

COUNCIL OF COUNCILS

An Initiative of the Council on Foreign Relations



The 2024 Council of Councils Annual Conference *Background Memos*

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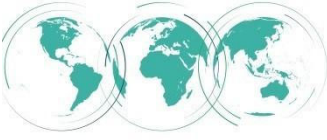
An Initiative of the Council on Foreign Relations



Session One

Geopolitics and the Future of World Order

I. Diagnosing the Problems



Background Memo

Geopolitics and the Future of World Order

Council of Councils Annual Conference
May 19–21, 2024
Council on Foreign Relations, Washington, DC

Michael Fullilove, The Lowy Institute

What is wrong with the existing world order?

Since the end of World War II, the global order has delivered a long season of prosperity and peace. That order is now under threat. In Europe, Russia continues its brutal, unjustified, and illegal invasion of Ukraine. The Middle East is once again in turmoil.

In Asia, navies test one another in disputed waters, and sailors from countries such as the Philippines and Australia have been injured. An arms race is afoot.

Contests between nation-states and between ideologies have resumed, while cooperation between great powers is declining. Unipolarity has given way to multipolarity. Geopolitics has returned.

Why? First, there has been a diffusion of power across the international system. There are reasons to be skeptical of lurid accounts of U.S. decline: the United States has enduring strengths, including favorable geography, healthy demographics, a formidable military, and an entrepreneurial economy. But it is undeniable that, as other nations rise, the United States' margin of superiority over them shrinks.

Furthermore, if Washington has a strong hand, it sometimes plays that hand poorly. Policy has fluctuated between the presidencies of George W. Bush, Barack Obama, Donald Trump, and now Joe Biden.

The recent history of U.S. policy—both its missteps and its inconsistency—raises questions about whether Washington will continue to act as the global hegemon. President Biden has been able to bring the United States back into the world, ably rallying countries behind the defense of Ukraine and deepening American relationships in Asia. Nevertheless, doubts remain.

Second, strong challengers to the order are stepping up in its three most significant theaters: Europe, with Russia's invasion of Ukraine; the Middle East, as Israel's war against Hamas threatens to escalate into a regional conflict; and in the Indo-Pacific, where China continues its assertive international policies.

Third, Russia's invasion of Ukraine has stiffened some spines in the West, but not enough. The North Atlantic Treaty Organization (NATO) has welcomed new members and acted ably in defense of Ukraine, but many of its members still lag in their defense spending.

Finally, weaknesses in the West and the rise of great power challengers make it harder for global institutions, such as the United Nations, to tackle global challenges.

All of these developments mean that the pillars supporting the existing order are weak, and the principles that define it are under challenge.

Where is it falling short the most?

Moscow's aggressive revanchism in Ukraine is the most pressing shortfall in today's global order. Its invasion was the unprovoked, unjustified, and brutal invasion of one country by its neighbor, which happens to be a nuclear-armed power and a permanent member of the UN Security Council. It violated the fundamental principles of the international system, including territorial integrity and state sovereignty.

If Russia is allowed to win in Ukraine, then many other countries could also feel that it is permissible use military force to achieve their goals.

China presents a different kind of challenge to the international system—less overt than Russia's, but, over the long term, more formidable. It aspires to be the preeminent power in Asia. It wants a regional order focused on China, rather than the United States. It has become increasingly combative and assertive, notably in the South China Sea. Unchecked, it may create an order in which other Asian countries are unable to exercise their own prerogatives and are forced to live in China's shadow.

Climate change is the most important long-term issue facing world order today. Action to curb or mitigate its effects requires sustained international cooperation. Through more frequent and deadly natural disasters, forced migration due to rising sea levels, and other environmental factors, climate change risks severely altering the physical environment in which all nations must operate. It is a challenge unlike any other the international community has faced.

Are these shortcomings new?

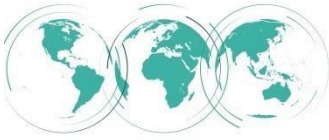
We have seen discontinuities before. Russia's invasion of Ukraine is different from the U.S. invasion of Iraq—the former was born of imperial ambition and the latter of misplaced idealism. However, each case involved the invasion and attempted occupation of a country in the absence of a UN Security Council resolution. Each invasion was both wrong and stupid. The United States' wrong-headed behavior two decades ago muddies its clear-eyed support for Ukraine today.

We have known about climate change for decades now, but it is in the last few years that we have begun to see how destructive it will be if left unaddressed. There are not yet sufficient mechanisms in the international system to compel states to take coordinated and effective action on climate change.

What issues are ripe for resolution, and which appear intractable, and why? Among those ripe for resolution, which should be a priority, and who should take action?

The United States, alongside its allies and partners, should ensure that Russia does not defeat Ukraine. Association of Southeast Asian Nations (ASEAN) states, as well as the United States and partners such as Australia, should continue to push back against Chinese coercion in the South China Sea.

Developed countries must assist vulnerable ones to build resilience to natural disasters, while international forums must ensure that scaling up clean energy production becomes a virtuous cycle of competition to the top—rather than a subsidies race to the bottom—to help the world avoid the worst impacts of climate change.



Background Memo

Geopolitics and the Future of World Order

Council of Councils Annual Conference
May 19–21, 2024
Council on Foreign Relations, Washington, DC

Shao Yuqun, Shanghai Institutes for International Studies

To discuss what has gone wrong with the existing international order, one should first distinguish between the liberal international order and the international order centered around the United Nations. These two orders are not the same in terms of ideology and policy planning. The current discussion centers on the problems the liberal international order has recently faced. The liberal international order is an internal order of the West constructed by the United States after World War II with other Western powers. After forty years of the Cold War and the collapse of the bipolar system, the United States has expanded the liberal international order, with itself as the pillar of unipolarity, Western values as the core, and an international multilateral mechanism. Along with rapid globalization, the liberal international order has expanded globally and gradually become a Western-led international order.

At present, the U.S.-led liberal international order has met three problems.

First, the order's leading countries have declined and become skeptical of their own order. The share of the United States and other Western powers in the world economy has gradually declined. Over the past forty years, the U.S. share of the global economy has declined from 25 to 20 percent, Europe from 35 to 21 percent, and Japan from 10 to 6 percent. Declining economic power indicates declining leadership. In addition, under the guidance of the Washington Consensus, major Western countries have allowed the free flow of capital and paid no attention to the secondary and tertiary distribution of wealth, resulting in the rapid widening of the gap between the rich and the poor, and increasingly difficult lives for the middle class and blue-collar workers who have not received higher education. Furthermore, the rapid mobility of people driven by globalization has altered the identity of Western societies, with communities becoming increasingly antagonistic and politically polarized. The fact that leaders of the United States and some European countries frequently challenge and even undermine the liberal international order is a manifestation of the dissatisfaction of their domestic populations.

Second, the order cannot accommodate the legitimate rise of a heterogeneous power, and the leading countries' policy responses expose the order to a risk of great power conflict. The U.S. perception of China comes from Western history and its Cold War experience, coupled with strategic anxieties arising from skepticism about the order itself. Thus, the United States sees a rising China as a threat and challenge to the liberal international order. Since the core of the liberal international order is Western values, it essentially

rejects a major power that does not hold these values, even if that power has risen within the liberal international order and agrees with the open markets and institutional arrangements advocated by the order. China's dissatisfaction with this order's tendency to interfere in the internal affairs of other countries, its hierarchical thinking, and the damaging effects of the internal flaws of liberalism is not unique to China and is shared by many countries around the world. China is not prepared to completely destabilize this order by means of force. However, the U.S. policy of repression against China exposes this order to a risk of great power conflict.

Third, this order's problem-solving capacity is declining, and it is unable to respond to five of today's major global challenges. First, the United States, as the leader of this order, perceives problems differently from many countries. For example, it has made the Russia-Ukraine war a globally important issue even though many countries reject this view and are unwilling to follow U.S. policy. Second, the United States is undermining multilateral mechanisms that support this order. For example, its decision to block judges to the World Trade Organization's (WTO) Appellate Body is opposed by even close U.S. allies, such as Australia. Third, the United States is suppressing the ability of other countries to provide capacity to resolve problems. For example, the United States is criticizing China's strong electric vehicle production capacity, which could enhance the global ability to combat climate change. Fourth, the policy of competition among major powers hinders cooperation on global challenges, such as those posed by artificial intelligence. Fifth, the mindset of pan-securitization hinders much normal transnational and cross-disciplinary cooperation.

It is difficult to say which of these three problems is most urgent, important, or easiest to resolve, because they are, in fact, interrelated. These problems are not new; for example, the exclusion of a heterogeneous rising power from the liberal international order is intrinsic to the characteristics of this order, except that the size of this rising power has become so great that the United States has decided to use all means to suppress it, thus impairing the security and stability of this order and frightening the whole world. In addition, the domestic social problems of globalization are not new, but U.S. and other Western governments have not given them enough attention. These problems influence the foreign policies of the United States and other major Western countries. The rapid pace of globalization has led to the emergence of a growing number of global problems, which appear to be new, but are essentially the result of globalized development.

Recommendations

First, the liberal international order should be inclusive. The order's leading countries should accept that other countries with different ideologies can also play a leading role. Currently, emerging economies, China included, do not have the ability to overthrow or replace U.S. leadership, but they are gaining influence over the order. As a leader of the order, the United States should not exclude China, demonize China's contribution to the order with the dichotomy of democracy vs. autocracy, to try to drive China out of the order. The United States should strengthen its own understanding of Chinese history, culture, and civilization, and accept that China should play a more positive role in this order.

Second, the United States and some Western countries should accelerate their domestic political and economic reforms, narrow the wealth gap as much as possible, alleviate domestic polarization, and refrain from using the outside world (i.e., China) as a scapegoat for their own domestic problems. In this way, the people of the United States and Western powers will regain confidence in this order, and the United States will gradually minimize its damage to the multilateral mechanisms of this order.

Third, China has always adhered to a foreign policy of peace, independence, fairness, and justice, and does not seek to change this order by military means. As China gradually emerges out of the liberal international order from weakness to strength and from poverty to wealth, it should adhere to a peaceful foreign policy, seek to improve the unfair and unjust aspects of this order through multilateral cooperation, enhance its ability to participate in international cooperation to address global challenges through the continued process of modernization and development, and pursue a new paradigm of social governance.

Fourth, other countries in this order should work together to oppose linear, either/or, and black and white thinking and the mindset of pan-securitization. They should strengthen cooperation among themselves to reduce the harms of great power competition on the order and enhance the ability of the order to solve problems.

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Session One

Geopolitics and the Future of World Order

II. Breakout A



Background Memo

Geopolitics and the Future of World Order

Council of Councils Annual Conference

May 19–21, 2024

Council on Foreign Relations, Washington, DC

Tamir Hayman, Institute for National Security Studies

The Problem and Thoughts on Solutions

The world is currently caught in a vortex of geopolitical challenges. Overcoming those challenges will require international cooperation based on trust and the free flow of knowledge and information, the same values that characterize liberal democratic states. Realizing those values, however, can sometimes be done in a way that some countries construe as a new form of imperialism. This, in turn, could deter them from cooperating on global challenges.

Consensus to Strengthen

A common perception is that consensus among countries is required for cooperation to deal with and solve global challenges. Although this is theoretically correct, it should be acknowledged that this conception has contributed to the “second Cold War” in which the world finds itself today. To ensure that the errors of this approach are not repeated, four new global norms should be adopted:

- **Achieving political goals through deliberate harm to civilians is terrorism.** The refusal of the international community to agree on a definition of terrorism provides cover for harming innocent civilians. This is a moral and ethical disaster, stemming from economic and political interests and moral confusion.
- **Stable global supply chains are a vital shared interest.** The global infrastructure that enables the supply of goods and services should be treated as an essential foundation of our existence, requiring central global management.
- **Global technology’s focus should be on energy and water.** Innovators from all sectors should be encouraged to focus on those fields. If market forces continue to dominate and those issues remain peripheral, global governmental intervention will be required to incentivize change.

- **International defense alliances enable deterrence.** International defense alliances are needed to enable military build-up, to deal with new security challenges, and to minimize risk associated with the global arms race. However, unlike the network of alliances that led to World War I, the current focus should be on the production and supply of military equipment within a proactive international alliance framework, rather than a joint reaction to threats. Creating restraining dependencies between countries creates a strategic bloc under a joint interest and deters quick escalation into global conflict.

Untapped Potential

International cooperation is crucial for addressing some of the world's most pressing issues. A revitalized, consensus-oriented global order is necessary for addressing three policy areas in particular:

- **Medicine and Health.** Health is a political matter, as witnessed during the COVID-19 pandemic. A new world order should strengthen global medical interests under the stewardship of countries that are more advanced in medical technology.
- **Outer Space.** Space has global impacts with endless possibilities for action ranging from communications and energy to historic scientific breakthroughs. Unfortunately, at present, countries have not assumed global responsibility for creating rules of the road for responsible use of outer space. This leadership vacuum has been exploited by private sector individuals.
- **Artificial Intelligence.** While the field of artificial intelligence (AI) is fascinating and complex, it poses a serious threat and requires a global response. While AI can exceed the imagination, leading to scientific and technological breakthroughs, unlike past technological inventions, AI is controlled by machines, requiring an even higher degree of human cooperation.

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Session One

Geopolitics and the Future of World Order

II. Breakout B



Background Memo

Geopolitics and the Future of World Order

Council of Councils Annual Conference
May 19–21, 2024
Council on Foreign Relations, Washington, DC

Selim YeneI, Global Relations Forum

The current international situation is in flux. Conflicts are not new, although countries have become used to having a set of rules and obligations to follow. Those are eroding. More than seventy-five years have passed since the creation of the post–World War II international system. While the world has changed, this system has not kept up with those transformations. The rules-based order is not wrong or faulty, but it has become unbalanced, needs updating, and is thus increasingly flouted.

Impunity toward abiding by these rules is growing. Russia and the United States have taken turns blocking resolutions from the UN Security Council according to their interests. As a result, the Security Council has become nonfunctional.

The world's limited responses to Russia's overt or covert interventions in Georgia, Moldova, Syria, and initially in Ukraine in 2014 have emboldened Russia to act more aggressively. Iran, through its proxies, has taken action against Israel, and the current conflict in the Middle East could spread. Neighbors of China feel threatened by its actions.

There are two superpowers (the United States and China), one major regional power with nuclear weapons (Russia), and a layer of medium-sized regional powers (Brazil, India, Saudi Arabia, and Turkey, among others) that can either contribute to the world order or disrupt it. As the preeminence of the United States recedes, a multilayered, rather than multipolar, world order with new power centers seems to be emerging.

History, whether recent or long past, plays an important role in influencing countries' policies. Perceptions matter; they are filtered through a historical lens, and what is seen as a violation of international norms by some is perceived differently by others. The Global South perceives several global challenges through a lens of Western colonialism or exploitation. It has also observed rules being bent to the will of the strong.

Only a few countries genuinely want an international rules-based system that restrains them. Most would prefer to have hard power, to use or threaten to use.

However, military power is not the only challenge facing the international order. Security challenges in the current geopolitical context have multiplied. There is a need to engage in security areas beyond those concerning the military and address global issues such as climate change, energy security, trade protectionism, supply-chain resilience, food scarcity, financial instability, and migration, which are all interconnected. Additionally, the disruptive capacity of nonstate actors is growing.

Legitimate concerns need to be taken into account by reaching a new consensus on these issues. Systems work most effectively when competing parties accept the rules of the game, acknowledge the existence of restraints on their power, reject the use of violence as a political weapon, and respect other countries' rights. Until such a new system is established, ad hoc and innovative arrangements should be formed to bring opposing powers to the negotiating table. In any case, even under the worst circumstances, lines of continued communication between those in conflict and those that can contribute to a peaceful resolution are crucial for lowering tension and creating conditions for mediation.



Background Memo

Advancing U.S.-Led Alliance Dynamics in Response to Global Geopolitical Threats

Council of Councils Annual Conference
May 19–21, 2024
Council on Foreign Relations, Washington, DC

Chaesung Chun, East Asia Institute

Optimizing the U.S.-Led Alliance System

A consensus is growing around the need to optimize the U.S.-led alliance system to effectively address geopolitical threats. This optimization requires not only deepening but also evolving the framework of U.S. bilateral alliances, notably the U.S.-South Korea and U.S.-Japan partnerships. Additionally, new relationships are emerging among U.S. alliance partners. Last year witnessed a significant strengthening of trilateral security cooperation between the United States, Japan, and South Korea. Moreover, a recent U.S.-Japan summit underscored various forms of trilateral cooperation with like-minded countries such as Australia and South Korea, signaling Japan's consideration of joining the trilateral security agreement among Australia, the United Kingdom, and the United States, also known as AUKUS. This signifies the establishment of a multilayered network of military cooperation beyond the traditional hub-and-spoke alliance system in East Asia.

Furthermore, the alliance system, traditionally confined to East Asia, is increasingly interconnected with the security structures of Europe and the world at large. The North Atlantic Treaty Organization (NATO) in Europe has rapidly strengthened following significant concerns about the Russia-Ukraine war and China's foreign policy, particularly its professed unlimited friendship with Russia. The potential escalation of China's support for Russia from economic and diplomatic realms to military assistance could further intertwine the security situations in Europe and Asia. The Russia-Ukraine war, coupled with North Korea's arms support for Russia, highlights the convergence of the Eurasian security horizon. Moreover, the outcome of the conflict in Ukraine holds significant implications for Taiwan, illustrating the close connection between the two continents. This is further illustrated by NATO extending invitations to its past two annual summits to Australia, Japan, New Zealand, and South Korea. Coincidentally, in 2022, NATO countries released their Strategic Concept document, identifying China as a systemic rival, indicating a renewed focus on Asia. Additionally, four Asian countries are set to participate in the NATO summit in Washington, DC, in July.

The United States is also strengthening security ties with strategic partners not bound by formal treaty alliances. The \$100 billion aid package, stalled in Congress for half a year, is soon to be disbursed to Israel, Taiwan, and Ukraine. Despite challenges such as war fatigue opposition to additional support for Ukraine in the United States, growing anti-Israel sentiment amid the unfolding Gaza conflict, and Chinese backlash against U.S. support for Taiwan, the United States remains committed to providing significant funds, along with diplomatic and military support to non-allies and strategic partners. These countries play a pivotal role in the U.S. regional strategy in Europe, the Middle East, and Asia. The United States is collaborating with its allies to bolster them in countering the revisionist actions of Russia, Iran, and China.

Addressing Geopolitical Challenges and Multilateral Cooperation

In light of those developments, the Joe Biden administration faces the imperative to participate in geopolitical competition with the so-called axis of revisionism comprising China, Iran, North Korea, and Russia. This necessitates the establishment of new geopolitical and geostrategic arrangements in economic and technological domains. Moreover, there is a pressing need to consolidate multilateral cooperation to collectively combat transnational threats and further fortify the liberal international order.

In this context, it is crucial to share a cohesive vision of the future with allies and strategic partners. However, the increasing reliance of the United States on its allies and partners makes controlling them more challenging. Actions such as Israeli attacks on Iran or Ukrainian drone strikes on Russian soil unsettle the United States, complicating its efforts to restrain them for fear of escalation. Such situations increase the likelihood of the logic of entrapment and abandonment applying to the United States and its security partners.

The United States and its allies increasingly share a threat perception of China and Russia; however, despite being competitors that the United States endeavors to restrain, its allies maintain close economic ties with them. While the United States frames the debate as liberal versus authoritarian, viewing China as the sole competitor capable of challenging the U.S.-led order, for over one hundred and twenty countries, including U.S. allies, China remains their largest trading partner.

Aligning geopolitical solidarity and geoeconomic cooperation assumes paramount importance. While security alliances do not necessarily translate into economic cooperation, the United States, in its bid to restore the economic foundations of its hegemony by strengthening its middle class and revitalizing manufacturing, will require assistance from its allies, sometimes necessitating pressuring them. As the return of former President Donald Trump looms, the divergence between security and economic camps is anticipated to further widen.

South Korea's Perspective and Shaping the Future

From South Korea's perspective, global geopolitical threats present significant challenges to U.S.-South Korean relations and the U.S.-South Korea alliance. Balancing the security interests of individual countries is imperative. Allied cooperation should be enhanced, and mutual competition avoided. The potential for hierarchy among U.S. allies is increasing, underscoring the importance of participation in critical partnerships such as Five Eyes, AUKUS, and the Quad (the informal quadrilateral security dialogue among the United States, Australia, India, and Japan). While South Korea has embarked on trilateral cooperation outside the bilateral alliance, its absence from other multilateral alliances has led it to compare itself unfavorably with U.S.

allies such as Japan and Australia. U.S. concerns about South Korea's political polarization and foreign policy volatility could also influence its alliance status.

Addressing the immediate priority of containing North Korea while reconciling potential disagreements between the United States and South Korea over the prioritization of alliance goals is crucial. While the United States emphasizes the complete denuclearization of North Korea, for South Korea, deterrence against Russia and China—including North Korean military cooperation with and logistical support for Russia—assumes prominence. Weakening China-Russia-North Korea solidarity and countering North Korea's new Cold War diplomatic strategy are pivotal policy objectives for South Korea. However, the decline in U.S. interest in the Korean Peninsula and its subsequent reprioritization pose significant challenges.

The United States and its allies should articulate a clear diplomatic vision for Asia and the world, providing blueprints for the future international order. Long-term cooperation, guided by a shared goal of reshaping U.S.-led alliances, holds the key to unlocking greater cooperation on regional and global issues. The creation of new alliances that are flexible—particularly considering the diverse interest structures and public relations of East Asian countries—is imperative for both the United States and its allies.

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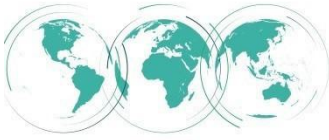
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Session One

Geopolitics and the Future of World Order

II. Breakout C



Background Memo

Geopolitics Toward a Sustainable World

Council of Councils Annual Conference
May 19–21, 2024
Council on Foreign Relations, Washington, DC

Fonteh Akum, Institute for Security Studies

The world is in flux as the current generation of multilateral global governance institutions grapple with transnational, accelerated, and interconnected human security challenges including climate crises, pandemics, inflation, and resurging military conflicts.

Within and between states, interlocking political, economic, demographic, and technological transitions underlie prevailing turmoil amid exacerbating climate pressures. These tectonic forces are altering the global landscape of power and influence, thereby reshaping the nature of and incentives for conflict and cooperation.

An emerging consensus for a global system that is more inclusive, solutions-driven, and effective in delivering global public goods frays on how to achieve these goals. The predominant complexity and uncertainty refract shifting power configurations and spheres of competition, even as the domestic democratic governance ideal is increasingly challenged in established democracies.

Nowhere was this more evident than in the implications of Brexit for the United Kingdom's foreign and domestic policies, with repercussions for the European Union, which was the world's largest trading bloc until the creation of the African Continental Free Trade Area (AFCFTA). The current global context unavoidably recenters the nature and function of the state as the principal actor in shaping local, national, regional, and multilateral outcomes, even as power diffuses with the growing influence of nonstate actors, including multinational corporations, social media platforms, terrorists, and criminal networks.

African states, in their diversity, provide a unique prism through which to understand challenges and opportunities in global futures. Most states in Africa are confronted by both internal and external challenges that affect their ability and capacity to effectively perform sovereign functions and deliver basic public goods. Meanwhile, the expanding web of regional geographies of insecurity and attendant over-securitized responses fuel the intractability of crises. In the current global context, therefore, African states are particularly vulnerable to external shocks. Challenges linked to rapid urbanization, global inflation, and tenuous debt-servicing greatly narrow public choice options for African governments that struggle between autonomy and over-dependence. These challenges coexist with the transformative potential that accrues from a demographic advantage, the operationalization of the AFCFTA, and agro-industrial and mineral resource potential.

However, Africa's multilateral organizations also face challenges in the current global context. In January 2024, Burkina Faso, Mali, and Niger proposed a withdrawal from the Economic Community of West African States following the creation of the Alliance of Sahel States in September 2023. While this move was advanced by coup leaders, it starkly demonstrates tensions between the national and the multilateral in pursuit of differentiated agendas.

More important than diagnosing the problems within the existing world order is creating a new generation rules-based system that would accommodate multiple existing global power players such as the United States, China, and the European Union, while recognizing the emergence of middle powers like Brazil, India, South Africa, South Korea, and Turkey; as well as the growing influence of the Gulf Cooperation Council countries.

Here, four factors are crucial. First, trust-building is imperative to reshaping the post-World War II global system, which has produced some of the worst wealth inequalities in human history: according to Development Initiatives, the wealthiest 10 percent currently own 76 percent of total global wealth. This reorganization would require balancing growth with responsibility to reduce overall consumption and develop norms toward a green transformation.

Second, autonomy exemplified in the independence of state actors to make rational and interest-driven relational and policy choices at the national and international levels is crucial for forging trusting partnerships in a world with global and middle powers. The recent BRICS expansion represents the actualization of an alternative multilateral configuration that would be more responsive to the contextual realities and aspirations of developing and emerging economies.

Third, multilateral systems would benefit from more equitable representation in the current global configuration, not out of benevolence, but out of a shared responsibility to use collective action to deal with the challenges of the future. The response to the global pandemic revealed deep dysfunction within the global multilateral system. The development, distribution, and access to vaccines created new fault lines of inclusion and exclusion that imperiled a concerted collective response to a mutating global health crisis.

Fourth, while investment in military for defensive purposes remains necessary, the use of military power to extend hegemony beyond national borders has failed almost everywhere it has been attempted in the twenty-first century. This track record has implications for the currency of power and influence, where smart and soft power are proving more effective than blunt hard power. Importantly, the enforcement of innovative global norms should be universal and aligned to the rules-based system in ways that constrain the strong and protect the weak, while acknowledging the smart power of highly influential global corporations. This balance will provide a pathway for governing a looming Hobbesian anarchy.



Background Memo

In Defense of Multipolarity

Council of Councils Annual Conference
May 19–21, 2024
Council on Foreign Relations, Washington, DC

Stefan Mair, German Institute for International and Security Affairs

Great power rivalry and conflict between different political, economic, and social systems are undermining the liberal rules-based world order, which can hardly be revitalized in the foreseeable future. Two alternatives dominate current discussions: a return to bipolarity (democracies vs. autocracies, West vs. East, North vs. South) and multipolarity.

From a German viewpoint, bipolarity comes with huge costs and disadvantages. Great power rivalry and systemic competition already create substantial barriers to overcoming global challenges. Bipolarity would make such challenges even more difficult, if not impossible, to surmount. A bipolar order would also mean withdrawing from markets and restructuring value chains, a process already underway in some areas of technology policy. The economic consequences of decoupling from China would be enormous for Germany and would become even greater if other authoritarian states were to form a solid bloc with China. If Europe were to form a bloc with the United States, the continent would again be placed in the role of junior partner, a role which it already occupies in the field of security policy. A junior role might at times seem acceptable if, as currently, the senior partner behaves as a benevolent hegemon, taking its partners' interests and ideas into account. But the role would be much harder to sustain if the senior partner were to demand unconditional loyalty, seeking Europe's involvement in trade wars and questionable military operations.

The idea of a multipolar world enjoys more support in Germany. But it is necessary to define what that means; it should not serve as a synonym for a world divided into spheres of influence. First, poles are states or groupings of states that enjoy a certain degree of strategic autonomy, develop their own distinct set of rules, and can attract other countries through their cultural and economic appeal (soft power) or exert influence on them through political, economic, or military force (hard power). Second, poles are not all the same size. On a global level, the United States and China play in a different league. Few other poles can, or could, claim to play a global role, with the European Union and India as the most probable contenders. The impact of other poles will be regionally limited or related to specific policy areas. Third, poles are not strategically independent from each other. For the foreseeable future, the European Union will be closer to the United States than to any other pole. The distance between poles depends on their interests and their respective normative orientations. Fourth, poles are characterized by pronounced differences in their political, social, and economic order. The possibility that one pole could change the system of another is, by definition, very limited, given

their autonomy. However, systems can, and will, change from within. Fifth, multipolarity requires a minimum compliance with the rules of international law, most importantly a respect for national sovereignty and territorial integrity. Sixth, a multipolar system is inherently unstable, since, within such a system, no pole or international organization has the authority to enforce compliance with the rules and systemic differences. For this reason, this system is not desirable as a permanent state of affairs. However, a stable, rules-based world order requires systemic convergence.

COUNCIL OF COUNCILS

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Session Three

Geopolitics, Diplomacy, and AI



Background Memo

Geopolitics, Diplomacy, and AI

Council of Councils Annual Conference

May 19–21, 2024

Council on Foreign Relations, Washington, DC

Tracey Forrest, Centre for International Governance Innovation

This background memo provides brief responses to the guiding questions outlined in the agenda. The responses provide the basis for a set of policy prescriptions directed toward national governments. The reader is assumed to have some general knowledge of artificial intelligence (AI).

What governmental capacity is needed to execute the diplomacy of managing artificial intelligence?

First, a firm grasp of AI's impact on important economic sectors, on various measures of security and well-being, and on issues of global importance including AI ethics is needed. Starting with the why in diplomatic management of AI begins with an appreciation of AI's potential benefits and risks, and its associated pathways to societal and economic impact. AI offers a range of potential benefits, including improved societal well-being, global economic prosperity, and an increased capacity to address critical global challenges. Conversely, AI also raises challenges such as inequality, competition, copyright issues, labor-market shifts, and threats to democracy and human rights.

Second, governments need a chief AI officer position with strategic and technical responsibilities. A chief AI officer holds strategic value if empowered to tackle immediate national priorities (i.e., not just fill an information technology support role). Such a role is needed to modernize government systems, invest in AI commercialization, collaborate with the technology sector, and encourage AI adoption and skill-building. A chief AI officer can drive collaboration across departments on issues such as data privacy, cybersecurity, and intellectual property, resulting in the development of more coherent policies. A dedicated AI office can also pool expert knowledge and resources while ensuring the effective implementation of policies.

Third, governments need an enhanced ability to connect with the AI science and technology community. The ability to leverage the technical domain knowledge of a community of experts is critical and urgently needed to assess frontier AI risks. Governments that embed science translators and facilitate knowledge transfer can boost a country's diplomatic capacity to manage AI. Attracting and retaining AI workers in government is a critical issue as the demand for AI researchers working to advance frontier systems grows and outpaces those

involved in AI safety research. This task is not trivial: take, for example, the UN system, which is facing a severe [shortage of AI expertise](#) across its different parts.

Fourth, governments need to be engaged in the responsible use and management of AI. The ability of AI models to fabricate results (i.e., hallucinations) is a well-known problem with significant consequences for trust. AI tools have other limitations: challenges of bias in data (with implications in border control, policing, and justice systems); challenges of accuracy (including the use of reinforcement learning and synthetic data); and challenges of privacy (including data scraping). Such limitations call for additional capacity within government to develop internal policies and controls, and the capacity to cooperate internationally to advance solutions for responsible use of AI.

Fifth, governments need strengthened measurement and forecasting tools to capture future trajectories of AI computing and related implications. AI demand for computing power is [growing exponentially](#) [PDF]. While the efficiency of AI chips is improving, the rapid rise in computing demand has critical implications for the semiconductor supply chain and the electricity sector. Notably, higher-performing computational models are driving [burgeoning data loads](#) associated with larger environmental footprints. The United States is already experiencing [unforeseen demand for data-center connections](#) due to escalating AI power loads. Careful [measurement](#), planning, and analysis will be required for countries seeking to nationalize or increase access to AI computing resources *and* reach their green transition goals.

Sixth, governments need diplomacy at or near an accelerated digital pace. AI-accelerated scientific discovery and innovation create a new backdrop for diplomacy and policymaking. Technology is undergoing a phase transition. AI combined with synthetic biology is one example. An array of other technologies are poised to bring about breakthrough capabilities when combined with AI (e.g., quantum, robotics, and advanced manufacturing). With the hyper-evolution and rapid global diffusion of technology, a new form of governmental capacity is needed to respond at or near digital pace. This could take the form of anticipatory science diplomacy, a model for diplomacy that seeks to act today to address the challenges of the future.

Seventh, governments need geopolitical perspectives based on national affiliations of AI model development. Technology is a strategic asset, driving foreign policy and beneficial outcomes, but also serving as a “sharp weapon of the modern state,” [as declared by Xi Jinping](#). Since 2019, the [United States has led the world](#) [PDF] in originating the majority of foundation models (a proxy for frontier AI research), followed by China and the United Kingdom.

How should governments upskill diplomats and public officials?

First, governments should strengthen ties to AI policy, governance, and standard-setting activities, and participate in forums that are positioned to influence the development of new international norms and rules related to AI.

AI governance is a rapidly developing area. By virtue of international participation, governments can advance their knowledge on AI topics and relevant implementation schemes. These include best practices in frontier AI governance, risk assessments, and model evaluations for the responsible use of AI in diplomacy and the establishment of oversight bodies. Furthermore, countries can rely on the expertise and models developed by

standards organizations to help implement new policies and regulations, while allowing these to be regularly updated through standards rather than cumbersome legislative processes.

Second, governments should bring more AI experts into government directly from universities and other centers of expertise. An effective way to build and sustain knowledge within a rapidly evolving area is to engage directly with those working in the field. Government collaboration with experts in AI, diplomacy, and international relations could fully leverage the potential of AI. Governments can create safe spaces for high-trust skill and knowledge transfer between leading AI developers and regulators to boost technical understanding through interchanges, visiting or sabbatical assignments, and co-op placements.

Third, governments should introduce AI learning tracks. Governments can provide short courses—for example, through industry and university partnerships linked to onboarding and annual refresher courses—with incentives for employees who complete them. To prepare for an AI-driven future in diplomacy, training subject matter should focus on the effect of AI on diplomacy (i.e., not just the basis of AI technology), which technological capabilities are likely to increase; AI ethics, responsible use, and issues of global concern; and AI enhancements to public services. There are online courses today covering topics like the practical use of ChatGPT in diplomatic work.

Fourth, governments should increase the adoption of AI in diplomacy and public official work in accordance with responsible-use principles. Government leadership and skill-building in technology foreign policy is stronger when led by example. The spectrum of AI use cases in diplomacy is growing. Sometimes referred to as digital diplomacy, it includes assisting in data analysis (e.g., for analyzing global security threats), facilitating communication (e.g., real-time AI-powered language translation), and providing virtual platforms for diplomatic negotiations (e.g., AI-enhanced virtual reality simulations that analyze behavioral patterns and provide feedback for improvement). Governments can experiment with responsible AI applications in service delivery and diplomatic functions through select pilot projects. The findings of those pilot projects can be captured and shared widely for accelerating adoption.

What are different governments and international organizations doing?

Some states are approaching AI capacity building by establishing digital academies, appointing new technology ambassadors and chief AI officers, and directly hiring AI experts and placing them as “[as close to the mission as possible](#)” [PDF]. Mentions of AI in legislative proceedings worldwide [nearly doubled](#) between 2022 and 2023, with discussions of AI taking place in at least one country from every continent. Examples of international activities include the Organization for Economic Cooperation and Development (OECD) [AI Principles](#); the UNESCO [Ethics of AI](#); China’s [Global Partnership on AI](#); the [Global AI Governance Initiative](#); the Group of Seven’s [Hiroshima Process](#); the United Kingdom’s [Global AI Safety Summit](#); and the UN [Governing AI for Humanity Interim Report](#).

Are there lessons from other fields, such as global public health, for ways to build expertise into diplomatic activity?

The COVID-19 pandemic underscored the importance of a global surveillance system. Drawing from this example, AI expertise could be integrated into diplomatic activity through engagement with a global intelligence unit that assists with risk assessment, identifying AI incidents (e.g., the OECD AI Incidents Monitor)

and acting in response to threats. The pandemic also emphasized the need for building trust in science and scientific translation that moves policy stakeholders to act. Here, one might look to the recently formed Geneva Science and Diplomacy Anticipator (GESDA). GESDA solicits the opinions of science experts to inform a “breakthrough radar” that projects the impact of technology while also equipping leaders to act on such developments.



Background Memo

Geopolitics, Diplomacy, and AI

Council of Councils Annual Conference
May 19–21, 2024
Council on Foreign Relations, Washington, DC

Andrea Renda, Centre for European Policy Studies

What governmental capacity is needed to execute the diplomacy of managing artificial intelligence?

Artificial intelligence (AI) is having, and will increasingly have, a pervasive impact on virtually all policy domains and several aspects of diplomacy. Governmental capacity for AI is needed at various levels and in different parts of government, as well as in other types of institutions (e.g. independent regulatory agencies and diplomatic representations). This background memo elaborates on the capacity countries need for internal management and external representation with regards to AI.

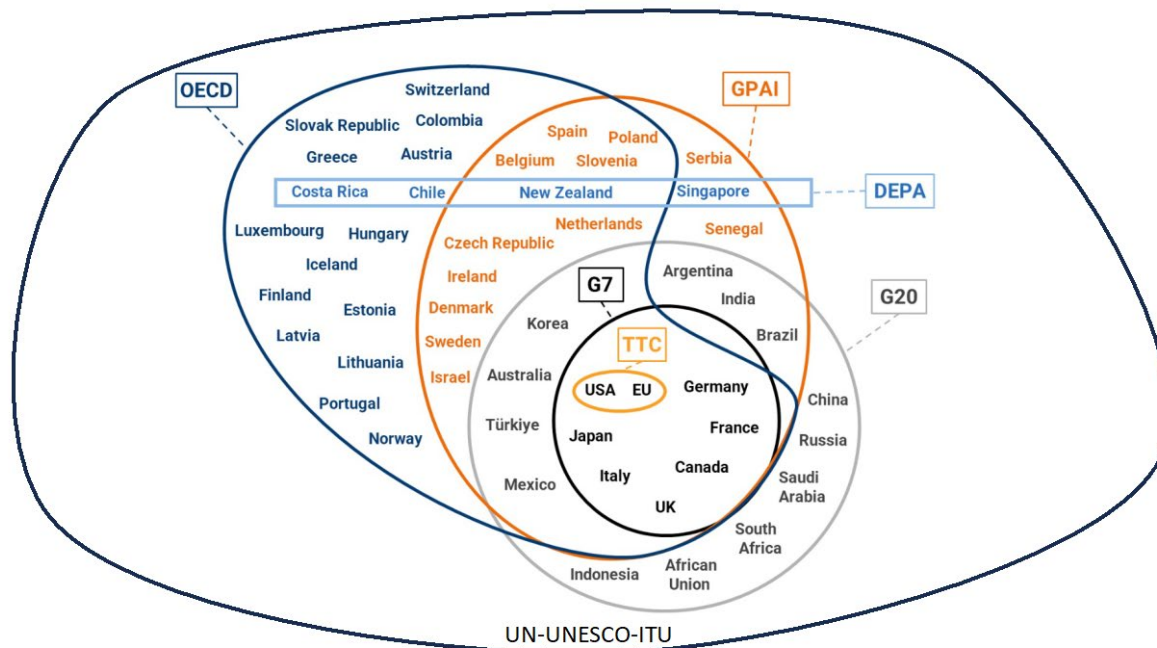
At the domestic level, AI strategies are typically developed either in ministries of science and innovation, industry, or digital transformation. Yet many countries have started to adopt a whole-of-government approach, placing the main competence for strategic thinking on digital transformation, including AI, at the cabinet level. Such strategies, most often focused on the domestic AI market and policy framework, often also refer to the need for international engagement, such as international regulatory cooperation or standardization. National strategies also typically contain an investment component related to industrial policy and research and innovation funding; a skills and educational component; and a regulatory governance component.

Some countries are also institutionalizing the AI monitoring function with the creation of safety institutes (e.g., the United States, Japan, and the United Kingdom) or AI offices (e.g., the European Union). Those bodies are also tasked with international cooperation and are starting to establish agreements or dialogues to align on terminology and methods, as well as to predict emerging AI risks.

Irrespective of the approach adopted, governments need to strengthen their AI competencies. This requires recruiting data and computer science experts and developing competencies such as agile governance. For example, the European Commission is currently reviewing over one thousand applications for a few dozen information technology and administrative positions in the EU AI Office, and has already set up a European Centre for Algorithmic Transparency that mostly employs AI experts. The personnel of the AI safety offices in Japan, the United Kingdom, and the United States also include computer engineers and AI experts. Those

experts need to work in tandem with regulatory governance experts, who in turn should increasingly be able to manage innovative regulatory tools such as foresight and horizon scanning, experimental regulation and regulatory sandboxes, and innovation hubs, as well as regulatory technology and “rules as code” solutions.

Figure 1. – Major Forums on Global AI Governance



Source: The Forum for Cooperation on Artificial Intelligence (2024), a CEPS-Brookings initiative

When it comes to diplomacy, the need for specialized AI bodies has become clear over recent years. This is due to both the growing importance of AI and to the geopolitical rivalry between AI leaders, particularly the United States and China. Being able to influence and steer the discussion taking place in forums that focus on AI (see Figure 1) - including several UN agencies (the International Telecommunications Union (ITU), the UN Educational, Scientific, and Cultural Organization (UNESCO), the UN Advisory Group on AI, the Group of Seven, and the Group of Twenty, among others), the Organization for Economic Cooperation and Development (OECD), the Global Partnership on Artificial Intelligence (GPAI), and the AI Safety Summit - is of utmost importance. The same can be said about international standards-setting organizations such as the Institute of Electrical and Electronics Engineers and the International Organization for Standardization.

Additionally, provisions related to AI are starting to surface in bilateral and plurilateral trade agreements; in negotiations on due diligence in supply chains; and in discussions on lethal autonomous weapons. The role of AI is increasingly prominent in discussions of global public goods such as climate, biodiversity management, and health.

Against this background, the current tendency to rely on a limited number of tech experts is unlikely to fully meet the future needs of diplomats. Some countries have started to experience this tension as they reconsider concentrating cyber and digital competences in one figure, and building specialized teams for cybersecurity, AI and warfare, and tech standardization and policy. Therefore, it is unlikely that countries will be able to address their tech- and AI-diplomacy needs by simply appointing a select number of specialized diplomats.

More likely, specialized teams within diplomatic corps will be needed, with members specializing in different aspects of the ever-expanding tech landscape.

How should governments upskill diplomats and public officials? What are different governments and international organizations doing?

There is growing interest in training diplomats on digital and cyber issues. Organizations such as the UN Institute for Training and Research and the DiploFoundation have specialized in these types of training for several years and work with a network of independent consultants that provide trainings on a variety of relevant topics. Similar roles are being played by specialized universities, such as the Graduate Institute in Geneva and the College of Europe in Bruges. Many governments are also empowering their development agencies to organize specialized trainings on-site in partner countries.

Those initiatives seem to have only partly upskilled diplomats in tech issues. If those programs fail to effectively empower diplomats, a related risk is that more-developed countries could leverage their greater resources to overshadow representatives from less-developed countries in important conversations, such as ensuring a truly global and inclusive AI governance or leveraging AI's potential for the Sustainable Development Goals. A recent example is the creation of the UN High-level Advisory Body on AI, which struggled to secure adequate representation from low- or middle-income countries.

Ultimately, the appointment of tech envoys or cyber ambassadors also implies the deployment of personnel to key innovation hubs, such as Silicon Valley. In 2023, a study from DiploFoundation found that sixty-three countries had a presence in Silicon Valley, including twenty-four of the twenty-seven EU member states. Other countries, such as Switzerland, have created their own hubs for discussing tech policy. Japan relies mostly on external trade associations, with headquarters in Silicon Valley and an office in Brussels.

One of the main future challenges will be the integration of specialized knowledge on global governance, the multilateral order, security, risk, and digital technology, as those fields increasingly overlap. Simply appointing a tech ambassador will not lead to a balanced, integrated approach to increasingly complex policy trade-offs. Accordingly, diplomats should be trained to rely on specialized tech expertise, but still retain their ability to approach complex decisions and negotiations by accounting for a broader set of policy considerations.

Are there lessons from other fields, such as global public health, for ways to build expertise in diplomatic activity?

The first global health conference, the International Sanitary Conference, dates back to 1851. Global health governance today is much denser than tech governance, with an important global governmental organization—the World Health Organization (WHO)—as well as bodies such as the Pan American Health Organization and regional WHO chapters playing an important role. In addition, health surveillance and preparedness activities are carried out by centers for disease prevention and control in various parts of the world. Specialized entities, such as the Biomedical Advanced Research and Development Authority, also play a part in emergency management.

Over time, the need to intensify negotiations on health for important global decisions, such as the International Health Regulations, the Tobacco Framework Convention, or the increase in global funding due

to HIV/AIDS, have led to the creation of specialized roles in diplomacy. Those include health attachés, diplomats who collect, analyze, and act on information concerning health in a foreign country and [provide critical links](#) between public health and foreign affairs stakeholders.

A peculiarity of global health governance is its original focus on striking a balance between trade and health prerogatives. The global health regime was initially led by countries such as the United Kingdom and later the United States, where the interest in promoting trade and protecting against the spread of infectious diseases was very strong. The Global South was largely excluded until the creation of the WHO and remains much weaker than developed countries in these organizations, as was evident during the COVID-19 pandemic and during the current negotiations on the pandemic accord.

Global health governance has traditionally been characterized by fragile voluntary agreements and increasingly constrained funding. When COVID-19 arrived, the [fragility of the landscape](#) became obvious, and the trust between WHO members deteriorated quickly, denoting a lack of real collaboration and reliability in international relations within this domain.

The level of trust needed between scientific institutions to cooperate on health emergencies is difficult to find, and is certainly nowhere to be found in AI today. For AI, problems of transparency (e.g., black box algorithms), information-sharing, private governance, and standards on algorithmic inspections are making global governance even more complicated than it would have been a few years ago. One possible avenue for progress is the creation of a network of institutes devoted to the monitoring of advanced AI systems, which would interact with an association of frontier AI developers. This would involve, at the outset, three AI Safety Institutes (in the United States, United Kingdom, and Japan) and the EU AI Office, and could be created in the context of the Group of 7, to then be scaled up with the help of other organizations (e.g., the Organization for Economic Cooperation and Development, the Global Partnership on AI, the Group of 20).

Recently, stakeholders involved in the debate on future global AI governance have referred to other sectors, notably in climate with the Intergovernmental Panel on Climate Change, aviation with the International Civil Aviation Organization, and energy with the International Atomic Energy Agency, as possible models for the creation of institutions at the global level.

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Session Six

The Breakdown of the Global Economic Consensus

I. Diagnosing the Problems



Background Memo

Rethinking Global Economic Consensus in a Challenging Era

Council of Councils Annual Conference
May 19–21, 2024
Council on Foreign Relations, Washington, DC

Yose Rizal Damuri, Centre for Strategic and International Studies

What is economic consensus? It could be understood as the shared understanding, agreement, or set of principles among countries, international organizations, and stakeholders regarding the management, regulation, and governance of the global economy. The consensus serves as the basis for national and global policies as well as international agreements. However, global economic consensus is dynamic, shaped by evolving geopolitical dynamics, technological advancements, and shifting priorities. Its formation is influenced by divergent interests and policy priorities.

Is There a Global Economic Consensus?

The most prominent example of economic consensus is the so-called Washington Consensus. While originally a descriptive list of economic policies that gained support among policymakers in the 1980s in Latin America, it has become a general policy framework for economic development.¹ The consensus includes maintaining fiscal discipline, rearranging public-spending priorities, reforming the tax system, allowing markets to determine interest rates, adopting a single competitive exchange rate, reducing trade restrictions, abolishing barriers to foreign direct investment, privatizing State-Owned Enterprises (SOEs), encouraging competition, and upholding property rights.

Even immediately after its conception, no actual consensus existed among policymakers, and the efficacy of its recommendations for economic development was questionable.² Various aspects of the consensus were implemented across the world. While maintaining fiscal discipline is a priority for developing countries, the privatization of SOEs was not the policy direction many sought to take. The consensus also did not make clear how deep the policy reform should be to satisfy the recommendation, nor how much deviation from the recommendations should be tolerated.³

Nevertheless, the Washington Consensus has been regarded as defining the rules of the game for the global economy for the last four decades, especially in trade liberalization and macroeconomic stability. The benefits of trade liberalization in fostering economic growth, job creation, and poverty reduction are broadly recognized, with the World Trade Organization (WTO) providing a platform for negotiating trade agreements and

resolving disputes. Countries around the world also commonly pursue low inflation, stable exchange rates, and sustainable fiscal policies.

Despite points of convergence, many policy areas lack consensus. One example is in financial regulation. Disagreement over the appropriate level of financial regulation and supervision is ongoing, particularly in the aftermath of financial crises. The liberalization of capital accounts and financial regimes are also contentious issues that involve weighing the potential benefits of financial integration against the risks of instability and vulnerability to external shocks. Moreover, different countries have different development strategies based on their resources and priorities. While some countries pursue export-led and foreign investment-driven growth, others prefer import substitution and domestic industrialization.

Some empirical studies have shown that some reform prescriptions under the consensus actually work, at least for promoting economic growth. A recent study looking at a sample of 141 countries from 1970 to 2015, utilizing propensity-score matching techniques, found growth is 2.07–2.87 percentage points higher for those countries conducting the reforms.⁴ Another study focusing on trade liberalization strategies also found positive linkages between trade liberalization and economic growth.⁵

Criticism of the Washington Consensus's recommendations is also abundant. Harvard Professor Dani Rodrik argues that it takes a "one-size-fits-all" approach that fails to consider the unique circumstances of different countries.⁶ Other critics highlight the results of those recommendations that focus only on economic growth with emphasis on free markets while neglecting aspects of social development.

Do We Need a New Consensus?

The concept of a global economic consensus has further evolved. While some agreement exists on broad principles such as responsible fiscal management and inflation control, a more diverse set of perspectives informs policy choices. The rise of emerging economies with state-led development models has challenged the dominance of liberal market economic policies.

The current global landscape presents additional difficulties to forging a consensus on global economic policies. The pandemic exposed deep economic and social disparities within and between states. Geopolitical tensions, particularly heightened tensions between the United States and China, have eroded trust in economic cooperation, while conflicts in the Middle East and Ukraine have disrupted supply chains. Climate change also poses an existential threat, demanding a coordinated global response that requires significant economic restructuring. Those complex and interconnected challenges make it difficult to formulate a widely accepted economic policy framework. However, the need for such a consensus is greater than ever.

For example, a global economic consensus could promote stability. In finance, the taper tantrum of 2013 and quantitative tightening of 2022 demonstrated that a lack of coordination can create unintended consequences beyond the borders of initiating countries. A global consensus could also create a more predictable economic environment in which businesses could operate with greater certainty. More importantly, a global consensus would facilitate a platform for cooperation to deal with global challenges. Initiatives that mitigate climate change, pandemics, and technological disruptions require coordinated action. Without consensus, individual countries' efforts could be undermined by others' inaction. Simultaneously, it allows states to pool resources, share expertise, and develop common strategies.

However, creating a global economic consensus is not easy. One of the major impediments is the diverging priorities of developed and developing nations. Even dealing with the existential threat of climate change prompts broad disagreement. Furthermore, the rise of populism and nationalism has weakened international cooperation. Leaders increasingly prioritize domestic political concerns over global economic stability. This has led to protectionist trade policies, which hinder global growth and undermine international institutions such as the WTO.

What Kind of Consensus Needs to Be Pursued?

A global economic consensus is a vital tool for navigating the complexities of an interconnected world. In addition to shared macroeconomic stability, some areas of convergence need to be promoted to create a widely accepted regulatory framework that answers current global needs. A new consensus should prioritize environmental sustainability alongside economic growth. This could involve widely accepted carbon-pricing mechanisms, green investment and financing principles, and green global-value chains. Climate-change mitigation policies should also be placed under initiatives that reduce income inequality and foster economic growth in developing countries to attract their active participation.

This new global economic consensus needs to be complemented with reforms to international institutions. Institutions such as the International Monetary Fund, World Bank, and WTO need to adapt to reflect the changing global power dynamics and address the concerns of developing countries. This could involve greater representation for developing economies and more representative decision-making processes.

While achieving consensus can be challenging, the potential benefits make it worth pursuing. Despite weaknesses, international forums such as the Group of Twenty can be used to promote this new consensus. By focusing on shared goals such as sustainability and inclusivity, while maintaining several areas of convergence under the existing consensus, a more resilient global economic framework could be built.

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Session Six

The Breakdown of the Global Economic Consensus

II. Breakout A



Background Memo

What Could a New Global Economic Consensus Look Like?

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May 19–21, 2024
Council on Foreign Relations, Washington, DC

Paul Samson, Centre for International Governance Innovation

As a starting point, a new vision for global economic consensus requires an acceptance that the old paradigm no longer effectively serves its intended purpose. Moving past established norms and practices is difficult without a clear imperative or alternatives, especially where inertia exists. In the absence of an absolute disruption like a world war, entrenched systems tend to persist despite shortcomings. Such is the state of play: the system that broadly held since the [Bretton Woods Agreements](#) in 1944 is gone, but no new consensus has taken hold. This is not to say that there was ever absolute consensus on Bretton Woods—the Soviet Union never signed on, and there was never full buy-in from India and many other developing countries—but the neoliberal model framed the overall system for decades. Once China engaged actively and the Cold War ended, the Bretton Woods system experienced a renaissance, even a high point. However, the economic disruption of the COVID-19 pandemic, the onslaught of protectionist sentiment, and new chip wars have upended any revival. Despite those challenges, points of global economic consensus could still exist.

Broadly, though with growing caveats, a shared objective endures for continued economic growth that captures at least some advantages of international trade. However, this shared interest in economically optimal outcomes is insufficient to ensure that a system for global international trade persists, particularly in the face of widespread political pressure in the opposite direction. Reform at the World Trade Organization (WTO) is stuck on several critical issues, including the role of dispute settlement, special and differential treatment for large emerging economies, and rules for agriculture. As it stands, the WTO has no ability to update its rules or pursue further liberalization. A now-or-never moment could be approaching where, in the absence of progress on reforms, the WTO becomes increasingly sidelined by plurilateral and bilateral trade arrangements.

States also recognize the need for international cooperation to build early-warning systems and resilience to avoid or lessen future international financial crises, as well as to facilitate collective action on climate change. For these reasons, consensus is likely for ongoing macro information sharing in the Group of Twenty, shared best practices via the Financial Stability Board, and continued carbon mitigation targets at the UN Framework Convention on Climate Change (UNFCCC). Many UNFCCC issues are also economic, including regimes for border carbon adjustments, carbon pricing regimes, and compensation for loss and damage. The International Monetary Fund (IMF) will not thrive in the absence of significant reforms to its quota-based voting

rights, which currently provide exaggerated influence for advanced economies. WTO and IMF reforms could potentially be linked in a quid-pro-quo deal that offers benefits and concessions to both developed and developing countries.

No global economic system can function predictably over time without complementary international cooperation on peace and security to facilitate relatively open borders and exchange. In addition, emerging technological threats such as cyberattacks on critical national infrastructure or the nefarious use of advanced artificial intelligence will require more international cooperation.

From a Canadian perspective—which likely mirrors several other smaller economies—prosperity and the current economic and social model are based on an open, rules-based economy and society. Canada’s interest would be for a consensus that evolves toward a renewed multilateral system with clear and predictable rules that requires international cooperation and compromise between states.

Since all these vital issues (and institutional reforms) are tightly linked, a new global economic agreement as ambitious and broad as that of Bretton Woods in 1944 is needed. Perhaps a grand bargain is the best way to work out a deal in the collective interest across such a range of issues, but the catalyst for this is elusive. An updated model would need to reflect a multipolar world and most likely need to start with broad agreement between the largest two economies, the United States and China, and build from there. A new global economic consensus is a tall order in the current context, and it may take a significant crisis to create the impetus. The base case tilts toward more fragmentation.



Background Memo

The Breakdown of the Global Economic Consensus

Council of Councils Annual Conference
May 19–21, 2024
Council on Foreign Relations, Washington, DC

Yul Sohn, East Asia Institute

Globalization cannot be done away with: deglobalization is neither desirable nor sustainable. While globalization has come with many problems, and has been extended too far, critics need to recognize that it has also brought great benefits in some areas and not extended far enough in others. Globalization can be resisted, reshaped, better organized, more rigorously managed, and democratized to serve society. The starting point for a new consensus is redoing globalization better—re-globalization. A new consensus should be grounded in notions of openness and freedom, inclusive to correct imbalances and assuage distributional costs within and between countries, and resilient to supply-chain disruptions and strategic vulnerabilities caused by asymmetric interdependence.

Resilience is most pressing. In the context of the economic-security nexus, there is a legitimate call for increased protection and self-sufficiency in critical technologies (e.g., dual-use technologies), supply-chain protection, and a diversified supply of essential minerals. But the competitive pursuit of economic security between major powers—who have overemphasized national security in their economic management—has contributed to the downward spiral of deglobalization. In politically and strategically sensitive sectors, the world has witnessed the abuse of weaponized interdependence and a sustained backlash from populist, illiberal forces.

A point at issue: the United States uses managed competition as a vital concept to underscore U.S.-China relations. U.S. President Joe Biden stated, “the world expects the United States and China to manage competition responsibly to prevent it from veering into conflict, confrontation, or a new Cold War.” In contrast, Beijing rejects competition as a viable description of bilateral relations and criticizes Washington’s calls to decouple from China by securitizing and weaponizing economic interdependence, thereby denying China’s legitimate right to development.

Within the gap between managed competition and securing the right to development, much could be said to clarify what U.S. National Security Advisor Jake Sullivan calls a “small yard, high fence.” Washington could use this framework to continue trade and technology restrictions while maintaining overall connectivity with China. But Beijing claims that U.S. policies continue to expand to cover too wide a range of technologies and

industries. China complains to the United States that the distinction between de-risking and decoupling is impossible to maintain.

A new consensus on globalization could strike the right balance between economic interdependence and national security. Many are concerned that Washington seems to ever increase the list of critical technologies under its export and investment controls. This requires firms and countries to comply with restricting investment in China. Continued Chinese progress, if it happens, will likely compel the United States to expand those lists and countermeasures. Economies heavily entangled with both the United States and China are under great pressure.

One option is to find ways to dismiss the illusion of economic sovereignty and suggest a new normative framework to craft a compromise that would safeguard national security without triggering mutually destructive consequences that occurred in the 1930s. In particular, like-minded countries that need to de-risk from deepening interdependence with China that also benefit from market access should play a proactive role in establishing an ad hoc, functional, and multilateral mechanism that works for a narrowly defined concept of national security and clear criteria for technology de-risking. The mechanism should be based on a multistakeholder model that includes vital players in global supply chains, such as multinational corporations, national enterprises, experts, and governments, and based on principles that allow significant national and regional foundations. If enough dialogue, consultation, and inputs are provided by multiple actors involved in derisking, the policies will gain more legitimacy and can be more efficiently implemented.

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Session Six

The Breakdown of the Global Economic Consensus

II. Breakout B



Background Memo

Rebalanced Globalization

Council of Councils Annual Conference
May 19–21, 2024
Council on Foreign Relations, Washington, DC

Dhruva Jaishankar, Observer Research Foundation (ORF) America

Globalization as we know it is over. A period that witnessed the lowering of international trade and investment barriers, higher rates of migration, the rise of global commodity markets, and the proliferation of the internet has reached its natural political limits. Domestically, across the world, inequality has led to new demands concerning employment, migration, and opportunity. The election of Donald Trump, Brexit, and the resurgence of nationalism are global manifestations of this dissatisfaction. Internationally, imbalances such as between Northern and Southern Europe or between China and the rest of the world have reached a breaking point. The Russian invasion of Ukraine and the COVID-19 pandemic have only further highlighted vulnerabilities caused by economic interdependence.

Consequently, the next period for the global economy—a rebalanced globalization—will be marked by greater national- and economic-security considerations and competing industrial policies. Avoiding such a future is only possible if China embarks upon a complete structural overhaul of its economy with a shift to greater consumption and net imports. Beijing is highly unlikely to pursue this course, as it would risk short-term slowdowns, domestic political instability, and greater dependency on the United States and its allies. A grand bargain to revive globalization appears nearly impossible.

The more likely possibility is managed economic competition, particularly over manufacturing and critical and emerging technologies. The United States, China, Europe, India, Japan, Latin America, the Persian Gulf, Southeast Asia, and other major economies will each compete to provide incentives, employment opportunities, and technological benefits at home. Internationally, areas where there should be cooperation—such as clean energy and climate change, trade facilitation, technology standards, or arms control—will increasingly become realms of competition.

All this should not be interpreted as a reversal of globalization. Overall, international volumes of goods trade, data and energy flows, investment, and migration are likely to remain stable and possibly even grow. But those flows will be more carefully governed, regulated, and calibrated. While remaining mindful of political relationships, comparative advantages, domestic employment, and national security, many governments will con-

tinue to cooperate with friendly partner countries in an increasingly structured way on supply chains and technology.

The management of the new globalization is not conducive to multilateralism. Inclusive bodies such as the United Nations and World Trade Organization will confront difficulties. But multilateral, regional, and issue-based institutions are likely to proliferate, grow, and flourish. Additionally, a major challenge will involve bridging the public and private sectors. Private players—whether investors, corporations, educational institutions, or non-profit organizations—will need to better understand the new dynamics at play.

Under these grim circumstances, the most promising form of international cooperation might involve achieving development objectives articulated under the Sustainable Development Goals. These goals have witnessed setbacks. But the outline of a common agenda was reflected at the Group of Twenty Summit, including reforming and empowering multilateral development institutions; leveraging new technologies for welfare delivery, clean energy, and public health improvements; curtailing tax havens and money laundering; and remedying gender imbalances in the workforce. It will be in these areas, rather than on conventional trade and technology issues, where cooperation will be most forthcoming.

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Session Six

The Breakdown of the Global Economic Consensus

II. Breakout C



Background Memo

Toward a Global Economic Consensus

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Matthew P. Goodman, Council on Foreign Relations

Global economic consensus has always been elusive. Even in the decades after World War II, when the U.S.-led international economic order produced broad benefits for countries and citizens around the world, there was dissent and a variety of alternative economic models. However, there were arguably two periods over the last thirty years when a majority of countries came close to agreeing on a preferred approach to global economic governance, and it could be possible to apply lessons from each of those examples to today’s challenges.

The first example was in the 1990s, when seventy-six countries representing 86 percent of the global economy agreed to establish the World Trade Organization (WTO). Those countries clearly believed that an institution charged with negotiating and enforcing trade rules and monitoring its members’ trade-related policies would enhance global growth, development, and the welfare of their citizens. Reflecting back on the WTO’s founding, the organization’s first director-general, Peter Sutherland, wrote in the preface to a [2004 report](#), “For the first time in history, the world can embrace a rules-based system for economic coexistence, the essential principles of which are generally agreed.”

The other example was in 2009, when global leaders—again representing more than 85 percent of the global economy—came together to respond collectively to the global financial crisis. The Group of Twenty (G20) summits in London and Pittsburgh that year represented a high-water mark for global economic cooperation, as leaders from the United States, China, Europe, and other major economies agreed to do whatever it took to promote “[strong, sustained, and balanced growth](#)” and global financial stability and to avoid a slide into 1930s-style protectionism.

The shared sense of systemic crisis in 2009 would be difficult to reproduce today, but a central lesson from that period is that when enough major economies agree to put aside political differences to address a global challenge that affects all of them, it is possible at least to set an agenda for action and to begin taking tangible, if limited, steps toward addressing the challenge. Arguably the commitment to triple renewable-energy investments at the [G20 summit in India in September 2023](#) is a recent example of this dynamic at play, although admittedly progress on other critical global issues—such as developing country debt—has been far too slow and uneven.

The consensus around the WTO's creation could be even harder to reproduce today, at a time when the institution is struggling to deliver on all three of its negotiating, enforcement, and surveillance mandates, and when many member countries are undertaking massive industrial policies and protectionist trade and investment policies. But as the costs of those policies grow, there is some hope that a critical mass of countries could agree to call a ceasefire and work together toward at least some initial limited areas of WTO reform, [such as on subsidies](#).