Invited Article

Globalism, Populism and the Limits of Global Economic Governance

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Introduction

Popular literature warning us of the end of both the liberal political order and fresh crises in the global economic order proliferated during 2017 (see *inter alia* Kaplan, 2017a, Ferguson in Ferguson and Zakaria, 2017 and Roubini, 2017). While neither proposition should be treated as apocalyptic or inevitable, even those of a staunch liberal persuasion nevertheless still tell us that all is not well with those global orders (see *inter alia* Luce, 2017, Nye, 2017 and Ikenberry, 2017 and 2018). Particularly, recent trends in populism, nationalism, protectionism and regionalism are affecting international commitments to global public policy. They are also putting added pressure on the political and operational capacities of those global governance institutions created since the mid-twentieth century leading to several dangers to the stability of the contemporary political and economic orders (note: use of the plural *orders* is deliberate) as Western liberals have understood them for much of the post world war two era.

There are also several caveats that need to be made about the very use of the term liberal orders. In brief here: first, as Amitav Acharya (2017) notes, while liberal order expanded throughout the 20th century to include other regions and powers, it was, and has always been a limited, essentially Western, rather than a truly global and inclusive, theoretical and practical construct. Second, nor has the liberal order inevitably been seen as benign by all states that have been drawn into its orbit or been affected by its influence; especially in the post-colonial world. Third, given the interests of China and Russia, the structures and institutions of the liberal order that developed in the second half of the 20th century are unlikely to remain unchanged for the foreseeable future. Seeking greater influence, both globally and especially in their more immediate spheres of influence, these two great powers are the most capable of destabilizing the current orders.

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Fourth, given this paper’s focus on the economic order rather than the security order, we must understand the difference between a *liberal* order and a *neo-liberal* order. Indeed in making this distinction, as the paper will explain, it will be a central argument that the reason the global economic order is under currently severe challenge is precisely because that order in the period between the end of the Cold War and the current era morphed from a *liberal* order with a socio-politically contingent understanding of freedom into a Hayekian, essentially absolute, understanding of freedom, that has been the principle characteristic of a *neo-liberal order* and that has undermined the legitimacy of that order in recent years and especially since the time of the 2008 global financial crisis.

Fifth, the post World War Two international order was a geo-political order underwritten by US hegemony. This hegemony was increasingly accompanied by assumptions, especially in the early post Cold War years, that there was something evolutionary, progressive and inevitable in the ideals of a liberal democratic peace that liberals were beginning to normalize. If that was so, then such a view holds little contemporary sway. As Kaplan has powerfully argued liberal order is not a ‘natural phenomena’, nor is it an inexorably evolutionary process. In his evocative words, and in sharp contrast the essence of much liberal international thought, ‘jungles can grow back’ (Kaplan, 2017b: 14). Liberal optimism is now challenged by realist pessimism and *geo-politics* has been joined by *geo-economics* to explain the unraveling of the liberal order.

We live in an age where the greatest risks to global economic stability generally, and global economic governance structures that grew up as part of the liberal order in particular, are driven more by politico-economic than more narrowly defined economic factors. Shifts in international global institutions overturn expectations about how key players behave. This may happen incrementally but over time they change the calculus of risk and support for the institutions of (economic) governance (https://www.project-syndicate.org/commentary/real-risk-global-economy-by-christopher-smart-2017-11). By risk I refer here not to short-term market shocks but longer-term changes in institutional and structural power of the kind identified by Susan Strange some three decades ago (Strange, 1988); changes reinforced by Hayekian neo-liberalism from around the time she was writing.

Structural change is driven by *agents*: states, non-state actors, corporations and individuals. Self evidently, the three principal state agents are presently the USA, China and Russia and their leaders Donald Trump, Vladimir Putin and Xi Jinping respectively (see Wright, 2017). Uncharacteristically, more than anything else in the current economic domain it is US behavior that is the most destabilizing. A general unpredictability, its withdrawal from international agreements (Paris and TPP), the pending renegotiation of existing trade deals (NAFTA), attacks on the WTO all amidst a charged populist nationalist rhetoric have destabilized the global economic order and brought a strong sense of uncertainty to it. Looking ahead, if Trump and future US leaders continue to engage with other countries in a zero-sum transactional manner rather than a positive-sum collective action fashion this will pose longer term problems for the stability and governance of the economic, and by extension, political orders.

While the politico-security and the political economy domains are sites of *linked* problems, this paper addresses these problems from the political economy end of the spectrum rather than the politico-security end. The focus and structure of the paper is threefold: Firstly it looks at the general malaise in the nature of contemporary global economic governance (GEG) and particularly the degree to which what I call the populist nationalist zeitgeist (PNZ, Higgott and Proud, 2017), evinced principally but not solely by the election of Donald Trump in the USA and the rise of populism and nationalism in Europe, is the principle source of this malaise.

Secondly, within this general context, the paper looks specifically at the nature of the problems facing global economic governance in the principal domains of trade and finance. Thirdly, and by way of conclusion the paper asks a few questions under the age-old heading 'what is to be done?' Put as a series of specific questions the aim of the paper is to ask a series of conceptual, empirical and normative-cum-applied policy questions:

(i) *At a conceptual level*, what do we mean by global economic governance?

(ii) *At an empirical level*, can the systems of global economic governance be maintained in the absence of a multilateral liberal consensus under-written by US hegemony?
   a. What is the future of the institutions and rules based order, built and institutionalised to underwrite the system of economic cooperation that prevailed between WWII and 2008?
   b. Are the current major challenges to institutional collective action problem solving at the global level overwhelming?

(iii) *At a normative-cum-applied policy level*, assuming we answer question (ii) in the negative then what considerations and reforms are required to maintain or create anew a minimally functioning institutionalised economic order? Specifically:
   a. Can governments restore the fraying 'social bond' (Higgott and Devetak, 1999) between the state and its citizens in much of the OECD world and restore trust in global institutions?
   b. What role can, should and will the USA play?
   c. How do and will other major players—notably Europe and Asia—deal with a USA unwilling to play a positive collective role in the governance of global economic problems?

Needless to say, answers to these questions must, of necessity, be speculative.

1: Populism, Nationalism and the Global Economic Distemper

"The era of neoliberalism is over. The era
of neo-nationalism has just begun."
Mark Blyth, *Foreign Affairs,* 2016

It is worth recalling that core elements of the global order between the end of the Cold War and 2008 were maintained because: (i) the USA played its role as self-interested yet *self-binding* hegemon (Martin, 2004) and (ii) the other major actors, the Soviet Union and subsequently Russia and China, were neither intent on nor capable of seeking to seriously, as opposed to rhetorically, challenge the key roles and rules of that US led system. This allowed the full forces of economic globalization to develop in a largely unchecked fashion from the end of the Cold War through to the global financial crisis of 2008.

But that was then. While the USA is still the pre-eminent power its future trajectory is at best unpredictable and at worst, since the arrival of Donald Trump, seeing a declining spiral in influence. Europe is seen in its own *Strategic Vision Statement*, as in a period of existential crisis (EU, 2016) with its model internally challenged and having lost what little external appeal the model may actually ever had in East Asia and other regions. Moreover, The EU’s share of global wealth is stalling while other areas, especially Asia, dominated by China, are growing. The EU is also lagging in technological innovation (Merritt, 2016: 1). A once inferred understanding of it as a bastion of support for multilateralism (see Telo, 2016) must be greatly tempered.

Instead of a consolidation of a post Cold War global order built on three ‘pillars’—North America, Europe and Asia—it might rather now be said there is one emerging populist nationalist ‘thread’ across the international spectrum from Trump’s “America first”, the rise of *illiberal* democracy across parts of West and Central Europe, a ‘Putinesque revanchisme’ in Eastern Europe and a Chinese model of authoritarian capitalism in large parts of Asia. Neither Russia nor China, for their different reasons, are satisfied with the liberal order. These nationalist trends in the organization of the contemporary global order may have been in train for some time but it is the more recent rise of the populist fueled degeneration of domestic politics in the US and many European countries and the *culture wars* replacing economics imperatives that give it life. They have also let loose a nationalism beyond domestic politics that has equally brought distrust to the multilateral institutional order at levels unprecedented in the life of that order since WWII.

To understand how populism and nationalism gained a political hold we must contextualize it as both political and socio cultural phenomena as well as an economic one. The economic backlash against, and cultural objections to, immigration are interlinked drivers of populism (see Springford and Tilford, 2017). In an economic sense we should not underestimate the impact of the last forty years of globalization (see Baldwin, 2016) and the current backlash, but if ever we doubted the equal significance of the relationship between culture and economics in international relations, events since 2016 have dispelled that myth. The PNZ is playing a critical role (with a sense of foreboding for some and elation for others) in globalisation’s potential unravelling.

In many countries, the essential elements of the PNZ (growing nationalism, nativism, identity politics and protectionism) run counter to what were thought to be core components of a liberal globalization. Populist ideas are crude attempts not only to challenge globalisation, but also to protect what is perceived to be a state’s traditional historical culture. The PNZ now casts massive policy shadows over the “liberal” international order that prevailed for the last 70 years.

While socio political globalisation is under challenge economic globalisation is not in reverse, although indicators suggest that it has clearly been slowing down (*Financial Times,* 18 November, 2017, https://www.ft.com/content/ade8ada8-83f6-11e7-94e2-c5b903247afd). This observation is supported by both the structural changes in the global economy since 2008 and the political events of 2016 that articulated a backlash against further global economic integration. Globalisation’s first wave (1870-1914)—perhaps the embodiment of the open, liberal economic paradigm—saw the spread of international trade built on the exchange of Western manufactured goods for the colonial and developing world’s primary commodities. It was supported by a stable financial exchange rate regime. Capital flowed freely and migration was only lightly policed with a vast traffic in Europeans crossing the Atlantic and even larger flows of laborers and merchants through North, South and East Asia. The undoing of this first wave of globalization was ruinous. The Smoot Hawley Tariff Act, against the backdrop of the Great Depression, set off a retaliatory trade behavior among the major economies that stalled global trade proving that global economic integration was neither irresistible nor irreversible. It is prudential rather than alarmist to ask if history could repeat itself?

While there is only limited evidence of a contemporary absolute decline, the process of economic integration has slowed, trade and finance have been falling as a share of GDP. Trade liberalization has stalled, the Doha MTN Round and TTIP are going nowhere. The money economy is fragile and the financial regulatory institutions are ineffective. Stagnation, job losses, unemployment and inequality in the USA and Europe are relatively high (http://www.mckinsey.com/global-themes/employment-and-growth/poorer-than-their-parents-a-new-perspective-on-income-inequality). Pent up political instability and volatility has been released. These experiences have destroyed popular confidence in the competence and probity of corporate, administrative and political elites. While the real harbinger of job losses in the sunset industries is artificial intelligence, robotics and technological innovation more generally, it has become politically easier to blame liberal trade as the cause of job losses in the manufacturing sector of the mature OECD countries.

If we try to put a specific date on this trend, then we may say that the current distemper was clarified with the global financial crisis (GFC) of 2007/08 which demonstrated the fragility of the financial system. It also exacerbated the gap between globalization's principle beneficiaries and its losers. The three specific outcomes of *globalisation's overshoot* have been: (i) the GFC, (ii) growing inequality both generally but also in the Anglo Saxon world (USA and the UK) particularly, (see the 2018 *World Inequality Report*, http://wir2018.wid.world/part-2.html) and (iii) the growing antipathy to global migration. The legacy of these outcomes is that the relationship between capitalism and democracy has come under greater strain than at any time in the last 100 years and the stabilizing effect of a functioning public sphere has diminished, with implications for relations between states and their citizens.

The marriage between democracy and capitalism has been strained by globalisation. They seem like ill suited partners in a loveless relationship, in need of counseling. In some major countries, notably the USA, democracy appears to have succumbed to increasingly elitist/oligarchic rule. The regulatory institutions that struggled to restrain capitalism's financial sector excesses have all but collapsed. And the public sphere has been diminished with implications for the level of trust in relations between the citizen and the state. As an outcome, the political events of the last few years in many countries reflect an explicit protest against further global economic integration that has challenged the neo-liberal political project.

The global financial crisis demonstrated the fragility of the financial system. It established the dependence of the world's most significant financial institutions on government rather than as independent members of the global market economy. It underlined the existence of institutions too big and interconnected to fail and demonstrated that risk management systems were dysfunctional (see Wolf, 2013 and 2014). This started the growing political challenge to globalization. Dysfunctional markets under conditions of an asymmetrical reward system continue to exacerbate dysfunctional relations between states and markets that have for some time now, been eroding the social bond between states and their societies (see Devetak and Higgott, 1999). The effect of this erosion is the emergence of deep fault-lines in the civil communities of the advanced countries—especially the USA and Europe. Elections now seem to divide countries not unite them. Moreover, splits are no longer just horizontal along a left-right party spectrum. They are also vertical elite-mass cleavages giving rise to what is misleadingly called populism.

Populism in brief, and firstly, is a contested, heterogenous, imprecise and stylistic discursive concept that has been around for a long time (for a discussion see *inter alia* Gellner and Ionescu, 1969, Canovan, 1981, Muller, 2016, Mudde and Latwasser, 2017 and Brubaker, 2017). It is used to identify generalized political behavior appealing to the past and driven by a desire to secure spontaneous national moral regeneration. This posits the *real people* against the economic, political and cultural elites. Indeed, it is driven by anger and the indignation of the 'dispossessed' betrayed by the 'elites' (http://berlin.wolf.ox.ac.uk/lists/bibliography/bib111bLSE.pdf). Secondly, explanations of populism are what Brubaker (2017: 23) should be seen as long term structural not simply responses to the immediate. As one observer acutely notes, Brexit and the election of Donald Trump were razor edge decisions that could have gone either way. But they are symptoms not causes of populism.

Rather we need to look at longer-term considerations. In addition to the economic impacts of the global financial crisis of 2008 and the backlash against globalization we should note (i) the growth of inequality; (ii) political impacts such as the rise of nativism towards iterative refugee crises overtime, the escalation of terrorism and the weakening of traditional systems of party democracy, especially declining trust in traditional political parties (see Kreisi, 2014 and Kreisi and Pappas, 2015); and (iii) the impact of new forms of communication; especially the use of social media platforms to facilitate the delivery of populist ideology and policy directly and unmediated to people in individualized, simplified, customized, unaccountable fashion (see Higgott and Proud, 2017). It to these longer-term structural factors that, in combination, we must look for an explanation of the rise of populism in the USA and large number of European countries in the second decade of the 20^{th} century.

Some populist charges against globalisation are not without substance. Globalisation can place limits on national democracies and constrain the sovereign decision-making abilities of states. It has indeed given rise to detached econo-political elites that have severely tested a major normative assumption and practice of democracy—namely the existence of a tacit social contract between the citizen and the state. While capitalist democracy might be egalitarian in aspiration, it is rarely egalitarian in outcome. This might be OK while capitalist democracy is seen to be generating benefits for all but when it no longer generates material improvements across the board then the social bond between the citizen and the state can, does and will continue to wither.

But populism is fundamentally anti-democratic. It has supported the rise of Trumpism, Brexitism and illiberal democracies, *pace* Hungary and Poland, plebiscitary democracies, *pace* Russia and Turkey and strong right wing nationalist-populist movements in otherwise democratic countries such as France, Germany, the Netherlands, Italy and Austria and in which white working classes cease to trust the probity and competence of political and administrative policy professionals. Populism can tap the worst racist and xenophobic instincts and it can challenge the basis of science and knowledge (see Nicholls, 2016). The most pertinent question for this paper is the degree to which the populist nationalist antagonism to globalization is also undermining the extant accompanying systems of international economic governance. The growing opposition to the governance role of the liberal multilateral international economic system is addressed in the next section.

2: Global Economic Governance Under Challenge

For the purpose of this paper global economic governance is understood as *the best endeavors of states, and increasingly non-state actors, to engage in trans-national collective action problem solving via formal and informal multilateral institutional cooperation in order to provide for the effective and efficient allocation of global public goods in as representative and accountable manner as possible.*[1] The 2008 global financial crisis and the subsequent rise of the populist nationalist zeitgeist have challenged this understanding of global economic governance. In so doing this challenge provides us with the cultural and economic contexts in which to understand the contemporary challenges to the liberal order in general and global economic governance in particular. This section looks at the practical manifestations these challenges for the governance of the global economy; particularly the trade and financial regimes.

Liberalism, understood in the sense of the classical political vision of Smith, Mill and Bentham, lost control of the globalisation narrative in the last quarter of the 20th century to the more hardline libertarian ideology and practice of Hayekian 'neo-classical' economics (see Wapshott, 2012) that became the intellectual handmaiden of hyper globalisation. Often referred to also as neo-liberalism this brand of economics was associated with the key elements of globalization: financial deregulation, asset privatisation, austerity driven fiscal policy and a purist theoretical approach to free trade liberalization. The rigid adherence to *purist* free trade orthodoxy failed to recognize or admit any need for corrective support for the losers from globalization.

This failure to be honest about the limits of free trade gave it a bad reputation it did not deserve. Free trade generates massive global welfare gains *but* it invariably does so with uneven distributional effects that have meant that not everyone gains. This, it should be noted, is not the same as saying that trade fuels inequality. Indeed the evidence suggests that this is not the case. Trade would appear to be but one factor, and a marginal one at that, in recent explanations of growing inequality (see Frankel, 2018). But as is now widely understood and clearly explained by Dani Rodrik (2017a, 2017b and 2017c) failure to acknowledge the complex reality of trade and an unwillingness to develop public policy correctives to its unequal distributional consequences provided ammunition for advocates of the worst kinds of populist protectionism (on both the political left and right).

If these challenges have not put globalization directly into reverse they have clearly put the breaks on deeper international economic integration;[2] posing additional questions for the architecture of international economic governance; especially the Bretton Woods financial institutions (World Bank and IMF) and the World Trade Organisation (WTO) with the WTO especially being weakened as an instrument of global public policy coordination in recent years.

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1 There is a vast body of literature on the contested theories of global governance. Here is not the place for a theoretical discussion. See *inter alia*, Acharya (2016), Sinclair (2012), Zürn (2012) and Weiss (2013). My own thinking on the subject can be found in Higgott (2012).

2 Even *the Financial Times* likes to have an each way bet on this issue. See the competing messages in *Globalisation in Retreat* (https://www.ft.com/content/ade8ada8-83f6-11e7-94e2-c5b903247afd) and *Globalisation Marches on* (https://www.ft.com/content/d81ca8cc-bfdd-11e7-b8a3-38a6e068f464).

Central here is the role of the US under the Trump administration. USFP may not be isolationist and Trumps actions may have been more rhetorical than real in the international economic domain to-date (for a discussion see Boot, 2017)—with the major exception of his withdrawal from the Trans Pacific Partnership (TPP). The US remains a commerce-minded international power; albeit with a much narrower, transactionalist conception of interest that is becoming more bilateralist and focused on what Trump, if not all of his administration, sees as so-called ‘exploitation of the US’.

Trump’s policy is not about enhancing a global liberal trade regime. It is about rectifying large bilateral trade imbalances wherever they exist and notwithstanding that much of the explanation for these imbalances is to be found at home in the USA (Forhoohar, 2017) where less than 1% of companies export anything as of 2017 and support to develop export capability is currently on a scale from slight to zero (see McKinsey, 2017: 15). As the McKinsey report demonstrates thoughtful domestic policy reform and support at home could have a bigger impact on US export competitiveness than any aggressive retaliatory action at the international level.

Ironically, interventionist thinking is much stronger at the international than the domestic level. ‘America first’ might not imply America alone, but it does suggest that under Trump the US seems less inclined to accept responsibility for, let alone positively support, the 70 year old wider global order underwritten by a network of multilateral institutions. In both the economic and security domain political allies and trade partners are having to readjust to a less predictable, lower trust environment where contest and conflict rather than cooperation and consensus in US trade relations (and the management of the global financial regime) are becoming the norm.

2.1 In the trade domain

The progressive evolution of the GATT into the WTO over a 50 years period created a liberal rules-based trading system with a set of agreed theoretical norms and practical rules that were deemed sensible, legitimate and honored by its members. The evolution of these norms and rules progressed through a series of multilateral negotiating rounds throughout the second half of the 20th century that with the formation of the WTO, and especially the accession of China, seemed to be the tipping point for global acceptance of widespread support for an open, yet sensibly regulated, international trade regime.

But this has turned out not to be the case. A range of hurdles have presented themselves to the trade system, and the WTO as its guardian, that have become progressively difficult to overcome. An inability to secure the completion of the Doha Development Round and the drift into murky protectionism in the wake of the 2008 GFC (Baldwin and Evenett, 2009) has effectively stalled the WTO. More recently, and more substantially, the global backlash against open global trade has grown inexorably, especially in the developed world in the face of the growth of populism. It is the current populist anti-trade rhetoric, especially but not only from Donald Trump, that has the potential to do the greatest damage. This rhetoric is bereft of any comprehension of twentieth century trade history. It reflects no knowledge of the 1930s depression in which ‘beggar thy neighbour’ protectionist policies, especially the passing of the Smoot Hawley Act of 1930, encouraged the rejection of a rules based trading system, a massive exercise in self-harming for the USA and the collapse of world trade (see Irwin, 2017).

Not only is the current rhetoric of the populist bereft of any historical or economic understanding of trade, it also shows little comprehension of the contemporary trade order. Protectionism does not and will not work. It is not low tariffs that explain dramatic industry closures in the manufacturing sectors of mature economies, especially the USA. Manufacturing jobs are on the decline globally. Global ability to produce is outpacing growth in demand. Technological innovation, especially AI and robotisation mean that fewer jobs are created. And those that are will not only require higher skills they will not automatically land in those parts of the USA that have undergone high job loss in the last several decades. Relocation will continue as China and India (both major beneficiaries of a liberal economic order) become more integrated actors in a global economy dominated by the development of an unbundling of production and complex global supply chains. This genie it is not about to be put back in the bottle, US presidential determination or not.

Thus a focus on the behavior of Donald Trump is rational rather than alarmist. His views capture the intellectual and practical problems facing contemporary international trade. He is essentially mercantilist. He sees trade as simplistically zero-sum. He insists on reciprocal, free, and fair trade, yet his only measure seems to be if the United States is running a bilateral deficit. As the *Financial Times*, reviewing Trumps speech at APEC in Vietnam (November 9, 2017), the future of global trade viewed from Washington now seems to be predominantly about undoing the multilateral progress of the post war era.

Indeed, Trump is explicitly opposed to multilateral trade cooperation; especially the mega-regional initiatives such as the TPP and the TTIP (in its current form) (https://www.ft.com/content/5afbd914-a2b2-11e7-8d56-98a09be71849). In addition to his decision to quit TPP, pull out of the Paris accord and renegotiate NAFTA (what Trump has called the worst trade deal ever made) he has turned his rhetorical gun on the WTO as an institution and multilateralism as a *modus operandi* for trade relations. His strong nationalist speech at the November 2017 Da Nang APEC conference, emphasized his preference for bi-lateral deals in which of course the US invariably has the asymmetrical advantage that goes with size. Also at the Da Nang conference he accused nameless countries of stealing US intellectual property and technological innovation and asserted that:

> What we will no longer do is enter into large agreements that tie our hands, surrender our sovereignty and make meaningful enforcement virtually impossible (*The New York Times*, International Edition, 11-12 November, 2017: 1).

If his speech is to be taken at face value (and that is always a problem with President Trump) then the WTO is merely a forum where other states have for too long taken, and continue to take, advantage of the USA. Wrongly asserting that the dispute mechanism discriminates against the US (the US has in fact won 90% of its 100+ appealed legal disputes) he has set in train a campaign against the role of the WTO. The initial blocking of appointments to the WTO Appellate Body may only be a first step with more to follow in 2018. Trump's also has very strong support from the US Trade Representative Robert E. Lighthizer (see https://ustr.gov/about-us/policy-offices/press-office/press-releases/2017/december/opening-plenary-statement-ustr).

The US is of course not the only critic of the WTO. Europe too would like to see reform. Nor is Trump wrong about China's failure to live up to its obligations since joining the WTO. And the EU and Japan are supporting the US in bringing pressure to bear on China (https://www.ft.com/content/5f0aad90-deae-11e7-a8a4-0a1e63a52f9c). But Trump’s views lack historical appreciation of the importance of GATT (and the leadership role of the US) in the liberalization of trade and the establishment of a rules based system in the post World War Two era. What he does understand is that the US can do more than any other member state to weaken the WTO. A continuing hostile attitude to the WTO by the Trump administration and, perhaps more immediately, the renegotiation of NAFTA will be litmus tests of Trump’s trade policy. How the administration deals with NAFTA in the renegotiation will in all probability also dictate aggressive deficit reducing policies to other trade surplus states and regions such as the EU; especially should the TTIP negotiations come back into play (Rashish, 2017).

The other test will be Trump’s approach to tariffs in 2018—likely to be the crucial year (see Manning, 2018). January saw his first tariff act when he signed into law the introduction of 30% tariffs on imports of solar panels and washing machines to the USA. It was a move clearly aimed at China with China asserting that it will retaliate (https://www.ft.com/content/288cac76-000c-11e8-9650-9c0ad2d7c5b5). This is we must assume an opening salvo. Steel, further white goods and intellectual property from third countries (especially China) Trump considers are cheating the USA can be expected to follow its practice is lined up with his rhetoric. This would most probably lead to some kind of trade war, the outcome of which cannot be known other than that no state will be a winner. But what the Trump administration appears not to contemplate is that the US could also be a major loser from such a confrontation. It would in all likelihood be gradually isolated from any new trade liberalising activity. As the *Financial Times* has argued ‘Trump may huff and puff. The rest of the world will limit the damage’ (https://www.ft.com/content/bf94549c-e663-11e7-8b99-0191e45377ec).

Of course, this could prove to be a courageous judgment by the FT. It is too soon to come to a conclusion. But we should note that to-date, the other major trading powers, notably the EU and China have not shown any inclination to follow Trump’s line. Equally, it is worth noting that US withdrawal from erstwhile while it initially dampened enthusiasm for the organisation did not in fact kill off support for it amongst its other members. The 11 member deal, following the resolution of some of Canada’s concerns raised at the Da Nang APEC meeting, came into effect in March 2018 under its new name of the Comprehensive and Progressive Agreement on Trans Pacific Cooperation (CPTPP) (https://www.ft.com/content/7a10d70a-0031-11e8-9650-9c0ad2d7c5b5). While the absence of the US market from the CPTPP is a blow the organisation, with most of its key provisions in tact, is still a more advanced exercise in regional economic cooperation in East Asia than the Regional Comprehensive Economic Partnership (RCEP) pushed by China. But Trump’s rhetoric and practice have nevertheless given China the opportunity to take a global leadership role in the domain of trade (and also the environment) at the same time as US power and standing in Asia has diminished throughout 2017 (see Camroux, 2017).

2.2 In the finance domain

Dangers of cyclicality are as great if not greater in the financial regime than in the trade regime. Here too we forget history at our peril. In an analysis of the causal role of trade protectionism during Great Depression the massive negative impact of harsh capital controls and the manner in which they exacerbated the depression is often overlooked. In the contemporary era it is less national capital controls than the uncontrollability of capital at a global level that appears to be the bigger issue.

Since the Big Bang in London in 1986 and the repeal of Glass Steagall Act in the USA in 1999 we have seen the progressive detachment of financial activity from the productive economy and, very often, the public interest is diminished as rent-seeking replaces value creation. In addition sovereign state control of the internationalised financial sector has diminished and the power of organised financial interests have increased at the expense of a state's ability to regulate it. Moreover, in the face of *innovation* (often a euphemism for opaque complexity) regulators have invariably been fighting the last war rather than the current one. This fight has been made all the more difficult by Wall Street's cognitive regulatory capture (cf: from Paulson to Mnuchin) of the Washington policy process. Demands for 'level playing fields'—in effect a 'race to the bottom'—prevails and industry standards and 'light touch regulation' invariably outsmart regulatory measures in the shadow-banking sector (especially the derivative markets). Banks would seem still to be too big to fail and moral hazard would appear to be alive and well.[3]

As Stiglitz, and other Nobel prize winners such as Paul Krugman and Robert Schiller would have it, the very moral authority of Anglo-American capitalist economic organisation would appear to be under serious challenge. The relationship between the market and the state exhibits an unstable disequilibrium and sources of institutional leadership operating beyond the level of the state—or through the international economic institutions, be it the WTO, IMF, the World Bank or the looser configuration of the G20 and other ancillary actors required to address these collective problems—are missing or operating sub-optimally at best.

How seriously this problem is taken amongst the senior echelons of the global financial policy community is a moot point. The G20's most recent response has been to establish an Eminent Persons Group of Finance Ministers and Central Bankers to address the reform of the international financial institutions as agents of global financial governance with an emphasis on leadership, accountability and transparency (http://www.bundesfinanzministerium.de/Content/EN/Downloads/G20-Wash-okt-International-Financial-Architecture.pdf?__blob=publicationFile&v=1). Its remit is however limited to the role of the IMF and the WBG and their relationship to the G20 and looks unlikely to address the big ticket items identified in this paper that are currently destabilising the global governance system. The next section attempts to offer some insight into the magnitude of these problems and some tentative suggestions as to how they might be addressed.

3: What is to Be Done?[4]

Firstly, let us keep a sense of perspective. We are not yet facing an apocalyptic melt down in the global economy. Indeed while concerns about the instability of the global financial system abound, capital and equity markets are nevertheless booming. Trade, while slower than in the years prior to the global financial crisis, perhaps reflecting a cyclical element in trade performance, continues to grow despite failing governance. Nor has democracy, of either a

3 The discussion of the financial sector here is drawn *inter alia* from the work of James (2012), Posner (2011), Ragan (2011), Rogoff and Reinhart (2011), Schiller (2012), Stiglitz (2012) and Wolf (2014).

4 While Section 3 is analytical it is also personal to the extent that it reflects the author's own personal normative judgments on what needs to be done to restore a stable equilibrium to the global economic order.

liberal or social democratic nature, been vanquished by populism in the OECD world. However, reflecting the dependent nature of the relationship between states and the market under conditions of globalisation, national societies appear increasingly divided, especially in the USA and Europe, and democracy is weakened. Inequality is now seen as both a major destabilizing point of philosophical disagreement and practical policy issue (Atkinson, 2016; Milanovic, 2014; Piketty, 2014) nurturing populism and weakening the *social bond* between citizens and the state in the developed world.[5]

Can democracy fight back against populism? Democratic politics (be it social-centre left or liberal-centre right) must put their political houses in order. The ruling cosmopolitan political elites of populist scorn must learn from their mistakes (captured in the failure of the Remain group in the Brexit Referendum and the failed Clinton Presidential bid.) They need to ensure that ordinary citizens, not just the economic and political elites, also benefit from globalisation or are at least protected from its worst excesses, especially the growth of inequality that is increasingly seen by popular pundits such as Martin Wolf of the *Financial Times* as a challenge to democracy (https://www.ft.com/content/47e3e014-e3ea-11e7-97e2-916d4fbac0da, https://www.ft.com/content/743d91b8-df8d-11e5-b67f-a61732c1d025). As political economist Dani Rodrik (2017) notes, for both historical and ideological reasons, this is more difficult in the United States than it is for those states of Europe, including even the UK, with a stronger tradition of social welfare.

We have seen the emergence of what Jan Werner Muller (2016) calls the *‘Trumpenproletariat’*. This group must not be lost to democracy; it must be re-engaged by the political centre in both the USA and Europe. The political system needs compromises that reconcile capitalism with *mass democracy*, not *cosmopolitan democratic elitism*. Governments of a non-populist persuasion need to re-boot the social contract between state and society and provide enough citizen incentive to make citizen preservation of capitalism a major societal commitment. In essence governments need to rebuild the ‘embedded liberal compromise’ (Ruggie, 1982)—effectively to practice Adam Smith abroad but John Maynard Keynes at home. This requires both theoretical and applied policy innovation leading to a new balance between the state and the market in which governments support the market economy but resist the hard-core Hayekian *market fundamentalism* of the last 35-40 years.

Scholars and practitioners need to recalibrate the balance between Hayekian neo-classical economic theory and the intellectual insights from the disciplines of moral and political philosophy, political science and law to create a stronger moral normativity that humanises the dismal science of economics. As Rodrik opines, we need to rescue economics from neo-liberalism (2017c). If we are to secure a new equilibrium between the market and the state then economics, understood traditionally as an essential amoral selfish theory of *homos economicus* needs to be leavened with the counter veiling influences of a stronger civic ethic, altruism and recognition of the importance of (good) governance (see *inter alia* Johnson, 2017, Bowles, 2016, Hausmann, 2017 and Rodrik, 2015). Such a transition is more difficult than might be assumed. Such innovation in thinking challenges some of the core scientific assumptions, indeed pretensions, of economics as a scientific

5 On the importance of the *social bond*—the essentially contractual relationship between the state and the citizen that allows societies to function see Higgott and Devetak, 1999.

scholarly pursuit.

We need to re-write the rules of the global economy once again. Governments need to re-affirm the legitimacy of international, rules based, norms and 'appropriate' regulatory regimes in the face of pressure from powerful lobbies—especially from the financial sector. Governments need to both re-affirm the principles of collective action problem solving embodied in the multilateral economic institutions (especially, IMF, World Bank, WTO) and important new institutions—e.g. AIIB and BRICS NDB). The multilateral development banks (MDBs) are clearly in need of reform after many years of resistance by the major powers. Reform of voting at the IMF was resisted by the USA for 4-5 years up to the time of the eventual changes of 2016. But more generally, the need for emerging market economies (EMEs) to develop a sense of joint ownership of the international institutional governance structures—especially in the MDBs—is a pressing important issue for global economic governance.

Senior established donors are resisting changes in ownership structures that would reduce their influence (see the 2017 statements of the governors of the United Kingdom and the USA to the World Bank Group's Development Committee, http://search.worldbank.org/devcomm?_foldid_exact=Statements&os=20). They prefer to have the MDBs focus on funding developing economies to the exclusion of EMEs, arguing that EMEs can raise funds on the market independently of the banks. At the same time the US pushed back against EME innovation, especially China's creation for AIIB. Both positions were, and remain, short sighted. They reduce the stake of the EMEs in the longstanding MDBs, reduce the potential influence the banks can have on the growth of economies and institutions in the EMEs, and reduce the financial viability of the banks.

Markets satisfy needs. When they work efficiently they are the most superior form of allocation and distribution the world knows. But markets are not simply the product of the 'invisible hand'. Markets are constructed mechanisms and as Ha-Joon Chang tells us (2014) like all mechanisms such as an automobile, they require steering, regulating and servicing regularly. Markets require looking after if they are to preserve their legitimacy. This is a political process not an economic one. Inflexible economic systems incapable of, or unwilling to, undertake reform *at the domestic level* are unlikely to maintain legitimacy and are eventually challenged. The rise and demise of economic-political systems that decay from within as a result of an inability to reform or adapt is increasingly well understood. As Fukayama (2014) (now) argues, democracy is not an end state. There is no finishing line. Just as we think we have arrived humans can and often do snatch defeat from the jaws of victory by behaving in unexpected ways.

Similarly, at *the international level* we seem to have forgotten much of what we learned about the role of international institutionalism in the second half of the twentieth century; particularly the role institutions can play in lowering transaction costs by the provision and sharing of information, reducing uncertainty in *large n* multilateral negotiations, making promises credible and enhancing compliance in international economic relations. We have accepted far too easily the populist cry that international institutions undermine state sovereignty when in fact they can equally be argued to enhance national democratic processes in a number of important ways such as restricting the power of special interest factions, protecting individual rights, improving the quality of democratic deliberation, and increasing capacities to achieve important public purpose (quintessentially here see the work of Robert Keohane, 1989, see also Simmons and Martin, 2001 and Higgott, 2006).

This is no mere conceptual digression. The weakening of a commitment to the *principles* of international institutionalism might predate Donald Trump but attacks on these principles cast a massive negative policy shadows over both the global trade and financial regimes. The norms, principles and practices that we have identified, and that are essential to a functioning system of global economic governance, require leadership if they are to be sustained or re-booted. That leadership is currently lacking at the global level. Without leadership virulent anti-globalization politics are unlikely to be contained with all the attendant negative implications for political stability that lack of containment implies.

3.1 Does Trump Matter? The Role of the US and what, if anything, can be done?

An interest in concepts like imperial over-stretch, empires in decline, declining hegemony and rising powers have been constant from the time that scholars first wrote international history. It is reflected in scholarship from and on Greece and Rome through to the Hapsburgs, Great Britain and now the United States. While today’s scholars of international relations and especially those interested in global order can draw on this history in comparative fashion it does not axiomatically make them better modern day policy analysts. Much of our contemporary craft is inevitably, if not merely, reflective and judgmental. That does not, however, mean we should not do it.

We can pick up trends, see the impact of events, recognize when structural change is in train and make judgments on the role of actors and agents in these processes of change. It is in this context that this section reflects on the role and impact of the US on the current global order in general and the malaise in global economic governance in particular. Indeed we cannot understand the modern order without such analysis.

The paper so far has outlined several broad trends. Notably:

(i) A diminished credibility of the Anglo-American economic model and a concomitant weakening Western power in the global political economy.

(ii) A recognition in most, but not all, quarters of the global policy community, that the consumerist consumptions patterns secured by the economic paradigms that prevailed for much of the last 70 years are likely to prove socially, politically and ecologically unsustainable in the longer term. And, following the Paris 2015 agreement, new institutional structures must envision a low carbon economy.

(iii) A recognition that the new big state *economic* actors, especially China and India, and notwithstanding their own problems, will *faut de mieux* also secure stronger global *political* influence over both the short and medium term.

(iv) A recognition that consensus driven, collective action, global institutional leadership is in short supply; indeed the evolving G20 agenda has jettisoned very little of the G7(8) individualist, energy intensive, consumerist paradigm of 20th century ‘market civilisation’.

(v) These problems have been dramatically exacerbated by the election of Donald Trump as the 45th President of the United States.

Writing in 2014, and prior to Trump's presidential bid, Francis Fukayama (2014) argued we were witnessing a return to a patrimonial order—what he called *re-patrimonialism*—in the US in which the wealthy and powerful, corporate interests had reasserted their stranglehold dominance over the political process in a manner greater than at any time in US history. I would assert here that the election of Trump, and especially the quasi plutocratic complexion of his cabinet offers reinforcement to Fukayama's 2014 argument.

The failure in many quarters to recognize these trends reflects (i) an historical ignorance of how the modern order was built and sustained; (ii) a disregard for the political impact of the distributional inequalities wrought by globalization and (iii) what Luce (2017) describes as the fragility of a system over which we have grown increasingly complacent since the end of the Cold War. Luce goes on to argue (and he is not a lone voice) (see *The Economist*, November 11-17, 2017) that Trumpism, while not the originator of these trends, is the accelerator of strain on a rules-based, collective problem solving approach to world order.

American global strength for the last 70 years has been rooted in its ideational attractiveness (what Joe Nye, 2004, calls its soft power), its predictability and especially other actors in the global system believing *in this predictability*. Trump is undoing this. At the same time he is accelerating both the perception and reality of a declining US leadership role; especially with his peer global leader rivals, Xi Jinping and Vladimir Putin (see Wright, 2017). The best illustration of this argument is to be found in the Asia Pacific.

While the US is still a major player in the overall economy of the Asia Pacific, it has effectively vacated the *institutional* playing field. APEC is treated merely as a platform for Trumpian rhetoric while the rest of the region gets on with its economic business. TPP will be completed as a 12 minus 1 institution and other regional economic activity in East Asia, *with or without* the participation or *imprimatur* of the USA, is not on hold. Chinese economic diplomacy through, *inter alia*, the consolidation of the role of the Asian Infrastructural Investment Bank (AIIB) and the continued development of the Belt and Road Initiative (BRI) have gained it considerable diplomatic kudos. Closer economic integration, with or without the US, remains a high priority in the region. The Regional Comprehensive Economic Partnership (RCEP) has made considerable gains as an integrative vehicle for the East Asian economy in recent years (see Heine, 2017). Even discounting for Trumpian regional diplomacy in the Asia Pacific, the US is a diminished player in the region.

So, in that time worn phrase, what is to be done? Particularly how should we respond to the current role of the USA other than hope for the best and plan for the worse? There is no law that forces the US to accept global responsibility/leadership. It did, lest we forget, sit out the 1920s and 1930s while the rest of the world collapsed economically. Unlike the 1920s-30s, however US geography and wealth no longer insulates it from exigencies of global economic and political calamity in a manner it might have once done. The technological wiring of the global economy, especially the global financial system, cannot by-pass the US. Similarly, most US productive export activity is embedded in complex global supply chains from which its major corporations are unable or unlikely to disengage. Moreover, while US power in the past was absolute. Now it is not. There was no rising China and India or other big economic players in the inter-war period of the 20th century. Trumpian logic—practising what Richard Haass, President of the Council of Foreign Relations calls the *doctrine of withdrawal*—does not provide the USA with a real exit option this time.

For example, in a non-trivial thought experiment, a financial crisis similar to that of 2008 would pose a major test for a Trump led US government. In 2008 the G20, while still a limited instrument of global economic governance nevertheless proved, through serious US and UK collective leadership, to be a decisive crisis manager (see Cooper and Thakur, 2012). Should we expect a Trump-led US to be similarly responsible in the event of another financial crisis? More than likely, if his record is our judge, Trump would repeat the mistakes of the early 1930s. Given his propensity for buck-passing he should be expected to lay any blame at the feet of other states, resorting to protectionist measures and provoking another serious recession or depression even.

Conclusion

As this paper has argued, the malaise in global economic governance is part of a wider crisis of western liberalism in general. The specific problems with global economic governance that the paper has dealt with were argued to be severe. There is a crisis of international collective action problem solving in trade and financial governance. Neither G20 nor Davos style gatherings suggest the major actors have the collective will to address them absent the arrival of another major crisis.

This paper has suggested that the desirable degree of global economic governance and regulation differs between the trade and finance sectors. Trade governance is in much greater danger than we think. This is the case at both the normative level of a lack of commitment to an open liberal multilateral system and, at the practical level, of the problematic future of the WTO. Trade needs more, not less, openness and liberalization, but also greater institutional cooperation, preferably operating under WTO rules. The WTO, even in an age when it is not overseeing multilateral trade negotiations and its Dispute Settlement Mechanism is under challenge, remains the best source of trade policy information sharing, norm compliance and the major forum for the discussion of key global trade policy issues.

Finance by contrast arguably needs less emphasis on unfettered liberalization and more emphasis on appropriate, preferably *host country* regulation, risk management and accountability. It does not need more *home country* extra-territorial rules (see Deiter and Higgott, 2012). The financial sector needs a diverse, not one dimensional, institutional regulatory landscape. Just as monoculture in biology transmits and exacerbates system shocks; so too does monoculture in the global financial system amplify shocks (see McNamara, 2009). By contrast, just as diversity stabilises complex biological eco-systems so too could it be expected to do the same for financial systems. We need diversity and one size does not fit all in global finance.

The issue of sovereignty, or more precisely here a lack of sovereign control over international finance within host countries, is a real question for states and not just for populist nationalists. Most of the world's governments, from the strongest to the weakest, want greater control over the behavior of their economies and especially international financial actors within their domestic borders. Global finance needs to behave better. It will need to be assisted in this process. As Nobel Prize winner Robert Shiller notes we need finance for a 'Good Society' (2012). Progressive democracy of either a social, centre-left or liberal centre-right persuasion needs to address the excesses of its global financial elites.

Global economic governance is a trade-off between the effective and efficient provision of (global) public goods on the one hand and the representation, accountability, legitimacy and sovereignty of states on the other. Getting the balances right between these competing conceptions of governance remains a charged political, and often ideological, question especially since the problems with global economic governance are problems *of both* structure (for example technology) and agency (the role of actors such as the US President). This is both bad and good. It is bad because the structural problems are deep-seated and not easily subject to agential control. It is good because while these problems are likely to persist they are, with serious attention, fixable.

Issues of agency are more contested questions of political philosophy and practical politics rather than technical economics. To fix these problems we need a change in both philosophy and practice. A return to the old liberalism of the twentieth century would appear not to be on the cards (see Ferguson in Ferguson and Zakaria, 2017 and Kaplan, 2107b). We need pluralism not universalism of any stripe. The end of the Cold War saw us opt for a Hayekian neo-liberal globalisation in general and for finance capital, raw in tooth and claw, in particular. Little or no consideration was given to moral rather than economic values—especially democratic values, trust, human rights, respect for diversity, meritocracy and opportunity—that had been as important in helping the West win the Cold War as brute military power. Indeed, as Michael Ignatieff points out, globalisation was never a universalised moral order (2017). To the extent that these values were deemed to exist by neo-classical economists they were nevertheless largely non-quantifiable and thus exogenous to the (any) model of economic globalisation!

Without national and global conversations on broad based normative values, as opposed to strongly held politically determined ideological positions, we are unlikely to see change. Lawyers and political scientists who for too long vacated the global policy playing field to the economist need to re-enter the conversation. In essence the once hegemonic assertive economic marketization of a Hayekian variety needs to be taken on by a more assertive democracy of either a classically liberal or social democratic variety. Defence of the market is not the same as saying anything goes nor, as Colin Crouch (2018) has noted, is it about strengthening corporate power at the expense of markets.

To garner the benefits of globalisation, mitigate its costs and prevent it falling in the face of rising populist nationalist sentiment of the kind espoused by the current US president and other populist leaders across Europe and Asia then governments of a democratic persuasion need to be resilient and to fight back. Resilience requires democratic governments to reassert the defence of economic openness. But democratic governments, of both social and liberal persuasion, should also recognise that some populist concerns are genuine. For example, not all appeals to identity are necessarily xenophobic. Public policies pertaining to refugees and migration need to be recognized for the complex issues they are and be addressed with sufficient priority accordingly. Governments of a non-populist persuasion must also recognize that threats to international political order in the absence of leadership from the world's greatest power are real.

Is the pessimism exhibited in this paper overstated? Is liberal order, as those such as Kaplan suggest, destined to collapse. Will we see anarchy prevail over the artificial institutional cooperation of the last 70 years (2017: 31)? Or could the global order, as the *Economist* and others (see Boot, 2017) argue, ride out Trumpism and populism more generally, and return to the *status quo ante*? This polarization of alternatives is too stark. It poses the wrong question in both empirical and longer-term structural terms. A far messier outcome would appear more likely.

At the empirical level the US still has primacy in both the economic and political global orders. But this primacy, underwritten by the current ideological disposition of its current leadership, makes it resistant to any reform in those orders. US resistance is reflected in its growing opposition to multilateralism and institutionalism and its preference for more unilateralist and nationalist approaches. This disengagement has made it easier for China to develop a sophisticated strategy of non-ideological pragmatic engagement enriching its international standing at the expense of the US.

Whether this message is getting through to President Trump is a moot point. His own messages remain mixed. The withdrawal from TPP was seen by analysts (allies and foes alike) as much a strategic mistake as an economic one. Absent the US, the economic gains from CPTPP will remain modest for the foreseeable (14% of world trade without the USA, 40% with it) future. But it is more than an economic organization. It sends a message that the dominance of the regional trade regime will not simply be gifted to China. And its structure keeps it open to further members from countries such as South Korea, Thailand and Indonesia that have all expressed interest. Most importantly membership remains open to the USA. It is not axiomatic that the US will simply do bilateral deals with CPTPP members. Both Japan and Vietnam have declined invitations. In what was clearly meant to an offset to his more bellicose nationalist mercantilist rhetoric President Trump surprisingly announced in January 2018 that he '… would do TPP if we made a much better deal than we had' (https://www.ft.com/content/3cb22bb8-0205-11e8-9650-9c0ad2d7c5b5).

But Trump's mixed messages are accompanied by practical implications. Not only does US policy allow China to play an increasingly successful role in the domain of global institutional economic governance in established bodies like the IMF, World Bank and WTO, it has encouraged it to develop new bodies like the AIIB and successfully extend its conference diplomacy, notably in the Paris accord. Of the other actors, the EU, and Germany and now France, although aspiring to, are not playing a meaningful leadership role reflective of their influence and standing. Threat to the international economic and political orders in the absence of both individual and collective leadership from the world's greatest power is real. As the *Financial Times* noted in the wake of the 2018 Davos meeting, there is a *gaping hole in global economic governance* (https://www.ft.com/content/e9941122-0285-11e8-9650-9c0ad2d7c5b5).

We should contemplate the prospect of multiple orders—what Acharya (2017) calls a *multiplex* world and Flockhart (2017) calls a *multi-order* world in which a liberal order may still exist but with its reach curtailed. This will be a world in which liberal values are not universalised. Other values, norms and principles—emanating from the reassertion of ideas and interests of old actors and the arrival of new ones—will place demands and challenges on liberal orthodoxies. The degree to which they will supplant a liberal internationalist perspective is yet to be known. Some think this is unlikely to be the case. Neither China nor Russia, argues John Ikenberry (2018: 23) offer stronger models for organising world order. We should expect (*in contrast to early* Fukayama, 1992) no *end of history* style teleologies (be they liberal or realist). Transformation of the major principles and practices of the old liberal order seems more likely than either full reinstatement on the one hand or total rejection and overthrow on the other.

Managing transformation will be the major problem for the key actors (state and non-state alike) and the existing institutions of global governance for the foreseeable future. From here on it might be better not talking about liberal order. It might be more fruitful talking trying to re-boot a cooperative *rules-based order* driven by a set of legal, economic and political norms and rules, while at the same time recognising that rules need to be reformed in order to secure continued adherence from the members of that order. A rules-based order must be shown to work for all, not just the USA (Sandhu, 2017). But the key question will be the degree to which the US, but not only the US, can secure acceptable reform to the current order. What would constitute acceptable change for the US under the Trump Administration? Perhaps three things: (i) a revised NAFTA, (ii) major trade concessions from China, and (iii) increasing financial contributions from Europe to NATO. All are possible, but probably not prior to a fight of as yet unknown greater or lesser proportions.

Failure on this front will lead to one of two outcomes: at worst the collapse rather than the reform of the old economic order, and at best a semi-functioning multilateral order with the USA operating outside of it. CPTPP, the Chinese Belt and Road initiative, EU FTA negotiations with Japan and Mercosur suggests this model is both possible and probable. The degree to which this would be acceptable to the USA is unknown and hopefully will remain unknown. Thus we should expect a process of *muddling through* characterised by both the pursuit of nationalist policies and at best a weak defence of the global economic order.

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