

Does multilateralism work during ‘slowbalisation’?

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June 24, 2023

Conflict has been at the core of international relations and it is evident in the fact that the origin of principles crucial to modern international relations is traced to the peace of Westphalia signed in 1648. The peace of Westphalia ended the Thirty Years War, closing a calamitous period of European history that killed approximately eight million people.



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However, conflict continued to remain and emerged in various forms ranging from the two World Wars to the Cold War to the Rwandan genocide to various forms of biological warfare to trade wars. The emergence of globalisation as a potent force in international politics made conflict further enmeshed in international relations as the flow of capital, goods, technology, services and people among a host of other flows only made the resort to conflict of various forms easier.

States of the international system, over years devised various mechanisms to avoid conflicts of myriad forms which include treaties, laws, agreements and multilateral organisations out of the host of approaches that States have to address conflicts the two most often relied upon mechanisms are those of bilateralism and multilateralism. The primary difference between bilateralism and multilateralism is that the former comprises agreements between two countries whereas the latter includes three or more countries. In order to facilitate the communication between three or more countries, several multilateral organisations also came up, particularly to keep conflict at bay and the examples include the United Nations (UN) to the World Trade Organization (WTO).

If globalisation brought forth facilitation of myriads forms of conflicts with it, the lack of it or what is known as “slowbalisation” brings forth further complexities and opportunities for enhancing conflicts. Slowbalisation or the lack of economic growth rates which followed the global financial crisis has been characterised by a prolonged slowdown in the pace of trade reform and weakening political support for free trade amid rising geopolitical tensions. Here, both bilateralism and multilateralism come in as important tools to address emerging issues. An example of how multilateral organisations help in smoothening slowing trade disputes and rising tariffs is the dispute resolution mechanism of the WTO wherein member-States seek intervention from the multilateral organisation. Given the fact that all countries of the world, including even pariah States like North Korea engage in trade, the role of multilateralism here is pertinent. States, nevertheless, also resort to bilateral negotiations and an example is that of the several rounds of negotiations between the United States and China to resolve the ongoing trade war. The question that emerges is whether bilateralism is a better tool or whether multilateralism is the better option.

In the era of slowbalisation, wherein states are becoming more inward looking, the usage of any tool to ensure the benefits of globalisation continue to accrue to member states is important. In the current epoch of history, wherein a hitherto less powerful state like China is seeking ascendance to the role of the leader of the international system, trade, which was once seen as an important tool to smoothen out disputes has also become a tool to further political gains in international relations. The case of China becomes unique here to understand how both bilateralism and multilateralism are used in tandem to further the national interests of member-countries. Trade, focusing on international exports of goods, capital and services along with a slew of investments abroad, particularly in developing countries is at the heart of China’s foreign policy goals to ensure a stable international order, which can then further support Chinese exports to the world, which will ensure continued reliance of the international system on China. The People's Bank of China has entered into currency swap deals with 40 countries. The usage of bilateral currency swap agreements helps China in myriad ways to secure its national interests, including claiming the leadership of the international system.

Countries are more likely to sign a bilateral swap line (BSL) with China if they have strong trade linkages. There is also a stronger BSL with countries with a larger export exposure to Chinese goods. Chinese BSL’s promote more bilateral trade with China. More trade with China, in which China holds the trade surplus augurs well for the Chinese economy, which, in turn, leads to more political leverage for China in international relations. In more recent years, China’s central bank has been actively pushing for signing bilateral currency swap agreements with other central banks as part of the Chinese authorities’ efforts to push for the internationalisation of the Chinese yuan. The primary purpose is to aid trade settlement in the yuan. Chinese authorities themselves have expressed multiple objectives for their expansion of BSLs which include internationalisation of the yuan, facilitating trade and investment and ensuring financial market stability through provision of the yuan’s liquidity. This is a perfect case of why bilateral agreements or bilateralism continues holding importance. On the other hand, if disputes were to arise in trade, China

could remind the partner country to adhere to the tenets of the bilateral agreement or raise it at a multilateral organisation like the WTO, where China and other involved parties can request the settlement of a panel to resolve the dispute.

States often seem to prefer to resort to bilateralism since it is less cumbersome and there are only two parties involved, both of which know the clear contours of the dispute. However, multilateralism, despite its cumbersome nature and relatively lengthy processes including more members continues to be a very relevant tool to introduce negotiations on the dispute and to suggest a host of solutions from myriad perspectives which may be lacking if just two countries have been trying to resolve the dispute. Also, when the dispute is more protracted in nature, it becomes pertinent that multilateralism is resorted to, so that an attempt at a stable international order can be made through greater ideas and perspectives. The queer mix of bilateralism and multilateralism is the key to address a wide range of inward-looking policies that have crept up in the current international order, and any one of these two tools will not be able to adequately address the problems associated with the process of 'slowbalisation'.

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- Topics
- Globalisation
- Conflict