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What's Next for Trade Multilateralism?



The battleground for major power rivalries, most notably between US and China, is not devoid of geoeconomics. Major powers' penchant towards economic weaponisation comes at the expense of free trade principles. The era of untrammelled globalisation enjoyed for the past three decades is over. Photo taken by Cryptocurrency News on Flickr.

FEATURED COMMENTARY

The Case for Bretton Woods 2.0

By Pradumna Bickram Rana



The 1944 Bretton Woods conference laid down the framework for the post-1945 global economic architecture. However, confidence in the Bretton Woods system has receded given its failure in ameliorating the ensuing protectionism from major power rivalries. Calls for modification of the system have never been stronger. Photo by Ross Bennie on Flickr.

Rising geopolitical rivalries after the 2008 global financial crisis has resulted in a new round of protectionism. This has led to De-globalisation 2.0 and heightened the risk of geo-economic fragmentation. Calls for Bretton Woods 2.0 have been made. Will they be realised?

Commentary

At the United Nations' Monetary and Financial Conference held in 1944, known more popularly as the Bretton Woods conference, an agreement was reached to set up a rules-based global economic architecture (GEA) that would reduce rampant nationalism, protectionism, beggar-thy-neighbour policies, and economic instabilities of the interwar years

(1918-1939).

The Bretton Woods GEA comprised the International Monetary Fund (IMF) for macroeconomic and monetary stability, the General Agreement on Tariffs and Trade (the predecessor of the World Trade Organization) to promote trade openness, and the World Bank to provide development finance for poverty reduction.

Although it had several critical faults, the Bretton Woods GEA worked well for more than 60 years. It ushered in the golden age of globalization when the trade openness index – sum of world exports and imports as a percentage of world output – increased six-fold between 1950 and 2008. The GEA also brought about rapid economic

growth and prosperity, and poverty reduction all over the world.

Global Financial Crisis and the Ensuing Protectionism

The 2008 global financial crisis marked a turning point in several ways. Rising geopolitical rivalries among countries since then, has led to a new round of protectionism based on national security grounds. In the immediate aftermath of the crisis, the will to cooperate among countries was strong. But this was soon followed by nationalist and protectionist sentiments as countries recovered from the crisis at different paces.

Under President Donald Trump, the US embraced the “America First” policy,

pivoting away from the multilateralism of the past to unilateralism and bilateralism. His administration levied tariffs on steel, aluminum and solar panels from most countries, which accounted for about 20 per cent of the total imports of the US.

Separately, the Trump administration set and escalated tariffs on goods imported from China, which resulted in the US-China trade war. These tariffs angered trading partners, including those in Europe, who imposed retaliatory tariffs of their own.

At the height of the COVID-19 pandemic, many countries had also imposed export restrictions on medical goods, some of

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which remain.

More recently, the tide in the US has changed considerably from globalisation to protectionism. International trade is seen as a zero-sum game. Supply chains are being “reshored” and “friendshored” to cope with COVID-19 disruptions and national security concerns.

President Joe Biden has accelerated Trump’s move towards protectionism and domestic job creation. In 2022, to maintain a technological edge over other countries, especially China, the US Congress enacted two bills in the name of national security. The CHIPS and Science Act provides US\$52 billion of incentives for the semiconductor industry. Similarly, the Inflation Reduction Act seeks to spend nearly US\$400 billion to boost clean energy and reduce dependence on China in important supply chains, such as batteries for electric vehicles. The US is also attempting, as much as possible, to bring in its allies to its side. These actions have set-off a “tech war” with China.

There is strong bipartisan support for protectionism based on national security concerns in the US. It is, therefore, unlikely that this protectionist policy will be reversed any time soon.

It is not just the US that is implementing protectionist measures to push domestic industry at the expense of foreign rivals. Data from the United Nations suggest that more than 100 countries accounting for over 90 per cent of world output, have adopted formal industrial policies. Spending on

subsidies among the G7 countries has risen sharply in recent years, from 0.6 per cent of output on average to 2 per cent in 2020. Investments abroad are also being closely screened and scrutinised.

New Protectionism, Deglobalisation 2.0, and Bretton Woods 2.0

As a result of the new protectionism, the global economy is now experiencing a period of deglobalisation, which means a sluggish or declining trade openness index. This is Deglobalisation 2.0, to differentiate it from Deglobalisation 1.0, which was experienced during the interwar years.

The globalisation of the 1990s and 2000s was underpinned by the belief that economic integration would cause China and the former Eastern Bloc (Soviet Bloc) countries to become strategic partners with the West. This led to widespread liberalisation of trade, capital flows and ideas.

But economic reality fell short of this optimistic vision set out by the leaders of the West. Rather than a strategic partner, China has now been identified as a strategic rival and competitor of the US. Sweeping sanctions have also been imposed on Russia and Belarus following the outbreak of the Ukraine War in February 2022.

Deglobalisation 2.0 will affect the global economy through the trade and finance channels. The IMF has estimated that the cost to global output from geoeconomic fragmentation could range from 0.2 per cent to 7 per cent of

global GDP.

Until recently, the institutions established at the Bretton Woods conference had adapted well to the changing world and achieved successful outcomes. But many analysts now feel that they are no longer fit for purpose. Calls have, therefore, been made for a Bretton Woods 2.0 or “Big Bang” reforms like that of 1944, which set up the present GEA under the leadership of the US.

An example is Gallagher and Kozul-Wright who have noted that the last time, in 1944, when the world economy became defined by financial instability, recession, inequality, right wing populism, lack of leadership, and war, the leading nations of the world came together at Bretton Woods and established rules and institutions to foster stability. As elaborated above, they were successful in establishing a rules-based global economic architecture.

Eighty years later, that system and its core institutions are facing a world which bears a striking resemblance to the past that the Bretton Woods delegates had hoped would be gone forever. This situation is compounded by a climate change crisis that is posing as a new existential threat to Planet Earth and to humanity.

An important on-going study on Bretton Woods 2.0 is the one by The Atlantic Council which was launched in 2022. So far, this project has issued four papers, and detailed studies are forthcoming. We are now moving from a unipolar to a multipolar

world, hence, in addition to Western views, these studies should incorporate the views and perspectives of the dynamic emerging markets, especially China and India.

Will We have Bretton Woods 2.0?

Rising geopolitical rivalries have dimmed the environment for global cooperation. The radical reforms that a Bretton Woods 2.0 may draw up may therefore not be feasible, at the present time.

Reforms should be prioritised into those that are modest in scope and readily implementable in the current institutions, and those that are more ambitious and structural in nature such as the need to establish new institutions. The immediate focus of reforms should be on the former, a Bretton Woods 1.5 as it were, while discussions and debates on the latter, a Bretton Woods 2.0, should be continued.■

Pradumna B. Rana is a Senior Fellow at the Centre for Multilateralism Studies (CMS), S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore. This commentary is part of a series leading up to the RSIS-WTO Parliamentary Workshop scheduled on 15-17 May 2023.

Elite Nationalism and Territorial Disputes: Implications for East Asia and Southeast Asia



Dr Nam Kyu Kim, Associate Professor at Korea University, talks about the impact of elite nationalism on regional security.

On 6 February 2023, RSIS hosted a Roundtable on “Elite Nationalism and Territorial Disputes: Implications for East Asia and Southeast Asia.” Dr Nam Kyu Kim, Associate Professor of Political Science and International Relations, Korea University, spoke on the relationship between elite nationalism and the initiation and resolution of territorial disputes.

How does nationalism affect territorial disputes? Dr Kim noted that despite the global rise in nationalism and scholars’ high valuation of territory as a core element of nationalism, the

relationship between nationalism and territorial disputes has not been subjected to systematic empirical scrutiny. Drawing on the existing literature, Dr Kim argued that nationalism makes political leaders and elites with foreign policy decision-making powers more likely to challenge the territorial status quo for several reasons.

Nationalism is inherently territorial due to the critical role of territory in the formation and maintenance of national identity. Nationalistic sentiments also significantly affect the world views and policy preferences of political leaders and

elites who have capabilities to use territorial disputes for their political interests.

Relying on empirical analysis of all existing territorial claims from 1901 to 2001, Dr Kim presented his findings that nationalism in political leaders increases their likelihood of initiating territorial disputes, especially when a territory is perceived as all-important to a nation’s history and identity. He also suggested that elite nationalism increases risks of settling territorial disputes by military means and of experiencing more fatalities as a result.

During the Q&A session, Dr Kim had a lively discussion with the audience on the implications and further extensions of his analysis, considering current geopolitical conflicts and political economic factors affecting the link between nationalism and territorial disputes. Increasing levels of nationalism in Asian countries and their effects on regional stability were also discussed. ■

This piece has been contributed by Dr Su-Hyun Lee, Assistant Professor, Coordinator of MSc (International Political Economy) Programme, RSIS.

Resilience and Change: ASEAN in a Fracturing World



Professor Kazuto Suzuki engaging the audience during Panel 1 on Global Challenges and Decoupling. What does ASEAN Need to Know?

On 22 February 2023, the Centre for Multilateralism Studies (CMS) at the S. Rajaratnam School of International Studies (RSIS) organised an in-person, panel workshop in Singapore on ASEAN's opportunities and challenges in an increasingly divided, fracturing world.

The first panel titled 'Global Challenges and Decoupling. What does ASEAN Need to Know' focused on the multitude of challenges facing ASEAN. Dr Dipinder S. Randhawa, Senior Fellow at RSIS; Ms Catharine Kho, Economist at the ASEAN Plus Three Macroeconomic Research Office; and Professor Kazuto Suzuki from the University of Tokyo, discussed how intensification of the US-China rivalry, geoeconomics, the COVID-19 pandemic, global inflation, economic challenges in the US and China, and ASEAN's underdeveloped digital economy can undermine ASEAN's broader economic security. Dr Randhawa and Professor Suzuki noted that there are

opportunities for ASEAN amidst these challenges as ASEAN is sandwiched between the US and China, and is in a strategic position to attract trade and investments from all sides.

The second panel 'Wither Trade and Investment Multilateralism? The State of APEC, WTO, and regional Free Trade Agreements (FTA)' touched on the current state and prospects of multilateral trade institutions in the region. Dr Pradumna Rana, Senior Fellow at RSIS, argued that the post-1945 centralised trade architecture has decentralised since the 2008 global financial crisis. A decentralised trade architecture entails benefits and risks. The proliferation of regional trade agreements may strengthen trade liberalisation and help address relevant supply chain issues. However, regional FTAs such as the Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) have the potential

to erode the WTO's relevance. Ms Maes Alconcel, trade expert from the EU-Arise Plus, touched on the challenges ASEAN businesses face. She argued that there was a clear lack of transparency and reliability of information regarding the technicalities of trade regulation, and as a result these have adversely affected the operation and efficiency of ASEAN businesses. Dr Denis Hew, Senior Fellow at the Lee Kuan Yew School of Public Policy, addressed implementation obstacles and progress made within the Asia Pacific Economic Cooperation (APEC), and the World Trade Organization (WTO). Dr Hew argued that the future of international trade hinges upon regional and bilateral free trade agreements (FTAs) which are likely to press ahead despite global headwinds.

The third panel 'The Future of ASEAN Economic Community' focused on the trajectory of the ASEAN Economic Community (AEC). Both Dr Jayant Menon, Senior Fellow at the Yusof

Ishak Institute (ISEAS) and Dr Lee Su-Hyun, Assistant Professor at RSIS, gave their perspective on the implementation progress and various challenges facing the ASEAN 2025 AEC blueprint. They also proposed constructive measures to further enhance ASEAN's economic integration. On the other hand, Ambassador Soares emphasised Timor-Leste's readiness to join ASEAN. He highlighted that Dilli's inclusion into the ranks of ASEAN will help to further deepen regional integration.

The workshop mapped the tough challenges facing ASEAN and stressed the need for the region to strengthen multilateral cooperation so as to maintain its relevance and centrality in an increasingly uncertain world. Against a backdrop of global uncertainty, there was cautious optimism that ASEAN's economic performance could buffer the challenges if it maintained itself as a region of stability and thus an attractive investment destination. ■

Multilateral Matters: News Roundup

Four Contending U.S. Approaches to Multilateralism

Carnegie Endowment for International Peace | 23 January 2023 | [Full Report](#)

Washington has four options for multilateralism: a charter, a club, a concert, or a coalition model. The task is choosing the right approach for the right situation.

What's the difference between 'friendshoring' and Other Global Trade Buzzwords?

World Economic Forum | 17 February 2023 | [Full Report](#)

'Friendshoring' is a growing trade practice where supply chain networks are focused on countries regarded as political and economic allies. However, there are fears the move towards friendshoring risks

furthering geo-political fragmentation and what's been described as 'deglobalization'.

The New-Age Multilateralism: The Indian Way

Geneva Centre for Security Policy | 20 February 2023 | [Full Report](#)

What the Ukraine War has Revealed About the Indispensability of Multilateral Governance

Belfer Center for Science and International Affairs | 23 February 2023 | [Full Report](#)

ASEAN and Multilateralism in the Indo-Pacific: Past, Present, and Future

Observer Research Foundation | 4 March 2023 | [Full Report](#)

A Multilateral Framework for Digital Trade

Observer Research Foundation | 4 March 2023 | [Full Report](#)

Minilateral Cooperation in ASEAN May Help it Overcome Challenges in Multilateralism

Fulcrum | 16 March 2023 | [Full Report](#)

ASEAN regionalism is increasingly seen as being slow and ineffective. Minilateral cooperation could be the way forward to allow a smaller group of like-minded ASEAN countries to work together in a targeted manner to deliver results where it matters.

The Multilateral Trading System is the Kernel of China's Food Security

East Asia Forum | 25 March 2023 | [Full Report](#)

SELECTED PUBLICATIONS

Enhancing the Effectiveness of G20 Summits

Pradumna B. Rana | *RSIS Commentary* | 6 January 2023

Europeans in the Indo-Pacific: Getting Diplomacy Right

Frederick Kliem & Pascal Vennesson | *RSIS Commentary* | 16 January 2023

Digitalization, Disruption, and Divisions: Is Multilateral Cooperation Ready for the Next Wave of Globalisation

Kaewkamol Pitakdumrongkit & Joel Ng | *RSIS Commentary* | 20 January 2023

Legitimation Costs and the Regional Contest for the 'Indo-Pacific'

Joel Ng | *Australian Institute of International Affairs* | February 2023

States of Insecurity: Recalibrations after the Russian Invasion of Ukraine

Joel Ng | *RSIS Commentary* | 13 February 2023

APEC Summit: Thailand's Middle Power Diplomacy

Kaewkamol Pitakdumrongkit | *Perth USAsia Centre* | 15 February 2023

Asian Military Evolutions: Civil-Military Relations in Asia

Alan Chong & Nicole Jenne | *Bristol University Press* | 20 March 2023

This Year, India Leads the G20, Japan the G7, and Together can Make a Potent Team

Nazia Hussain & Tan Ming Hui | *The Interpreter* (Republished in *Channel New Asia*) | 27 March 2023

Managing Economic Statecraft via Multilateral Agreements: The Roles of ASEAN Member States in Shaping Regional Comprehensive Economic Partnership

Kaewkamol Pitakdumrongkit | *The Pacific Review* | 10 April 2023

The **Centre for Multilateralism Studies (CMS)** is a research entity within the S. Rajaratnam School of International Studies at Nanyang Technological University, Singapore. The CMS team conducts cutting-edge research, teaching/training and networking on cooperative multilateralism in the Asia Pacific region. The Centre aims to contribute to international academic and public discourses on regional architecture and order in the Asia Pacific. It aspires to be an international knowledge hub for multilateral cooperation and regional integration.

Multilateral Matters is the quarterly publication of the Centre for Multilateralism Studies (CMS), analysing the most recent developments regarding multilateralism by our team. It covers articles on relevant economic and political issues as well as programmes and latest publications from the research centre. The objective of the newsletter is to promote the research being done by our centre, raising awareness of the many events that we hold on a regular basis.

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