

HOW TO DESTROY THE LIBERAL INTERNATIONAL ORDER

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The old world is dying, and the new world struggles to be born. Now is the time of monsters.

- Antonio Gramsci[†]

This Article argues that a policy of containment directed at China could have disastrous consequences on the stability of the global system. The liberal international order, created to promote international coordination and structure global trade, comprises key institutions such as the United Nations, the World Trade Organization, the International Monetary Fund, and the World Bank. It is possible that much of the strength of these institutions stems from the fact that nations are “locked” into them simply because they are the only game in town. Put another way, the liberal order is, for lack of a better word, a “monopoly.”

The problem with monopolies is that it is difficult to assess their true strength because it may simply be due to the absence of competition. This Article introduces the term “brittle order” to describe an institutional system where the lack of competition gives the impression of stability, but it is, in fact, fragile and primed to collapse. This Article argues that the current global system may be a brittle order. The risk in trying to isolate China is that it can destabilize the liberal order it seeks to protect because it will force China and its partners to establish parallel institutions, which will weaken the “lock-in effect” of the existing international order. If the liberal order is indeed brittle, disaffected countries will then begin to abandon its institutions, and it might quickly unravel. The Article thus concludes that the most effective way to ensure the liberal order survives is to maintain the strength of its lock-in effect, and the best way to do this is to discourage

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[†]ANTONIO GRAMSCI, SELECTIONS FROM THE PRISON NOTEBOOKS OF ANTONIO GRAMSCI (1971).

institutional competition by not isolating China from the global system.

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I. INTRODUCTION

The post-Cold War structure, it appears, is breaking apart.¹ The primary reason for this is the resurgence of China. The US is attempting to contain China's growing influence through the use of tariffs, economic decoupling, diplomatic pressure, and by denying the Chinese economy access to critical

1. This arguably began as early as the Obama Administration's policy of Chinese containment under its 2012 'Pivot to Asia Strategy.' See Hillary Clinton, Opinion, *America's Pacific Century*, FOREIGN POL'Y (Oct. 11, 2011, 12:41 AM), <https://foreignpolicy.com/2011/10/11/americas-pacific-century/> (outlining the strategy). This caused Chinese unease regarding potential American containment efforts and increased regional fears of an escalating US-China rivalry. See Bonnie S. Glaser, *Pivot to Asia: Prepare for Unintended Consequences*, in 2012 GLOBAL FORECAST: RISK, OPPORTUNITY, AND THE NEXT ADMINISTRATION 22–24 (Craig Cohen and Josiane Gable eds., 2012) (predicting these developments). See also David J. Lynch, *U.S.-China Rivalry Risks Splintering Global Economy, IMF Chief Warns*, WASH. POST (Nov. 12, 2022, 11:59 AM), <https://www.washingtonpost.com/business/2022/11/12/us-china-rivalry-risks-splintering-global-economy-imf-chief-warns/> (noting the global economy is splitting into rival blocs because of the US-China rivalry).

technologies.² China for its part sees the US as trying to undermine its rise and has responded with retaliatory tariffs and other measures.³ This geopolitical fracturing accelerated in the spring of 2022 following Russia's illegal invasion of Ukraine and the subsequent US-led effort to eject Russia from the global system through the imposition of unprecedented sanctions on the Russian Federation.⁴ This is creating a heightened level of geopolitical uncertainty.

This Article argues that, in this new era of instability, a policy of containment aimed at China could prove profoundly self-defeating.⁵ For

2. See Edward Wong & Ana Swanson, *U.S. Aims to Constrain China by Shaping Its Environment*, *Blinken Says*, N.Y. TIMES (May 26, 2022), <https://www.nytimes.com/2022/05/26/us/politics/china-policy-biden.html> (explaining President Biden's approach to China); Shannon Tiezzi, *Yes, the US Does Want to Contain China (Sort Of)*, DIPLOMAT (Aug. 8, 2015), <https://thediplomat.com/2015/08/yes-the-us-does-want-to-contain-china-sort-of/> (noting the Obama administration sought to check the rise of China); Gavin Bade, *'A Sea Change': Biden Reverses Decades of Chinese Trade Policy*, POLITICO (Dec. 26, 2022, 7:00 AM), <https://www.politico.com/news/2022/12/26/china-trade-tech-00072232> (noting President Biden aims to limit China's tech development). See also Thomas Maddock, *Stagnation in EU-China Economic Relations – What Comes Next?*, EUROPEAN INST. FOR ASIAN STUD. (June 28, 2022), <https://eias.org/publications/op-ed/stagnation-in-eu-china-economic-relations-what-comes-next/> (noting the ratification of the Comprehensive Agreement on Investment between China and the EU seems stuck).

3. See Yukon Huang & Jeremy Smith, *In U.S.-China Trade War, New Supply Chains Rattle Markets*, CARNEGIE ENDOWMENT FOR INT'L PEACE (June 24, 2020), <https://carnegieendowment.org/2020/06/24/in-u.s.-china-trade-war-new-supply-chains-rattle-markets-pub-82145> (outlining the changes of the global supply chains in the US-China trade war).

4. See Serhiy Marchenko, Opinion, *It Is Time to Cut Russia out of the Global Financial System*, FIN. TIMES (Feb. 12, 2023), <https://www.ft.com/content/5ca1f649-8173-4261-9a2c-120487ad0d42> (noting Russia is undermining the global economic system); PAUL J.J. WELFENS, *RUSSIA'S INVASION OF UKRAINE: ECONOMIC CHALLENGES, EMBARGO ISSUES AND A NEW GLOBAL ECONOMIC ORDER* 55 (2023); *Foreign Secretary Imposes UK's Most Punishing Sanctions to Inflict Maximum and Lasting Pain on Russia*, FOREIGN, COMMONWEALTH & DEV. OFF. (Feb. 24, 2022), <https://www.gov.uk/government/news/foreign-secretary-imposes-uks-most-punishing-sanctions-to-inflict-maximum-and-lasting-pain-on-russia> (outlining UK's economic sanctions against Russia).

5. The most visible form this is taking is the project of decoupling. Decoupling is broadly defined as restrictions that reduce economic integration with China. Decoupling, however, is a component of a larger strategy designed to limit China's growing influence through economic, diplomatic, and military measures. It is one part of what is essentially the modern equivalent to the Cold War strategy of containment. See Edward Luce, *Containing China Is Biden's Explicit Goal*, FIN. TIMES (Oct. 19, 2022), <https://www.ft.com/content/398f0d4e-906e-479b-a9a7-e4023c298f39> (noting Biden is explicitly adopting policies that isolate Beijing's high-tech sector); Maxwell Bessler, *The Debate to Decouple*, CTR. FOR STRATEGIC & INT'L STUD. (Nov. 16, 2022), <https://www.csis.org/blogs/new-perspectives-asia/demystifying-debate-us-china-decoupling> (outlining views of US policymakers on decoupling). Clearly, China sees things this way. Beijing is "convinced that the United States is determined to implement a full-fledged strategy of containment against China." And it has responded by also implementing a form of decoupling, which involves pursuing a self-reliance strategy and sanction-proofing its economy. Zongyuan Zoe Liu, Opinion, *China Is Hardening Itself for Economic War*, FOREIGN POL'Y (June 16, 2022, 12:57 PM), <https://foreignpolicy.com/2022/06/16/china-economic-war-decoupling-united-states-containment/>. Decoupling has been recently rebranded as "de-risking," a more palatable (and sellable) version of the strategy, which now seems to be the preferred parlance in policy circles. How much genuine difference there is between the two is, however, debatable. See *The Real*

those familiar with how networks function, the danger in a containment strategy is not hard to spot: isolating China from the global system could lead to the collapse of the liberal international order. Created in the geopolitical wreckage of World War II, the liberal international order is a network of institutions designed to promote coordination among nations mainly in the areas of trade and security.⁶ Although not a formal concept in international law, this normative and institutional order has provided a degree of structure to the global system. With the dissolution of the Soviet Union in 1991, the US significantly expanded this multilateral system.⁷ The US was in a unique position to do this at the time. Not “since the birth of the modern system in the mid-seventeenth century had any country been so far ahead in the military, economic, and technological realm simultaneously.”⁸ However, the era of US dominance is ending, and this patchwork of institutions now finds itself under its deepest and most sustained pressure since its inception.⁹ The question now is whether this institutional order, which the US played the lead role in establishing, will survive the decline of US primacy.

This Article argues that much of the strength of this institutional order comes from the fact that there are no alternatives to these institutions. There are, for example, no serious competitors to key global institutions such as the United Nations (UN), the World Trade Organization (WTO), the International Monetary Fund (IMF) or the World Bank. This largely

Consequences of U.S.-China Decoupling, FOREIGN POL’Y (July 23, 2023, 10:00 AM), <https://foreignpolicy.com/2023/07/23/us-china-decoupling-trade-war-washington-beijing-economic-war/> (explaining the consequences of US-China decoupling); Kawala Xie, *From ‘De-Couple’ to ‘De-Risk’ – Is There Any Difference in the US’ China Strategy?*, S. CHINA MORNING POST (June 4, 2023, 10:00 PM), <https://www.scmp.com/news/china/diplomacy/article/3222885/decouple-de-risk-there-any-difference-us-china-strategy> (noting that “de-risking” rather than “decoupling” is the preferred US word for its approach to relations with China).

6. See G. John Ikenberry, *The End of Liberal International Order?*, 94 INT. AFFS. 7, 9 (2018) (tracing the origin and evolution of liberal internationalism); David A. Lake, Lisa L. Martin & Thomas Risse, *Challenges to the Liberal Order: Reflections on International Organization*, 75 INT. ORGS. 225, 226 (2021) (explaining the functions of the liberal international order). Note that the term ‘multilateral institution’ or ‘international institution’ is used here to broadly refer to any organizational arrangement involving three or more states, such as intergovernmental organizations (IGOs) like the UN and its agencies, multilateral treaties like NAFTA and NATO, and even generally accepted international norms. As it is understood here, an institution can also apply to currencies such as the US dollar.

7. See Ikenberry, *supra* note 6, at 7 (discussing the liberal international order’s ascendance). See also G. JOHN IKENBERRY, *AFTER VICTORY: INSTITUTIONS, STRATEGIC RESTRAINT, AND THE REBUILDING OF ORDER AFTER MAJOR WARS* 215–56 (new ed. 2019).

8. Stephen G. Brooks & William C. Wohlforth, *The Myth of Multipolarity: American Power’s Staying Power*, 102 FOREIGN AFF. 76, 76 (2023).

9. See John J. Mearsheimer, *Bound to Fail: The Rise and Fall of the Liberal International Order*, 43 INT’L SEC. 7, 8 (2019) (asserting that the US-led liberal international order will inevitably give way to a multipolar world order); Christian Brose, Opinion, *The End of America’s Era of Military Primacy*, WALL ST. J. (May 22, 2020, 9:57 AM), <https://www.wsj.com/articles/the-end-of-americas-era-of-military-primacy-11590155833> (arguing that the US is no longer a military hegemon).

commercially-oriented order is underwritten by the dominance of the US dollar as the world's reserve currency, which likewise has no serious competitors. In short, the liberal international order functions as a "monopoly." This absence of competition means that countries are, to a significant extent, locked into these institutions simply because they are the only game in town.¹⁰ It is difficult to gauge the extent to which governments may be participating in these institutions simply because there are no alternatives to them. It is possible that many countries would prefer a new institutional arrangement, or at least a reformulation of a global order that arguably favors Western interests. The risk in a strategy that seeks to isolate a significant portion of the global economy is that it could destabilize the liberal order it seeks to protect by forcing isolated powers to establish a "parallel" institutional system. If these institutions then successfully gain traction, nations will have a viable alternative to the US-led global order, and many may choose to abandon its institutions.

The problem with any monopoly is that it is difficult to determine how strong it really is. It may be the case that its strength comes merely from the absence of competition, and when competition is introduced, the monopoly may collapse. This Article calls such systems "brittle orders."¹¹ Brittle orders are ones in which the lack of competition creates the illusion of stability and gives a false impression of strength when the order is in fact weakly supported and primed to collapse.¹² This Article argues that, if the liberal international order is a brittle order, then an overly aggressive policy of containment against China will precipitate the collapse of the current multilateral system. The extent to which the liberal order derives its strength from the absence of competition is unclear, but its institutions may be far weaker than they appear. While the institutions appear sturdy, they may in fact be extremely fragile and held together only by a lack of options and

10. See Bryan H. Druzin, *Can the Liberal Order be Sustained? Nations, Network Effects, and the Erosion of Global Institutions*, 42 MICH. J. INT'L L. 1, 3 (2021) (arguing that policymakers can reinforce institutions of global governance by increasing their lock-in effect).

11. I adapt this from the term 'brittle order structure' used in materials science and engineering to describe a material that is fragile and has low ductility, meaning it cannot withstand much tensile stress before breaking, such as ceramic and glass. E.g., Pablo Rodriguez-Calvillo et al., *Growth Kinetics of Al-Si-Fe Intermetallics During Hot Dipping of Steel*, 273–76 DEFECT AND DIFFUSION FORUM 58, 58 (2008).

12. History is replete with instances of brittle orders that appeared strong unexpectedly collapsing. Examples include the Western Roman Empire in 476AD, the Ming dynasty in the 17th century, the French monarchy in 1789, the Tokugawa Shogunate in mid-19th century Japan, the House of Romanov in 1917 Russia, the Weimar Republic in the 1930s, Colonial systems across Africa starting in the 1950s, apartheid in South Africa in 1990, and the Soviet Union in 1991. While in each case multiple factors combined to destabilize the institutional structure, these were brittle orders in the sense that they appeared robust but quickly collapsed in the face of institutional competition. Their institutional cohesion was bolstered by the lack of institutional alternatives, so when an alternative option appeared, the institution swiftly came apart. Brittle orders can continue for long periods simply because they have no competition.

when confronted with institutional competition, this seemingly robust order might quickly unravel. The central problem here is that it is difficult to determine if the current global system is a brittle order because it is impossible to identify a brittle order until it is tested by the stress of competition. By definition, brittle orders appear robust right up until the point they begin to collapse.

The Article proceeds in three parts. Part I casts the problem in more technical terms, arguing that institutions produce what in economics is known as network effects, and that the liberal international order is strengthened by the lock-in pressures this creates. Part II then argues that a policy of containment against China could undermine the liberal order by forcing China to create competing institutions. Because it is difficult to gauge the true level of support for the existing institutional order, it may in fact be fragile and could collapse unexpectedly if faced with competition. Part III then makes the case that this might already be occurring. Two trends are analyzed. The first is a trend towards regionalism and the creation of parallel institutions that could one day compete with Western-dominated international institutions. The second is a growing interest by many countries in reducing their reliance on the US dollar. The role of the US dollar as the *de facto* global reserve currency plays a critical role in shoring up the current global order. If the dollar were to lose this privileged status, it could shatter the global order as it is presently constituted. The Article ultimately concludes that the most effective way to ensure the liberal order survives in some form is to maintain the strength of its lock-in effect, and the best way to do this is to discourage institutional competition by not isolating China from the global system.¹³

II. THE LIBERAL INTERNATIONAL ORDER IS CREATING LOCK-IN EFFECTS

This Section argues that international institutions tend to lock in their member states when certain structural factors are present. It then examines the core institutions of the liberal order—namely, the WTO, the IMF, the UN, and the World Bank—in order to provide some concrete examples of how this lock-in effect occurs.

13. There is, of course, an implicit normative question here regarding whether preserving the current institutional order is even desirable. Many who see the present model as disproportionately favoring the US and its allies would say no. The discussion that follows takes no normative position one way or the other. It simply argues that, due to structural reasons, if current geopolitical trends continue, the current global order may be barreling headlong towards fragmentation in global governance and the collapse of many of its core institutions.

A. Network Effects and Lock-In

Framing the discussion in more technical language will help give a clearer picture of the central problem here. International institutions generate what in economics is known as network and lock-in effects.¹⁴ A network effect occurs when the value of a network increases as the number of users of the network grows.¹⁵ For example, as more people speak a language, the language becomes more useful for each of its speakers since there are more people with whom they can communicate. This positive feedback (and the need to use a common standard) tends, over time, to lead to a single network dominating the market at the expense of all its rival networks.¹⁶ It is for this reason that we tend to see localized dominant languages, dominant currencies, dominant legal systems, etc.¹⁷ Once a network becomes so dominant that there are no practical alternatives to it, abandoning it becomes costly. As a result, adopters become “locked” into the network. This lock-in effect can be quite powerful.¹⁸ For example, it is difficult to stop using

14. See Druzin *supra* note 10, at 3 (discussing network effects and lock-in). See also DAVID GREWAL, NETWORK POWER: THE SOCIAL DYNAMICS OF GLOBALIZATION 63–64 (2008).

15. For the foundational literature on network effects, see Paul A. David, *Clio and the Economics of QWERTY*, 75 AM. ECON. REV. 332, 332 (1985) (defining path dependence as a process that is influenced by temporally remote events, which may include mere random events); Michael L. Katz & Carl Shapiro, *Network Externalities, Competition, and Compatibility*, 75 AM. ECON. REV. 424, 424 (1985) (providing a static model of markets in which consumption externalities dominate); W. Brian Arthur, *Competing Technologies, Increasing Returns, and Lock-in by Historical Events*, 99 ECON. J. 116, 116–31 (1989) (providing an early study of the dynamics of allocation in situation of increasing returns in which agents choose between technologies competing for adoption); W. Brian Arthur, *Positive Feedbacks in the Economy*, 262 SCI. AM. 92, 92–99 (1990) (discussing positive feedback).

16. Networked markets are known as winner-take-all markets. See PHILIP J. COOK & ROBERT H. FRANK, THE WINNER-TAKE-ALL SOCIETY: WHY THE FEW AT THE TOP GET SO MUCH MORE THAN THE REST OF US 51–52 (new ed. 2010).

17. See Joseph Ferrell & Paul Klempner, *Coordination and Lock-In: Competition with Switching Costs and Network Effects*, 3 HANDBOOK OF INDUS. ORG. 1970, 2009–16 (2007) (providing examples of network effects in a wide range of contexts).

18. For the idea of network effects and lock-in applied to law, see generally Michael Klausner, *Corporations, Corporate Law, and Networks of Contracts*, 81 VA. L. REV. 757, 789–840 (1995) (discussing how network externalities in corporate contracts can render inefficient contractual conventions stable); Marcel Kahan & Michael Klausner, *Path Dependence in Corporate Contracting: Increasing Returns, Herd Behavior and Cognitive Biases*, 74 WASH. U. L. REV. 347, 349 (1996) (discussing how agency costs and behavioral biases can lead to standardization in corporate contracting); Clayton P. Gillette, *Harmony and Stasis in Trade Usage for International Sales*, 39 VA. J. INT'L L. 707, 711–12 (1999); Dan L. Burk, *Law as a Network Standard*, 8 YALE J.L. & TECH. 63, 72 (2005); Mark A. Lemley, *Antitrust and the Internet Standardization Problem*, 28 CONN. L. REV. 1041, 1050 (1996); Mark A. Lemley & David McGowan, *Legal Implications of Network Economic Effects*, 86 CAL. L. REV. 479, 482–84 (1998). I have also contributed to this literature. See generally Andrea K. Bjorklund & Bryan Druzin, *Institutional Lock-in within the Field of International Investment Arbitration*, 39 U. PA. J. INT'L L. 707 (2018) (applying network effects and lock-in to competition between international arbitral organizations); Bryan Druzin, *Towards a Theory of Spontaneous Legal Standardization*, 8 J. INT'L DIS. SETTLEMENT 403 (2017) (arguing that transnational legal norms evolve

English if English is the sole language used in one's social and professional circles, as the need to communicate locks you into this linguistic network. When networks reach this stage of market dominance, they tend to become stable. Even if agents wish to leave, the absence of alternatives discourages them from doing so. While they are technically free to leave, the prospect of losing access to the network when there are no alternatives to which they can switch keeps them locked inside the network.¹⁹

International institutions are no different. They also produce network effects and lock-in pressures. Just like English is a network for people wishing to communicate, multilateral institutions are networks that allow states to coordinate to achieve some end.²⁰ This coordination is facilitated through a complex system of agreements, policies, and regulations agreed upon by member states. The value of these institutions tends to increase as more states participate in the network: the benefits of cooperation—whether this is economic integration, trade, the setting of common standards, or the provision of security—tend to increase with each additional member.²¹

as a consequence of network effect pressures and increased interconnectivity); Bryan H. Druzin, *Why Does Soft Law Have any Power Anyway?*, 7 *ASIAN J. INT'L L.* 361 (2017) (arguing that many areas of soft law exhibit strong network effects that render it uniquely calibrated to induce voluntary adoption); Bryan Druzin, *Buying Commercial Law: Choice of Law, Choice of Forum, and Network Effect*, 18 *TUL. J. INT'L & COMP. L.* 131 (2009) (arguing that commercial parties selecting law through choice of law and choice of forum clauses are susceptible to network effect pressures). See also GREWAL, *supra* note 14, at 3–6 (employing network effects and lock-in as an analytical framework for understanding globalization).

19. Legal literature has explored the idea of lock-in in relation to path dependence. See, e.g., Oona A. Hathaway, *Path Dependence in the Law: The Course and Pattern of Legal Change in a Common Law System*, 86 *IOWA L. REV.* 601, 605 (2001) (observing that path dependence and lock-in generate inefficiencies when legal rules become stuck and unable to evolve in response to changing conditions); Paul A. David, *Intellectual Property Institutions and the Panda's Thumb: Patents, Copyrights, and Trade Secrets in Economic Theory and History*, in *GLOBAL DIMENSIONS OF INTELLECTUAL PROPERTY RIGHTS IN SCIENCE AND TECHNOLOGY* 19, 19 (Mitchel B. Wallerstein, Mary Ellen Moguee & Roberta A. Schoen eds., 1993) (discussing path dependence with respect to intellectual property law); Mark J. Roe, *Commentary, Chaos and Evolution in Law and Economics*, 109 *HARV. L. REV.* 641, 641 (1996) (arguing that path dependence may constrain an evolution towards efficiency); Richard A. Posner, *Past-Dependency, Pragmatism, and Critique of History in Adjudication and Legal Scholarship*, 67 *U. CHI. L. REV.* 573, 573 (2000) (examining the use of history to analyze adjudication and legal scholarship); S.J. Liebowitz & Stephen E. Margolis, *The Fable of the Keys*, 33 *J.L. & ECON.* 1, 2 (1990) (challenging the veracity of the lock-in effect by critically scrutinizing the oft-cited example of lock-in—the persistence of the QWERTY keyboard design over the more efficient Dvorak design); S.J. Liebowitz & Stephen E. Margolis, *Path Dependence, Lock-In, and History*, 11 *J.L. ECON. & ORG.* 205, 205 (1995) (discussing three different forms of path dependence and their potential to generate market errors and lock-in); Lucian Arye Bebchuk & Mark J. Roe, *A Theory of Path Dependence in Corporate Ownership and Governance*, 52 *STAN. L. REV.* 127, 129 (1999) (articulating a theory of the path dependence of corporate structure).

20. See GREWAL, *supra* note 14, at 4–5 (discussing coordination via global standards). See generally DOUGLASS C. NORTH, *INSTITUTIONS, INSTITUTIONAL CHANGE AND ECONOMIC PERFORMANCE* 3–69 (1990) (discussing the idea of lock-in in relation to institutions).

21. While this may not be the case in each instance, this 'bigger-is-better principle' generally holds true. For example, while expansion of a security alliance increases the aggregate military power of the

Countries generally benefit more from a system of rules and institutions as more countries join.

The liberal international order is powerfully reinforced by network effects and lock-in. They contribute to the stability of the liberal international order because they create incentives for countries to stay in the system. Network effects and lock-in can create a self-reinforcing cycle: as more countries join an institution, its value increases for other countries, which in turn encourages more countries to join. This can eventually lead to a situation where a significant portion, or in some cases all, of the countries in the international system become members of the institution. At this stage, lock-in effects can grow very strong. It becomes difficult for any one country to exit the institution without incurring significant costs because there is no other institutional alternative able to provide comparable benefits. While states may have diverse motivations for engaging in international institutions, network effects and lock-in pressures play a significant role in why states enter into and remain within international institutions.

B. Lock-In and International Institutions: Some Examples

By virtue of their networked character, all multilateral institutions create lock-in effects to some degree. In some cases, this can be quite powerful. Countries can become dependent on the benefits provided by membership in an international institution and thus reluctant to give up these benefits. For example, a state can grow dependent on the access to international markets an institution may provide, making it difficult to withdraw from that organization. If there is no other institution to which the country can switch, the lock-in effect can be quite powerful.²² In this way, institutions create lock-in effects due to both the benefits they provide and the lack of competition they enjoy, which can make them function effectively like monopolies. Indeed, the core institutions of the liberal order—the UN, the WTO, the IMF, and the World Bank—all exert lock-in effects to some degree.²³ The Sections that follow examine each of these institutions in turn.

1. The World Trade Organization

A good example of network effects and lock-in pressures produced by

alliance, it also increases the risk of military conflict, as member states are committed to defending more states. However, “[e]ven in cases where over-enlargement of the network may begin producing diminishing returns past a particular threshold, network effects will drive an organization’s expansion up to that point.” Druzin, *supra* note 10, at 9 n.19.

22. I have examined this idea elsewhere. *See, e.g., id.*

23. *See* Michael J. Mazarr, *The Once and Future Order: What Comes After Hegemony?*, FOREIGN AFF., Jan.–Feb. 2017, at 25–26 (describing the UN, NATO, WTO, IMF, the World Bank, and G-20 as highly influential institutions in the liberal order).

an institution is the WTO. The WTO seeks to ensure the free and unencumbered flow of international trade.²⁴ The WTO provides its member states access to larger markets, which increases the value of their exports.²⁵ As more countries joined the WTO, its value for each of its members grew, which in turn encouraged more states to join the organization. This increasing-returns fashion is evident from the institution's history. The WTO's institutional precursor, the General Agreement on Tariffs and Trade (GATT) was established in 1947 with only twenty-three member states.²⁶ As more countries (and custom territories) joined, the value of its network of interdependent and mutually beneficial trade relationships increased.²⁷ By the early 2000s, the trade organization had succeeded in consolidating most of the 193-state "market"²⁸ (there are 193 countries recognized by the UN).²⁹ With 164 members and 24 observer states, WTO members now comprise the majority of the international system and include all of the world's major economies.³⁰ Most of the countries that still remain outside of the WTO do so simply because they are unable to meet the requirements for membership rather than out of a lack of interest in joining.³¹ The main source of WTO's lock-in effect is the simple fact that it is an institutional monopoly. Its combined membership represents 98 percent of global trade,³² and all the major economies follow the WTO's conventions.³³ Because there is no

24. *The WTO*, WTO, https://www.wto.org/english/thewto_e/thewto_e.htm (last visited Sept. 8, 2023).

25. See GABRIEL FELBERMAYR ET AL., *THE WORLD TRADE ORGANIZATION AT 25: ASSESSING THE ECONOMIC VALUE OF THE RULES BASED GLOBAL TRADING SYSTEM* (2019) (considering economies of scale generated by market integration through the GATT/WTO).

26. *The GATT Years*, WTO, https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm (last visited Jan. 7, 2023).

27. See Marc L. Busch, Eric Reinhardt & Gregory Shaffer, *Does Legal Capacity Matter? A Survey of WTO Members*, 8 *WORLD TRADE REV.* 559, 559–60 (2009) (examining legal capacity in an increasingly complex institution). Note that WTO membership is not limited to sovereign States as defined by public international law; instead, WTO allows membership for "customs territories" such as Hong Kong (labeled at the WTO as "Hong Kong, China"). Julien Chaisse & Xueliang Ji, *Hong Kong's Participation in International Dispute Settlement: Deviations from Conventional Sovereignty*, 17 *ASIAN J. OF WTO & INT'L HEALTH L. & POL'Y* 287, 291 (2022).

28. FELBERMAYR, *supra* note 25, at 8.

29. *About us*, UN, <https://www.un.org/en/about-us> (last visited Dec. 10, 2022).

30. *Members and Observers*, WTO, https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm (last visited Dec. 14, 2022).

31. See *id.* (listing the current member and observer governments of the WTO). There are over twenty countries that are currently seeking to join the WTO. *Summary Table of Ongoing Accessions*, WTO, https://www.wto.org/english/thewto_e/acc_e/status_e.htm (last updated June 2023).

32. *DDG Ellard Cites Role of WTO in Promoting Open Markets, Need for Transatlantic Cooperation*, WTO (Dec. 3, 2021), https://www.wto.org/english/news_e/news21_e/ddgae_03dec21_e.htm.

33. See GREWAL, *supra* note 14, at 234 (observing that "the WTO offers . . . an example of a

institutional equivalent to the WTO and thus no alternative offered, the WTO exerts powerful network effects and lock-in pressures on its member states.

2. The International Monetary Fund

Another multilateral institution with lock-in implications is the IMF. The IMF enjoys extensive global buy-in—almost all states in the international system are IMF members.³⁴ There is no other institution with a comparable level of legitimacy in the realm of international monetary cooperation. This absence of choice creates powerful lock-in effects. Any member state that left the IMF would likely experience serious economic consequences. Without IMF support, a state might struggle to secure international investment.³⁵ The fact that there is no institutional alternative to the IMF, however, helps keep states locked in. The case of Greece is an excellent example of this lock-in effect in action. During Greece's financial crisis in the 2010s, the IMF, together with the European Union (EU), forced Greece to accept austerity measures that brought significant hardship on its economy.³⁶ However, Greece remained within the IMF's framework.³⁷ Likewise, IMF austerity policies adversely affected the economies of Portugal, Spain, and Argentina, yet these countries stayed in the IMF because they were essentially locked into its institutional framework.³⁸

3. The United Nations

Perhaps the foremost example of an institutional structure creating robust lock-in effects is the UN system. The UN is the closest thing the international system has to a central coordinating authority.³⁹ No other

universal standard").

34. *IMF Country Information*, IMF, <https://www.imf.org/en/Countries> (last visited Sept. 8, 2023).

35. Louis W. Pauly, *The Institutional Legacy of Bretton Woods*, in *ORDERLY CHANGE: INTERNATIONAL MONETARY RELATIONS SINCE BRETTON WOODS* 189, 204 (David M. Andrews ed., 2008).

36. *See generally* GREECE IN CRISIS: THE CULTURAL POLITICS OF AUSTERITY (Dimitris Tziovas ed., 2017).

37. These measures had a significant impact on the Greek economy and lead to a prolonged period of recession. *See generally* CRISIS, MOVEMENT, STRATEGY: THE GREEK EXPERIENCE (Panagiotis Sotiris ed., 2018).

38. *See generally* Walter Kickert & Edoardo Ongaro, *Influence of the EU (and the IMF) on Domestic Cutback Management: A Nine-Country Comparative Analysis*, 21 *PUB. MGMT. REV.* 1348 (2019) (noting the positive effects of the banking bailout in Spain and the loan program in Portugal after social unrest and public protest). *See also* Anthony Faiola, *Argentina Is the Tango Partner the IMF Can't Quit*, *WASH. POST* (Jan. 31, 2022, 12:01 AM), <https://www.washingtonpost.com/world/2022/01/31/argentina-imf-international-monetary-fund-debt/> (describing the arranged bailout between the IMF and Argentina in 2018 despite heavy opposition).

39. BARRY DESKER & CHENG GUAN ANG, *PERSPECTIVES ON THE SECURITY OF SINGAPORE: THE FIRST 50 YEARS* 67 (2015). *But see* Sandy Ross, *GFC: The Global Food and Financial Crises*, in *NEW VISIONS FOR MARKET GOVERNANCE: CRISIS AND RENEWAL* 67, 68 (Kate Macdonald, Shelley Marshall

institution can rival the UN's breadth of membership or the scale of complexity in terms of intergovernmental services it offers its member states.⁴⁰ Almost every government has ratified the UN charter.⁴¹ It is a *sui generis* treaty vested with a unique degree of institutional legitimacy.⁴² This arguably explains why, even though there may be much to criticize regarding the UN system, it has held up remarkably well over the years.⁴³ The UN is the only institution of its kind, which makes it challenging for even the most disaffected state to withdraw from it—something no government has ever done in the organization's 78-year history.⁴⁴ It is the largest intergovernmental organization in the world and boasts near universal membership.⁴⁵ It would be difficult for a single state or a small coalition of states to leave the UN system and establish an alternative institution. Such a process would require a significant exogenous shock. This is what occurred to the League of Nations (LN), its institutional forerunner, which was destabilized by the events of World War II.⁴⁶ Short of this, nations are effectively locked into the UN system because, flawed as it may be, for now it is the only game in town.

& Sanjay Pinto eds., 2012) (noting that “the most powerful states” often disregard the UN's authority “as a central coordinating and legitimating institution for global governance . . .”).

40. See Our Work, UNITED NATIONS, <https://www.un.org/en/our-work> (last accessed Sept. 8, 2023) (showing the UN has 193 Member States).

41. UN Charter.

42. The UN Charter is considered *sui generis* because Article 103 grants UN treaties supremacy over all other international treaties and obligations. See LORENZO GASBARRI, THE CONCEPT OF AN INTERNATIONAL ORGANIZATION IN INTERNATIONAL LAW 173, 173–74 (2021) (analyzing the applications of article 103 and member states' obligations).

43. The UN has been the subject of criticism for a variety of reasons, such as inequality in representation (i.e., the permanent members of the Security Council wield disproportionate influence over the institution), a lack of enforcement of its rulings, bureaucratic inefficiency, failure to prevent armed conflict (as outlined in Article 1 of the UN Charter), and allegations of corruption, moral relativism, and anti-Semitism. For a good discussion of core criticisms of the UN, see JOHN E. TRENT, MODERNIZING THE UNITED NATIONS SYSTEM: CIVIL SOCIETY'S ROLE IN MOVING FROM INTERNATIONAL RELATIONS TO GLOBAL GOVERNANCE 109–57 (2007).

44. Druzin, *supra* note 10, at 4.

45. *International Organization*, NAT'L GEOGRAPHIC SOC'Y (Nov. 14, 2022), <https://education.nationalgeographic.org/resource/international-organization/>; *Member States*, UN, <https://www.un.org/en/about-us/member-states> (last visited Jan. 18, 2023); *Non-Member-States*, UN, <https://www.un.org/en/about-us/non-member-states> (including two permanent non-member observer states—Palestine and the Holy See (Vatican City)).

46. The LN never achieved a sufficiently robust lock-in effect for many reasons. For one, despite its institutional ambition, the LN never managed to attain a high enough level of market consolidation. At its height between 1934 and 1935, the LN had only 58 member states out of 77 recognized sovereign states. Notably, the US never joined. This lack of market consolidation meant that the LN was unable to create a large enough network of users to achieve effective lock-in effects. ANIQUE H.M. VAN GINNEKEN, HISTORICAL DICTIONARY OF THE LEAGUE OF NATIONS 217–18 (2006).

4. The World Bank

Another example of a multilateral institution where lock-in effects make it difficult for countries to exit is the World Bank. The World Bank is a major global provider of development aid.⁴⁷ It is comprised of five organizations⁴⁸ that together offer developing nations financial and technical assistance.⁴⁹ As its largest donor, the US has considerable leverage over the World Bank.⁵⁰ Although the US has often used its influence to put pressure on unfriendly governments, many have little choice but to deal with the institution.⁵¹ In 2021, the World Bank provided over \$98.8 billion in finance assistance to partner governments and private firms.⁵² The deep financial reserves the World Bank has at its disposal make it difficult for other international lending bodies to effectively compete. This marked lack of competition ensures that the World Bank has remained a dominant force in international development funding.⁵³

In sum, while it is not always obvious, states enter into and remain within international institutions partly due to network effects and lock-in

47. *Id.*

48. *Who We Are*, WORLD BANK, <https://www.worldbank.org/en/who-we-are> (last visited Jan. 24, 2023).

49. *Id.*

50. See Robert Hunter Wade, *US Hegemony and the World Bank: The Fight over People and Ideas*, 9 REV. INT. POL. ECON. 201, 203–04 (2022) (explaining how the US has unique mechanisms to influence World Bank and makes the biggest contribution for loans dedicated to the poorest countries). While the World Bank and IMF “have historically been seen as an instrument of United States and other Western countries’ political and economic power, their role and relevance has been continually debated. This debate has regained momentum in the decade since the 2008 global financial crisis, where the rise of China, often presented as the coming of a more multipolar world, is seen by some as a challenge to the perceived hegemony of [these institutions].” *What Are the Main Criticisms of the World Bank and IMF?*, BRETTON WOODS PROJECT (June 4, 2019), <https://www.brettonwoodsproject.org/2019/06/what-are-the-main-criticisms-of-the-world-bank-and-the-imf/> (last visited Jan. 24, 2023).

51. See CAROLINE STARBIRD, DALE DE BOER & JENNY PETTIT, TEACHING INTERNATIONAL ECONOMICS AND TRADE 44 (2004) (explaining how the World Bank makes decisions and how the US is among the five countries with its own appointed Executive Director); Wade, *supra* note 50, at 203 (stating that the US also effectively has the power to choose the Bank’s president, and for decades this position has been held by an American citizen). However, while the US wields significant influence over the World Bank as well as the IMF, “it would be inaccurate to consider the World Bank and the IMF as mere instruments of US power and policy” Ngair Woods, *The United States and the International Financial Institutions: Power and Influence Within the World Bank and the IMF*, in US HEGEMONY AND INTERNATIONAL ORGANIZATIONS: THE UNITED STATES AND MULTILATERAL INSTITUTIONS 92, 92 (Rosemary Foot, et al., ed., 2003). Indeed, the credibility of both organizations is largely dependent on their capacity to separate themselves to some degree from the US. *Id.*

52. WORLD BANK, ANNUAL REPORT 2021 LENDING DATA (2021), <https://thedocs.worldbank.org/en/doc/09cf7c8aba7fe940859e1408a1df32fa-0090012021/original/WBAR21-App-FY21-Lending-Presentation.pdf>.

53. See *id.* 48 (stating that one of its goals is to promote shared prosperity as one of the world’s largest sources of funding and knowledge for developing countries).

pressures. Network effects create a feedback loop that makes the institution more valuable to countries as other countries join. Once the institution effectively becomes the only game in town, lock-in effects then make it difficult for countries to leave the institution. If the majority of the international system is consolidated into an institution, its lock-in effect will be very strong because governments have no alternative. There is a cost to being stranded outside these critical institutions when they dominate the international system. Thus, unless a coordinated desertion takes place, governments are, to a significant degree, locked in.⁵⁴ This helps stabilize the liberal order. However, while much of its cohesive strength may be attributed to the fact that its multilateral institutions are producing lock-in effects, how much remains unclear. And this is precisely the problem: lock-in effects make it very hard to accurately assess the true stability of the global order at any given point in time because it is unclear how much of that stability is coming simply from the lock-in effect.

III. HOW CONTAINMENT COULD BACKFIRE

This Section discusses how a policy of containment directed at China could destabilize the liberal order. Isolating China, and to a lesser extent Russia, from the global system could cause it to fracture by forcing marginalized powers to establish an alternative institutional system. This introduction of institutional competition into the global system would significantly weaken the lock-in effects that underpin the liberal international order.

A. It Is Possible to Weaken the Lock-In Effect

Strategically speaking, what you want to do in a market with network effects is to keep your users locked into your network. The best way to do this is to make sure you have no rivals, as the lock-in effect is strongest when there are no alternative networks users can jump to. Firms competing in commercial markets that exhibit strong network effects understand this well. They work hard to keep their customers locked into their network and stop would-be competitors from gaining a foothold in the market.⁵⁵ In such

54. For example, it would be difficult for a state to abandon the UN system because every country is a member of the UN. If a state (or even a small coalition of states) wanted to establish a rival institutional arrangement, they would face a formidable start-up problem. Like a currency used by only one person, this new institution would have no value because the value of an institution lies in the fact that it facilitates coordination between multiple states. It would thus be very difficult to unseat the UN as the dominant institution in this space. Because the UN system is the only game in town, its lock-in effect is very powerful. And this is equally true for most of the institutions that comprise the liberal order. Druzin, *supra* note 10, at 4.

55. Technology giants, for example, ruthlessly exploit the inherently networked nature of their

markets, the last thing you want to do is behave in a way that fosters an alternative network that can potentially compete with yours. The danger is that a competing network will also start generating network effects and gain traction. While this may begin modestly at first, the network might eventually grow to the point that it can successfully challenge your network for market dominance.

The same principle applies to the international system. On a geopolitical level, a containment strategy could backfire. Isolating China might force the establishment of alternative institutions. Because of China's importance in the global economy,⁵⁶ it is conceivable that these new institutions would be able to compete with Western-led institutions.⁵⁷ Should this occur, the liberal order's lock-in effect will vanish. The international system could bifurcate, and an alternative institutional order might take shape that could eventually triumph over the existing one.

B. New Geopolitical Realities

While containment against the Soviet Union was successful, the world currently faces geopolitical realities that did not exist during the Cold War. The degree to which the Chinese economy is integrated with the global economy, along with its size and importance, renders such a strategy unlikely to work. The current US-Chinese bilateral economic relationship does not fit the pattern of containment as seen during the Cold War.⁵⁸ The level of mutual interdependence between the two economies is simply too great for such a

market to lock their users into their product ecosystems. It is for this reason that, for example, Apple watches cannot run on Android phones, PCs do not run Apple software, and WhatsApp users cannot message users on rival messenger apps. *See generally* Carl Shapiro & Hal R. Varian, *The Art of Standards Wars*, 41 CAL. MAN. REV. 8 (1999) (discussing commercial strategies firms use in networked markets to exploit the latent network effect pressures and lock-in).

56. *China's share of global gross domestic product (GDP) adjusted for purchasing-power-parity (PPP) from 1980 to 2021 with forecasts until 2027*, STATISTA (2023), <https://www.statista.com/statistics/270439/chinas-share-of-global-gross-domestic-product-gdp/>.

57. China represented roughly 18.5% of global GDP in nominal terms in 2022. *Id.* According to the IMF, China's nominal GDP stood at US\$18.32 trillion in 2022 compared to US\$25.03 trillion for the US. *World Economic Outlook Database*, IMF, <https://www.imf.org/en/Publications/WEO/weo-database/2022/April> (last visited Jan. 16, 2023) (compiling countries' macroeconomic data); *US's GDP in the World Economic Outlook Database*, IMF, <https://www.imf.org/en/Publications/WEO/weo-database/2022/October/weo-report?c=111,&s=NGDPD,PPPGDP,NGDPDPC,PPPPC,&sy=2022&ey=2027&ssm=0&scsm=1&sc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1> (last visited Jan. 16, 2023); *China's GDP in the World Economic Outlook Database*, IMF (2022), <https://www.imf.org/en/Publications/WEO/weo-database/2022/October/weo-report?c=924,&s=NGDPD,PPPGDP,NGDPDPC,PPPPC,&sy=2022&ey=2027&ssm=0&scsm=1&sc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1>.

58. HUGO MEIJER, *TRADING WITH THE ENEMY: THE MAKING OF US EXPORT CONTROL POLICY TOWARD THE PEOPLE'S REPUBLIC OF CHINA* 323–25 (2016) (ebook).

strategy to succeed.

1. Containment During the Cold War

Throughout the Cold War, the Soviet economy was largely isolated from the broader global economy.⁵⁹ The Communist bloc did not engage in significant trade with the capitalist West.⁶⁰ Moreover, US economic power during this period was unrivaled. At the conclusion of WWII, the US held a position of economic dominance that truly had no analog in human history.⁶¹ The industrial powers of Europe had been devastated by the war.⁶² Having rapidly built up its industrial base during the war, the US was a manufacturing colossus.⁶³ At the conclusion of the war, US gross domestic product represented approximately half of total global wealth.⁶⁴ As the Cold War progressed, this lead declined,⁶⁵ however, the Communist bloc was never a serious competitor in economic terms.⁶⁶ Because its economy was not integrated into the global economy, the US was able to successfully isolate the Soviet Union through sanctions and export restrictions that

59. See generally ALEC NOVE, *THE SOVIET ECONOMY* (Routledge Revivals ed. 2011) (studying the Soviet economic system as of the early 1960s to uncover its framework, goals, and underlying assumptions).

60. SAMUEL PISAR, *A NEW LOOK AT TRADE POLICY TOWARD THE COMMUNIST BLOC: THE ELEMENTS OF A COMMON STRATEGY FOR THE WEST* 72–73 (Comm. Print 1961) (discussing the relative economic autarky of the Soviet Union). See also MATTHEW KROENIG, *THE RETURN OF GREAT POWER RIVALRY: DEMOCRACY VERSUS AUTOCRACY FROM THE ANCIENT WORLD TO THE U.S. AND CHINA* 149 (2020) (stating that the Soviet Union “was able to sustain growth early, but its centralized, planned economy was unable to compete over the long haul . . . Its state-led model, however, proved less effective than a market economy at producing sustained economic growth”).

61. See MICHAEL PERELMAN, *THE PATHOLOGY OF THE U.S. ECONOMY REVISITED: THE INTRACTABLE CONTRADICTIONS OF ECONOMIC POLICY* 13 (2002) (describing the US’ dominant economic position after World War II).

62. See J. Bradford De Long & Barry Eichengreen, *The Marshall Plan: History’s Most Successful Structural Adjustment Program*, in *POSTWAR ECONOMIC RECONSTRUCTION AND LESSONS FOR THE EAST TODAY 197–98* (Rudliger Dornbusch et al., 1993) (finding that World War II was more destructive to Europe than World War I).

63. PERELMAN, *supra* note 61, at 13–14.

64. See WALTER C. CLEMENS, JR., *DYNAMICS OF INTERNATIONAL RELATIONS: CONFLICT AND MUTUAL GAIN IN AN ERA OF GLOBAL INTERDEPENDENCE* 189 (2nd ed. 2004) (“[A]fter World War II[,] . . . the United States produced nearly half of the world’s GDP.”).

65. See Govind Bhutada, *The U.S. Share of the Global Economy Over Time*, VISUAL CAPITALIST (Jan. 14, 2021), <https://www.visualcapitalist.com/u-s-share-of-global-economy-over-time/> (stating that the US’ share of global GDP peaked at 40% in 1960 and then cut in half over time); Mike Patton, *U.S. Role in Global Economy Declines Nearly 50%*, FORBES (Feb. 29, 2016, 5:41 PM), <https://www.forbes.com/sites/mikepatton/2016/02/29/u-s-role-in-global-economy-declines-nearly-50/?sh=315fe10b5e9e> (reiterating that the US’ share of global GDP halved by 2014).

66. See WALTER RUSSELL MEAD, *SPECIAL PROVIDENCE: AMERICAN FOREIGN POLICY AND HOW IT CHANGED THE WORLD* 68 (2013) (stating that the US had no serious economic competitors during the Cold War, including the Soviet Union).

hobbled the Soviet economy.⁶⁷ Through this form of economic warfare, the US was able to successfully contain Soviet economic growth.⁶⁸

2. The Possibility of Containment Today

With the collapse of the Soviet Union in the early 1990s and the rapid integration of the global economy, the US-led liberal order was the only institutional structure left standing.⁶⁹ The centrality of this order intensified during this period as many former communist bloc countries joined the ranks of its institutions.⁷⁰ The liberal order entered a new golden era in which its dominance was bolstered by US power and the fact that the international liberal order was basically the only game in town.⁷¹

But much has changed since then. The unipolar order of the 1990s and 2000s is now giving way to a decidedly more multipolar order.⁷² It is unlikely that a similar strategy of containment against China would succeed today for the simple fact that China is not the Soviet Union. China is an economic behemoth and a major center of global economic gravity. China “has four times as many people as the United States and is about 70 percent as wealthy.”⁷³ It is the world’s biggest consumer market⁷⁴ and the largest trading partner of 120 countries.⁷⁵ China wields substantial global influence

67. *Economic Relations with the Soviet Union: Hearings Before the Subcomm. on Int’l Econ. Pol’y and the Comm. on Foreign Rel.*, 97th Cong. 217–20 (1982) (Premises Underlying U.S Policy on Commercial Relations With the U.S.S.R. Prepared for the Senate Foreign Relations Committee by John P. Hardt, Congressional Research Service, Library of Congress) (stating that the Reagan and Carter Administration imposed embargoes and sanctions against the Soviet Union).

68. *Id.*

69. See Ikenberry, *supra* note 6, at 9–10 (stating that after the Soviet Union collapsed, American-led liberal internationalism globalized and became the global order).

70. See *id.* at 7, 18 (stating that after the Soviet Union collapsed, many countries, including eastern European countries, joined the US-led liberal international order).

71. See *id.* at 18 (explaining that after the Soviet Union collapsed, the US liberal order was unconstrained as the only global governance framework left). See generally IAN CLARK, *THE POST-COLD WAR ORDER: THE SPOILS OF PEACE* (2001) (examining the consequences of the Cold War for Europe, Pacific Asia, the Middle East and arms control, as well as the changes in the global economy, security and human rights).

72. See Mearsheimer, *supra* note 9, at 49–50 (claiming the liberal international order was the unipolar order in the 1990s, but that the multipolar order is emerging).

73. John J. Mearsheimer, *The Inevitable Rivalry America, China, and the Tragedy of Great-Power Politics*, *FOREIGN AFF.*, Nov.–Dec. 2021, at 48, 56. Compare this with the Soviet Union at its height: “. . . in the mid-1970s, the Soviet Union had a small advantage in population (less than 1.2 to 1) and, using GNP as a rough indicator of wealth, was almost 60 percent as wealthy as the United States.” *Id.*

74. China already has the world’s largest economy at purchasing power parity (PPP). Martin Wolf, *Containing China is Not a Feasible Option*, *FIN. TIMES* (Feb. 2, 2021), <https://www.ft.com/content/83a521c0-6abb-4efa-be48-89ecb52c8d01> (depicting a chart with IMF data showing that China has the world’s largest PPP).

75. Mark A. Green, *China is the Top Trading Partner to More than 120 Countries*, *WILSON CENTER* (Jan. 17, 2023), <https://www.wilsoncenter.org/blog-post/china-top-trading-partner-more-120-countries>.

through trade and investment, which is only increasing.⁷⁶ As such, China's consumer market is creating powerful network effects that are pulling in investment from across the world.⁷⁷ This is especially being felt in and around the Asia-Pacific.⁷⁸ Despite US efforts to rally nations to decouple from China, economic links between the world's second-largest economy and the rest of Asia are strengthening as economies expand and businesses rejigger their supply chains.⁷⁹

China is not only far more economically advanced and technologically sophisticated than the Soviet Union ever was at its peak, but it is also much more integrated in the global system.⁸⁰ This is clear from the substantial increase in Chinese trade with its neighbors over the past five years.⁸¹ For example, China's trade with Indonesia, Malaysia, Singapore, and Vietnam increased by over 71 percent during this period, exceeding \$979 billion.⁸² Despite rising geopolitical tensions, China's trade with major Western markets like the US and Europe also grew by 23 percent and 29 percent respectively during the same period.⁸³ As such, it is unlikely that the containment measures deployed against the Soviet Union during the Cold War would succeed in the case of China today.⁸⁴

Nevertheless, the US is seeking to isolate China, with much of this playing out in the legal realm.⁸⁵ For instance, under Section 301 of the Trade Act of 1974, the US government has imposed tariffs and trade restrictions on Chinese imports in response to alleged trade violations.⁸⁶ Legislation such

76. *See id.* ("China is making progress in building new partners and agreements.").

77. *See id.* (explaining China is the top trader with many countries and actively making trade relations with other countries).

78. Jason Douglas, *China Increases Trade in Asia as U.S. Pushes Toward Decoupling*, WALL STREET J. (Dec. 28, 2022, 8:00 AM), <https://www.wsj.com/articles/china-increases-trade-in-asia-as-u-s-pushes-toward-decoupling-11672231684>. This study also concludes that India and China's combined GDP will represent 43% of the world's total wealth by 2100. *Id.*

79. *Id.*

80. Hal Brands, *Containment Can Work Against China, Too*, WALL STREET J. (Dec. 3, 2021, 10:59 AM), <https://www.wsj.com/articles/containment-can-work-against-china-too-11638547169>. *See also* Rhys Jenkins, *The Workshop of the World*, in *HOW CHINA IS RESHAPING THE GLOBAL ECONOMY: DEVELOPMENT IMPACTS IN AFRICA AND LATIN AMERICA* 33, 49 (2018) (providing statistics of China's manufacturing and trade growth from the 1980s to 1990s).

81. Douglas, *supra* note 78 ("China's total trade—exports plus imports—with 10 of its neighbors in Southeast Asia, including Indonesia, Malaysia, Singapore and Vietnam, has grown 71% since July 2018 . . .").

82. *Id.*

83. *Id.*

84. Deborah Welch Larson, *The Return of Containment*, FOREIGN POL'Y (Jan. 15, 2021, 3:30 PM), <https://foreignpolicy.com/2021/01/15/containment-russia-china-kennan-today/>.

85. *See, e.g.*, Edward Luce, *China Is Right About US Containment*, FIN. TIMES (Mar. 8, 2023), <https://www.ft.com/content/bc6685c1-6f17-4e9e-aaaa-922083c06e70>.

86. *USTR Finalizes Tariffs on \$200 Billion of Chinese Imports in Response to China's Unfair Trade*

as the Export Control Reform Act and Entity List has also been weaponized to target technologies that may have a military application.⁸⁷ Technology export controls are increasingly being used in a similar manner—i.e., as a legal weapon to prevent the sale of dual-use technologies to Chinese entities.⁸⁸ The US is also attempting to constrain Chinese advances in technology. Leading Chinese technology companies, such as Huawei and ZTE, have been banned from entering the US market.⁸⁹ The Biden administration has placed restrictions on the sale of advanced computer chips to China.⁹⁰ This includes a universal ban on US citizens providing assistance related to the “development or production” of microchips in China.⁹¹ These measures are specifically crafted to restrict China’s access to critical technologies, specifically semiconductors and the machinery that produces them.⁹²

The US Justice Department is also “aggressively forging ahead with a clampdown” on what the US alleges is Chinese economic espionage,⁹³ charging individuals and entities with IP theft.⁹⁴ Congress has pushed through legislation to strengthen the US government’s ability to engage in what is essentially lawfare. For example, the Foreign Investment Risk

Practices, USTR (Sept. 18, 2018), <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/september/ustr-finalizes-tariffs-200>.

87. Bates Gill, *Can U.S. High-Tech Restrictions on China Succeed?*, ASIA SOC. (July 12, 2023), <https://asiasociety.org/policy-institute/can-us-high-tech-restrictions-china-succeed>.

88. Elena Lazarou & Nicholas Lokker (Members’ Research Service of European Parliamentary Research Service), *United States: Export Control Reform Act (ECRA)*, at 1 (Nov. 2019), [https://www.europarl.europa.eu/cmsdata/210523/EPRS_BRI\(2019\)644187_EN.pdf](https://www.europarl.europa.eu/cmsdata/210523/EPRS_BRI(2019)644187_EN.pdf).

89. Diane Bartz & Alexandra Alper, *U.S. Bans New Huawei, ZTE Equipment Sales*, *Citing National Security Risk*, REUTERS (Nov. 30, 2022, 11:13 PM), <https://www.reuters.com/business/media-telecom/us-fcc-bans-equipment-sales-imports-zte-huawei-over-national-security-risk-2022-11-25/>.

90. Paul Scharre, *Decoupling Wastes U.S. Leverage on China*, FOREIGN POL’Y (Jan. 13, 2023, 1:00 PM), <https://foreignpolicy.com/2023/01/13/china-decoupling-chips-america/>. China has responded by initiating a trade dispute at the WTO, accusing the US of using trade protectionism. Laura He, *China Challenges US Chip Curbs at WTO, Citing ‘Trade Protectionism’*, CNN (Dec. 13, 2022 1:24 AM), <https://edition.cnn.com/2022/12/13/business/china-wto-lawsuit-chip-controls-intl-hnk/index.html>.

91. Suranjana Tewari, *US-China Chip War: America is Winning*, BBC (Jan. 13, 2023), <https://www.bbc.com/news/world-asia-pacific-64143602>.

92. Virginia Harrison & Martin Farrer, *What Do US Curbs on Selling Microchips to China Mean for the Global Economy?*, THE GUARDIAN (Oct. 18, 2022 11:00 PM), <https://www.theguardian.com/world/2022/oct/19/what-do-us-curbs-on-selling-microchips-to-china-mean-for-the-global-economy>.

93. Masood Farivar, *US Intensifies Crackdown on China Intellectual Property Theft*, VOA (May 15, 2020 8:19 PM), https://www.voanews.com/a/usa_us-intensifies-crackdown-china-intellectual-property-theft/6189373.html; *Information About the Department of Justice’s China Initiative and a Compilation of China-Related Prosecutions Since 2018*, U.S. DEP’T OF JUST. (Nov. 19, 2021), <https://www.justice.gov/archives/nsd/information-about-department-justice-s-china-initiative-and-compilation-china-related>.

94. Farivar, *supra* note 94.

Review Modernization Act allows the US government to unilaterally block foreign investments at its discretion.⁹⁵ The US has argued at the WTO that China's practice of forced technology transfer is a breach of WTO rules.⁹⁶ Domestically, the Department of Justice has charged Chinese nationals with stealing trade secrets,⁹⁷ and US citizens are restricted under executive orders from doing business with any Chinese entities that may be associated with the Chinese military.⁹⁸

The US is also pushing to reform various international institutions in a bid to blunt China's influence in these organizations. For example, the US has been lobbying hard to reform the WTO dispute settlement process through the creation of new rules that would address practices the US sees as unfair, such as state subsidization of state-owned enterprises, intellectual property theft, and forced technology transfer.⁹⁹ In order to drive these reforms through, the US has unilaterally blocked new appointments of appeal judges to the appellate body of the WTO "to protest the way the WTO does business."¹⁰⁰ Similarly, the US is seeking to expand the UN Security Council by adding new permanent members—namely US-friendly allies Japan, Germany, and India¹⁰¹—which would reduce Russian and Chinese

95. Jonathan Masters, James McBride & Noah Berman, *What Happens When Foreign Investment Becomes a Security Risk?*, COUNCIL ON FOREIGN RELS. (Jan. 3, 2023 2:00 PM), <https://www.cfr.org/background/what-happens-when-foreign-investment-becomes-security-risk>. See also *The Committee on Foreign Investment in the United States (CFIUS)*, U.S. DEP'T OF THE TREASURY, <https://home.treasury.gov/policy-issues/international/the-committee-on-foreign-investment-in-the-united-states-cfius> (stating that the Foreign Investment Risk Modernization Act gives the President more power).

96. Tom Miles, *U.S. and China Clash over 'Technology Transfer' at WTO*, REUTERS (May 28, 2018, 7:42 AM), <https://www.reuters.com/article/us-usa-trade-china-idUSKCN1I11G>.

97. See *Survey of Chinese Espionage in the United States Since 2000*, CSIS (2023), <https://www.csis.org/programs/strategic-technologies-program/archives/survey-chinese-espionage-united-states-2000> (noting that in June 2020, "Hao Zhang, a Chinese national, was convicted under charges of economic espionage and theft of trade secrets from two companies involved semiconductor design and processing").

98. *Executive Order on Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China*, THE WHITE HOUSE (June 3, 2021), <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/06/03/executive-order-on-addressing-the-threat-from-securities-investments-that-finance-certain-companies-of-the-peoples-republic-of-china/>.

99. David Wemer, *What is Wrong with the WTO*, ATL. COUNCIL (June 14, 2019), <https://www.atlanticcouncil.org/blogs/new-atlanticist/what-is-wrong-with-the-wto/>.

100. *U.S. Shuts Down WTO Appeals Court*, DW (Dec. 10, 2019), <https://www.dw.com/en/wto-judge-blockage-could-prove-the-beginning-of-the-end/a-51613082>.

101. See *Biden Supports Germany, Japan, India as Permanent Members of Reformed UNSC*, THE HINDU (Sep. 22, 2022, 9:16 AM), <https://www.thehindu.com/news/international/biden-supports-germany-japan-india-as-permanent-members-of-reformed-uns-unc-white-house-official/article65920991.ece> (discussing how the US supports the addition of Germany, Japan, and India to the Security Council).

influence on the Security Council.

Alongside these institutional, legal, and economic-based measures, the US has significantly bolstered its military posture in the Asia-Pacific region through the creation of new security alliances such as AUKUS and the Quadrilateral Security Dialogue (the Quad).¹⁰² While this military component is a critical piece in the US's containment strategy, this is not examined here, as this Article's focus is on institutional competition rather than brute security competition.

Even if we set aside the broader implications of containment in terms of network effects and lock-in pressures, it is unclear if containment would even be effective.¹⁰³ China's economy is now the second largest in the world. It is a major force in the international system with considerable trade and investment ties with every region of the global economy. This heightened degree of economic integration makes imposing significant economic sanctions on China difficult for the US, as the US would suffer substantial blowback to its own economy.¹⁰⁴ The US, like most other countries, relies on China for the supply of critical components such as mechanical, pharmaceutical, and electrical goods.¹⁰⁵ The US will thus find it challenging to decouple from the Chinese economy and to persuade other countries, particularly those in the Global South, that reducing trade with China is in

102. See Van Jackson, *The Problem With Primacy: America's Dangerous Quest to Dominate the Pacific*, FOREIGN AFF. (Jan. 16, 2023), <https://www.foreignaffairs.com/asia/problem-primacy> ("The Pentagon has promised that 2023 will be 'the most transformative year in US force posture in the [Indo-Pacific] region. . ."). AUKUS is a trilateral security agreement between Australia, the United Kingdom, and the US formed on September 15, 2021. Patrick Wintour, *What is the Aukus Alliance and What are its Implications?*, THE GUARDIAN (Sept. 16, 2021, 12:40 PM), <https://www.theguardian.com/politics/2021/sep/16/what-is-the-aukus-alliance-and-what-are-its-implications>. The Quadrilateral Security Dialogue (the Quad) was reformed in 2017 to deepen economic, diplomatic, and military ties among Australia, India, Japan and the US. C. Raja Mohan, *The Nimble New Minilateral*, FOREIGN POL'Y (Sept. 11, 2023), <https://foreignpolicy.com/2023/09/11/minilateral-alliances-geopolitics-quad-aukus-i2u2-coalitions-multilateralism-india-japan-us-china/>.

103. Oktay Kucukdegirmenci, *U.S. Strategic Containment of China Destined to Fail*, INST. FOR SEC. & DEV. POL'Y (Jan. 18, 2023), <https://www.isdp.eu/u-s-strategic-containment-of-china-destined-to-fail/>. See Sourabh Gupta, *Why the US Using a Cold War 'Containment' Strategy Against China Would Be a Colossal Error*, S. CHINA MORNING Post (July 30, 2022), <https://www.scmp.com/comment/opinion/article/3186883/why-us-using-cold-war-containment-strategy-against-china-would-be> ("Kennan's strategy of containment was premised on Washington remaining the dominant power . . . [i]n China, by contrast, the US faces a peer . . ."); Anthony Rowley, *Why US Moves to Contain China's Rise Are Having the Opposite Effect in Asia*, S. CHINA MORNING POST (Nov. 6, 2022, 1:00 AM), <https://www.scmp.com/comment/opinion/article/3198272/why-us-moves-contain-chinas-rise-are-having-opposite-effect-asia> ("There will be no winners and many losers in this bid for technological, economic and strategic supremacy between the world's biggest economic powers.").

104. See Luce, *supra* note 85 (noting that one difference between today's cold war and the last one is the interdependence between China and the US).

105. See Green, *supra* note 75 (discussing China's volume of trade).

their national economic interests.¹⁰⁶ Much of the Global South now considers China as an attractive trading partner and as a critical source of development financing, making these governments unlikely to back US efforts to isolate China.¹⁰⁷

C. How Brittle Orders Collapse

Institutional systems that turn out to be brittle orders can unravel with astonishing speed. This Section examines why institutional collapse often occurs quickly and unpacks its implications for the current global order.

1. Dimmer Views of the Liberal Order

It is unclear to what extent governments participate in the current institutional order simply because there is no other choice. It is quite likely that many nations would prefer a different institutional set up, or at least an extensive overhaul of the existing one. The current model of global governance is seen by many as favoring the US and a handful of other nations that play a leading role in setting the rules of the global financial system.¹⁰⁸ This view is not just held by China and Russia. Much of the Global South appears to see the US-led liberal order in these terms.¹⁰⁹ Many governments in the Global South feel that the institutions of the global order need reforming to reflect current realities. These governments do not view the liberal international order as a global public good, but rather “in terms of a particular ideological agenda. . . . [a]ttempts by Europe and the United States to ‘maintain’ the liberal international order are, therefore, seen as desperate attempts to preserve their own power and privilege.”¹¹⁰ This view is not

106. See Luce, *supra* note 85 (suggesting that it may be hard to change China’s influence in the region).

107. See Alan Crawford, Jenni Marsh & Antony Sguazzin, *The US-Led Drive to Isolate Russia and China Is Falling Short*, BLOOMBERG (Aug. 5, 2022, 11:37 AM), <https://www.bnnbloomberg.ca/the-us-led-drive-to-isolate-russia-and-china-is-falling-short-1.1801818> (depicting a chart that shows how the majority of G20 economies trade more with China than the US). China is now “the world’s largest sovereign creditor in overseas development finance.” Michael Sampson & Jue Wang, *China’s Approach to Global Economic Governance*, CHATHAM HOUSE (Dec. 6, 2021), <https://www.chathamhouse.org/2021/12/chinas-approach-global-economic-governance/development-finance-new-model>.

108. See Riccardo Alcaro, *The Paradoxes of the Liberal Order: Transatlantic Relations and Security Governance*, in *THE WEST AND THE GLOBAL POWER SHIFT: TRANSATLANTIC RELATIONS AND GLOBAL GOVERNANCE* 197, 202 (Riccardo Alcaro, John Peterson, & Ettore Greco ed., 2016) (mentioning that US and Europe had prominent roles in global and regional governance).

109. See Hans Kundnani, *What is the Liberal International Order?*, GERMAN MARSHALL FUND (May 3, 2017), <https://www.gmfus.org/news/what-liberal-international-order> (discussing the liberal international order and how it is perceived by countries like India and Brazil).

110. *Id.*

without merit. For instance, the advanced economies of the G7¹¹¹ clearly have an outsized influence over the international order, as they are able to steer the agenda of these institutions in ways that align with their own interests.¹¹² The UN security council, which is essentially composed of the victors of WWII, does not accurately reflect the current configuration of global power. It does not, for example, acknowledge the importance of rising powers such as India and Brazil or the resurgence of Japan and Germany while it clearly overvalues the role of France and the United Kingdom. In large countries such as Brazil, India, Indonesia, and Turkey—the “global swing states” as they have been called—there is less concern about the perceived crisis of the liberal international order than there is in Western capitals.¹¹³ Some even view its decline as a potential opportunity.¹¹⁴

These governments have legitimate concerns that maintaining the current international architecture might mean preserving an implicit ideological bias. For example, many argue, quite persuasively, that organizations such as the WTO and the IMF promote specific values that may be unfair to less developed nations in the Global South.¹¹⁵ Throughout the 1980s and 1990s, the World Bank and IMF explicitly enacted policies based on the “Washington Consensus,” which emphasized free market economics through deregulation, privatization, and trade liberalization.¹¹⁶ These policies, chiefly implemented through Structural Adjustment Programs,¹¹⁷ arguably “support an economic order that benefits elites and private sector interests at the expense of poor and marginalized communities.”¹¹⁸ Moreover, there is also an argument to be made that having a dominant institutional structure is stultifying. Competition between international institutions would allow these institutions to evolve in a more efficient manner.¹¹⁹ In the absence of competition, sub-optimal institutions

111. The Group of Seven (G7) is an intergovernmental political forum that serves as a platform for the coordination of global policy comprised of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States, as well as the European Union. *Canada and the G7*, GOV. OF CANADA (Jul. 19, 2023), https://www.international.gc.ca/world-monde/international_relations-relations_internationales/g7/index.aspx?lang=eng.

112. See Wade, *supra* note 50, at 203 (discussing how the US can influence developing countries with the World Bank).

113. See DANIEL M. KLIMAN & RICHARD FONTAINE, CTR FOR A NEW AM. SEC., GLOBAL SWING STATES: BRAZIL, INDIA, INDONESIA, TURKEY AND THE FUTURE OF INTERNATIONAL ORDER 5–6 (2012) (discussing the concept of “global swing states”). See generally Wade, *supra* note 50.

114. Kundnani, *supra* note 109.

115. See generally *id.*

116. BRETTON WOODS PROJECT, *supra* note 50.

117. *Id.*

118. *Id.*

119. Friedrich Hayek is perhaps the most well-known exponent of this efficiency argument. *E.g.*,

can persist and, in the long run, impede the development of global governance.¹²⁰

2. Why Brittle Orders Often Collapse Quickly

Brittle orders can collapse quickly because systems that generate network effects and lock-in can, in the right circumstances, “tip” suddenly.¹²¹ Tipping occurs when a system abruptly shifts to a new equilibrium.¹²² This can happen when two standards (read institutional orders), both generating network effects and lock-in, are competing with each other, and the upstart standard gains enough traction that users begin to see it as a viable alternative. At this point, a cascade can occur in which users of one network suddenly abandon it and switch to the other.¹²³

F.A. HAYEK, *THE CONSTITUTION OF LIBERTY* 58–63 (1960).

120. Indeed, this is the main point of the ‘new institutionalists’: lock-in may cause sub-optimal institutional arrangements to persist. See NORTH, *supra* note 20, at 51, 81–94 (discussing the need for competition); Avner Greif, *Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies*, 102 J. POL. ECON. 912, 926 (1994) (comparing how merchants would consider cheating under either an individualist or collectivist culture); Gary G. Hamilton & Robert Feenstra, *The Organization of Economies*, in *THE NEW INSTITUTIONALISM IN SOCIOLOGY*, 153, 172–73 (Mary C. Brinton & Victor Nee, eds., 1998) (noting that capitalist institutions could differ between different countries due to differing social factors).

121. This brief but important section on tipping draws from a previous explanation of the concept I provided in another article. For a more detailed treatment of the subject, see Bryan H. Druzin, *Tipping Points and the Formation of the European Union: Birth, Brexit, and Beyond*, 27 COLUM. J. EUR. L. 68, 68–72 (2021) (analyzing the institutional growth of the EU as a function of network effects and evaluating the potential dissolution of the EU as consequence of Brexit).

122. For the foundational work on the concept of tipping points, see generally Morton Grodzins, *Metropolitan Segregation*, 197 SCI. AM. 33 (1957) (describing white flight to the suburbs); MORTON GRODZINS, *THE METROPOLITAN AREA AS A RACIAL PROBLEM* (1958); Thomas C. Schelling, *Dynamic Models of Segregation*, 1 J. MATHEMATICAL SOCIO. 143 (1971) (outlining a general theory of tipping with respect to neighbourhood racial self-segregation); THOMAS C. SCHELLING, *MICROMOTIVES AND MACROBEHAVIOR* 92–94, 98–99 (2006) (discussing how individual behavior on the microlevel often produce unanticipated macrolevel group patterning); Mark Granovetter, *Threshold Models of Collective Behavior*, 83 A. J. SOCIO. 1420 (1978) (looking at tipping points in such things as riot behaviour, rumour diffusion, voting, and migration); Mark Granovetter & Roland Soong, *Threshold Models of Diffusion and Collective Behavior*, 9 J. MATHEMATICAL SOCIO. 165 (1983) (discussing threshold models and population heterogeneity involving situations where people’s decisions or actions depend on other people’s previous ones); Mark Granovetter & Roland Soong, *Threshold Models of Interpersonal Effects in Consumer Demand*, 7 J. ECON. BEHAV. & ORG. 83 (1986) (discussing bandwagons and reverse bandwagons in relation to buying patterns); Mark Granovetter & Roland Soong, *Threshold Models of Diversity: Chinese Restaurants, Residential Segregation, and the Spiral of Silence*, 18 SOCIO. METHODOLOGY 69 (1988) (developing a mathematical model of binary situations in which a person’s choice partly depends on the composition of the group that has already decided). Threshold models form the basis of the concept of “tipping.” These models have been used in various forms of collective behavior, such as social insects, animal herds, and human society. They were first introduced by James M. Sakoda and further developed by Schelling and Granovetter. See generally James M. Sakoda, *The Checkerboard Model of Social Interaction*, 1 J. MATHEMATICAL SOCIO. 119 (1971).

123. See Druzin, *supra* note 121, at 75–76 (“When the network effect pressure of one network collapses, the other network absorbs its users and grows stronger.”).

The reason tipping happens so abruptly is that there is a lack of support for the old network. Users stay in the network simply because they are locked into it, so as soon as the new network has gained sufficient momentum, these discontented users switch over to the new network.¹²⁴ As they desert the old network and join the new one, network effects kick in, and the value of the new network increases while the value of the old one decreases.¹²⁵ A “tipping point” is reached where the market suddenly slides in the direction of the new network.¹²⁶ Even supporters of the old network eventually respond to the widening gap in value between the two networks by switching to the new one. The literature uses the terms tipping-in and tipping-out to describe this kind of zero-sum relationship between competing networks.¹²⁷ Tipping-in refers to the self-reinforcing cycle in which actors stream into the new network; tipping-out describes the vicious cycle of actors abandoning the old network.¹²⁸ The process can unfold quickly because an actor leaving one network to join the other not only strengthens the winning network but also simultaneously weakens the other one.¹²⁹

Because the value of international institutions for each of its member states is tied to the participation of other member states, institutional systems are susceptible to tipping. The risk with a strategy that isolates a significant portion of the global economy is that the isolated power may establish rival institutions. If this alternative institutional system begins producing strong network effects and gains a sufficient head of steam, it will give disaffected nations an alternative to the current US-led global order and may cause the international system to tip with countries, even those that presently support the liberal order, abandoning its institutions. Because the strength of the liberal order may hinge a great deal on the absence of competition, if enough “global swing states” are presented with an alternative, the system could tip, and the liberal order could come apart fast.

IV. THIS MAY ALREADY BE HAPPENING

To some extent, we may already be seeing the first glimmers of a new institutional architecture emerging. The lock-in effects created by the liberal

124. *Id.*

125. David Singh Grewal, *Network Power and Global Standardization: The Controversy over the Multilateral Agreement on Investment*, 36 *METAPHILOSOPHY* 128, 134–36 (2005).

126. See generally MALCOLM GLADWELL, *THE TIPPING POINT: HOW LITTLE THINGS CAN MAKE A BIG DIFFERENCE* (1st ed. 2000) (giving a non-academic treatment of this idea, which helped to popularize the idea and introduce it to a general audience).

127. See SCHELLING, *supra* note 122, at 101–02 (2006) (discussing the idea of tipping in relation to the concept of critical mass).

128. See Druzin, *supra* note 121, at 76 (explaining the concepts of tipping-in and tipping-out).

129. *Id.* at 75.

international order arguably shows signs of weakening. There is, for example, a clear lack of unity in how the international community has responded to Russia's invasion of Ukraine.¹³⁰ Many countries have chosen to remain on the sidelines.¹³¹ Many governments in "the non-western world, which may not favor the Kremlin's war, [are not] eager to isolate Russia. Many see the current barbarism as disgusting but not exceptional."¹³² Major countries in the Global South, such as Saudi Arabia, the UAE, Egypt, India, Brazil, South Africa, Mexico, Argentina, and Indonesia, refused to follow the US in imposing sanctions on Russia,¹³³ and only half of the G-20 participated in the international sanctions against Russia for its invasion of Ukraine.¹³⁴

A. The Emergence of Alternative Institutions

The eclipse of American aegis over the world appears to be triggering an increasing appetite for regionalism. As the global balance of power shifts from the developed world towards China, India, and other countries in the Global South, many states are increasingly looking to regional blocs to protect their core interests.¹³⁵ Many countries feel they no longer need external great power patrons. They are concluding that they are better able to negotiate the geopolitical realities of their region independently.¹³⁶ The result is that the international system is fragmenting into multipolarity.¹³⁷ Regional orders are becoming more important as actors are left to work out dispute settlement mechanisms and trade deals on a regional basis. As such,

130. See Ian Prasad Philbrick, *The 'Messy Middle'*, N.Y. TIMES (Apr. 18, 2022), <https://www.nytimes.com/2022/04/18/briefing/russian-invasion-response-world-sanctions.html> ("Most of the world's 195 countries have not shipped aid to Ukraine or joined in sanctions.").

131. *Id.*

132. Ivan Krastev, *To Isolate Russia is Not in the West's Power or Interest*, FIN. TIMES (Apr. 23, 2022), <https://www.ft.com/content/5e357d9e-6717-4091-a7db-fe43bdbdab1d>.

133. Robert G. Rabil, *Has Russia's Invasion of Ukraine Doomed the Dollar?*, NAT'L INT. (Dec. 23, 2022), <https://nationalinterest.org/feature/has-russia%E2%80%99s-invasion-ukraine-doomed-dollar-206047?page=0%2C1>.

134. *Supra* Crawford, Marsh & Sguazzin, note 107.

135. See Robert Kagan, *The Twilight of the Liberal World Order*, BROOKINGS (Jan. 24, 2017), <https://www.brookings.edu/research/the-twilight-of-the-liberal-world-order/> (arguing that medium-size powers are aiming to gain regional hegemony).

136. See Imran Malik, *Shifting Power*, THE NATION (Oct. 7, 2023), <https://www.nation.com.pk/07-Oct-2023/shifting-power> ("New centres and communities of power are crystallising at the global, regional, and sub-regional levels. . . At the regional level, middle and smaller powers are breaking free of the stranglehold of erstwhile colonial and other masters and pursuing independent policies. They seek multi-alignment regardless of the degree of animosity between the major global powers.").

137. Josep Borrell, *How to Revive Multilateralism in a Multipolar World*, EUROPEAN EXTERNAL ACTION SERVICE (Mar. 16, 2021), https://www.eeas.europa.eu/eeas/how-revive-multilateralism-multipolar-world_en.

multilateral organizations such as the Association of Southeast Asian Nations (ASEAN), the Gulf Cooperation Council, the African Union, and the Southern Common Market have become significant players in setting regional economic and political agendas.¹³⁸

Perhaps the most important of these new geopolitical groupings is the BRICS group, which is comprised of Brazil, Russia, India, China, and South Africa.¹³⁹ Representing more than 43 percent of the world's population¹⁴⁰ and 25 percent of global GDP, the BRICS is a potential rival to the G7 whose share of global GDP now stands at 27 percent.¹⁴¹ In purchasing parity terms, the BRICS countries have already overtaken the G7: the BRICS countries comprise 31.5 percent of global GDP, while the G7's share has fallen to 30 percent. The BRICS countries will likely represent more than half of all global GDP by 2030.¹⁴² The BRICS are partnering to establish new institutional alternatives outside of Western-controlled financial organizations such as the IMF or the World Bank.¹⁴³ For example, the NDB, based in Shanghai, was established in 2014 to marshal resources for infrastructure and sustainable development ventures geared towards emerging economies worldwide.¹⁴⁴ The NDB is already facilitating investment across developing economies, primarily centered on large infrastructure projects.¹⁴⁵ There is interest in enlarging the number of BRICS members.¹⁴⁶ To date, 40 countries have either formally applied or expressed interest in joining BRICS.¹⁴⁷

In August 2023, the BRICS agreed to admit Saudi Arabia, Iran,

138. Kevin Bloor, *Regionalism and the European Union* (May. 21, 2022), <https://www.e-info/2022/05/21/regionalism-and-the-european-union/>.

139. BRICS, INFORMATION PORTAL, <http://infobrics.org/> (last visited Oct. 13, 2023).

140. Mark A. Green, *The BRICS Rivalry*, WILSON CENTER (May 30, 2023), <https://www.wilsoncenter.org/blog-post/brics-rivalry>.

141. *Gross Domestic Product (GDP) of the BRICS Countries from 2000 to 2028*, STATISTA, <https://www.statista.com/statistics/254281/gdp-of-the-bric-countries/>

142. Chris Devonshire-Ellis, *The BRICS Has Overtaken the G7 in Global GDP*, SILK ROAD BRIEFING (Mar. 27, 2023), <https://www.silkroadbriefing.com/news/2023/03/27/the-brics-has-overtaken-the-g7-in-global-gdp/>.

143. See Rabil, *supra* note 133.

144. *New Development Bank*, BRICS INDIA 2021, <https://brics2021.gov.in/ndb> (last visited Oct. 13, 2023).

145. *About NDB*, NEW DEVELOPMENT BANK, <https://www.ndb.int/about-ndb/> (last visited Oct. 13, 2023).

146. Astrid Prange, *A New World Order? BRICS Nations Offer Alternative to West*, DEUTSCHE WELLE (Apr. 10, 2023), <https://www.dw.com/en/a-new-world-order-brics-nations-offer-alternative-to-west/a-65124269>.

147. Tim Cocks, *More Than 40 Nations Interested in Joining BRICS, South Africa Says*, REUTERS (July 20, 2023, 7:07 AM), <https://www.reuters.com/world/more-than-40-nations-interested-joining-brics-south-africa-2023-07-20/>.

Ethiopia, Egypt, Argentina and the United Arab Emirates into the bloc,¹⁴⁸ a move seen by many as a strategic bid for control over the world's energy supplies.¹⁴⁹ This enlargement “could have important implications for energy investment and trade, since it brings together large mineral resource holders and major oil producers, as well as some of the fastest growing energy consumers.”¹⁵⁰

Many observers argue that the BRICS countries are “setting themselves up as an alternative to existing international financial and political forums.”¹⁵¹ These countries are experiencing their geopolitical moment and are attempting to establish “themselves as representatives of the Global South, providing ‘an alternative model to the G7.’”¹⁵² As the BRICS countries push for a multilateral architecture that better reflects their objectives, it is possible that the G20 may fracture into competing groups made up of the G7 plus Australia and the BRICS nations together with much of the non-aligned Global South.¹⁵³

Clearly, much of the Global South, led largely by China, is seeking to reshape the future trajectory of globalization by establishing new networks of international institutions capable of one day competing with existing (largely US-led) ones.¹⁵⁴ China has spearheaded a host of multilateral institutional creation efforts.¹⁵⁵ Over roughly the last thirty years, China has been building new multilateral organizations designed to strengthen regional partnerships and enhance both regional and international cooperation.¹⁵⁶ Whether through informal gatherings or formal intergovernmental institutions, these initiatives aim to bolster economic integration through

148. Carien du Plessis, Anait Miridzhanian & Bhargav Acharya, *BRICS Welcomes New Members in Push to Reshuffle World Order*, REUTERS (Aug. 24, 2023, 9:11 PM), <https://www.reuters.com/world/brics-poised-invite-new-members-join-bloc-sources-2023-08-24/>.

149. See *BRICS Is Doubling Its Membership. Is the Bloc a New Rival for the G7?*, ATLANTIC COUNCIL (Aug. 24, 2023), <https://www.atlanticcouncil.org/blogs/new-atlanticist/experts-react/brics-is-doubling-its-membership-is-the-bloc-a-new-rival-for-the-g7/> (“[T]he expanded bloc includes a greater concentration of energy-producing countries . . .”).

150. Gracelin Baskaran & Ben Cahill, *Six New BRICS: Implications for Energy Trade*, CTR. FOR STRATEGIC & INT’L STUD. (Aug. 25, 2023), <https://www.csis.org/analysis/six-new-brics-implications-energy-trade>.

151. Prange, *supra* note 146.

152. *Id.*

153. See Zoltan Pozsar, Opinion, *Great Power Conflict Puts the Dollar’s Exorbitant Privilege Under Threat*, FIN. TIMES (Jan. 20, 2023), <https://www.ft.com/content/3e05b491-d781-4865-b0f7-777bc95ebf71> (predicting that these rifts, along with macroeconomic imbalances in the US, will affect the dollar-based monetary order).

154. Rabil, *supra* note 133.

155. Matthew D. Stephen, *China’s New Multilateral Institutions: A Framework and Research Agenda*, 23 INT’L STUD. REV. 807, 826 (2021).

156. *Id.*

vital infrastructure projects and development. Flagship examples include the Asian Infrastructure Investment Bank (AIIB), now one of the largest multilateral development institutions,¹⁵⁷ and the Shanghai Cooperation Organization, a collective security organization comprised of eight Asian countries that together represent about 40 percent of the world's total population.¹⁵⁸ Central to this overarching project of integration is China's Belt and Road Initiative (BRI), a vast network of infrastructural and investment projects spanning Asia, Africa, and parts of Europe and South America designed to promote connectivity and boost Chinese economic linkages internationally.¹⁵⁹

Together, these initiatives are arguably the building blocks of a parallel order that will initially complement, but could one day supplant, the institutional framework of the liberal order.¹⁶⁰ Some scholars view China's efforts to establish alternative institutions simply as a form of "institutional balancing," an attempt to strengthen its position relative to the US.¹⁶¹ Whatever the motivation is, however, it is clear that China is building its own multilateral institutional infrastructure.¹⁶² To some extent, many of these institutions, particularly as a source of development finance, are already functioning as an alternative to the US-led liberal international order and its institutions.¹⁶³

157. See *China's Intentions for the Asian Infrastructure Investment Bank*, AUSTRALIAN INST. OF INT'L AFF., <https://www.internationalaffairs.org.au/chinas-intentions-for-the-asian-infrastructure-investment-bank/> ("[T]he AIIB has global legitimacy due to its expansive membership, which includes large European national economies and around two-thirds of the membership of the G20.").

158. Vijay Prashad, *The Road to De-Dollarisation Will Run through Saudi Arabia: The Fiftieth Newsletter*, TRICONTINENTAL (Dec. 15, 2022), <https://thetricontinental.org/newsletterissue/petrodollar-system/>.

159. Pozsar, *supra* note 153. In 2019, the BRI included more than 70 countries, making up around 60% of the global population, around a third of all global trade, and around a third of the global GDP. *GDP Growth (annual %) – China, 2019*, WORLD BANK, <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN>.

160. OLIVER STUENKEL, *POST-WESTERN WORLD: HOW EMERGING POWERS ARE REMAKING GLOBAL ORDER* 10 (2016).

161. See, e.g., Kai He, *Contested Regional Orders and Institutional Balancing in the Asia Pacific*, 32 INT'L POL. 208 (2014) (using institutional balancing theory to contextualize China's rise and competition with "US-led bilateralism"); Kai He, *Contested Multilateralism 2.0 and Regional Order Transition: Causes and Implications*, 32 PAC. REV. 210 (2019) (arguing that, after the 2008 global financial crisis, a new wave of multilateralism arose in the Asia-Pacific, and states used institutional balancing as a tool for greater power and influence); Jing-Dong Yuan, *Beijing's Institutional-Balancing Strategies: Rationales, Implementation and Efficacy*, 72 AUSTRALIAN J. OF INT'L AFF. 110 (2018) (examining China's institutional-balancing strategies and practices).

162. Stephen, *supra* note 155, at 808.

163. See *Chinese Loans and Investment in Infrastructure Have Been Huge*, THE ECONOMIST (May 20, 2022), <https://www.economist.com/special-report/2022/05/20/chinese-loans-and-investment-in-infrastructure-have-been-huge> ("From 2007 to 2020, Chinese infrastructure financing for sub-Saharan Africa was 2.5 times as big as all other bilateral institutions combined.").

In many ways, the establishment of the AIIB perfectly illustrates the core argument of this Article. In an attempt to contain China's growing economic influence, the US blocked the reform of voting rights in the World Bank and the IMF that would have given China a greater say in global economic governance.¹⁶⁴ China responded in 2015 by establishing the AIIB as an institutional alternative to the World Bank.¹⁶⁵ Citing labor and environmental concerns, the US vigorously lobbied its allies to not join the AIIB.¹⁶⁶ This lobbying effort failed. With the one exception of Japan, every US ally joined the AIIB, and the institutional centrality of the World Bank diminished as a result.¹⁶⁷

B. Cracks in the Dam: Glimmers of Dedollarization

The position of the US dollar as the world's *de facto* reserve currency is as important to the liberal international order as any of its other institutions. The US dollar's supremacy stabilizes global order by providing predictability in the global economy.¹⁶⁸ If faith in the dollar should collapse, the global economy would be severely impacted.

1. The Dominance of the Dollar

While every nation has its own currency, not every nation uses their currency to interact with the rest of the world. The vast bulk of international transactions are conducted using the US dollar.¹⁶⁹ The former French president Valéry Giscard d'Estaing once remarked that the US dollar enjoys "the exorbitant privilege" of being the world's reserve currency.¹⁷⁰ This

164. Matthias Sobolewski & Jason Lange, *U.S. Urges Allies to Think Twice Before Joining China-led Bank*, REUTERS (Mar. 17, 2015, 9:06 PM), <https://www.reuters.com/article/us-europe-asia-bank-idUKKBN0MD0B320150318>.

165. Reuters Staff, *World Bank to Take Lead on Projects with China's AIIB-Kim*, REUTERS (Apr. 14, 2016, 4:30 PM), <https://www.reuters.com/article/imf-g20-aiib-idUSL2N17H1JZ>.

166. Kenneth Rapoza, *Washington's Lobbying Efforts Against China's 'World Bank' Fail as Italy, France Welcomed Aboard*, FORBES (Apr. 3, 2015, 7:00 AM), <https://www.forbes.com/sites/kenrapoza/2015/04/03/washingtons-lobbying-efforts-against-chinas-world-bank-fail-as-italy-france-welcomed-aboard/?sh=589abc3e374b>.

167. *Members and Prospective Members of the Bank*, ASIAN INFRASTRUCTURE INV. BANK (last visited Sept. 28, 2023), <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html>.

168. Danielle Han, *Why Is the U.S. Dollar So Strong?*, JSTOR DAILY (Nov. 7, 2022), <https://daily.jstor.org/why-is-the-us-dollar-so-strong/>.

169. See Francesco Guerrera, *Why the Dollar Keeps Winning in the Global Economy*, REUTERS (Feb. 28, 2023, 8:55 AM), <https://www.reuters.com/breakingviews/global-markets-breakingviews-2023-02-28/> (the US Federal Reserve estimates that "between 1999 and 2019 the dollar accounted for 96% of trade invoicing in the Americas, 74% in the Asia-Pacific region, and 79% in the rest of the world. Banks used the greenback for around 60% of all international deposits and loans").

170. BARRY EICHENGREEN, *EXORBITANT PRIVILEGE: THE RISE AND FALL OF THE DOLLAR AND THE FUTURE OF THE INTERNATIONAL MONETARY SYSTEM* 4 (2011).

privilege, however, is not set in stone. The strength of a currency, like any other institution, is very much subject to network effects and lock-in pressures, perhaps especially so.¹⁷¹ This makes it difficult to get an accurate sense for how much of the US dollar's strength flows simply from its unique status as the world's reserve currency, held in place by lock-in effects, rather than as a genuine reflection of confidence in the US economy.¹⁷² Like other institutions, whether the dollar is more fragile than it appears will only become clear when it is tested.

The US dollar has been the dominant currency for global trade since the 1944 Bretton Woods Conference when forty-four allied nations agreed to link their currencies to the dollar and establish a new international monetary system with the dollar as its primary reserve currency.¹⁷³ This was crucial to the management of the world economy: the Bretton Woods international financial institutions, such as the IMF and the World Bank, “became tied to the American market and dollar. . . . [T]he American domestic system—its market and polity—became ‘fused’ to the evolving and deepening postwar liberal order.”¹⁷⁴ Most financial transactions today are denominated in US dollars, and most foreign exchange reserves are held in the dollar.¹⁷⁵ Because no other currency can rival its dominant position, use of the US dollar as the global reserve currency generates powerful lock-in effects.

The growing weaponization of the US dollar has frightened many governments into reassessing their reliance on the dollar.¹⁷⁶ The

171. See GREWAL, *supra* note 14, at 88–105 (discussing how money generates powerful network effects because of its role in the coordination of economic exchange through the provision of a common standard that facilitates the exchange of goods and services).

172. In many ways, this is self-reinforcing: so long as the dollar is the world's reserve currency, the US economy will be perceived as strong; so long as the US economy is felt to be strong, the dollar can continue as the world's reserve currency.

173. *The Bretton Woods Conference, 1944*, U.S. DEP'T. OF STATE ARCHIVE (last visited Sept. 7, 2023), <https://2001-2009.state.gov/r/pa/ho/time/wwii/98681.htm>. See DIEGO OLSTEIN, *A BRIEF HISTORY OF NOW: THE PAST AND PRESENT OF GLOBAL POWER* 140 (2021) (noting the significance of the Bretton Woods Conference to the development of an economic world hegemony). See generally Emine Boz et al., *Global Trade and the Dollar* (IMF Working Paper No. 17/239, 2017).

174. G. John Ikenberry, *The End of Liberal International Order?*, 94 INT'L AFFAIRS 7, 15 (2018).

175. See Druzin, *supra* note 121, at 79 (measuring UK GDP using current USD).

176. See Vivekanand Jayakumar, Opinion, *The Weaponization of Finance Threatens the Future of the Dollar Standard*, THE HILL (Mar. 1, 2022, 7:30 AM), <https://thehill.com/opinion/finance/596116-the-weaponization-of-finance-may-threaten-the-future-of-the-dollar-standard/> (noting that weaponization of the US dollar has prompted countries such as China to work towards reducing their reliance on the US dollar); *America's Aggressive Use of Sanctions Endangers the Dollar's Reign*, THE ECONOMIST (Jan. 18, 2020), <https://www.economist.com/briefing/2020/01/18/americas-aggressive-use-of-sanctions-endangers-the-dollars-reign> (providing examples of countries working to reduce reliance on the US dollar); Eli Clifton, *Dedollarization Is Here, Like It or Not*, RESPONSIBLE STATECRAFT (May 24, 2023), <https://responsiblestatecraft.org/2023/05/24/dedollarization-is-here-like-it-or-not/> (“A major driver of this trend [dedollarization] is Washington's weaponization of the dollar via expansive sanctions that

unprecedented scale of the sanctions imposed on Russia and the casualness with which the US government has confiscated the foreign reserves of countries that pass through the dollar banking system has triggered alarm in some capitals.¹⁷⁷ Governments uneasy with their geopolitical relationship with the US have begun searching for ways to reduce their dependence on the US dollar.¹⁷⁸ While still very much in its nascent stage, we may be witnessing the emergence of a more multipolar system in which a basket of currencies is used for international trade settlement rather than the current hyper-reliance on the US dollar.¹⁷⁹

2. Dethroning the Dollar

The dominance of the US dollar in the global economic system is subtly but unmistakably being challenged.¹⁸⁰ Many governments are debating the possibility of a new international reserve currency.¹⁸¹ Although initial efforts were mainly spearheaded by US adversaries facing the brunt of US sanctions, interest in dedollarization is gaining pace and now “appears to be an unstoppable trend as countries around the world look to reduce their dependence on US currency.”¹⁸² Many countries that do not necessarily have acrimonious relations with the US are now showing an interest in decreasing their reliance on the US dollar. For example, Brazil and Argentina are currently planning the introduction of a common currency called the SUR (“South” in Portuguese).¹⁸³ If established, the SUR would be the world’s second-largest currency union after the Euro.¹⁸⁴ The BRICS countries, which together account for roughly a quarter of the global economy,¹⁸⁵ are in the

currently cover 29 percent of the global economy and 40 percent of global oil reserves.”).

177. See Jonathan Wheatley & Colby Smith, *Russia Sanctions Threaten to Erode Dominance of US Dollar*, *Says IMF*, *FIN. TIMES* (Mar. 31, 2022), <https://www.ft.com/content/3e0760d4-8127-41db-9546-e62b6f8f5773> (reporting that sanctions imposed on Russia following its invasion of Ukraine threaten to fragment the international monetary system).

178. *Id.*

179. *Id.*

180. Zongyuan Zoe Liu, Opinion, *China Is Quietly Trying to Dethrone the Dollar*, *FOREIGN POL’Y* (Sept. 21, 2022, 3:59 PM), <https://foreignpolicy.com/2022/09/21/china-yuan-us-dollar-sco-currency/>.

181. See Druzin, *supra* note 121 (arguing that small tipping points trigger large systemic shifts).

182. Clifton, *supra* note 176.

183. Maria Eloisa Capurro, *About the Brazil-Argentina Not-a-Common Currency Idea*, *BLOOMBERG* (Jan. 27, 2023, 1:00 AM), <https://www.bloomberg.com/news/articles/2023-01-26/about-the-brazil-argentina-not-a-common-currency-idea-quicktake#xj4y7vzkg>.

184. Alexander Busch, *The Sur: Argentina, Brazil Put Common Currency Plan on Ice*, *DW* (Jan. 24, 2023), <https://www.dw.com/en/the-sur-argentina-brazil-walk-back-their-plan-for-a-common-currency/a-64501423>.

185. Parisa Hafezi & Guy Faulconbridge, *Iran Applies to Join China and Russia in BRICS Club*, *REUTERS* (June 28, 2022, 11:12 PM), <https://www.reuters.com/world/middle-east/iran-applies-join-brics-group-emerging-countries-2022-06-27/>.

final phases of creating an international currency to replace the US dollar in international trade settlements.¹⁸⁶ There is speculation that this new trading currency will be backed by gold, and central banks have already responded by stockpiling their reserves of gold.¹⁸⁷

There is a discernable drift away from the dollar, although this is proceeding in a limited and incremental manner. The UAE, for example, has recently chosen to issue its bonds using its own currency instead of the dollar.¹⁸⁸ Egypt will likewise issue bonds (over \$500 million) in Chinese yuan.¹⁸⁹ In a move to improve its reserve assets, the Bank of Israel incorporated the Chinese yuan in April 2022.¹⁹⁰ This diversification is a marked departure from the Bank of Israel's traditional holdings, which was held in euros, British pounds, and dollars.¹⁹¹ In an April 2023 visit to the NDB in Shanghai, Brazilian President Luiz Inacio Lula da Silva lashed out against the global dominance of the dollar, asking “[w]hy should every country have to be tied to the dollar for trade? . . . Who decided the dollar would be the [world’s] currency?”¹⁹² Many world leaders, particularly in the Global South, are now beginning to echo this sentiment.

China appears to be attempting to foster the use of the yuan in international trade to bypass the US dollar.¹⁹³ For example, the Chinese have created yuan clearing banks, included the use of the yuan in the IMF's Special Drawing Rights basket, and have been promoting the internationalization of the yuan¹⁹⁴ (China currently settles about one-third of its exports in yuan).¹⁹⁵ To further promote settlement in yuan, the Chinese

186. Yaroslav Lissovnikov, *A BRICS Reserve Currency: Exploring the Pathways*, MOD. DIPL. (Dec. 21, 2022), <https://modern diplomacy.eu/2022/12/21/a-brics-reserve-currency-exploring-the-pathways/>.

187. Micheal Roach, *De-dollarisation: Shifting Power Between the U.S. and BRICS*, THE INTERPRETER (Aug. 8, 2023), <https://www.lowyinstitute.org/the-interpreter/de-dollarisation-shifting-power-between-us-brics>.

188. Robert G. Rabil, *Has Russia's Invasion of Ukraine Doomed the Dollar?*, NAT'L INTEREST (Dec. 23, 2022), <https://nationalinterest.org/feature/has-russia%E2%80%99s-invasion-ukraine-doomed-dollar-206047?page=0%2C1>.

189. *Id.*

190. Daniel Avis, *Israel Adds Yuan to \$206 Billion Reserves in 'Philosophy' Change*, BLOOMBERG (Apr. 20, 2022, 5:38 AM), <https://www.bloomberg.com/news/articles/2022-04-20/israel-adds-yuan-to-206-billion-reserves-in-philosophy-change>.

191. *Id.*

192. *Brazil's Lula Criticises US Dollar and IMF During China Visit*, FRANCE 24 (Apr. 14, 2023), <https://www.france24.com/en/americas/20230414-brazil-s-lula-criticises-us-dollar-and-imf-during-china-visit>.

193. Liu, *supra* note 180.

194. Lord Jopling, NATO Parliamentary Assemb. Comm. on the Civil Dimension of Security [CDS], *China and The Global Liberal Order*, 029 CDS 20 E rev. 1, 4 (2020).

195. See Kandy Wong, *China Trade: Yuan Settlements Seen Rising as Geopolitical Strife Fuels Currency Diversification*, S. CHINA MORNING POST (Nov. 1, 2022, 7:00 AM),

have established their own payment and settlement system, CIPS, that can bypass the Swift system, the western-operated financial entity in Belgium that processes global transactions in US dollars, and which exerts global lock-in pressures over financial entities due to the lack of other payment systems with comparable scope.¹⁹⁶ To provide an alternative to the Swift system, China is looking into connecting its payment infrastructure with Russia's System for Transfer of Financial Messages payment system as well as potentially expanding it to include countries such as India,¹⁹⁷ which has created its own alternative system for settling international transaction payments in rupees.¹⁹⁸ Five countries in ASEAN have now agreed to the direct settlement of purchases using QR codes.¹⁹⁹ While currently the Chinese yuan is not yet a convertible currency, it is being increasingly used in transactions by China's trading partners.²⁰⁰

For now, however, although the term multipolarity is increasingly being bandied about, all of this remains in its infancy.²⁰¹ The US is still the most dominant actor in the international system. The US possesses a unique capacity to project military power around the world and thus retains command of the global commons—i.e., control of the air, space, and vital shipping lanes.²⁰² Within the realm of finance and trade, the US enjoys a similar command over the commons. The US dollar remains the world's

<https://www.scmp.com/economy/china-economy/article/3197866/china-trade-yuan-settlements-seen-rising-geopolitical-strife-fuels-currency-diversification> (noting that the percentage of Chinese trade settled in yuan increased from less than 20% to around 30% between the beginning of 2020 and August 2022).

196. Huileng Tan, *China and Russia are Working on Homegrown Alternatives to the SWIFT Payment System. Here's What They Would Mean for the US Dollar*, BUS. INSIDER (Apr. 29, 2022, 11:17 PM), <https://www.businessinsider.com/china-russia-alternative-swift-payment-cips-spfs-yuan-ruble-dollar-2022-4>. Swift links 11,000 banks and institutions in more than 200 countries. Russell Hotten, *Ukraine Conflict: What is Swift and Why is Banning Russia so Significant?*, BBC (May 4, 2022), <https://www.bbc.com/news/business-60521822>.

197. THE ECONOMIST, *supra* note 176.

198. See Kagan, *supra* note 135 (noting that nations such as Japan, India, South Korea, Vietnam, and Australia have kept Chinese and Russian ambitions in check).

199. Sean Salloux, *Digital Payment Innovation is Driving Financial Change in Emerging Markets Worldwide*, FINEXTRA (Jan. 23, 2023), <https://www.finextra.com/blogposting/23616/digital-payment-innovation-is-driving-financial-change-in-emerging-markets-worldwide>.

200. Zhang et al., *Yuan Overtakes Dollar to Become Most-Used Currency in China's Cross-Border Transactions*, REUTERS (Apr. 26, 2023, 7:13 AM), <https://www.reuters.com/markets/currencies/yuan-overtakes-dollar-become-most-used-currency-chinas-cross-border-transactions-2023-04-26/>.

201. Some describe this as a 'partial unipolarity.' That is, as a new unipolar system in which, though diminished, the distribution of power "remains closer to unipolarity than to either bipolarity or multipolarity." Stephen G. Brooks & William C. Wohlforth, *The Myth of Multipolarity: American Power's Staying Power*, FOREIGN AFFS. (Apr. 18, 2023), <https://www.foreignaffairs.com/united-states/china-multipolarity-myth>.

202. *Id.*

reserve currency, comprising nearly 60 percent of all official foreign exchange reserves.²⁰³ Most of the trade and financial transactions in the world are still carried out in dollars.²⁰⁴ This means the US can sell its tenured treasuries to the rest of the world, and the rest of the world will buy them because they perceive these debt obligations as risk-free assets. In practical terms, there is still no substitute for the US dollar in the global monetary system.²⁰⁵ Because the dollar's status as the world's global reserve currency is shored up by powerful lock-in effects, it would take a deeply disruptive shock to dethrone the dollar.

Such a shock, however, could come from Saudi Arabia. The strength of US dollar is largely underwritten by the commitment of Saudi Arabia together with other oil-producing countries to denominate global energy trade in dollars.²⁰⁶ With roughly 80 percent of all oil sales currently done in dollars, this “petrodollar system” determines the pricing and selling of oil in the international market.²⁰⁷ Governments wishing to purchase oil on the international market are forced to hold dollars in their foreign exchange reserves.²⁰⁸ This creates a constant demand for the dollar that shores up its value. So long as this is the case, the dollar's privileged position in international trade will continue. However, if a significant number of petroleum producers begin to exchange their oil in currencies other than the dollar, it could lead to a sudden devaluation of the dollar and shatter its lock-in effect.²⁰⁹

It is no insignificant matter, therefore, that China and Saudi Arabia have been in active discussions about the possibility of Riyadh pricing its oil sales to Beijing in yuan.²¹⁰ Saudi Arabia is the world's leading exporter of oil, and

203. Anshu Siripurapu & Noah Berman, *The Dollar: The World's Reserve Currency*, COUNCIL ON FOREIGN RELS. (Jul. 19, 2023, 2:30 PM), <https://www.cfr.org/background/dollar-worlds-currency>.

204. Some estimates put the US dollar involvement as high as 88% of all international transactions. Tyler Cowen, *What De-Dollarization? The Dollar Rules the World*, BLOOMBERG (Apr. 13, 2023, 10:00 AM), <https://www.bloomberg.com/opinion/articles/2023-04-13/the-dollar-rules-the-world-now-and-for-the-foreseeable-future>.

205. *Id.*

206. *Id.*

207. Phil Rosen, *China's Looking to Reorder Global Oil Trade by Transacting with Saudi Arabia in Yuan. The Move Could Dampen the Dollar's Dominance*, BUS. INSIDER (Dec. 13, 2022, 6:10 AM), <https://www.businessinsider.com/china-reopening-economy-crude-markets-global-energy-oil-prices-xi-2022-12>.

208. Siripurapu & Berman, *supra* note 203.

209. Summer Said & Stephen Kalin, *Saudi Arabia Considers Accepting Yuan Instead of Dollars for Chinese Oil Sales*, WALL ST. J. (Mar. 15, 2022, 11:48 AM), <https://www.wsj.com/articles/saudi-arabia-considers-accepting-yuan-instead-of-dollars-for-chinese-oil-sales-11647351541>.

210. See Maha El Dahan & Aziz El Yaakoubi, *China's Xi Calls for Oil Trade in Yuan at Gulf Summit in Riyadh*, REUTERS (Dec. 10, 2022, 4:12 AM), <https://www.reuters.com/world/saudi-arabia-gathers-chinas-xi-with-arab-leaders-new-era-ties-2022-12-09/> (reporting on a Saudi Arabia summit where

China is the world's largest consumer of energy.²¹¹ If Saudi Arabia were to begin trading oil entirely in yuan, it would undercut the dominance of the US dollar as the world's reserve currency and quickly shift the balance of global economic power.²¹² While still a long way off, these moves may signal an emerging trend towards plurilateral trade settlement systems that bypass the US dollar. If fewer international trades are conducted using the US dollar, the "exorbitant privilege" of the dollar as the global reserve currency could be permanently lost.²¹³

At the end of the day, institutions are only as strong as they are perceived to be, and the US dollar is no exception to this rule. It should not be underestimated how quickly the structure of the international monetary system could change if the US dollar lost credibility in the eyes of the global community. And this is true for all the institutions that constitute the liberal order. When dealing with institutions, there may be long periods in which there is no change at all. However, when change comes, it can do so in a sudden, punctuated fashion with institutions dissolving swiftly as their lock-in effect collapses.

V. CONCLUSION

The liberal international order is a monopoly. It is the dominant system of international governance, and, as of now, there is no credible, rival institutional system. The problem with monopolies, however, is that it is very difficult to gauge their true strength. Their stability may rely partially or entirely on simply the absence of competition. This Article used the term "brittle order" to describe this kind of institutional system. Brittle orders project an impression of stability; however, they can quickly come undone once an alternative presents itself. It might be the case that the liberal international order is a brittle order, and its institutions may be far more fragile than they appear. If this is the case, a containment strategy against China could have disastrous consequences. It could destroy the liberal order

President Xi Jinping told Gulf Arab leaders that China would transition to buying oil and gas in Yuan).

211. Aziz El Yaakoubi & Maha El Dahan, *Saudi Arabia Seeks Cooperation with China, 'Ignores' Western Worries*, REUTERS (June 11, 2023, 10:20 AM), <https://www.reuters.com/world/middle-east/gcc-china-free-trade-deal-must-protect-emerging-gulf-industries-saudi-minister-2023-06-11/>.

212. See John Feng, *China is Trying to End America's Petrodollar Monopoly*, NEWSWEEK (Dec. 12, 2022, 12:47 PM), <https://www.newsweek.com/china-saudi-arabia-gulf-arab-states-gcc-opec-america-dollar-oil-gas-energy-1766419> (explaining the implications of President Xi's call for oil and gas trade to be settled in Yuan instead of US dollars); Wheatley & Smith, *supra* note 177 (noting that greater use of Chinese currency can account for roughly a quarter of the US dollar's decline in value). See generally DAVID E. SPIRO, *THE HIDDEN HAND OF AMERICAN HEGEMONY: PETRODOLLAR RECYCLING AND INTERNATIONAL MARKETS* (2019).

213. See Kagan, *supra* note 135 (emphasizing the centrality of American power to upholding the international order).

it seeks to defend because it might splinter the international system into distinct economic and political blocs and force China and its partners to establish an independent institutional system. Should this rival system prove successful, nations will have an alternative to the liberal order. Once this happens, the lock-in effect that undergirds the liberal order will weaken, and it may quickly unravel with nations abandoning its institutions in a self-reinforcing fashion. New network effects might then cause the international system to reconsolidate into a new institutional order.²¹⁴

Arguably, the lock-in effect of the current global order is already showing signs of strain. The emergence of alternative institutions that could soon rival those of the US-led system, along with growing attempts at dedollarization, suggest that nations feel less constrained by the lock-in effect of the liberal order. In the face of this change, the most effective way to ensure that the liberal order survives the decline of US primacy is to maintain the strength of its lock-in effect, and the best way to do this is to discourage institutional competition by not isolating China from the global system. If the US persists in trying to isolate China, it may end up destroying the liberal order it built or bifurcating the global institutional landscape into two or even several competing blocs, each with its own institutions and norms. Such an outcome would be a devastating blow to the advance of global governance and should be avoided at all costs.

214. It is possible for the process of globalization to fracture into multiple competing systems, ushering in a world that is “organized into rival blocs or exclusive regional spheres.” G. JOHN IKENBERRY, *LIBERAL LEVIATHAN: THE ORIGINS, CRISIS, AND TRANSFORMATION OF THE AMERICAN WORLD ORDER*, at xii (2011). However, given the consolidating force of the network effects that economic trade and institutional governance naturally generate, a fragmented global system could only persist as long as network interconnection is artificially inhibited through legislation and other kinds of measures. On this idea, see generally GREWAL, *supra* note 14.