

## Toward Effective Multilateralism: Why Bigger May Not Be Better

The past eight years have been a period of retreat and revival for multilateralism. Retreat in the face of the most concerted unilateralist strategy undertaken by a U.S. administration in half a century, and revival because, during the Bush administration's second term, there was an emerging political consensus that multilateralism was a critical element of U.S. power. Revival, however, promised not simply restoring multilateral institutions in U.S. strategy, but reforming or even replacing those institutions themselves. The ongoing financial crisis—with the Group of 20 (G-20), including leaders from Argentina, China, India, and South Africa, among others, taking on a leading role—has merely been the latest sign that greater multilateral cooperation is both necessary and difficult.

Scholars and practitioners, including President Barack Obama himself, who favor multilateral diplomacy have acknowledged weakness in the existing architecture and emphasized the need to retool and reform institutions to cope with the challenges of the twenty-first century.<sup>1</sup> While emphasizing the importance of networks alongside organizations, Council on Foreign Relations president and former State Department policy planning director Richard Haass wrote “the United States should consider signing accords with fewer parties and narrower goals . . . Multilateralism à la carte is likely to be the order of the day.”<sup>2</sup> Similarly, SAIS professor Francis Fukuyama coined the reformist phrase, “multi-multilateralism,” writing

the world is far too diverse and complex to be overseen properly by a single global body. A truly liberal principle would argue not for a single, overarching, enforceable

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liberal order but rather for a diversity of institutions and institutional forms to provide governance across a range of security, economic, environmental, and other issues.<sup>3</sup>

Yet, remarkably little has been written about how policymakers and analysts worldwide should think about “multi-multilateralism” in particular, and reform more generally. A fundamental problem is that the weakness of the international order has been falsely diagnosed, so the solution is unlikely to solve the underlying problem and may even make it worse. Reform has been targeted toward compensating for a legitimacy deficit—the exclusion of important states from the international corridors of power—whereas the real reason institutions do not work is simply that major states frequently do not agree on how to tackle shared challenges. Placing the priority on broader participation and inclusion will likely increase deadlock, thus weakening the architecture of cooperation, not strengthening it.

Any solution must improve bilateral relationships and base institutional cooperation on a preexisting commonality of interest. States should work to convert their strongest bilateral relationships into multilateral arrangements. Beyond mere shared commitment to an aspirational goal, true common interests are rooted in considerable overlap of how countries see and reach solutions to problems. There is an inherent tension between prioritizing the search for common ground and for fair representation of regions, religions, economic development, and systems of governance. On the other hand, interest-based cooperation does bring a risk of weakening international order by undermining existing universal and regional arrangements such as the United Nations and European Union. All reforms, therefore, ought to follow a single principle: reform of international institutions should bring about more effective international cooperation on critical challenges in a way that does not inadvertently worsen tensions with other states.

## **A False Diagnosis**

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Why do U.S. foreign policy experts believe that international order is in urgent need of reform? The perceived inability of international institutions to deal effectively with pressing international challenges has already caused a widespread loss of confidence in the existing order. The most notable examples include the ineffectiveness of international financial institutions to deal with the weaknesses and vulnerabilities in the global economy; the weakening of the Nuclear Non-Proliferation Treaty (NPT); the failure to reach an inclusive agreement on tackling climate change; the inability of the Security Council to agree on how to defend and promote human rights in Burma, Darfur, Georgia, Kosovo, Zimbabwe, and elsewhere; and the collapse of peace talks in the Middle East. Yet, these

failures are the result, not the cause, of institutional weakness. How and why did these failures occur?

The standard answer is that the international order reflects the world at the time those institutions were built, not the world as it is now. This manifests itself in two ways. First, the challenges are different today while the levels of interdependence are greater. Therefore, there is a pressing need for greater cooperation that is not being met. Second, the distribution of power has shifted. Countries such as Brazil, China, Germany, India, Indonesia, Japan, Nigeria, and South Africa are all more or less excluded. This has created a crisis of legitimacy: large parts of the world are not adequately represented at the high table. The proposed solution, therefore, is to create new types of organizations and reform existing ones so that the new challenges are met and the voices and interests of the most populous and powerful states are heard and taken into account. Only then will the international order allegedly be up to the challenges of the age. Particular solutions include an enlarged Security Council, replacing the Group of 8 (G-8) with the G-20, increased representation for Asia at the International Monetary Fund (IMF), and a new East Asia security forum.

To some extent, this diagnosis is correct. There are problems to which the international order has failed to respond, or at least not until very recently.<sup>4</sup> There are also coordination problems and information deficits that can be dealt with by reform of institutions such as the IMF and its “surveillance mission,” which ensures the distribution of information regarding the global economy, and the UN’s effort to participate in counterterrorism operations. While extraordinarily important, these difficulties are part of a different problem set from those that motivated the great push for reform. If the core issues were legitimacy and relevance, then those countries outside of the order would have been protesting the best laid plans of those on the inside (e.g., Brazil, Germany, India, and Japan would be at the forefront of stymieing Security Council action on challenges such as Darfur or Iran).

This, however, has not happened. Rather, those on the inside have been unable to agree among themselves. At the Security Council, the United States finds itself at odds with China and Russia on Darfur and on tougher sanctions against Iran. China may lack adequate representation in the IMF, but the cause of U.S.–Chinese tensions over currency valuations is a clash of interest that would not be resolved by membership-based reform. And when those from the outside have been included, the process has become more, rather than less, complicated. For instance, South Africa used its position on the Security

**The weakness of the international order has been falsely diagnosed.**

**Placing the priority on broader participation and inclusion will likely weaken cooperation.**

Council to lead the opposition to many U.S. initiatives to promote human rights. As former chief speechwriter for President George W. Bush, Michael Gerson, put it in a *Washington Post* op-ed:

South Africa has actively blocked United Nations discussions about human rights in Zimbabwe—and in Belarus, Cuba, North Korea, and Uzbekistan. South Africa was the only real democracy to vote against a

resolution demanding that the Burmese junta stop ethnic cleansing and free dissident Aung San Suu Kyi. When Iranian nuclear proliferation was debated in the Security Council, South Africa dragged out discussions and demanded watered-down language in the resolution. South Africa opposed a resolution condemning rape and attacks on civilians in Darfur and rolled out the red carpet for a visit from Sudan's genocidal leader. In the General Assembly, South Africa fought against a resolution condemning the use of rape as a weapon of war because the resolution was not sufficiently anti-American.<sup>5</sup>

In fact, it is difficult to come up with an example of an issue before the Security Council where action failed because key players were absent from membership. The issue is the failure of countries to agree on how to tackle international challenges.

Unfortunately, many of the proposals for reform run the risk of exacerbating this problem. These proposals tend to look at different countries in terms of how they fit into the international system. For example: are they developing or developed; what is their religious faith; how populous are they; how much economic and military power do they have; what region are they a part of; and, what sort of government do they have? All these questions are asked to ensure that future institutions reflect the world at a material, geographic, and philosophical level. Consequently, analysts call for adding one or two leading African and Latin American states, a balance between Asia and Europe, and so on. In effect, advocates of reform treat these states like billiard balls—if one isn't available, another of a similar size and weight will do. It is particularly striking that the bilateral relations between the United States, still the world's most powerful country, and the state in question is largely missing. For instance, there is a dearth of analysis on Brazil's preferences, interests, and behavior and whether or not they are compatible with the preferences, interests, and behavior of the United States.

The United States has made this mistake before. During World War II, President Franklin D. Roosevelt believed the Union of Soviet Socialist Republics (USSR) would be an important partner because of its national power. He did not fully appreciate the degree to which Soviet behavior,

preferences, and interests were incompatible with those of the West.<sup>6</sup> After World War II, the universal international order fell apart as Roosevelt quickly understood that Stalin's intentions, while relatively consistent with his tsarist antecedents, were at odds with those of the United States and Western Europe. Only if the United States and the Soviet Union agreed bilaterally on fundamental issues, such as influence in the Mediterranean and the future of Eastern Europe, would an institutional relationship have been possible. Unfortunately, the domestic political imperative of guaranteeing Soviet participation in the newly formed UN caused Roosevelt to overlook, and indeed suppress, diplomatic warnings about Soviet intentions.

No state today poses as great a danger as the Soviet Union did in the mid-1940s. The interests of the vast majority of states appear to be more aligned with those of the United States. That said, the United States is largely ignorant of how new members would actually behave in the G-8 or the Security Council. The debate is, again, focused on legitimacy. Yet, there is no guarantee that expansion to advance legitimacy will result in increased effectiveness. The veto at the Council will not be removed. States can informally agree to restrict its use, but this will never be codified into law. In other words, the potential of a veto will always hover in the background. An enlarged G-8 will likely find it more difficult to find agreement on issues such as Darfur and Zimbabwe. Enlargement based on legitimacy also runs the risk of being counterproductive even on its own terms. The new members of the G-20 would, of course, regard the organization as legitimate but it would infuriate the G-21-40, each of whom would argue that they should be included.

The mindset that looks for the perfect architecture to achieve representative legitimacy is mistaken. The alternative path, however, is also strewn with dangers. Simply allowing interest-based ad hoc coalitions of the willing to coalesce on a case-by-case basis opens the door to unilateral action where the most powerful states decide what they want to do and persuade a handful of supporters to go along. Among other things, this is the approach that leads directly to Operation Iraqi Freedom. Some formal structures are imperative.

### **One Size Does Not Fit All: Four Sets of Challenges**

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The key, therefore, is to find guidelines that will allow the flexibility for effective cooperation without inviting paralyzing consequences. Reforming international institutions should bring about more effective international cooperation on critical challenges in a way that does not inadvertently worsen tensions with other states. More effective means that a reformed or new institution must facilitate cooperative action which helps states accomplish the stated goal. On climate change, for example, any multilateral arrangement must

## The United States has made this mistake before.

advance a solution to the global problem, and not just offer a way for smaller states to make a greater stand or major states to escape their responsibility.

Without inadvertently escalating tensions with other states means that cooperation should not have the unintended consequence of subverting the interests of other states and,

therefore, alienating them. For instance, the concept of the responsibility to protect, whereby the international community can intervene to protect civilians if their government is unwilling or unable to do so, has sparked concerns in third party countries worried about their own secessionist movements. The operative word here is inadvertent. States can consciously decide to escalate tensions over a certain issue, but they should be aware of that trade-off and intentionally choose it as a matter of policy. It should not just happen inadvertently.

If this principle of more effective international cooperation without inadvertently worsening tensions with other states is applied to the reform of the international order, it becomes apparent that there are at least four sets of international challenges with varying incentives for the scale of associated cooperation: bilateral, coalitions of the willing, regional, or universal. Tailoring the structure of international cooperation in each case along the lines of the principle outlined above should lead to an international architecture of cooperation that is flexible, appropriate, streamlined, and efficient.

### **Very Important States**

One set of problems requires urgent coordinated action by a small number of very important states. This number varies by issue area but can be as small as two or three. Their action would be a net gain for all states and have no detrimental impact upon the interests of others. Action by all states is of secondary importance and would actually be counterproductive if it seriously impeded cooperation by these major powers. In fact, bilateral or small group cooperation by the very important states may be a necessary prerequisite for broader cooperation. Consider the U.S.–Soviet nuclear arms reductions in the 1970s. These negotiations were bilateral—efforts to enlist all nuclear weapons states would have slowed down the process, universal participation was less important than bilateral action, and in the end the bilateral deals facilitated broader arrangements like the 1995 renewal of the NPT.

The current analogy is with international negotiations tackling climate change. In Bali in December 2007, the international community agreed to move toward a new binding treaty by December 2009 in order to agree on a

replacement for the Kyoto Protocol, which is due to expire in 2012. The complexity of the challenge combined with the array of interests in a universal process make serious progress toward a deal unlikely. The realities of climate change are that no progress is possible without dramatic and meaningful action by the planet's largest polluters, especially China, India, and the United States. Indeed, action by these states is a necessary precursor to universal cooperation and not a means of undermining it. No other country will suffer or have its interests damaged because of significant reductions in carbon emissions by a group of two or three, or for that matter unilateral action.

The chances of a broader deal are improved if the Copenhagen process can be accompanied by a range of small group, or what academics call minilateral, arrangements between very important states. The key is to ensure that this minilateralism is not a means for the major powers to do less and avoid their responsibilities. Rather it should serve as a confidence-building measure to convince others that their actions will contribute to an actual solution to the problem, rather than just serve as a symbolic act.

Climate change is the most obvious challenge where countries should be encouraged to experiment with good faith cooperative initiatives to reduce carbon emissions, even if they are selective and ad hoc. The same may also be true for certain types of arms control agreements (where there is a large disparity between the very important states and all other states) or aspects of the global economy such as the surveillance and management of capital flows.

### **Regions with Traditional Security Concerns**

A second problem set deals with states that must cooperate on key issues despite being engaged in security competition. The case in point here is the East Asian security order, currently built on a hub-and-spoke system of bilateral alliances with the United States. This arrangement contrasts sharply with the U.S.-sponsored architecture of multilateral cooperation in Western Europe. While the origins of this divergence have been much debated, most analysts focus on aspects of the U.S. strategic logic behind the suppression of multilateral cooperation in Asia.<sup>7</sup> Unresolved differences and disputes—related to territory, distrust, and hatred bred by war and ethnicity—served as a brake on the rapprochement of the United States' democratic allies with communist states such as China, North Korea, and the USSR. Bilateralism was pursued as preferable to Pan-Asian sentiment that could have jeopardized U.S. equities in the region. After all, it allowed the United States to exercise greater control over its allies than if it had to deal with them collectively.

Nevertheless, much has changed. The Cold War is long over, and Asia is in the midst of an historic power transition which apparently makes it more multipolar. While U.S. bilateral alliances continue to underpin Asian security,

**The world's most important powers do not see eye-to-eye on the fundamentals of the crisis.**

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some of the spokes, particularly South Korea, have been engaged in robust internal debates about their relationship to the U.S. hub. Economic integration has brought nations closer together, but some forces push them apart such as rising nationalism stoked by unresolved historical grievances; the normalization of Japan, fueled by its own genuine insecurity, which then exacerbates the fears of others; a prolonged reversal of

economic fortune that could prompt the Chinese Communist Party to resort to belligerent nationalism as a source of domestic legitimacy; the introduction of advanced new conventional military capabilities to the region; the ongoing danger of a collapse of either North Korea or Pakistan; the continuing competition for scarce resources such as food, water, and energy; and the emergence of transnational threats such as terrorism, climate change, and a global pandemic. Whether or not discouraging regional multilateralism in northeast Asia once served U.S. strategic interests, it is now dwarfed by the risks of great power rivalry. In contemporary Asia, bilateralism is certainly necessary—the U.S. alliance is, for instance, what dampens security competition between Japan and its neighbors—but it is no longer sufficient.

What sort of institutions can be created that address the real insecurities of Asian states and foster collaboration on key issues? Should all institutions be open to all states, should states be forced to choose between competing models, or should the United States oppose multilateralism and focus solely on strengthening bilateral alliances? The answer probably lies in a combination of bilateral, small group, and multilateral structures which preserves the key U.S. role in the region but also builds confidence between China and its neighbors.

To adhere to the principle articulated above, it is important that this institution building not lead to the emergence of competing cooperative blocs. It would help if institutions overlapped, with all major countries cooperating with all of their neighbors in at least one forum on one issue even if they are excluded from other forums on different issues. As long as the overall structure is inclusive, major powers should be comfortable with not being a part of every organization. The Shanghai Cooperation Organization (SCO) is a good case in point. The SCO is the object of considerable suspicion in the United States, but when Russia went to the SCO hoping to garner support for its invasion of Georgia, China refused to provide it. This suggests considerable limits to Chinese–Russian cooperation, probably due in no small part to the complex web of cooperative relations China enjoys with the United States and its allies.



### **The Risk of Precedent**

A third set of problems concern specific crises in which the immediate response might not detrimentally affect the interests of others, but nonetheless threatens to create a precedent that is viewed as harmful. The responsibility to protect is a prominent example of this dynamic. Few states have a direct interest in protecting the Sudanese government, but many states worry about creating a precedent that will allow intervention in their own countries. China is not directly threatened by NATO intervention in Kosovo (the accidental bombing of China's embassy notwithstanding) but it worries about the implications for its own secessionist movements. As new institutions are created or as old ones are reformed, it is important to realize that no action should be taken that may detrimentally affect the interests of other states unless: 1) there is a broad-based, overwhelming legitimacy for such an action, or 2) if member states fully consider the risk of an increase in tension with other states and agree that it is an acceptable price to pay or a desirable outcome in its own right.

The first option may be more achievable if states frame collective action, particularly military humanitarian intervention, as a rare exception to the rule or a product of very special circumstances, rather than an attempt to advance a universal norm. The risk of doing otherwise is that cooperation on one issue among a small group of states may actually reduce the net level of cooperation with other states on seemingly unrelated matters. In terms of institutional design, states will naturally try to win legitimacy for their actions at the UN (and, failing that, at regional forums such as NATO), but when they move to non-universal settings, they must take the precautions described above in order to avoid damaging the general architecture of cooperation. Apart from the responsibility to protect, the concern about precedent can also apply to counterproliferation, where some states may wish to see a "rogue" disarmed, but worry about approving a double standard or the right of a major power to wage preventive war. It has also emerged as an issue in international criminal law where some states, including the United States, have raised concerns that the prosecution of war criminals by the International Criminal Court could lead to legal action against their own leaders for actions that they consider legitimate. For this reason, some states favor ad hoc, conflict specific war crimes tribunals rather than a permanent multilateral institution with a wide remit.

### **Universal Compliance or Overwhelming Participation**

A final set of problems does indeed require that all or most states are a party to the solution from an early stage. For example, the nuclear nonproliferation regime requires that all states fulfill their obligations under the NPT. If 95 percent of states agree but Iran and North Korea do not, then the regime has suffered a serious failure. Small coalitions can treat the symptom of the problem

by rolling back the actions of problem states, but they will have a hard time constructing a norm. Only a process whose legitimacy is recognized by the common consent of a vast majority of states can keep all but one or two exceptions in check and ensure that renegades are effectively managed. The institutional requirement, therefore, is for an agreement or norm that covers as many states as possible.

This logic holds for most problems in the global economy (although here, fully universal compliance is not as necessary as a slightly lower standard of overwhelming participation). In an integrated global economy, the stability of all major economic powers depends in part upon the decisions and governmental as well as regulatory processes of other states. The international financial architecture must appear legitimate both to developed and emerging economies so that they feel compelled to heed institutions when they insist upon the adoption of certain measures deemed necessary for the greater good of the global economy.

### **Implications for Multilateral Renovation**

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Unlike UN reform, there is no doubt that international financial institutions are in dire, although not necessarily urgent, need of reform based on membership rights. The basic facts are well known. The IMF and World Bank were created as part of the Bretton Woods agreement in 1944, dominated by the United Kingdom and United States. As such, both institutions are dominated today by the United States and Western Europe. An American always heads the World Bank, while the top position at the IMF always goes to a European. The EU either appoints or has a major say in appointing ten members of the IMF's 24-seat board. Changes, however, are being made. The United States now has 17 percent of the IMF vote, though it had begun with 30 percent. This still amounts to a controlling stake as 85 percent approval is required for action, effectively giving the United States the ability to veto IMF action. Meanwhile, India has only 1.91 percent of the total vote, while Belgium has 2.09 percent despite its gross domestic product (GDP) being only 42 percent the size of India's. China has 3.66 percent, well behind the United Kingdom's 4.86 percent.<sup>8</sup>

Even before the current credit crisis, Lorenzo Bini Smaghi, an executive board member of the European Central Bank, acknowledged that "Europe's inability to reduce its number of representatives and speak with one voice creates tensions with other major countries."<sup>9</sup> This is more than just an abstract concern about legitimacy. China has accumulated unprecedented amounts of dollar reserves. Its economy is on track to match that of the United States within the next 20 years. Its relatively fixed currency, combined with a current account surplus, is the focus of considerable controversy in the United States. It is universally

recognized that China must be at the heart of any arrangement to stabilize and reform the global economy. More broadly, to the extent that the IMF exists to cope with crises, emerging markets are intrinsic to its mission. The transfer of large amounts of capital to emerging markets usually results in a

financial crisis. Now we are discovering that the opposite dynamic—the failure of emerging markets to allow in foreign capital—can also wreak havoc.<sup>10</sup>

In recent years, the G-8 had become a leading forum for global economic issues, including development, but this organization excludes economic powerhouses such as China and India as well as any countries from Africa, Latin America, or the Middle East. It was for this reason that the leaders of France and the United Kingdom proposed that the international effort to craft a response to the international financial crisis include powers hitherto excluded from the top table. There have been two meetings of the G-20 since the fall of Lehman Brothers, one in Washington, D.C. in November 2008 and the other in London in April 2009. A third gathering will take place in Pittsburgh in September 2009. Although there are concerns that the G-20 is too large and unwieldy, it is generally believed to be a step in the right direction. As Obama put it after the London summit, “Well, if there’s just Roosevelt and Churchill sitting in a room with a brandy—that’s an easier negotiation. But that’s not the world we live in, and it shouldn’t be the world that we live in.”<sup>11</sup>

Reform of the IMF and the overall financial structure are equally important. Such reform, however, may actually prove counterproductive if it is not accompanied, or even preceded, by deepening bilateral cooperation between Western countries and individual emerging markets, generally, and between China and the United States in particular. As noted earlier, the original Bretton Woods conference, held in 1944, was dominated by the United Kingdom and the United States. Though it technically included all 44 Allied nations, the United States, as an emerging superpower, held most of the cards.<sup>12</sup> The summit followed years of difficult financial diplomacy conducted by senior U.S. Treasury official Harry Dexter White from the United States and the legendary British economist, John Maynard Keynes. Looking back on the Bretton Woods conference, it is obvious that, despite several advantages including the small number of participants, a clear leader, and laborious preparation, negotiators had great difficulty both reaching an agreement and then selling the deal. Indeed, several historians argue that Britain would never have accepted the terms were it not for its weak post-war position and the need for U.S. support against an emerging Soviet threat. The original Bretton Woods, therefore, serves as a

**If abandoned, the G-7 and G-8 may prove impossible to resurrect.**

reminder that financial diplomacy is neither straightforward nor easy. The experience of Bretton Woods demonstrates that deep bilateral diplomacy is often a prerequisite for a successful multilateral negotiation. Today, it is necessary to include more than two powers from an early stage, although deep U.S.-China negotiations could go a long way to creating the conditions for a wider, more inclusive deal.

The G-20 summit in November 2008 was styled as a “New Bretton Woods,” but there will be a long way to go before the negotiations justify the comparison. The lack of a clear leader, the presence of multiple players, and the lack of preparation and advance negotiations mean that the process will be more protracted and considerably more difficult than the original Bretton Woods. Indeed, for some scholars, a new Bretton Woods is not just difficult but impossible.<sup>13</sup> Indeed, what was agreed at November’s G-20 summit was regulatory reform of the financial sector which, as Brad Setser, a fellow in geoeconomics at the Council on Foreign Relations, has observed, only required cooperation among G-7 nations. Matters that extended to emerging markets, such as “the macroeconomic imbalances that facilitated the expansion of leverage in the United States and Europe,” went unmentioned.<sup>14</sup> The greatest progress within the G-20 was made among the countries that understood each other best and had a track record of cooperation on a bilateral basis.

The London summit was marginally better, if only because of the widespread expectation that it would fail to accomplish very much. World leaders agreed to triple the resources available to the IMF, assist developing countries, crack down on tax havens, and resist the siren song of protectionism again. There was also an agreement to revise the governing structure of the IMF after 2011. Success, however, was only relative to pre-summit predictions.

The fact remains that the world’s most important powers do not see eye-to-eye on the fundamentals of the crisis, whether it requires another stimulus, the nature of future regulation, or about how to unwind global financial imbalances. No institution will force China to float its currency or rely more upon domestic consumption for growth rather than exports. Nor will any institution persuade the United States to reverse its support for quantitative easing as the Germans would like, nor convince Germany to pump money into the European economy as the United States desires. Indeed, there is some reason to think that an expanded forum with a wide variety of conflicting preferences and interests may *lessen* pressure on the major powers to agree because it clogs up the agenda, can detract attention from the primary points of collision among the major powers, and may create the illusion of action through agreement of large numbers of states on matters of secondary concern. An international institution will only function if the member states are already convinced of the need for action, after

which point it will play an invaluable role in coordinating, facilitating, and managing financial policy among the member states.

Consider, for example, the risk of replacing the G-7 or G-8 with the G-20, rather than preserving the first even as we rely more on the latter. Once abandoned, the G-7, which meets at the ministerial level, and the G-8, which meets at the leaders level and includes Russia, may

prove impossible to resurrect. The logic is one of legitimacy-based reform, but before going down that path, it is worth recalling the potential and track record of this much-maligned organization.

While it is largely forgotten now, the G-8 used to employ sanctions in its early years as the G-7. Following India's nuclear test in 1974, the year before the G-7's formal founding, the G-7 initiated sanctions against India through the Nuclear Suppliers Group. In the following years, it also threatened sanctions against a fellow member, Italy, when it appeared as if Italy might include communists in its government. It restricted lending to the Soviet Union, took action against Libya (1986), South Africa (1987), China (1989), the former Yugoslavia (1997), Indonesia (1997), and terrorist financing (2001).<sup>15</sup> Recently the G-8 has served as a forum to build support for sanctions in the UN or EU against Iran and Zimbabwe. It is fair to say, therefore, that it is not an entirely toothless organization. This raises an important matter in the institutional reform debate: would replacing the G-8 with an organization of 20 states allow the G-8 to build on its previous accomplishments, or would it undermine them?

In fact, replacing the G-8 with a larger organization may just replicate the logistical and bureaucratic difficulties of the Security Council. True reform must involve some understanding of why countries agree and disagree substantively on the intergovernmental agenda items of these organizations, and then build institutions out of a commonality of interests that has already been demonstrated bilaterally. In practice, this may mean having a set of parallel processes that will each focus on a particular area without having large multilateral organizations compromise the existence and effectiveness of relatively smaller forums. The United States should seek to preserve as many multilateral fora as possible rather than eliminate them. By all means, use the G-20, but keep the G-7 and G-8 alive in case they are needed.

*Financial Times* columnist Martin Wolf, arguably the world's leading commentator on the crisis, recognized this in a column days after the London Summit when he argued that the G-20 had ignored the single most important

**Would replacing the G-8 with a G-20 build on previous accomplishments or undermine them?**

**I**nstead, the U.S. can increase the effectiveness of the UN by investing in bilateral relations.

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cause of the crisis: namely the massive financial imbalances between the G-2, by which he meant China and the United States.<sup>16</sup> This is interesting for two reasons. First, it again points to the fact that the probability of progress is not made any greater by expanding the number of participants in a summit if the key countries disagree. If anything, the larger the forum, the easier it is to offer the

illusion of action by focusing on important matters but not necessarily the most important.

Second, the use of the term G-2, which has also cropped up elsewhere, is itself a sign that some analysts and decisionmakers believe they need a way to describe a normal bilateral meeting as a type of multilateral institutional structure. Despite, or perhaps because of that, commentators argue about whether the G-2 is too exclusive, as if two is always too few. The aforementioned remark by Obama saying that major bilateral summits, such as that between Roosevelt and Churchill, cannot solve the economic problem also points in this direction. Yet, if the leaders of the United States and China, or even Germany, do not reach agreement on the basic questions, such as financial imbalances, exchange rate mechanisms, and whether to have a fiscal stimulus, little real progress can be made.

Over the past twenty years, the key decisions that shape the future of the international financial order have been made, and will continue to be made, by a small number of the world's major powers acting in pursuit of their own interest. As Setser put it in an article for the IMF publication, *Finance and Development*, "The most important lesson from the past is that the international financial system is defined more by the decisions key countries make during and after a crisis than by carefully chosen communiqué language."<sup>17</sup> Examples include the U.S. decision to bail out Mexico in 1994, China's decision to build up large dollar reserves in the aftermath of the Asian financial crisis of 1998, Beijing's decision to peg to the dollar, Washington's decision to let Lehman Brothers fail, and Germany's decision not to support a major economic stimulus package. None of these decisions were made at the G-7, G-8, G-20, IMF, World Bank, EU, or any other multilateral forum. Yet, they had a greater impact upon the global economy than anything agreed in those institutions.

None of this is to suggest that multilateralism is not important. Rather it is to argue that when it comes to the global economy, states think and act outside of the agenda of multilateral summits. The key task for the Obama administration is to persuade the world's major powers to act in a way that corresponds with

U.S. understandings of how to create and sustain a healthy global economy when they make these decisions. Conversely, the administration must also ensure that the major powers believe, insofar as is possible, that major U.S. decisions about the global economy are also in tune with their own interests. Bilateral relations, through deep understanding and continuous negotiation, offer the best promise of guaranteeing this alignment in preferences.

While productive bilateral relations are necessary, they are not enough. For instance, if the United States and China agree on a way to unwind financial imbalances, a major roadblock to real reform is removed. But for reform to actually occur, other states will have to facilitate the U.S.–China deal so they must also be part of the solution. Multilateral negotiations can build on bilateral alignment between the major powers to forge an agreement with other states, codify this agreement into international law, carve out a monitoring and implementation role for international institutions, and deal with other related matters. In other words, a shift in the current thought processes behind multilateral economic reform is needed if progress is to be made in developing a workable and sustainable model for the global economy from the wreckage of the 2008–2009 financial crisis.

### **UN Security Council Reform**

Another topic that is often raised in the context of international institutional reform is the Security Council. An unsuccessful attempt was made several years ago following the publication of the UN High Level Panel Report, which was a major report commissioned by Kofi Annan in the hope of restructuring the UN to reflect the realities of the twenty-first century.<sup>18</sup> Although there are rumblings that it may be attempted again, significant problems remain. Expansion to include rising powers is often not in the interest of the smaller neighbors of rising powers—or not so small in the case of Chinese opposition to Japanese membership.

Perhaps more importantly, there is no reason to believe that greater membership will improve the effectiveness of the Security Council unless the voting rules were to be reformed to remove the veto, which looks unlikely given the predisposition of existing permanent members. The real vested interests in preserving the veto emanate not from the United States, but from the other four veto-wielding members: China and Russia, who cherish the opportunity to frustrate U.S. designs, and France and the United Kingdom, who know that the veto allows them to punch above their weight. A renewed push for reform under present circumstances would likely consume political capital, and will not only fail in all likelihood, but would further undermine the UN's effectiveness. In the unlikely event that it succeeded, the result may be the same: new members with no reform of the veto means more gridlock.

**Key decisions will continue to be made by a small number of the world's major powers.**

Instead, the United States can increase the effectiveness of the UN by investing in its bilateral relations at the UN in order to unfreeze the decisionmaking process at the Security Council, the Human Rights Council, and other entities that are sometimes either deadlocked or hijacked. In practice, this necessitates the integration of bilateral and multilateral diplomacy within the U.S. government. Presently, the

U.S. mission at the UN is not fully linked in with the relevant U.S. State Department desk and embassy when trying to enlist the support of a member state. More generally, the United States needs to invest more energy and political capital at the bilateral level in understanding why states like South Africa take the positions they do on human rights and security issues and work to change their preferences and incentive structure. The United States must also focus on reengaging with the UN where it is proven to work and ensuring that those missions are properly financed and given the support they need to succeed, for instance, in peacekeeping where UN missions remain under-resourced.

Effective multilateral cooperation requires healthy and ambitious bilateral relationships. Understanding between the major powers can create the conditions for a successful and productive multilateral institution. A G-x organization, no matter what the number that follows, must be based on such a foundation.

### **The Ultimate Goal**

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The Obama administration has inherited a set of international institutions that have proven inadequate in coping with challenges such as maintaining a healthy global economy and preventing the proliferation of nuclear weapons. Its misfortune in its inheritance is also an opportunity. Over the next decade the United States may be able to reorder the architecture of international cooperation to meet the challenges of the twenty-first century. Whether or not this effort succeeds will depend, in large part, on the problem reform seeks to solve. The ultimate goal of reform is to enhance international cooperation to meet threats and challenges that can only be met multilaterally. Every reform embraced, every policy adopted, every institution created must serve that goal. Otherwise, it is just window dressing designed to make the international community feel good. If the world were not faced with severe threats, it might even be a laudable endeavor, but at a time of multiple and consequential challenges, it is a dangerous distraction and could even reduce net cooperation around the world.



In its effort to increase the net levels of cooperation, the United States should not just rely upon formal state-to-state relations to identify future partners with similar preferences, but it should also evaluate the work of numerous government-to-government networks, which are often the strongest, most flexible, and adaptive tools of international cooperation and global governance.<sup>19</sup> An examination of some of these networks is likely to reveal considerable overlap of interests that may point the way for more formal state-to-state cooperation in international institutions. Also, in many ways, networked cooperation is a means of engaging emerging powers without the downside of legitimacy-based reform, since it is flexible and can be tailored to maximize effectiveness.

As policymakers, analysts, and advocates work to increase cooperation among states, care must be taken to ensure that no unintended negative externalities emerge. Cooperation within one group of states must not inadvertently arouse suspicion and security competition with another state or group of states. This approach has deep implications for how the United States thinks about reforming the international order. It means a move away from membership-based reform for its own sake, and it shifts the burden of proof to those states which argue that changing the rules to redistribute relative influence is inherently a good thing. Such proponents must show how new rules and institutions would actually lead to a net increase in cooperation. In the long run, a problem solving approach should produce its own membership-based reform as an indirect result. Success in improving the effectiveness of existing institutions is a necessary precondition for more representative institutions. Moreover, new institutions will include the states most relevant to a particular set of problems, whether it is arms control, climate change, or the global economy.

## Notes

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