

The retreat from multilateralism

The View from Europe

David Jessop

Last month the Group of Seven (G7) most advanced economies failed to reach a consensus on the major challenges the world faces. Their inability to agree confirmed that finding common solutions to global political and economic problems has become all but impossible.

In the chic French resort of Biarritz critical issues relating to climate change, trade and tariffs, re-engagement with Russia, and energy policy went unresolved, despite the best efforts of France's President, Emmanuel Macron, now the clear leader of the EU27.

As a consequence it is difficult to see how the G7 will in future be able to agree responses to global crises, boding ill not only for any positive outcome when larger groupings such as the G20, which includes, Russia and China meet next year in Saudi Arabia, but also for deliverable outcomes from other multilateral gatherings.

This is happening just as the position of Britain and its long-standing commitment to finding common global responses may be about to be compromised by Washington's desire post-Brexit to see it become increasingly reliant on the US.

In mid-August the US National Security Adviser, John Bolton, after meeting Britain's Prime Minister Boris Johnson told the media that President Trump wanted to see a successful British exit from the EU on 31 October and that Washington was ready to rapidly deliver a US-UK free trade agreement starting on a sectoral basis.

Mr Johnson may well wish to position the UK somewhere between the US and the EU and as a future US-EU27 intermediary, but this and Mr Bolton's other aggressive comments on Europe and China suggest Washington sees matters very differently, regarding the UK as a vehicle for the US President's desire to undermine and weaken the EU.

What this growing global dislocation reflects is the extent to which, during his three years in office, President Trump has been able to change the world order by purposely disrupting consensus and by acting unilaterally and unpredictably in pursuit of his 'America First' agenda.

However, the consequences are becoming apparent.

By abjuring global leadership and adopting an imperial style, Mr Trump, who conceivably may win a second term, is forcing other nations and institutions to begin to give thought to alternative alliances and responses.

Most strikingly he is accelerating the strategic economic and military partnership between China and Russia. Although both countries act in different ways, their sometimes-uneasy relationship has been deepening since the 1970s. In late July this became particularly visible when in an unprecedented action, Russian and Chinese military aircraft undertook a joint reconnaissance mission aimed at testing Japan and South Korea's defences, and by extension the reaction of the US.

Elsewhere, others have begun to consider how to respond to the economic consequences of Washington's willingness to start trade wars and introduce sanctions, irrespective of the implications for global economic growth.

In this context a little noticed discussion took place in late August at the annual meeting of central bank governors at Jackson Hole in the US. There for the first time the view emerged that what is happening in the global economy can no longer be solved by coordinated monetary responses because unpredictable US trade and political policy now makes past solutions to economic shocks of limited value.

This led Mark Carney, the soon to step down Governor of the Bank of England, to suggest that as the world economy reorders, the dollar will cease to be the most important asset and medium of exchange.

Rather than waiting for the Chinese renminbi to compete as a reserve currency, the better response he suggested, would be, for the IMF to begin building a new international monetary and financial system based on multiple global currencies. Others in a similar vein proposed that a global electronic currency linking central bank digital currencies could reduce the influence of the US dollar and the US on global transactions.

Quite separately there is also a newfound willingness to respond more honestly or even coercively to nations that do not accept their shared responsibility for climate change.

As has been widely reported, Brazil and other nations including the Democratic Republic of Congo and Angola, largely through governmental inaction have been enabling the burning of large tracts of rain forest. This has been happening as the US President has expressed a desire to buy the self-Governing Danish Overseas Territory of Greenland in order to exploit its minerals and obtain geostrategic advantage from the warming of the Arctic Ocean.

In a response that may set future parameters, France and some other European nations indicated that if Brazil did not act to halt illegal deforestation, they would not ratify the recently agreed EU-Mercosur free trade agreement. In a similarly direct response, Denmark's Prime Minister, Mette Frederiksen, described as "absurd" the US President's apparent wish to reinterpret the Monroe doctrine.

What this all suggests is that the more that some nations pursue aggressively their economic advantage through trade, confrontation and hegemony, others will begin to explore new alliances and alternative forms of global architecture that protect their interests.

This has near horizon implications for the Caribbean which despite multilateralism's many shortcomings has seen consensus-based global policies support the region's development and see the lives of most of its citizens change for the better.

The region cannot just sit on its hands and allow the future to be dominated by states with leaders inclined to behave imperiously in the hope that the status quo ante will prevail. It needs to find its voice and encourage a new generation of thinkers able to develop in alliance with others alternative thinking about new global political and economic mechanisms that will protect the interests of small states in an increasingly belligerent self-seeking world.

For this reason, the recent decision to ask Barbados' former Prime Minister, Owen Arthur, to chair a global commission on critical small island issues ahead of next year's quadrennial UNCTAD conference to be held in Bridgetown is welcome. However, this will only have value if it is able to identify practical development responses in a world in which consensus may no longer be possible.

David Jessop is a consultant to the Caribbean Council and can be contacted at david.jessop@caribbean-council.org

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