

Securing Multilateralism: Will Economics Work?

Danny Quah

Tue 02 Sep 2025

Lee Kuan Yew School of Public Policy, NUS

“Geopolitics is the dustbin of bad economics”

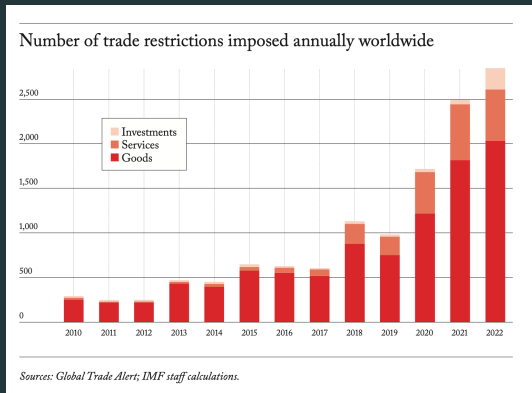


Figure 1: Trade restrictions worldwide tripled between 2019 and 2022, and have been rising even faster since due to geopolitical tensions and advanced-economy industrial policy (not yet incorporated in Figure above from Georgieva (2023)).

and more...

- Intensifying geopolitical rivalries
- Declining effectiveness of international organizations
- Rising unilateral action and violation of treaties and international law
- Falling trust across nations
- Declining cooperation and global public goods provision
- Increasing deviation from global standards

... but geopolitics is not random

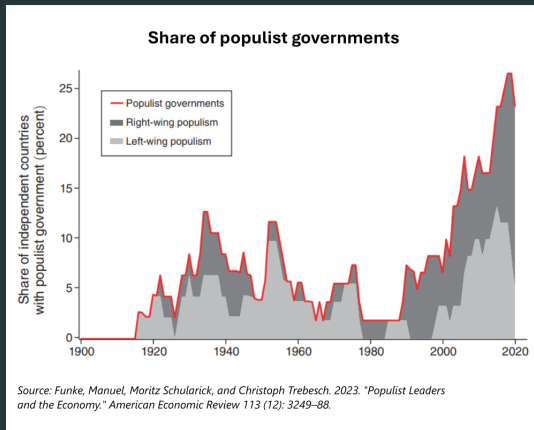


Figure 2: Rising populism is both left- and right-wing.
Source: Funke et al (2023).

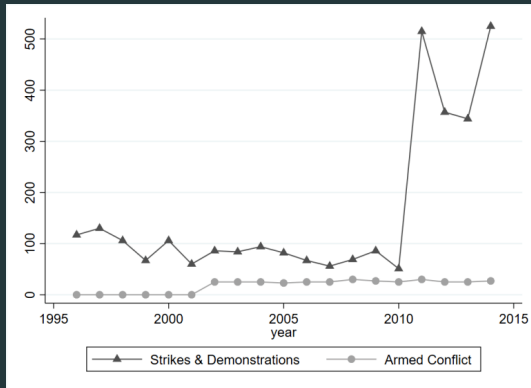


Figure 3: Societal conflict four times what it used to be for decades. Source: Witte et al (2020).

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Multilateralism to secure

1. Level playing field, open markets and free trade (MFN)
2. Peaceful dispute resolution through diplomacy
3. Default is collaboration
4. OR (a) Indivisibility (MFN); (b) Diffuse reciprocity; (c) Peaceful dispute resolution

Fraying of multilateralism

1. The impossibility of Nye and the IMF
2. Asymmetric costs. Multipolarity.
3. A Holy Trinity
4. The China Shock ... and the US Shock (Eisenhower through Trump)

Securing multilateralism

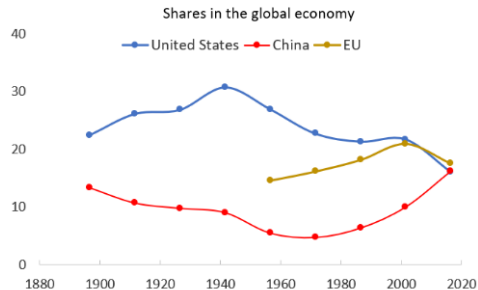
1. “Minus one”
2. Multilateralism’s benefits without multilateralism
3. Nudging Great Powers. Rational intransigence.

Collinear geopolitics and economics

A more multi-polar world

The benefits advanced economies derive from supporting global public goods, such as international trade, are increasingly shared with other countries.

(in percent)



Sources: Maddison Project Database, IMF *World Economic Outlook* (April 2018); and IMF staff calculations.

Percent of total population

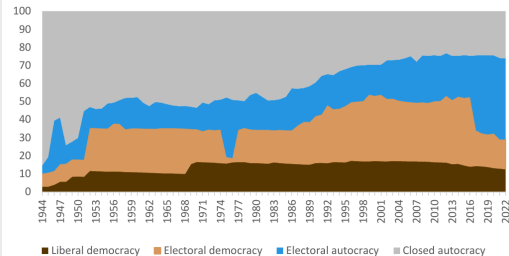


Figure 5: More of the world use elections but they're no longer democracies. Source: Obstfeld (2024).

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Whatever else it might or might not do, trade disrupts price ratios

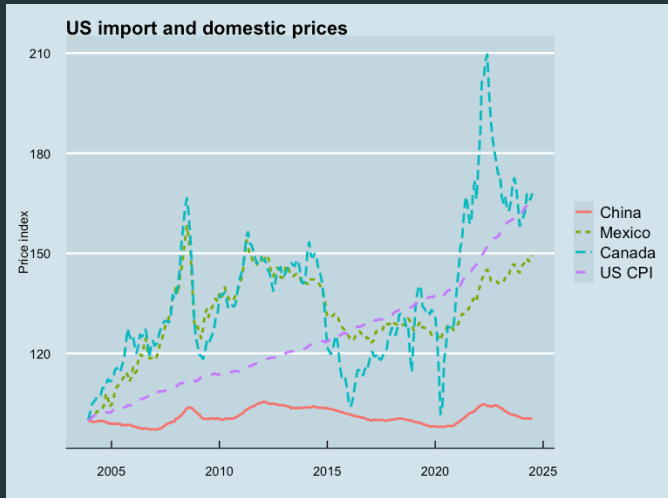


Figure 6: US import and domestic prices. The graph shows, from 2003 to 2024, prices of imports into the US from China, Mexico, and Canada, alongside the US Consumer Price Index. Source Quah (2025).

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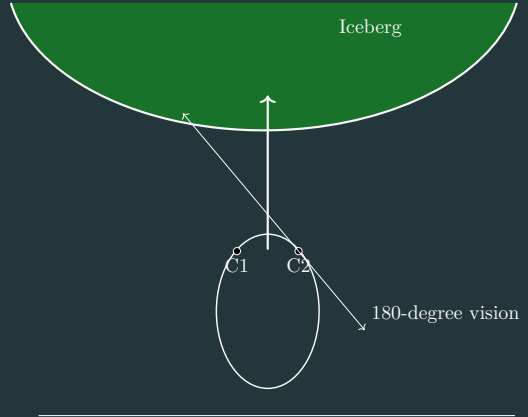
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Nudge out of Great Power Gridlock

Playing games

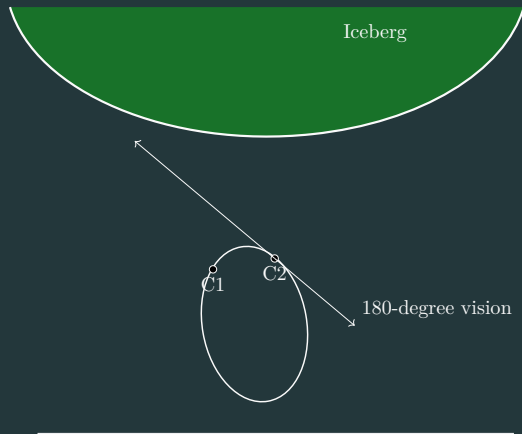
1. Rational intransigence



Nudge out of Great Power Gridlock

Playing games

1. Rational intransigence with third-agent nudging



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