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Princeton Memorandum on the Future of Multilateralism

14 Points on Principles and Current Contexts

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Multilateralism will outlive the current crisis and contestation. We live in a world which is as interdependent on multiple levels of integration as never before – undoing or radically regrouping these interdependencies would be much more difficult, and much more costly, than many of today's enemies of multilateralism believe. The past weeks have shown that, due to this profound integration, a country like Denmark is not powerless and not at the mercy of the new great power politics.

Today, multilateralism for many is a deeply problematical concept, reeking of globalism and world government. In China and the "Global South" the postwar multilateral order has long been distrusted as a euphemism for the difficulties of throwing off painful legacies of imperial rule. But at the same time, we are very worried by unilateralism, and do not want to see a world dominated by a capricious unipolar superpower, whether an increasingly erratic United States or a rapidly growing communist and autocratic China super-charged by AI. Looking for a genuine multilateralism, in which countries of different sizes and histories can work out cooperative solutions to common challenges and problems, becomes thus ever more urgent.

This Princeton Memorandum is based on the reflections at the conference **The Geoeconomic Resilience of Multilateralism: Power for Some or Prosperity for All?**, organized by the Ludwig Erhard Forum for Economy and Society in cooperation with Princeton's Program in Contemporary European Politics and Society and the Bendheim Center for Finance. The conference took place in October 2025 at Princeton University.

Our memorandum consists of 14 points. We first revisit seven principles of multilateralism as pillars of this order of the global economy, especially after the Second World War. Subsequently we develop seven arguments to underline our optimism and vision why multilateralism – most probably in a renewed form amid the new friends-foes-constellation we depict – is still likely to shape the decades to come.

7 PRINCIPLES

1. **Multilateralism embodies** the spirit of liberal internationalism and cosmopolitanism. It incorporates a complex system of international institutions which evolved during the past decades and whose theoretical foundations have a long track record in the history of political economy.

2. **Multilateralism combines** material and moral benefits of a privilege-free order applying to all countries involved. The framework of such a system treats large and small countries equally, irrespective of their power. It consults all counties when negotiating the constant refinements of the framework.

3. **Multilateralism fosters** thinking in positive-sum games of increasing prosperity for all. Practicing these games of mutually beneficial exchange after the Second World War has generated unprecedented growth in the global economy and reduced global poverty to a uniquely low level in human history.

4. **Multilateralism searches** for a framework of "good" rules. This search is qualitative, not quantitative in nature. In other words, it is not about the number of rules that constitute the framework, but about their coordinating quality for the complex flows of trade, investment, and migration.

5. **Multilateralism pacifies** international relations. Equal treatment of countries, irrespective of their power, lowers the payoffs of gaining and abusing power. In contrast, a system built on bilateral relations makes power the essential resource for extracting privileges in zero-sum games, raising the likelihood of conflict and war.

6. **Multilateralism balances** the relevance of economic laws and the strife for political power. While international relations are and remain political, economic laws like Ricardian comparative advantage are not destroyed by power struggles, and remain crucial for the global division of labor and knowledge.

7. **Multilateralism learns** from its own mistakes, as befits a liberal system. During the past decades, international institutions could deviate from the above principles: large countries were sometimes privileged, while not all partners were treated equally in each problem. Multilateralism is a reformable system and has already proven to be so. Yet much more efforts in that regard will be necessary in the years to come.

7 CURRENT CONTEXTS

1. **The enemies of multilateralism** are weaker and less resilient than these competing hegemons appear. The biblical image of "giants with feet of clay" captures the profound problems the US and China face. Strained public finances threatening the dollar and potential inflation as a result of tariffs in the first case, demographic change and deflationary tendencies amid large overcapacities in the second. Unlike their image in the media, these giants are far from being omnipotent. Since they bear in mind their own vulnerabilities, they cannot afford an additional major crisis from the damage inflicted on the multilateral global order.

2. **The friends of multilateralism** are more numerous and more resilient than they appear. Smaller countries may not possess the power that is in the hands of the US or China, but they know from the past that being transformed into vassals of superpowers is a scenario to avoid – and will attempt to preserve their own resilience. Due to the expansion of democracy in the past decades, transforming a country into a vassal is much more intricate than it was in the 19th century or the interwar period. Even if blocs emerge as a dominant pattern of the global order, these blocs will consist of numerous self-confident democracies and that are more difficult to subordinate into a coherent unit. Blocs can be building blocs or stumbling blocs for a new multilateral order – and mostly share both characteristics.

3. **Renewed international institutions must attract new friends** to multilateralism. In the past decades, the critique of the existing institutions was not always reciprocated by a willingness to change on their side. Not all charges – of arrogance, complacency, or partiality towards the founding countries of the Bretton Woods institutions – were unfounded. These defects can and must be corrected, something which is of existential interest for the existing institutions. Once reformed, the institutions can develop a new appeal for those who still share the spirit of multilateralism.

4. **The EU must become an outspoken friend** of multilateralism. Despite all current intricacies in the Transatlantic relations, the EU must avoid isolationism at all costs and invest all energy into not letting the relations to the US or China deteriorate further. Equally important, the EU must signal to those countries who feel bound to the spirit of multilateralism that it is willing to cooperate and connect to them not "just" via bilateral agreements like CETA or Mercosur, but also through the multilateral institutions in their renewed and resilient shape. This can lure away those countries from the illiberty of authoritarian capitalism.

5. **Technology is already a friend** of multilateralism. Globalization's digitalization has transformed the global order in an extremely complex and resilient system which is hardly intelligible in its entire connectivity. Where everyone is easily connected to everyone technologically, often via open source software of smaller providers, disentangling such a resilient system into clear-cut blocs is a much more costly project. Its resilience makes it much easier for individuals to circumvent the bloc technologically than it was in the past. And it is far from clear whether today's giants, or some emerging competitors from smaller countries, will win the AI race.

6. **Financial markets are another friend** of multilateralism. As could be observed in April 2025 around "Liberation Day", financial markets functioned as an extremely effective dashboard of the costliness involved in dismantling the multilateral global order. While the current AI boom at the stock exchange makes it difficult to isolate the aforementioned effects, an end of the AI boom could painfully combine with the dashboard's display of the cumulative cost from the attempts to "transform" the global order, producing a major global economic crisis.

7. **Economists must convince new national pro-openness coalitions to become friends** of multilateralism. As "order guardians" of the international division of labor, economists need to reach out to their fellow citizens with all patience and rhetorical acumen. And explain that if a return of national politics to the driver's seat and a "primacy of the political" is meant to disregard economic laws, this would incur high costs that are not always immediately visible. By producing inflation and other less easily observed distortions like non-resilient supply chains, an isolationist disregard of economic laws would harm the resilience of the international division of labor. This would come with particularly painful consequences for the poor in one own's country and the poor globally.

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Ludwig-Erhard-Forum

Unsere Vision

Das Ludwig-Erhard-Forum wird von der Überzeugung getragen, dass wir heute in der besten aller historischen Welten leben. In der Tradition der Sozialen Marktwirtschaft wollen wir uns durch das Zusammendenken von Wirtschaft und Gesellschaft der besten aller möglichen Welten weiter annähern. Vor diesem Hintergrund verstehen wir die Soziale Marktwirtschaft als ein offenes Konzept, dessen historisches Erbe an Grundsätzen, theoretischen Einsichten und Empirie der steten Übersetzung in die Kontexte der Gegenwart bedarf.

Durch die Weiterentwicklung der offenen Sozialen Marktwirtschaft wollen wir nicht zuletzt Debattenräume in der demokratischen Mitte öffnen und so zur Suche nach der „irenischen Formel" beitragen. Dieses Streben nach Frieden und Versöhnung stellt die Soziale Marktwirtschaft als funktionsfähige und menschenwürdige Ordnung seit ihren Anfängen der steten Gefahr von Vermachtung und Polarisierung in Wirtschaft und Gesellschaft entgegen.

Unsere Mission

Die Soziale Marktwirtschaft benötigt das Vertrauen der Menschen. Besonders in fragilen Zeiten muss sie immer dringlicher erklärt und vermittelt werden. Vor diesem Hintergrund versteht sich das Ludwig-Erhard-Forum als kritischer Impulsgeber und Mittler an der Schnittstelle zwischen Wissenschaft, Politik, Wirtschaft und Zivilgesellschaft. Wir wollen all diejenigen in Dialoge verwickeln, die Ideen entwickeln oder vermitteln, indem wir die politökonomischen Herausforderungen unserer Zeit wissenschaftlich analysieren, provokant diskutieren und optimistisch kommunizieren.

Unser Ziel ist es, eine neuartige ordnungsökonomische Stimme zu entwickeln. Dabei ist es unser Anliegen als Forum, all denjenigen eine Plattform zu bieten, die die ordoliberale Tradition der Sozialen Marktwirtschaft ernst nehmen und gemeinsam mit uns über ihre zeitgemäße Weiterentwicklung debattieren wollen. Unsere Forschungs- und Arbeitsergebnisse sind unabhängig, transparent und stellen sich dem allgemeinen Wettbewerb der Ideen. Sie beruhen auf einem breiten Austausch mit nationalen und internationalen Wissenschaftlern aus den Sozial- und Geisteswissenschaften sowie nicht-wissenschaftlichen Kooperationspartnern.

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