

**Short communication**

**Towards Progressive Multilateralism: Decoding the Trilemma of State, Democracy, and Globalisation**

**Abstract**

Institutions have long been influenced by their idiographic milieu. Western liberal institutions, grounded in liberal internationalism, often negate the institutional epistemology that advocates for diversity in the structural reform of Multilateral Institutions. Neo-liberal institutions, however, promote ontological tendencies in multilateral institutions. Decoding the functioning of the state, democracy and globalisation offers insights into restructuring the multilateral institutions (MIs). The study uses regression analysis to know the functioning of the state, democracy and globalisation in the countries of the global South and global North. Social determinism helps recognise and deconstruct ontological MIs. G-20, a conglomeration of developing and developed countries, is better positioned to make consensus through consultative, collaborative and decisive processes amid competing interests and ideologies. The study finds the variables of political trilemma vary contrary to neo-liberal prescriptions of reducing government size to encourage trade openness & liberal democracy. Moreover, the study refuted the notion that democracy leads to trade openness and the concurrent relationship between government size and democracy. These findings present a strong case to rethink and restructure multilateralism and MIs.

Keywords: State, Democracy, Globalisation, G20, Multilateral Institutions.

## 1. Introduction

The Liberal International Order has often been perceived as an instrument of Western dominance, falling short in addressing global inequalities and injustices. This perception is linked to the crisis of the liberal order, where liberal internationalism is seen as in terminal decline. Every historical system has a life - a beginning, a development, and (eventually) an end (Wallerstein 1988, p. 582). Meanwhile, the current capitalist-led international order is in its terminal stage. Traditionally, liberal ideology has formed the foundation of this order, influencing the establishment of rule-based norms, institutions, and governance systems. However, during the last two decades, the world's centre of gravity has swayed towards the emerging market economies (EMEs), which now account for 30% of global economic activity and a quarter of the global trade. These economies- including Argentina, India, Indonesia, Brazil, Mexico, and South Africa- have grown at an average rate of 6% while doubling their share in global GDP since 2000 (IMF 2024, p. 87). Previously seen as marginal players in the global economy, nations of the global South have emerged as dynamic growth engines, challenging the longstanding supremacy of advanced economies. This shift is not merely economic; it signifies deep-seated changes in the global landscape—alterations in power, influence, and prospects that are set to redefine the future of the global order and multilateralism. Furthermore, the ascent of emerging markets transcends economic expansion; it encompasses a cross-border exchange of ideas, strategies, and experiences, necessitating a new paradigm of multilateralism distinct from the current models.

Jaishankar speaking at the Kautilya Economic Conclave 2024 in Delhi stated, “The United Nations is like an old company, not entirely keeping up with the market, but occupying the space.” What you have today is, yes, there is a UN. At the end of the day, however suboptimal it is in functioning, it is still the only multilateral game in town. However, when it fails to address critical issues such as COVID-19, the Russia-Ukraine conflict, and Middle East tensions, nations devise their own methods of handling them. Reform of governance of global financial institutions is limited to a pledge to give developing countries a greater say in decision making and review of sovereign debt has been reiterated. Concerns of developing countries have got a short shift. Jaishankar speaking at the Kautilya Economic Conclave (October 7, 2024) in Delhi stated, “one of the impacts of globalisation over the past 25 years has been job losses and dissatisfaction with the quality of life in many societies, as trade has

not only been globalised but also weaponised. The world is becoming more deeply globalised, with supply chains increasingly transnational. Hardly anything significant is made entirely in one country anymore, except perhaps in very large nations. This has led to increased interdependence. Moreover, when trade and finance are weaponised, countries take defensive measures. This is one of the reasons for protectionism or, at the very least, for caution regarding supply chains. National security has become a pervasive lens through which economic transactions are now viewed. As economic transactions increasingly involve technology, this national security filter will only grow stronger. However, in global politics, the focus is often narrow, with one or two issues predominating the agenda. For the past two and a half years, Ukraine has been at the forefront, and more recently, the Middle East. The anticipated drive for reforms in the Multilateral Development Banks (MDBs) has been insufficient, and the urgency of climate change has diminished. This dynamic reflects the interests and voices that shape the current world order. Predominantly, Western interests engaged in Eurasian and Middle Eastern conflicts have set the priorities, overshadowing the critical need for MDB reforms in the spirit of democracy and the pressing matter of climate change.

However, the concept of progressive multilateralism acknowledges and considers the evolving aspirations and interests of people while rethinking and restructuring multilateral institutions. For example, the Observer Research Foundation (ORF) Foreign Policy Survey 2023 has revealed a significant interest among people in India to restructure multilateral institutions. In response to a question about the current challenges to India's foreign policy, 90% of the respondents cited global pandemics as the most pressing issue. Other concerns included terrorism (88%), post-COVID economic slowdown (86%), cyber security (85%), and climate change (85%). Similar to last year's survey, multilateral platforms were chosen as the most preferred mode of international engagement by the urban youth in the country. Among a list of different multilateral platforms, the WHO garnered the highest share (84%) of very effective and somewhat effective ratings, and the World Bank and the WTO had the second and third highest ratings, respectively (Pant et.al. 2024, pp. 27, 31, 86, 118). According to the survey, these trends indicate that global issues such as pandemics, terrorism, post-COVID world order, cyber security, and climate change still require the relevance and necessity of multilateral institutions. Moreover, the emerging challenges posed by the pandemic and the intensifying US-China competition necessitate a collaborative approach to multilateralism. In this context, the coordination of multilateral institutions like the G7 and

G20 is crucial to prevent unilateral, myopic strategies from undermining the mutual benefits of collective solutions, thereby fostering the advantageous potential of Multilateral Institutions (EPRS Ideas Paper 2020, p. 9).

## 2. Problems and Challenges

The confrontation between Western capitalism and Soviet communism granted the newly independent former colonies, which comprised some of the world's poorest nations, greater autonomy and a stronger voice. As the world's political geography underwent transformation, the impoverished continued to be ensnared at the lowest rung of the economic and geopolitical ladder. The imbalance in the wider world is reflected in the UN. For instance, the U.S. established the G-7 in 1973 to set the global agenda in the United Nations (UN) as an anti-developing country body<sup>1</sup>. Moreover, recent figures from the UN show that only 17% of the Sustainable Development Goals are on track. Developing countries hold \$29 trillion in public debt, with \$847 billion in net interest payments, and experienced a negative net resource transfer in 2022 (UNCTAD 2024, pp. 6 & 15).

It has created resentment among developing countries and encourages them to reconsider whether the Multilateral Institutions are progressive enough to accommodate their concerns. In July 2024, the first joint declaration by G-20 finance leaders on international tax cooperation ended with disagreement over whether the UN or the OECD is the right forum to advance the agenda. The interests of the Global South gained a voice but not the ability to set the agenda. South Africa in 2023 had to file a case to determine obligations under the climate regime and this is a severe indictment of conference diplomacy. Real change began with the re-emergence of China and India and their BRICS grouping, in 2009, but it still awaits the reversal of colonial imbalances in key areas (Sanwal, September 30, 2024, The Hindu). The U.S., wielding its hegemonic power, has utilised a substantial share of the world's natural resources to establish multilateralism unilaterally (Madison Cartwright 2024, p. 2). By 1970, the reconstruction of Europe had reduced their share. In 2010, the G-7's share dropped too, while Asia accounted for half of the global resource use. Nevertheless, it seems the European Union (EU) is setting up an alternative bilateral and minilateral mechanism to bypass the

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<sup>1</sup> The G-7 has been described as a club of victors of the Second World War or a group of former colonial powers.

agreed-upon principle at the multilateral level regarding the historical responsibilities linked to climate change. Its Carbon Border Adjustment Mechanism (CBAM) guarantees that imported goods are subject to carbon emission costs equivalent to those on EU-produced goods. Exporters must declare their products' emissions and buy corresponding certificates (European Commission 2024). Therefore, the CBAM contravenes the established principles of historical responsibilities by failing to recognise a greater share of the climate burden and the special but differentiated treatment for developing countries.

The multilateralism after the Second World War was based on state-led Keynesian macroeconomic management to stabilise the global economy. The neo-liberal hyper-globalisation narrative became dominant in the 1990s. As the world seems to abandon hyper-globalisation after the global economic and financial crisis, what will replace remains highly uncertain. The present study navigates into uncertainty to incentivise representative and progressive multilateralism by analysing the political trilemma<sup>2</sup>.

### **3. A Theoretical Perspective on Multilateral Institutions**

Institutions have long been influenced by their idiographic milieu. Decoding the interrelationships of the state, democracy and globalisation offers insights to restructure multilateral institutions and multilateralism. Multilateral institutions (MIs) tend to reduce uncertainty arising out of states' interaction by providing a stable structure to meet competing interests and ideologies. They define and limit the set of choices of individual states. Defining institutions as the constraints that the state imposes on them makes the definition complementary to the choice theoretic approach<sup>3</sup> of neo-classical economic theory. Integrating states' choices with the constraints MIs impose on choice sets necessitates unifying international relations. However, states' choices are determined by social determinism.<sup>4</sup> The neo-liberal institutions assume scarcity, competition, property rights and transaction cost. The role of the state is recognised to facilitate the market to solve scarcity by

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<sup>2</sup> The trilemma is thoroughly examined by Rodrik in 2011 on pages 200-201, and by Bordo, M. D., and James, H. in 2022 on pages 11-14.

<sup>3</sup> It argues that the one can control only its choices and not those of others and everything one does is to meet one or more of five basic requirements: survival, fun, freedom and power, love and belonging.

<sup>4</sup> An approach, that synthesises methods and insights derived from economics, political science, and sociology as conditioned by an understanding of history and philosophy.

encouraging competition, protecting property rights and reducing transaction costs. Neo-liberalism necessitates economic interdependence, liberal democracy and liberal international institutions to stabilise the global political economy. The liberal multilateral institutions historicise<sup>5</sup> and ontologies<sup>6</sup> MIs.

Neo-liberal multilateralism believes in universal values needed to achieve allocation efficiency in the Paretian sense which contradicts Schumpeterian creative destruction. Meanwhile, adaptive efficiency is concerned with the kinds of rules that shape the way an economy evolves through time (North 1990, p. 80). Adaptive efficiency provides much leeway to experiment. If the spheres of international political economy have been perfect, the task of MIs was much easy to obtain/yield allocation efficiency, however, unjustified. However, the sphere of international political economy is not perfect thus necessitating Statism, as argued by realists, the role of government becomes pertinent to get adaptive efficiency. Creative destruction induced by innovation becomes possible in the process of scaling adaptive efficiency.

The Western liberal approach underpinned the work of the IMF, World Bank, and WTO because it was seen as a universal recipe for good governance and prosperity (Leonard 2022). The rationality of MIs is called developmentality and Paretian allocation efficiency assumes to outperform socially determined adaptive efficiency (North 1990, p. 80-81). Neo-liberal institutions seek to cut down 'wasteful' social expenditure that might be helpful to achieve adaptive efficiency by heterogeneous groups. However, what neo-liberal rationality defines as wasteful is precisely what the rationality of the national polity regards as just (Chatterjee 2018, p. 54). The contrasting and competing interest amid the advocacy of universal values of MIs has led to an alternative arrangement based on rules set within like-minded countries. This might signal to create block mentality and world systems, for instance, G7 and China-led Global Development Initiative and Belt & Road Initiative. The Bretton Woods conference's legacy cemented the US dollar's status as the global reserve currency. This

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<sup>5</sup> The doctrine that history is controlled by specific historical or evolutionary laws whose discovery would enable to prophesy the destiny (Popper, *The Open Society*, 4).

<sup>6</sup> The term 'ontology' refers to the 'logical discourse' (logia) of 'being' or 'that which is'. It emphasises that the nature of being or substance is to be investigated through 'predictive knowledge', i.e., the knowledge of what is *certain* and *necessary* which focuses on things that are *fixed* and *settled* and known with certainty. It advocates the Platonic system where truth is fixed and known with certainty and any change or diversion from it is evil.

'exorbitant privilege' allows the world's largest economy to finance substantial deficits with ease, as its government bonds are eagerly purchased by other nations. Moreover, the present governance framework disproportionately amplifies the voice of creditor nations, predominantly in Europe, while not adequately representing the global South, even as they play an increasingly significant role in the global economy and financial system. Einstein once said that "to work harder to find a solution with the same approach that has created the problem is insanity."

Einstein's wisdom guides this paper and proposes a restructuring of MIs by incorporating insights from the political trilemma of the state, democracy, and globalisation. According to this trilemma, only two of these elements can coexist at any given time. The simultaneity of globalisation and state causes 'golden straitjacket', a term coined by Tom Friedman. Government pursues policies that it believes will earn them market confidence and attract trade and capital inflows: tight money, small government, low taxes, flexible labour market, deregulation, and privatisation. It evokes the era of the gold standard before the First World War. Likewise, the simultaneity of globalisation and democracy signals global governance with a minimal role for the state. Moreover, the simultaneity of state and democracy refers to Brettenwoods Compromise (Rodrik 2011, pp. 200-01).

The democratisation of the global South, a liberal ideal, and states' role backed by social determinism, a structural realist perspective of international anarchy, has been juxtaposed. The post-cold War era's extensive economic engagement reflects differences in ideology and character of the political system did not matter as economic interdependence was beneficial to all. However, liberal multilateralism fails to obviate the distinction between core, periphery and semi-periphery. It has led to fading of the logic of globalisation as well as the active weaponisation of interdependency by the offensive states. The anarchical world systems rejuvenated the role of the state, a win for the realist perspective. Any restructuring of MIs must acknowledge it.

Restructuring the MIs typically consist of significant marginal adjustments to the complex rules, norms, and enforcement that constitute the institutional framework. The overall

stability of an institutional framework makes complex exchange possible across both time and space, and it will be useful to review the stability characteristics to improve our understanding of the nature of the incremental process of change. Stability is accomplished by a complex set of constraints that include formal rules needed in a hierarchy where each level is more costly to change than the previous one. Stability and status quo, although they, maybe necessary condition for complex state interaction, it is certainly not sufficient condition for efficiency, especially for adaptive efficiency. Sources of institutional changes are exogenous (abrupt and sporadic e.g. covid crisis) and endogenous (evolutionary and incremental shaped by the interaction of state, globalisation and democracy). It is argued that the endogenous sources might trap into institutional inertia in the self-enforcing mechanisms, namely, due to (i) large set-up or fixed cost; (ii) learning effect; (iii) coordination effect, and (iv) adaptive expectations in a competitive market in which agents respond to maximising opportunities and competing interests (Arthur 1988, p. 10). The real world is imperfect. The increasing returns of an initial set of MIs de-incentivise productive activity will create organisations and interest groups with a stake in the existing constraints, for example, the dominance of Global North in MIs that further incentivises institutional inertia.

In institutional inertia, none of the players would find it advantageous to devote resources to restructuring the agreements. Because contracts are nested in a hierarchy of rules, renegotiation may not be possible without restructuring a higher set of rules. Any attempt at restructuring is complicated in many ways- by agenda power, by the free rider problem or by the tenacity of norms of behaviour (North 1990, p. 86). If endogenous and evolutionary changes have not evolved into MIs sufficiently, the government to exchange may not have a framework to settle disputes and revert to conflict/war. Addressing the unrepresentative nature of the MIs requires reinforcing the foundations of an open and rule-based system rather than dismantling it.

### **3.1. Data Source and Methodology**

We shall use the state as government size, which is being defined as government spending as a percentage of GDP, globalisation is measured as trade openness as a percentage of GDP, and the democracy index of the Economic Intelligence Unit is used to measure the correlation

and p-value between state, democracy and globalisation. All the data is from the year 2006 to 2021. It helps synchronise them as the democracy index of the Economist Intelligence Unit (EIU), the research division of the Economist Group, is available since 2006. The missing data on the democracy index for the years 2007 and 2009 are assumed based on the preceding and subsequent values, *ceteris paribus*. The data on government size and trade openness has been extracted from [globeconomy.com](http://globeconomy.com). Government size, as liberal institution recommends for reducing it, is assumed as an independent variable and globalisation & democracy as dependent variables. Meanwhile, democracy and trade openness is assumed to be independent and dependent variable, respectively. Moreover,  $p=0.05$  is taken to test the hypotheses. We have formulated hypotheses for the regression analysis.

H0= Independent variable does not affect the dependent variable.

H1= Independent variable affects the dependent variable.

Social determinism and system thinking approaches are applied to derive insights from economics, political science, and sociology for rethinking and restructuring multilateralism and MIs. Additionally, the selection of countries from the global North—such as the US, UK, Canada, and Australia—and the global South—including India, Sri Lanka, Bangladesh, Pakistan, Nepal, Brazil, and South Africa—ensures the representation of the social determinism of development across different continents to derive lessons for reforming multilateral institutions.

#### **4. The Role of the G20 in the Current Paradigm of Liberal Internationalism**

Formed in 2008 in response to the global financial crisis, the G20<sup>7</sup> has faced challenges in preserving its significance amidst growing geopolitical and economic rifts. Both minilateralism and multilateralism are aligned with liberal internationalism, differing mainly in scale. The G20 may serve as a minilateral platform to discuss reforms in multilateralism and Multilateral Institutions (MIs). However, the multilateralism that peaked at the turn of the 21st century—encompassing economic, political, and institutional aspects—is now facing challenges. While globalists may lament the end of an era, the global South must adjust to new dynamics. As multilateralism's crisis deepens, the global South might need to focus more on "minilateral" groups and coalitions of like-minded countries to address global issues. Yet,

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<sup>7</sup> The G20 is a forum comprising nineteen countries with some of the world's largest economies, as well as the European Union (EU) and, as of 2023, the African Union (AU). The countries are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom (UK), and the United States. Spain is invited as a permanent guest.

the unilateral development of new technologies, bilateral trade and economic cooperation, and like-minded coalitions addressing regional challenges are likely to bolster confidence in multilateralism.

The intense rivalry among great powers brings three important aspects of multilateralism to light. The first aspect involves managing this rivalry through formal treaties, informal agreements between states, and the use of international institutions. The second aspect focuses on the ability of leaders within these international institutions to foster cooperation that goes beyond the immediate interests of the most powerful member states. The third aspect relates to the legitimacy that supports the authority of these institutions (Woods 2023, pp. 1-2). This competition for legitimacy often leads powerful states to form coalitions with willing partners to establish global rules and standards. However, this could result in conflicting proposals for the reform of MIs. Meanwhile, the architecture of the global governance created after the Second World War was to prevent future wars by balancing competing interests and encouraging international cooperation on issues of common interest. In the last few years, the financial crisis, terrorism, and war clearly show that global governance has failed in both its mandates. Besides, we must admit that the tragic consequences of this failure are being faced most by developing countries. Many developing nations are struggling with unsustainable debt while trying to ensure food and energy security for their people (Chakraborty 2023).

S. Jaishankar, at the G20 foreign ministers' meeting, said, "The current global architecture is in its 8<sup>th</sup> decade and the number of members of the UN quadrupled in this period. It neither reflects today's politics, economics, demographics or aspirations.....The longer we put reforms off, the more the credibility of multilateralism stands eroded. Global decision-making must be democratised if it has to have a future" (Roy 2023). G20 might rethink and restructure MIs through demand-driven and sustainable development cooperation based on country ownership and partnership. It signals to restructure MIs through changes in voting rights, borrowing rights, leadership, and the information & knowledge base of professionals.

In international politics, states converge either to aggregate their power or solve community problems, or build community. Recent neo-classical models of growth built around

increasing returns and physical and human capital accumulation crucially depend upon the existence of an implicit incentive structure. Baumol's study finds convergence only among 16 advanced economies (ones with roughly similar incentive structures) but not with centrally planned economies nor with less developed countries (with clearly different incentive structures) (North 1990, p. 133-34). It argues that ontological institutional structure will lead to theories of imperialism, dependency or core/periphery that result in exploitation and/or uneven patterns of growth and income distribution. G20, however, a conglomeration of the global South and global North is rightly placed to restructure the MIs to ensure progressive multilateralism. It signals that the economic (and political) models are specific to particular constellations of institutional constraints that vary radically both through time and cross-sectional in different economies.

The International liberal approach argues that forces of globalisation induced by market sentiments pursuing self-interest produce the best, which is a matter of ideology. The differing epistemological problem of causation between government size & democracy, government size & globalisation, and globalisation & democracy signals Popper's total ideology (Popper 1962, p. 237-38).<sup>8</sup> and Kuhn's paradigm (scientifically unprecedented to attract an enduring group of adherents and 'open-ended with plenty of problems for the redefined group of practitioners to resolve) (Kuhn 1962, p. xxii). Experimental science based on rationalism makes social science a positive discipline, separate from normative behaviour and ideology. Ideology imbues our understanding of the real world and how we build knowledge about it as well as what motivates our enquiries (Robinson 1962, p. ix). The rational paradigm and efficient market hypothesis ignore the nomothetic complexity and idiographic perceptions of the individual states. The differing correlation of state, democracy and globalisation within and between the global North and global South underscores multiple approaches to reconstructing progressive MIs. The critical realist approach has ensured a renewed focus on real processes, and the obligation of economists to make their ontology explicit (Robinson 1962, p. xiii). The explanation of how objective and ontological MIs can ever emerge from the subjective and fallible analysis of the functioning of state, democracy and globalisation deconstructs the ontology of MIs.

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<sup>8</sup> It refers to social determinants decides the diversion from uniformity.

**Table 1 : Global South: State, Democracy and Globalisation**

<b>Country</b>	<b>P value &amp; r value</b>	<b>Govt. size &amp; trade openness</b>	<b>Govt. size &amp; Democracy</b>	<b>Democracy &amp; trade openness</b>
India	p-value r value	0.22 -0.32	0.001 -0.72	0.15 0.37
Sri Lanka	p-value r value	0.022 0.56	0.027 0.54	0.13 0.39
Bangladesh	p-value r value	0.0055 -0.65	0.56 -0.15	0.47 -0.19
Pakistan	p-value r value	0.0007 -0.75	0.63 -0.12	0.86 0.045
Nepal	p-value r value	0.0005 0.76	0.017 0.58	0.02 0.57
Brazil	p-value r value	0.47 0.19	0.53 -0.16	0.019 -0.57
South Africa	p-value r value	0.45 -0.19	0.001 -0.72	0.20 0.34

Source: Authors' calculation<sup>9</sup>

India, Brazil, and South Africa are naturally more sheltered from the forces of international competition, either because they are large and/or distant from their major trading partners. For them, p values are greater than the value of the level of significance (here, 0.05). Small economies close to their trading partners, by contrast, engage in much more trade and have larger government sizes (Sri Lanka, Bangladesh, Pakistan, and Nepal). Government size, however, affects democracy in India, Sri Lanka, Nepal, and South Africa, whereas, Bangladesh, Pakistan, and Brazil have experienced no such tendency. Moreover, we have assumed democracy as an independent variable to show its effect on trade openness. Democracy does not affect trade openness in India, Sri Lanka, Bangladesh, Pakistan, and South Africa, whereas, it incentivises trade openness in Nepal and Brazil.

<sup>9</sup> These values are derived from the data in Appendix of the paper.

**Table 2 : Global North: State, Democracy and Globalisation**

<b>Country</b>	<b>P value &amp; r value</b>	<b>Govt. size &amp; trade openness</b>	<b>Govt. size &amp; Democracy</b>	<b>Democracy &amp; trade openness</b>
US	p-value r value	0.40 0.22	0.004 0.67	0.046 0.50
UK	p-value r value	0.10 -0.41	0.06 -0.46	0.03 0.53
Canada	p-value r value	0.0003 -0.78	0.61 0.13	0.49 0.18
Australia	p-value r value	0.83 -0.05	0.01 -0.59	0.77 0.07

Source: Authors' calculation<sup>10</sup>

Government size has not significantly impacted trade openness in the US, the UK, and Australia, whereas, it significantly affects and negatively correlated with trade openness in Canada. However, government size does not significantly impact democracy in the UK and Canada, whereas, it significantly affects and correlated with democracy in the US and Australia. Moreover, democracy affects trade openness in the US and the UK, whereas, it does not affect trade openness in Canada and Australia.

It shows the interaction of state, democracy and globalisation varies across and within the global South and global North. Advanced economies have better trade connectivity, higher democratic level, and larger government size when compared to poor ones.<sup>11</sup> Markets and states are complements, not substitutes. Some countries of the global North and global South are naturally more sheltered from the forces of international competition, either because they are large or because they are distant from their major trading partners.

<sup>10</sup> These values are derived from the data in Appendix of the paper.

<sup>11</sup> For more detail, see the Appendix.

## 5. Recommendations to the G20

Each nation's community contributes uniquely, yet the global order transcends these individual parts. As it evolves, it is imperative that global institutions adapt accordingly. This underscores the strengthening case for 'reformed multilateralism'. The social determinism approach is employed to recognise and deconstruct the ontological MIs to avoid the discriminatory division of world systems. The constituents of political trilemma vary contrary to liberal prescriptions of reducing government size and encouraging trade openness & democracy. The salient findings of the study have been that democracy leads to trade openness is falsified in many countries both from the global South and global North. Besides, the neoliberal assertion that increasing government size reduces trade liberalisation is country-dependent. Moreover, the simultaneity of democracy and government size is not verified empirically. Finally, the differences in the performance of variables of political trilemma signal the necessity of representative and progressive multilateralism and multilateral institution.

It offers important lessons for policy discussion to restructure MIs to give a reasonable voice to the global South through voting rights, borrowing rights, leadership, and information & knowledge base of professionals to give the right direction to the global political economy. It reflects the importance of such multilateral institutions in which any one group neither claims to have all the answers nor gets the power to push through those answers, crushing all opponents along the way. Moreover, in the age of block mentality and weaponisation of interdependency, multi-polarity is still to see the light of the day. G20, a representative body of consultation and deliberation consisting of developing and developed countries, offers more flexibility to resolve block mentality. It is prudent to accept that reality is made up of competing, sometimes contradictory, yet co-existing truths.

## 6. Conclusion and Implication

The ideologies that previously guided post-World War concepts such as "liberal internationalism," "America's global leadership," "the rules-based order," and "multilateralism" is increasingly in conflict with the rising forces of anti-globalism. This evolving landscape reinforces a preference for transactional foreign policy.

Transactional diplomacy encompasses the negotiation of bilateral agreements with both adversaries and allies at various global and regional levels. Nations that excel in rigorous

negotiation and adept bargaining are likely to achieve favourable outcomes in this framework. However, this approach delegates all terms and conditions of negotiation to individual states, which may enable more powerful countries to secure advantages over less powerful ones. Consequently, there is a discernible shift away from globalist multilateralism towards a focus on bilateral deal-making. Major Powers are moderating their globalist aspirations, prioritising mutually beneficial bilateral relationships with other influential nations, thus jeopardising prospects for multilateral reform.

The advocacy of universally proclaimed principles associated with multilateral initiatives has consistently proven challenging due to real-world complexities and inevitable domestic opposition following initial enthusiasm for foreign engagement. The maintenance of an unwavering commitment to these initiatives, in a world that necessitates compromise, has proven to be difficult and frequently invites accusations of hypocrisy.

Additionally, another significant concern stemming from the decline of multilateralism is the increasing centralization of power among a limited number of countries engaged in bilateral relations. Issues related to multilateral and bilateral trade, along with cultural ties between developed and developing economies, profoundly shape the nature of negotiations. From strategic, political, and economic perspectives, countries tend to favour establishing close relationships with the most advanced economic and technological centres, which are predominantly situated in the West.

Furthermore, the growing trend of bilateralism may be associated with protectionist measures that are presented as legitimate policies. For instance, the European Union's Carbon Border Adjustment Mechanism (CBAM) aims to ensure that imported products incur carbon emission costs that are comparable to those imposed on goods produced within the European Union. Exporters will be required to disclose the quantity and emissions associated with their products and to purchase certificates corresponding to those emissions. This policy is perceived by developing nations as an inequitable transfer of responsibilities. Through CBAM, the European Union seeks to compel non-EU countries to adopt its self-proclaimed position as climate leaders, often neglecting to acknowledge historical responsibilities and the necessity for differentiated responsibilities in addressing climate challenges at the multilateral level.

This study views the rise of bilateralism or segregated multilateralism as a consequence of ineffective multilateralism. It presents an argument grounded in the differing applicability levels of the political trilemma of the state, democracy, and globalisation, advocating for reforms in Multilateral Institutions (MIs) to diminish the centralisation of bilateralism, which could be counterproductive in addressing global commons issues. Additionally, it suggests that small-scale multilateralism, represented by the G20, is a constructive approach to reforming MIs, instead of relying on bilateralism.

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## Appendix

**Table 1 : Global South: Democracy Index (DI), Trade Openness (TO), and Government Size**

Country	India			Sri Lanka			Bangladesh			Pakistan			Nepal			South Africa			Brazil		
	DI	TO	Govt. Size	DI	TO	Govt. Size	DI	TO	Govt. Size	DI	TO	Govt. Size	DI	TO	Govt. Size	DI	TO	Govt. Size	DI	TO	Govt. Size
2006	7.68	45.7	9.8	6.58	71.3	15.36	6.1	38.11	5.44	3.92	35.7	10.44	3.42	44.76	8.68	7.9	53.8	15.86	7.38	27	19.04
2007	7.75	45.7	9.86	6.6	68.6	15.27	6	39.94	5.36	3.95	33	9.87	3.95	44.58	9.2	7.9	57	16	7.38	27	18.5
2008	7.8	53.4	10.54	6.61	63.4	16.18	5.5	42.62	5.18	4.46	35.6	9.75	4.05	46.04	9.89	7.9	66	17.07	7.38	27.3	18.84
2009	7.5	46.3	11.46	6.62	49.2	17.61	5.8	40.09	5.09	4.55	32.1	10.52	4.24	47.08	10.78	7.8	50	18	7.12	25	19.02
2010	7.28	49.3	11.01	6.64	46.4	8.46	5.9	37.8	5.08	4.55	32.9	10.32	4.24	45.98	9.99	7.8	50.4	18	7.28	22.8	19.02
2011	7.3	55.6	11.08	6.58	55	8.56	5.9	47.42	5.1	4.55	32.9	9.74	4.24	41.83	9.58	7.8	54.6	18.2	7.3	23.9	18.67
2012	7.52	55.8	10.68	5.75	51.5	7.62	5.9	48.11	5.04	4.57	32.8	10.49	4.16	43.66	10.76	7.8	55.6	18.82	7.52	25.1	18.53
2013	7.63	53.8	10.3	5.69	49.3	7.77	5.9	46.3	5.12	4.64	33.3	11	4.77	48.15	9.94	7.9	58.9	19.08	7.63	25.8	18.79
2014	7.92	48.9	10.44	5.69	50.3	8.38	5.8	44.51	5.34	4.64	30.9	10.76	4.77	52.26	10.28	7.8	59.5	19.31	7.92	24.7	19.15
2015	7.74	41.9	10.43	6.42	49.6	8.99	5.7	42.09	5.4	4.4	27.7	10.95	4.77	53.1	10.92	7.6	56.7	18.99	7.74	27	19.78
2016	7.81	40.2	10.31	6.48	49.6	8.46	5.7	37.95	5.89	4.43	25.3	11.31	4.86	48.75	11.53	7.4	55.9	19.31	7.81	24.5	20.38
2017	7.23	40.8	10.75	6.48	50.5	8.53	5.4	35.3	6	4.26	25.8	11.27	5.18	51.98	11.21	7.2	53.5	19.24	7.23	24.3	20.16
2018	7.23	43.4	11.09	6.19	52.9	9.12	5.6	38.24	6.36	4.17	28	11.71	5.18	54.32	11.63	7.2	54.5	19.37	7.23	28.9	19.9
2019	6.9	40	12.03	6.27	52.4	9.44	5.9	36.76	6.27	4.25	30.4	11.74	5.28	54.93	11.56	7.2	54.2	19.61	6.9	28.9	19.98
2020	6.61	37.8	12.09	6.14	36.6	10.33	6	26.27	5.97	4.31	26.7	11.79	5.22	40.92	9.07	7.1	51.1	20.65	6.9	32.9	20.48
2021	6.91	43.6	11.36	6.14	40.9	9.58	6	27.72	5.88	4.31	29.8	10.82	4.41	43.64	8.4	7.1	56.1	19.33	6.9	39.2	19.1

**Table 2 : Global South: Democracy Index (DI), Trade Openness (TO), and Government Size**

Country	US			UK			Canada			Australia		
	DI	TO	Govt. size	DI	TO	Govt. size	DI	TO	Govt. size	DI	TO	Govt. size
2006	8.2	27	15	8.08	56.8	19.86	9.07	68	19.25	9.09	41.59	18.24
2007	8.2	28	15.19	8.08	53	19.71	9.07	66.3	19.25	9.09	42.04	18.11
2008	8.2	30	15.93	8.15	56.4	20.4	9.07	66	19.72	9.09	42.86	18.03
2009	8.2	24.8	16.81	8.15	54.4	22	9.07	58.5	22	9.09	45.18	18.35
2010	8.2	28.2	16.69	8.16	58.3	21.54	9.08	58.3	21.54	9.22	40.52	18.76
2011	8.1	31	16.1	8.16	62.6	21	9.08	62.5	21.15	9.22	41.84	18.58
2012	8.1	30.7	15.48	8.21	61.4	20.8	9.08	62.6	21	9.22	43.17	18.82
2013	8.1	30	15.04	8.31	61.2	20.14	9.08	62.2	20.7	9.13	41.27	18.77
2014	8.1	30	15.04	8.31	58	19.77	9.08	64.4	20.27	9.01	42.47	18.69
2015	8.1	27.8	14.62	8.31	56	19.4	9.08	66.2	20.88	9.01	41.63	18.35
2016	8	26.6	14.33	8.36	58	19	9.15	65.4	21	9.01	40.82	19.09
2017	8	27.3	14	8.53	61.4	18.53	9.15	65.1	20.7	9.09	42	19.04
2018	8	27.6	13.96	8.53	62.8	18.35	9.15	66.5	20.68	9.09	43.38	19.11
2019	8	26.4	14.07	8.52	63	19.01	9.22	65.4	20.83	9.09	45.85	19.47
2020	7.9	23.4	14.9	8.54	56.4	22.2	9.24	60.8	22.65	8.96	44	20.86
2021	7.9	25	14.73	8.1	55.2	22.07	8.87	61.2	21.61	8.9	40	21.43

Common source: Democracy Index of the Economist Intelligence Unit (EIU), the research division of the Economist Group. The data on government size and trade openness has been extracted from [globaleconomy.com](http://globaleconomy.com).

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