified approach to different

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<sup>10</sup>Economists will recognise how if there is a price system this is just the Fundamental Theorem of Welfare Economics.

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	Trade	Autarky
Trade	(+100, +100)	(+95, +90)
Autarky	(+90, +95)	(−100, −100)

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Table 1: **Inadvertent cooperation.** In the standard Ricardian comparative advantage model, trade is good for all even when each nation acts only on their own self-serving instincts. No explicit coordination is needed. In the table, deviation by any nation into the Autarky strategy inflicts self-harm, regardless what the other nation does. But correspondingly, the Trade strategy is always preferred by the nation independent of the other nation's actions, i.e., Trade is a dominant strategy.

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models<sup>11</sup> (Axelrod and Keohane, 1985).

Following the discussion in Section 2 I will use the payoff matrices that follow to describe the situation for the Great Powers. Throughout, I will also refer to other nations: Since the players explicit in the game are the Great Powers, the other nations are middle powers and small states, i.e., third nations. The situation for these fall outside the explicit accounting in these payoff matrices but I will bring them into the discussion as needed.

#### 4.1 Inadvertent Cooperation

Begin with the standard Ricardian comparative advantage scenario in Economics, where trade makes everyone better off. Embedded in this scenario is that any price-taking economy is better off unilaterally seeking free trade, even if its trading partners don't fully open their borders.

Table 1 presents a payoff matrix that illustrates the intuition underlying inadvertent cooperation. In the Table, each nation will end up playing the Trade strategy, regardless of expectation on what the other nation does. Thus, although no explicit coordination mechanism is in place, the Trade equilibrium emerges spontaneously.

The policy challenge, obviously, is that not every international engagement in world order will come with a payoff matrix having the same essential features as Table 1. For payoff structures close to but not allowing

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<sup>11</sup>Applying a framework of repeated games and deploying the folk theorem (Friedman, 1971) would uncover a richer and more elaborate discussion than is developed below. Employing those ideas is reserved for future development: the current paper seeks only the simplest frameworks possible to frame the forces relevant in these settings.

inadvertent cooperation, a policymaker can seek to perturb the payoff entries to bring about a desired outcome trade (or cooperation) outcome even though nations seek only individual self-advancement. Thus, in variations of Table 1 that would otherwise shift equilibrium towards Autarky and away from Trade, what work (for small enough variations of the Table) to induce inadvertent cooperation is to slightly penalise those strategies that make Autarky a desirable strategy. It is in this spirit that Ruge and Quah (2024) suggest issue-linkage international policies (Axelrod and Keohane, 1985, p. 239), tying trade to considerations such as climate change and inequality. Then, if a nation contemplates autarky, its inequality outcome worsens through the international policies in place. This incentivises trade but at a cost to the international authorities. Even if such policies end up distorting away from untrammelled free trade, at least they forestall full-blown protectionism.

#### 4.2 Epic Fail: A Zero-Sum Game isn't Tragic

Define an **epic fail** game to be when every equilibrium outcome is for all players worse than some other outcome, regardless whether the comparator outcome is an equilibrium.

Contrast the epic fail idea, to be formalized in Table 3 to follow, with the more familiar zero-sum game in Table 2, where every outcome has that one nation gains only when the other nation loses.

Cross-nation interactions provide many examples of zero-sum games. Power Transition—as described in Section 2—between the numbers 1 and 2 nations, by power rank, is a zero-sum game: number 2 only ever becomes number 1, when number 1 loses its lead position. Indeed, extrapolating, every situation where ranking matters is a zero-sum game. Along the same lines, international relations engagements where relative (rather than absolute) gains are what nations care (Powell, 1991) about are zero-sum games. Territorial disputes are, by the logic of physical reality, zero-sum games. Finally, geopolitical rivalry that partitions world order into different spheres of influence is a zero-sum game: bystander nations can belong to one and only one sphere. Selecting a sphere of influence means relinquishing membership in all others.

With zero-sum games, there is no room for compromise. No pertur-

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	Silent	Cheap Talk
Silent	(0, 0)	(-1, +1)
Cheap Talk	(+1, -1)	(0, 0)

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Table 2: **Zero-sum Game**. Regardless of specific actions by different nations, whatever one nation gains is exactly that the other loses. The contest imagined here is over the loyalty of an unidentified “Useful Idiot” (UI), who will work for any player but is easily swayed by cheap talk. If both players play **Silent** the UI sitting in the middle between them works half the time for one, half the time for the other. Normalize the payoffs when that happens as (0, 0). If one player plies UI with **Cheap Talk** and the other player stays **Silent**, the first player win over UI’s loyalty and services, and so gains +1 while the other player loses UI’s services altogether, ending up with -1. Since there is only a single UI, what one player wins is exactly what the other player loses. Equilibrium is (**Cheap Talk**, **Cheap Talk**) but notice that the other diagonal entry (**Silent**, **Silent**) is not socially preferred to the equilibrium. This is unlike an epic fail setting such as Table 3, where everyone can agree **Collaboration** is preferred but is simply not reachable. Indeed, in this zero-sum game, there is no other outcome preferred unanimously by everyone to the equilibrium (**Cheap Talk**, **Cheap Talk**).

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bation to the equilibrium outcome will result in an unambiguous gain.<sup>12</sup> Thus, there is no purpose in attempting to intervene in such a scenario. The principle here is just to leave be those nations intent on playing a zero-sum game.

Despite its regular invocation to describe geopolitical challenge, a zero-sum game such as that in Table 2 is not epic fail as the latter’s first condition fails: there is no outcome where everyone gains. A zero-sum game might imply equilibria where some nation reckons it should have done better. But such a zero-sum outcome does not carry the social tragedy implied by an epic fail.

Stiglitz and Rodrik (2024) invoke economic examples of Beggar-Thy-Neighbor (BTN) policies to illustrate the harm of zero-sum thinking. Because BTN policies can be modelled more explicitly than I can with just payoff matrices, Stiglitz and Rodrik (2024) can show behaviours that are richer than just zero-sum possibilities. A BTN policy that diverts aggregate demand, say, from a neighboring nation to one’s own, in a strict one-for-one way, is of course zero-sum. However, a policy that harms one’s rival that

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<sup>12</sup>Indeed, every outcome in a zero-sum game, equilibrium or otherwise, is Pareto efficient.

either does not bring one benefit or actually does self-harm (as long as it harms one's rival more) is also BTN: only, the outcome is not zero- but negative-sum. Such a potentially epic-fail outcome leads to the next class of possibilities that I turn to now.

A Prisoners' Dilemma game is an example of epic fail. In Table 3 the equilibrium, where both nations play Confront, is worse than the non-equilibrium outcome, where both play Collaborate.

Conversely, however, there are epic fail games that are not Prisoners Dilemma games. This is because epic fail specifies fewer restrictions on non-equilibrium and equilibrium outcomes than do Prisoners' Dilemma games. Over-fishing a common resource, for instance, is an epic fail game but is not a Prisoners' Dilemma.<sup>13</sup> Failing to act on the global climate crisis is a significant example of epic fail: all can agree unanimous mitigation would be an unambiguous social improvement, but if everyone else is already taking the right action, then one nation's continuing to burn fossil fuels benefits itself.

In the epic fail game of Table 3 the unique equilibrium has payoff properties strictly worse than another outcome that is feasible. However, gridlock at the bad unique equilibrium keeps nations there, since those nations seek to advance their self-interest individually, in the absence of an explicit cooperation mechanism. In such situations, small nudges can dramatically shift the equilibrium. In the matrix of Table 3 describing payoffs to the Great Power nations, a side-payment of 1.1% (say) from other nations to the two Great Powers in favour of Cooperate will shift equilibrium away from Confront.

Epic fail characterises many of the most important issues live in international policymaking. It is epic fail situations where there is greatest need

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<sup>13</sup>When there is a finite common resource, fishing inflicts a negative externality on all other fisher-folk. We say over-fishing because that negative externality is not internalised when the individual works out the optimal amount of fishing to be done. Epic fails can occur even when equilibrium is not unique whereas the Prisoners' dilemma has a unique equilibrium that is clearly the worst outcome for everyone. While this precision in logic is important, more critical for the purposes of this paper, however, is that the Prisoners' Dilemma game conveys the wrong message for the geopolitical rivalry situation of interest. In Prisoners' Dilemma the cooperative outcome sets both prisoners free. That is good for the prisoners but not particularly so for the rest of society overall, i.e., the international community in our setting. Much better is to use a language that shows the desirability of the win-win outcome.



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	Cooperate	Confront
Cooperate	(+100, +100)	(−101, +101)
Confront	(+101, −101)	(−100, −100)

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Table 3: **Epic Fail.** This game relabels the payoff structure of the classical *Prisoners’ Dilemma* game to highlight that (**Cooperate**, **Cooperate**) is not that undesirable social outcome where, in the usual interpretation, both prisoners get away unpunished. Here, that outcome is actually good for society overall as much as it is for the two players. The unique equilibrium in the game is (−100, −100) with both nations playing **Confront**, while the (+100, +100) **Cooperate** outcome, that is both feasible and better for everyone, is not an equilibrium.

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for some institution or mechanism to solve the collective action problem.

One leading example is techno-nationalism where each nation seeks to get ahead and ends up duplicating costly experiments, and where no one shares research ideas. Scientific progress is faster and more assured with scientists “standing on each others’ shoulders”. But in epic-fail techno-nationalism, that does not happen.

A second example is industrial policy (Juhasz, Lane, and Rodrik, 2023). Industrial policy can take a form as previously practiced in East Asia in the late 20th century, seeking advantage through the state promoting advancements in the nation’s industrial productivity. Competitors can then either exit or remain, but do the latter only by their actually improving their own productivity. The end-consumer benefits from this kind of industrial policy.

Alternatively, industrial policy can take a form that seeks only relative gain under geopolitical rivalry, undertaking even self-inflicted harm—perhaps by engaging in extremely costly inefficient production activity—so long as the national rival suffers more.

Finally, wars often result in epic fail outcomes. The list of Pyrrhic victories is long in military history, ranging from Roman times (the original Pyrrhic victory at the 279BC Battle of Asculum, of which Plutarch wrote “If we are victorious in one more battle with the Romans, we shall be utterly ruined”) through the Battle of Coral Sea in World War 2 and specific battles in the Vietnam War. But epic fail is not just about Pyrrhic victories. US President John F. Kennedy’s inaugural address spoke of how “only when our arms are sufficient beyond doubt can we be certain beyond doubt that

they will never be employed". The modern prospect of deadly wars ends up elevating spending on weapons to make sure those weapons are never in fact used: This is an epic fail outcome.

These different examples—from techno-nationalism through military Pyrrhic victories and modern international conflict—engender different magnitudes of gains and losses. Sufficiently large expenditures make it impossible for outside policymaker intervention, especially if the situation has arisen from Great Power rivalry. Otherwise, however, third nations—those that are not Great Powers themselves—can contemplate coming up with sufficient side payment to nudge the Great Powers out of debilitating and harmful gridlock.

An example of this is the Ottawa Treaty or, more fully, the 1997 Convention on the Prohibition of the Use, Stockpiling, Production, and Transfer of Anti-Personnel Mines and on their Destruction (International Committee of the Red Cross, 1998). World War 2 saw the first widespread use of landmines, as a way for fighting forces to restrict the mobility of the enemy. However, landmines are also indiscriminate, enduring, and victim-actuated: they kill or maim typically in peacetime after the war is over, and inflict fatality or injury to mostly civilians, many of whom turn out to be children. The epic fail equilibrium has combatants deploy landmines across an arena of conflict, but which then lapses back to just an ordinary landscape—which is when landmines then do the greatest harm. The direct combatants are caught in gridlock, unwilling to unilaterally stop. Yet, by continuing in that equilibrium, not only do they self-harm but innocent third parties are caught up in the violence.

What smaller powers—Canada and other small states, NGOs, international humanitarian organizations—did was initiate a process to ban such anti-personnel landmines. Without directly confronting those nation states deploying landmines and without having any enforcement mechanism, but instead only by intangible incentives of approbation and consensus, this Ottawa process eventually signed up over 150 nations to the treaty's ban. In 2014, US President Barack Obama broadly accepted the treaty's terms, stopped acquiring landmines, and prohibited their use outside the Korean Peninsula. President Donald Trump, however, reversed this policy in 2020. Two years after that, President Biden overturned Trump's policy change.

Although the situation on landmines continues to evolve, the Ottawa Treaty provides a concrete example of smaller states nudging Great Powers

away from an epic fail gridlock.

Finally, there could well arise circumstances where a combination of zero-sum intractability and overly-costly epic fail gridlock makes systemic improvement impossible. Subsets of nations might then find it optimal to drop out altogether of that world order, even if it had originally provided the multilateralism that they needed. Those nations might, thus, still find valuable the old order's norms, rules, and principles. It is just that the behaviour of some of the original members makes cross-country engagements impossible. In this case, a **plurilateral** fork of the original order might be set up by amenable subsets of nations. This is when as much of the original multilateralism is preserved but now applies only to a restricted willing subset of the original order.

In the case of the World Trade Organization (WTO), such plurilateral subsetting has indeed emerged. Because the WTO Appellate Body had not been functioning, with the US blocking appointment of new members, in March 2020 sixteen WTO members drew on Article 25 of the WTO Dispute Settlement Understanding to set up an alternative Multi-Party Interim Appeal Arbitration Agreement (MPIA) empowered to resolve WTO disputes for its restricted membership. Plurilateralism thus provides a constantly-evolving grouping where members work under that restricted-membership multilateralism. Those who disagree are free to leave the group; those not in the group are not permitted to disrupt the workings of the group. Plurilateral arrangements are otherwise open and inclusive, and are set up explicitly to allow melding in of the larger multilateral order whenever the latter is again ready.

A less formalized alternative subsetting has also emerged under the label of **minilateral** forking. Minilateralism seeks collaboration on only a restricted set of critical issues, without requiring its membership to share values or ideology. The International Solar Alliance comprises 121 nations and works to advance the use of solar energy. China's Belt and Road Initiative (BRI) is viewed by some to be a form of minilateralism.

This last BRI example highlights, however, a potential drawback of minilateral subsets. BRI has, obviously, been a source of international tension and world fragmentation under the current US-China rivalry. Minilateral solutions to world fragmentation can themselves be a force for yet further fragmentation. By having more restrictive memberships focused on special, critical challenges, minilateralism can jeopardise the possibility of

the international system taking on yet larger global challenges.

In comparison with complete multilateral approaches, plurilateral and unilateral arrangements exemplify the principle of not letting the perfect be the enemy of the good. Their ready pragmatism stands in sharp relief to historical examples where dogged pursuit of ideals produced far worse outcomes. O'Rourke (2024) describes how, even as some nations went off the Gold Standard, others stubbornly continuing on it led to either the rise of right-wing populist demagogues, such as in Germany when the economy languished lower for longer, or the use of ever more beggar-thy-neighbor protectionist policies: "Ironically, persisting with a monetary institution thought to symbolize a commitment to an open international economy deepened the breakdown in international trade".

## 5 Conclusion

This paper has described world order and its relation to multipolarity as cause and multilateralism as effect. It has described how the geopolitical and security forces for fragmentation are now reinforced, not held back, by perceptions on how economic integration operates.

In such circumstances, urging the nations of the world to cooperate will not help to reduce world fragmentation. Without clarifying underlying causes, little is available by way of tools to help keep world order from becoming ever more disorderly and fragmented.

This paper has described a convergence in fragmentation drivers and proposed three guiding principles to help reduce further world fragmentation. First, provide mechanisms for inadvertent cooperation, where nations looking out for their own self-interest while oblivious to the collective good, nonetheless will help advance that collective good. Second, divide up the challenges confronting world order into those where inadvertent cooperation is possible, those that are zero-sum games, and those that produce epic fail outcomes. Zero-sum challenges are intractable, and there is no point further deliberating over them. Epic fail outcomes admit the possibility of third-party nudging, so states other than Great Powers—states that are Third Nations, in the language of Armstrong and Quah (2023)—might be able to exercise agency and nudge world order away from further fragmentation.

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