

## Policy Brief

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# The Shift from Multilateralism to Plurilateralism: A Challenge for the Bretton Woods Institutions and the UN as They Turn 80?

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As the Bretton Woods institutions and the UN approach their eightieth anniversaries, they face challenges to their foundational principles of multilateralism. The rise of plurilateralism through regional financing institutions and organizations like the AIIB, BRICS, G20, and G7, is reshaping global governance. These shifts demand urgent reforms to the governance structures of the International Monetary Fund and the World Bank, to reflect the interests of emerging economies. Without such reforms, the credibility of these institutions is at risk. Navigating this transition requires innovative hybrid approaches that balance inclusivity and cooperation with the flexibility needed to address contemporary global challenges.

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## Introduction

As the Bretton Woods institutions and the United Nations approach their eightieth anniversaries, they face profound challenges to their foundational principles of multilateral cooperation. Gone is the time of the ‘fifty years is enough’ campaign, and while dissent is still expressed by some, such as historian and political scientist Eric Toussaint, a strong critic of the World Bank (Toussaint, 2023), the challenges facing the institution and multilateralism more generally reside in the failure to reform them and to adapt to the new realities of the world. The gap is widening between the traditional—some would say obsolete—*modus operandi* of the multilateral order established in 1944-1945 and the changing circumstances of a world in which emerging economies and new decision-makers are looking for alternative frameworks where their voices can be heard and their influence can be asserted.

In response, the rise of plurilateralism, the increasing influence of regional organizations and development banks, and the emergence of global clubs like the G7, G20, and BRICS, have introduced new dynamics to the global governance landscape.

In an era marked by increasing geopolitical complexities and shifting power dynamics, multilateralism is thus facing significant headwinds. In this interregnum in power transitions while the older understandings continue to trudge along and new ones are slow at getting established, and urgent action is needed to avoid disorderly fragmentation.

This essay examines how these developments challenge the universalism of the Bretton Woods institutions and the UN, exacerbating the incremental shift from multilateralism to particularism. While recognizing that efforts are being made, it explores the need for these institutions to move faster and more decisively to adapt their governance to reflect the changing global economic landscape, particularly the rapid, though less than orderly, emergence of the Global South.

## Multilateralism in Transition

Multilateralism, as embodied by institutions including the International Monetary Fund (IMF), the World Bank, and the UN, has long been regarded as the cornerstone of global governance. The unprecedented outcomes that resulted from the postwar multilateral order were the product of a firm commitment that international law, mediated through international organizations comprising the near-universal membership of the world’s sovereign nations, backed by strong military (and financial) support from the United States, would ultimately make for a more open, safer, and broadly prosperous world. By the standards of the time, developing countries and development itself were given relatively prominent roles in the formation of the World Bank and the IMF (Helleiner 2014).

Joseph S. Nye Jr., former Dean of the Kennedy School of Government, who coined the concept of soft power—multilateralism being one expression of such a concept—emphasized that multilateralism fosters cooperation between states, promotes collective problem-solving, and facilitates conflict resolution through diplomatic means (Nye, 2011). Raising upstream the need to strengthen multilateralism by reforming it, former World Bank President Robert Zoellick spoke to the modernization of multilateral institutions and their adaptation to new economic realities, advocating for them to become faster, more flexible, and more accountable (Zoellick, 2010). Former UK Prime Minister Gordon Brown identified cracks in the multilateral system, noting that its main proponents—chief among

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them the United States—seem increasingly content with bilateralism or plurilateralism as alternatives to the established order. In a September 2023 article in *Foreign Policy*, Brown argued that the current U.S. administration's focus on bilateral and regional agreements undermines the potential of international institutions, risking a decade of global disorder unless there is a renewed commitment to multilateralism (Brown 2023).

These perspectives highlight the mounting questioning of the traditional multilateral system as plurilateral initiatives emerge and test its foundations.

## Plurilateralism: A New Paradigm?

Plurilateralism represents a departure from the inclusive nature of multilateralism, involving select groups of countries pursuing specific objectives outside the framework of universal participation. Anne-Marie Slaughter, former policy planning chief at the U.S. State Department, noted that plurilateral agreements enable like-minded states to advance shared interests more effectively, bypassing the gridlock often encountered in larger multilateral forums (Slaughter, 2004). Michael Froman, former U.S. Trade Representative, acknowledged that in the absence of consensus around multilateral agreements, plurilateralism offers a promising way to make progress on important trade issues. Recent trade deals, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the United States-Mexico-Canada Agreement, are examples of this approach (Froman, 2021).

Beyond traditional acceptance of plurilateralism as part of international trade negotiation dynamics, plurilateralism is proliferating through other transnational institutions, becoming a phenomenon to be reckoned with. Regional organizations including the European Union, ASEAN, and Mercosur address regional concerns through specific frameworks. Additionally, global gatherings including the G7, G20, and BRICS, which often operate outside the formal structures of multilateral institutions, emphasize particularistic agendas. While these groupings offer tailored solutions to regional challenges, they contribute to the fragmentation of the global governance architecture and erode the credibility and relevance of the Bretton Woods institutions and the UN. Thus, this note covers more than the trade negotiations kinetics that marginalize partially the World Trade Organization, to look at the broader plurilateralism illustrated by the G7, G20, BRICS, and other such groupings.

## Is Plurilateralism Challenging the Bretton Woods Institutions?

The shift towards plurilateralism could pose significant challenges to the Bretton Woods institutions, established to promote global economic stability and development. The expansion of recent alternatives such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) could undermine the universalist approach to global economic governance. Economist Barry Eichengreen argued that these regional banks dilute the influence of the Bretton Woods institutions and reflect shifting power dynamics in global economic governance (Eichengreen, 2019).

Regional development banks including the AIIB and the NDB provide alternative sources of funding and development assistance, often with fewer conditions than those imposed by the World Bank and the IMF. Their rise reflects the increasing demand for a more inclusive and representative global financial architecture.

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According to Eichengreen, the proliferation of these banks highlights the need for the Bretton Woods institutions to adapt to changing global economic realities by reforming their governance structures to better reflect the interests of all member states, particularly those from the Global South, which are increasingly demanding a greater voice in global economic governance (Eichengreen, 2019).

Scholars such as Ngaire Woods argue that the IMF and the World Bank must reform their governance structures to reflect the economic realities of the twenty-first century. This includes adjusting voting rights and decision-making processes to give greater weight to the economic influence of emerging economies and developing countries (Woods, 2006).

It should be noted, however, that while responding to a different historical call, this trend towards regionalization started in earnest in the 1960s with the establishment of continental development banks in Africa, Asia, and Latin America. Also, after the fall of the Berlin Wall in 1989, the European Union decided to establish a new development financing institutions, aimed initially at Eastern Europe. Fragmentation is not a new phenomenon. But it is now accelerating in a less than optimal way.

## Toward a Fragmented Global Order?

In addition to the incremental reliance on transactional systems of international negotiations favoring bilateralist or 'minilateralist' approaches to state relations, the rise of plurilateralism, the growing influence of regional organizations and development banks, and the emergence of global clubs threaten to further fragment the global governance architecture, eroding the universality of multilateral cooperation. As countries prioritize particularistic interests over collective action, the prospects for global cooperation diminish. Without a commitment to multilateralism and universalism, the international community risks descending into a fragmented and unstable global order. This is an unwelcome proposition at a time when global events, such as the COVID-19 pandemic and climate change, underline that, at a minimum, multilateral coordination is necessary to generate, finance, and implement global solutions to global problems (Devarajan, 2022).

## Toward a Sub-Optimal Hybrid Model?

The shift towards plurilateralism presents risks to the existing international order but also reflects the evolving nature of global governance. As argued by Thomas Hale, the future may see a hybrid model combining elements of multilateralism and plurilateralism. This hybrid approach could involve flexible coalitions of states working within the framework of established institutions, balancing collective action with tailored solutions to specific challenges (Hale, 2020).

Coalition-based approaches such as Gavi, the Vaccine Alliance, which brought together governments, international organizations, the private sector, and civil society to improve access to vaccines in developing countries, offer the start of a solution. This coalition-based platform has been instrumental in addressing global health challenges, particularly during the COVID-19 pandemic (Sridhar and Gostin, 2020). Similarly, the UN Climate Action Summit fosters coalitions of states, businesses, and civil society to drive ambitious climate action. By creating issue-specific coalitions, the summit has galvanized global efforts to combat climate change, emphasizing the need for flexible cooperation within a multilateral framework (Hale et al, 2013).

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Strengthening collaboration with regional development banks and other financial institutions to leverage regional expertise and resources is also a way forward. There clearly is a role for the regional development banks in the implementation of a modern worldwide financial architecture, though focused on complementarity rather than competition. The need for this new architecture has been prompted by the many shortcomings of the international system of financing for development, not least that the multilateral development banks are too small to meet all the financial needs of developing countries, and the prospects of more official development aid (ODA) are not promising. In fact, the “billions to trillions,” which was the stated ambition of the third financing for development conference held in Addis Ababa in 2015 to help the developing nations meet the Sustainable Development Goals (SDGs), has morphed into “millions in, billions out,” as former U.S. Treasury secretary Larry Summers, and President of the Institute of Economic Growth N.K. Singh, looking at the negative financial flows from indebted developing countries to their creditors, whether international financial institutions or private lenders, put it in a recent report (Summers and Singh, 2024). As stressed by Mahmoud Mohieldin, Executive Director at the IMF, there is a risk of not achieving the goal of attaining the SDGs with this low level of economic growth and lack of sufficient financing, and is already illustrated by the important gaps in progress towards the agreed 2030 goals (Mohieldin 2024).

Thus, a coalition between global institutions that can leverage their financing and offer knowledge and capacity building to regional institutions, which in turn can provide access to a larger pool of resources, could be a way to mitigate the negative trend of diminishing aid and rising development needs (Rana and Pacheco Pardo, 2018).

However, as a prerequisite for this hybrid model, and to remain relevant and effective, the Bretton Woods institutions must rapidly heed the calls to adapt to the changing global economic landscape. This includes an urgent response to the age-long calls to reform their governance structures to more accurately represent the interests of all member states, particularly those from the Global South. For the IMF and the World Bank, this involves adjusting voting rights and decision-making processes to better reflect twenty-first century economic realities, increasing the representation and influence of emerging economies and developing countries. These reforms would go a long way to tackle the perception of these institutions as adopting dual standards in the face of crises, whether economic, financial or matters of emergency engagement, such as what has been tragically witnessed in the last few months in Ukraine and the Middle East.

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## Conclusion

The international financial institutions and the UN need to adapt to a world of shifting alliances and a yet-to-be-reconstructed, predictable, and reliable international rules-based order.

The transition from multilateralism to plurilateralism represents a paradigm shift with far-reaching implications for global governance. Unchecked, it risks further fragmentation. While plurilateral initiatives offer flexibility and efficiency, they also threaten the credibility and effectiveness of institutions such as the Bretton Woods organizations and the United Nations. Plurilateralism could also pave the way for shortsighted transactional bilateralism. Navigating this transition requires innovative approaches that preserve the principles of inclusivity, cooperation, and collective action, while adapting to the complexities of a rapidly changing and fluid world order. Through governance reforms, flexible frameworks, and enhanced collaboration, the Bretton Woods institutions and the UN, now approaching their eightieth anniversaries, can ensure that global cooperation remains inclusive, agile, and capable of delivering meaningful outcomes for the future.

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\* Mahmoud Mohieldin. The future of sustainable development. *Al Ahram*. 2024.

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Ferid Belhaj is the former World Bank Vice President for the Middle East and North Africa. He also served as the Chief of Staff of the President of the World Bank Group and held various positions at the Bank including Director for the Mashreq countries, Director for the Pacific department and Special representative to the United Nations .

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The PCNS pleads for an open, accountable and enterprising "new South" that defines its own narratives and mental maps around the Mediterranean and South Atlantic basins, as part of a forward-looking relationship with the rest of the world. Through its analytical endeavours, the think tank aims to support the development of public policies in Africa and to give the floor to experts from the South. This stance is focused on dialogue and partnership, and aims to cultivate African expertise and excellence needed for the accurate analysis of African and global challenges and the suggestion of appropriate solutions.

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The views expressed in this publication are those of the author.

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