

The Rest of Us: Incentives, not Power, in Rebuilding World Order

Danny Quah*

April 2026

[\[Check for update\]](#)

Abstract

For eight decades, the multilateral rules-based order delivered global prosperity. Today, that order is ruptured. Many observers say this is due to geostrategic rivalry. But a deeper analysis is needed to provide ways forwards in policymaking, not just to apportion blame between the actors in geostrategic rivalry. Two drivers matter: first, all advanced economies—not just the US—are retreating from global public goods provision, while many of America’s geopolitical actions are directed not only at China but at the international system; two, emerging hyper-multipolarity undermines that hypothesis that just one or a handful of nations are more consequential than all others. If a powerful state transmogrifies into a bad actor, then the same overwhelming power it wielded as benevolent hegemon can now be used, instead, to harm. The lesson is that order shaped by power is not secure and cannot endure. Order must be determined by incentives, not power. Rebuilding world order thus falls to smaller states—for whom a rules-based system is existential necessity, not strategic choice.

JEL: F13, F15, F50, F51, F52, F53, F62, O40

Keywords: cooperation; hegemony; hyper multipolarity; inadvertent cooperation; Middle Power; multilateralism; small state

*Lee Kuan Yew School of Public Policy, NUS, D.Quah@nus.edu.sg. The author is also Faculty Associate, Centre on Asia and Globalisation. He thanks Barry Buzan for helpful discussions.

1 Introduction

The multilateral rules-based order is ruptured. We see erosion in the institutions, conventions, and norms built over eight decades to manage trade, finance, security, and collective action.

But that order is in visible, accelerating retreat. Multilateralism is on the wane and the global economy is fragmenting. Disruptions to trade have escalated. By 2022 restrictions on international trade imposed by nations around the world had tripled as compared to 2019 (Georgieva, 2023). The World Economic Forum's Global Cooperation Barometer 2026 documents sharp declines across multiple dimensions of collaboration (Forum, 2026).

A standard narrative on the breakdown of multilateral rules-based order assigns primary responsibility to US–China geostrategic rivalry: 'Two great powers are competing for dominance, in the process, they are pulling apart the international system, forcing other nations to choose sides, and weaponizing economic interdependence.'

This framing is not wrong. It is, however, incomplete in ways that matter importantly for both understanding and policy. Certainly, US–China rivalry is real. But the true drivers of the current disorder are the retreat of the advanced economies from the burdens of global public goods provision and the diffusion of power from a small number of poles of power to a multitude of state and non-state actors. The outcome is not a world of a superpower in decline so that the decentred globalism has a few great powers emerge then to jostle for leadership (Buzan, 2011). It is more like a world of multiplexity (Acharya, 2017) but taken to an extreme. It is a world of hyper-multipolarity—a flattened tabula rasa landscape where traditional hierarchies no longer have purchase. These forces would be generating multilateral fragmentation even in the absence of great power competition.

To take a concrete example, the US has seen its share of the global economy decline from 40 percent to 26 percent (Gaspar et al., 2018). Quite rationally, it is reassessing the costs and benefits of supplying global public goods—cross-border navigation infrastructure, international security, stability of the international financial system (Posen, 2025)—that support the globalised multilateral system. Domestic inequality and the political aftermath of the China shock have shrunk the political space for internationalist commitments in many advanced democracies: These economic frictions dis-

rupt the international system independent of geopolitical differences. And the reassertion of economic statecraft—in the form of, among other things, America’s Liberation Day tariffs applied to nearly 200 nations, not only to China—reflects a broad loss of faith in the rules-based order itself. This is not just one hegemon’s Great Power competition response to its one or two great competitors. It is action taken against the entire international system.

In the race to hyper-multipolarity, economic forces are at least as decisive as geopolitical drivers. Thus, these dynamics differ from those in Prasad (2026) where geopolitics is hypothesised to overrun globalisation, subordinating economic forces to zero-sum geopolitical competition.

If there is some international system that remains to be rebuilt, who is to do so? The conventional answer is Great Powers, or failing that, middle powers. Such reasoning, however, only repeats the structural flaw that produced the current rupture. Kindleberger Hegemonic Stability Theory was correct about the efficiency gains in concentrated provision in a Great Power of global public goods. But ultimate power betrays. Hegemonic Stability Theory assumed benevolence to be an exogenous parameter, whereas benevolence is in reality a variable that responds endogenously to incentives. When the cost-benefit ratio shifts, as it has done for the United States, benevolence is withdrawn and the same concentrated power that once stabilized the system now threatens it. Middle powers are subject to precisely the same logic in both cost-benefit decay and power betrayal. Looking to them for systemic leadership will at best uncover a poor man’s substitute for traditional hegemony.

In this reasoning, rebuilding the multilateral system will not lie with managing the US-China relationship, nor with convening a new concert of middle powers. The states with the strongest incentive to rebuild the multilateral order are smaller states—those most exposed to disorder, most dependent on rules, and who cannot, in self-isolation, leverage economies of scale to improve sufficiently their security and economic prosperity. Through pathfinder multilateralism, inadvertent cooperation, and incentive-compatible coalition design, smaller states can construct what I call a G-minus world: an international order that functions without hegemonic sponsorship, but is organized around rules and institutions that make cooperation individually rational rather than dependent on any international leader’s benevolence (Quah, 2025a,b, 2026b)

The rebuilt order will not replicate the rules-based system at its most ambitious and in all respects. It doesn't have to be perfect; it just has to be multilateral-enough. But, critically, the rebuilt order must be shaped by incentives, not by power.

2 Disruption

2.1 What Was Built, and Why It Worked

The achievements of the global economy over the past eight decades were remarkable. Economic growth was sustained; convergence saw the poorest rise, some of those initially backwards caught up with or even overtook those initially most advanced; cross-border integration deepened. Growth in leading nations pulled ahead because of technological advance and efficiency gains. But it was rules-based multilateralism that made growth inclusive.

Three pillars underpinned that international system. First, the system established a level playing field that emphasised openness, and where behaviour and outcomes followed implicit norms or explicit laws, not raw power or size. Second, the system institutionalised peaceful dispute resolution, lowering uncertainty and enabling long-term planning. Third, it facilitated cooperation on common challenges. Underwritten first by American hegemony and later by a broader Western-led institutional architecture, this system saw dramatic improvement in the human condition: world incomes surged and hundreds of millions were lifted out of poverty in the past 80 years, all more sharply than in the previous 7 million.

Kindleberger (1973) argued the US's overwhelming hegemonic power allowed it to serve as consumer of last resort, lender of last resort, and chief security officer, combined. In so doing, America kept the global economy safe. In this, Kindleberger Hegemonic Stability Theory, the US does not actually have to expend resources constantly on these functions. It just needs to act appropriately now and then. The promise alone that America stood to do all these good things would already serve to stabilize the world and keep under control bad actors. Reputation was a force-multiplier that amplified America's unipolarity Ikenberry (2015) so that, in this system, the US's actual power exceeded even its military and economic heft.

In Asia, these pillars of multilateralism were never just abstract prin-

ciples. They were enabling conditions for prosperity. Mellsop (2026) documents from recent extensive consultations across the region how trade is described as being “in the blood” of Asian nations. Public opinion surveys confirm the sentiment: that trade benefits their country is a statement agreed by 92 percent of those surveyed in South Korea, 86 percent in Indonesia and the Philippines, 72 percent in Japan, 71 percent in India. This is not nostalgia as multilateralism frays in the international economy. It is lived experience.

The multilateral order was, however, often conflated with a so-called liberal, Western (or sometimes international) order, especially in its early days soon after the Cold War. In that latter description, Latin America, Africa, and parts of Asia perceived the order as not necessarily benign: the view was that this system had been imposed rather than chosen, and that its rules unfairly reflected the self-serving interests of the states that built that order. Acharya (2018), for instance, described the liberal international order of the Cold War as “little more than the US-UK-West Europe-Australasian configuration.” On the limitations of the system’s beginnings, Nye (2017) agreed, “In its first decades, the postwar system was largely limited to a group of like-minded states centered on the Atlantic littoral; it did not include many large countries such as China, India, and the Soviet bloc states, and it did not always have benign effects on non-members.”

But the order continued to expand throughout and after the Cold War. Those whose political systems had felt the sting of Western criticism but nonetheless saw the good in rules-based order began to focus on its emphasis on rules, globalisation, and multilateralism, and left for background noise “liberal”, “Transatlantic”, and “Western”. As a result, the rules-based multilateral order racked up achievements—in aggregate welfare gains, in poverty reduction, and in stabilising interstate relations.

Enriching Kindleberger’s analysis, Posen (2025) has recently used a metaphor of insurance provision. The US operated as the world’s insurer in the hegemonic post-WW2 order. It took on a disproportionate share of the costs of global public goods, opening markets around the world, sometimes imposing, other times tolerating asymmetric market access; taking on security guarantees around the world; securing navigation and shipping routes; and scaffolding the international financial system. Insured against economic and security risk, other nations could focus instead on improving

productivity at home and pursuing economic growth for their people.

In return, the US collected not only cheap-talk respect but substantive insurance premiums: inflows of capital and human talent; the exorbitant privilege of the US dollar as world reserve currency; geopolitical and security deference; and the power to shape international rules ever more to its own benefit. As undisputed hegemon, the US would periodically undertake actions where it decided neither to ask for permission before nor forgiveness after. Whatever dissatisfactions remained with what Acharya (2018) had called “the US-UK-West-Europe-Australasian configuration” the world chose not revisionism but to simply acknowledge America’s actions and move on.

However, it would turn out to be the US itself that saw reason for revisionism. The Trump Administration, in Posen’s language, has shifted America from insurer to extractor. I will refer to this as the **Posen Amendment** to Kindleberger Hegemonic Stability Theory. The same power that had made America so effective as benevolent hegemon now makes it equally fearsome as Mancur Olson-style marauding bandit.

But even before the second Trump Administration, the cost-benefit accounts for America the insurer had already started to turn unfavourable. The business model would increasingly be called into question but the direction of movement had begun to shift even before Trump.

2.2 The Nature of the Shift

Three structural forces are fundamental.

First: the declining relative weight of the traditional hegemon. At Bretton Woods, the United States accounted for roughly half of world GDP. By the 1970s that share had fallen to around 30 percent. Today it stands at 26 percent. A nation whose economy is one quarter of the world’s, not one half, is looking at fundamentally different arithmetic. The costs of providing global public goods scales as the global economy grows, but benefits decline when one’s share shrinks.

Second: domestic political economy and the populist turn. The costs and benefits of economic openness have not been evenly distributed within advanced economies. The China shock—labor market disruption from China’s export prowess—concentrated loss in specific communities and import-competing industries, while yet others—consumers and high-tech

import-using industries—gained from China’s high-quality, lower-priced exports. In the US and elsewhere, political consequences have endured: populist and isolationist sentiment has spread across many advanced democracies, driven by legitimate grievances about inequality, immobility, and the perception that the international trading system was extracting value from them.

Third: the generalized reassertion of economic statecraft. The Liberation Day tariff announcements of April 2025 are frequently described as targeting China. They did not. They were applied, with varying severity, to nearly 200 nations, calculated on the basis of bilateral trade balances and generalized US grievances. The logic was not competitive containment of China. It was the reassertion of US beliefs about the efficacy of economic statecraft directed at the global trading system as a whole—an expression of the conviction that the rules-based order itself, not merely China’s participation in it, was unfairly extracting value out of the US.

These three forces—structural decline in hegemonic capacity, domestic populist pressure, generalized reassertion of unilateral economic statecraft—explain the current rupture. US–China rivalry intensifies and accelerates these dynamics, but is not their primary driver.

This reasoning diverges from the argument in Prasad (2026) that geopolitics of power has overrun the globalisation due to economics. A nuanced view, that also explains Prasad’s observations, is that the two—geopolitics and economics—have historically moved along correlated trajectories (Quah, 2026a) Whether one is strictly causal for the other does not seem critical for understanding these joint dynamics.

2.3 The Collapse of Ideological Separating Hyperplanes

The Cold War analogy that implicitly organizes much current analysis is systematically misleading. During the Cold War, ideological division between liberal democracy and Soviet communism provided a compelling organizing principle. It allowed the United States to mobilize alliances, sustain domestic political will, and frame international commitments as civilizational struggle. However, that organizing principle is no longer available.

Democracy, openness, rule of law, individual freedom, egalitarianism—these remain genuine aspirations in many parts of the world. But they

no longer serve as separating hyperplanes across nations. There are functioning democracies that are deeply protectionist. There are authoritarian states that are thoroughly integrated into the rules-based multilateral order. Between these poles lies a vast range of states drawing selectively on multiple models depending on issue area and domestic contingency.

2.4 Hyper-Multipolarity: Beyond Decentred Globalism and Multiplexity

The world emerging from these shifts is better described as hyper-multipolar than multipolar. The distinction matters both analytically and for policy implications.

Barry Buzan's decentred globalism (Buzan, 2011) had anticipated a transition from unipolarity toward a world characterized by several great powers operating in a more regionalized international system. Superpowers disappear, but great powers remain, and the system becomes organized around regional clusters—a few nodes of concentrated power governing distinct geographic spheres, with a thin global layer of shared institutions above.

Amitav Acharya's idea of a multiplex world (Acharya, 2017) extends this vision. In Acharya's account, the emerging order is "like a multiplex cinema"—multiple movies, actors, directors, plots under the same roof. Acharya's is a world of multiple modernities and crosscutting globalisms, not defined by any single nation's hegemony. Acharya explicitly rejects the return to nineteenth-century multipolarity, arguing instead for what he calls G-Plus governance, where "groups of countries, such as Australia, Japan, Republic of Korea, and Singapore, could step up and lead the charge in support of increased plurilateral integration and the rules-based system". Like Buzan, Acharya anticipates that regional orders will be the key building blocks.

Hyper-multipolarity extends this trajectory further and reconfigures it conceptually. In hyper-multipolarity it is not simply that the domineering presence of one superpower has retreated in favor of greater visibility for several great (but not super) powers. Instead, with hyper-multipolarity, even self-proclaimed great powers are no longer as consequential as they would be under conventional multipolarity. Hyper-multipolarity means the power hierarchy has flattened to an extreme: where conventional multipo-

larity posits a smooth transition from one overwhelming pole to perhaps three or four lesser ones, hyper-multipolarity describes a landscape in which the relevant gradient between the most and least powerful states has diminished to insignificance. In such a featureless landscape—a tabular rasa—no state commands the combination of material capability, normative legitimacy, and domestic political will necessary to anchor the system.

The idea of hyper-multipolarity also diverges from both Buzan and Acharya on the question of regionalism. Buzan’s decentred globalism retains the idea that clustering happens around regional hubs for reasons of geography and proximity, producing a structured multipolarity whose nodes are geographically defined. Acharya similarly anticipates that regional orders will be crucial, “The maintenance of world order depends on regional orders,”; he advocates taking “regional powers and regionalism seriously.”

Herz and Ho (2026) extend this logic, arguing that “regional organizations can save multilateralism.” Their account documents impressive achievements: RCEP, CPTPP, ASEAN’s conflict management, Latin American health cooperation, African Union peacekeeping. They argue that regional bodies enjoy decisive advantages—closer to problems, more agile, fewer veto players, more sensitive to local contexts. “If they do not step up to the task,” Herz and Ho warn, “the world’s problems will be addressed not through multilateralism but by great powers seeking spheres of influence.”

I do not dispute the empirical record. Regional institutions have delivered genuine gains. But, simply as a matter of logic, regionalism runs into limits. The full spectrum of challenges—AI regulation, international trade, efficient supply chains—that humanity will encounter does not naturally fall into a correspondence with the contiguous geography that defines regions. If regions reach out across the world in an effort to connect with nations and other regions that are physically distant but face common challenges, how is that regionalism any longer? In those circumstances, what of Herz and Ho’s decisive advantages—which have worked for their regionalism examples—will regional bodies continue to have? If regions extend to connect across the world, isn’t that just globalism?

Regionalism continues to suggest a kind of polarity—clustering around geographic nodes rather than ideological or power-based ones. Under regionalism, instead of a smooth global sphere, clusters emerge because of the

physical fact of geography. Hyper-multipolarity, by contrast, describes an international landscape that is, in the limiting case, *tabula rasa*: a terrain waiting to be shaped by forces that have nothing inherently to do with geography, ideology, or inherited power hierarchies. What determines clustering in a hyper-multipolar world is economics—the incentives that make cooperation mutually beneficial, and the institutional designs that make those incentives credible and durable.

This distinction is not simply cosmetic. It transforms the question of who is best positioned to build the new order from a question about geography or scale, to a question about incentive structure. ASEAN happens to be a regional body, but it functions not because of that fact, but because it has constructed an incentive-compatible architecture—ASEAN centrality, consensus-based decision-making, non-interference norms—that makes cooperation individually rational for states with very different domestic systems and external alignments. CPTPP matters not because its members occupy contiguous geography—they don't, they span five continents—but because it established high-standard rules that create a premium for compliance and a penalty for deviation, making membership valuable and defection costly. Like ASEAN, CTPPP is incentive-compatible.

Regions and geography might be factors in some pathfinder coalitions. But, even taken together, they cannot be organizing principle. Instead, the right organizing principle is incentive compatibility.

2.5 G-Minus, Not G-Plus or G-Zero

Also related to hyper-multipolarity is the progression from G7 to G20 to G2 to what Ian Bremmer calls G-Zero—a world in which no state or small group has the political and economic leverage, or the will, to drive a truly international agenda. The G-Zero concept is primarily descriptive of absence: it tells us the old model of hegemonic leadership has broken down, but not what replaces it.

I propose instead the concept of a G-minus world: an international order in which a specific major actor has withdrawn from or is actively undermining the multilateral system. The question that G-minus points to is what such an order can accomplish in that actor's absence. (I discuss the G-minus idea here as it fits naturally with the disruption analyses in Acharya (2017) and (Buzan, 2011), but its greater significance will appear

in Section 3 analysing the kinds of world order that can be best constructed by smaller states.)

This differs from the vision in Acharya (2017) which argues: “A multiplex world is a G-Plus world, featuring established and emerging powers, global and regional institutions and actors, states, social movements, corporations, private foundations, and various kinds of partnerships among them.” Acharya’s logic is additive: When traditional hegemons retreat, more actors step forward. The resulting governance architecture is richer, more diverse, and more participatory, providing a plug-in replacement for the traditional hegemon.

The G-minus logic is different. It asks, what remains functional when the historical underwriter of the system exits? Is that underwriter truly so critical in the system? In 2024, “outside the US, the world traded eight times more with itself than it did with the US” (p. 34 Quah, 2025b). In 2024 US imports represented only 16 percent of China’s total exports, when at its peak, decades ago, that share exceeded 20 percent. In 2024 US trade constituted 11 percent of total world trade. The loss of the US in the global economy would be painful. But it is not existential. The system can function as the “old international economic system minus one”.

This is not an argument for US withdrawal. Everyone wants America in the international system. But the world faces a tradeoff, and it cannot force the US to participate if the US does not want to. The question then is whether the demand side of world order—the smaller states who constitute the vast majority of nations—can organize themselves to sustain multilateral cooperation without supply-side underwriting from a benevolent hegemon.

The answer, I argue in the next section, is yes. But the organizing principle for world order needs to shift from power to incentives.

3 Reconstruction

The previous section has argued that the current disruption in world order is not a return to Cold War bipolarity. Nor does it give rise to the decentred globalism of regional blocs, or the multiplex world described by Amitav Acharya. Instead, the current international landscape is a *tabula rasa* where, among other things, power hierarchies no longer have purchase.

3.1 Hegemonic Stability Theory and Its Omission

To understand why smaller states, not great or middle powers, are the appropriate engine of multilateral reconstruction, begin with the Hegemonic Stability Theory and its critical maintained assumption that the current conjuncture has contradicted.

The conventional argument that large powers must organize the international system rests on foundations that in economics would be called “increasing returns to scale”. In this thinking, those activities that organize the infrastructure of world order are dramatically cheaper per unit when they are undertaken by a large state that can spread fixed costs across a vast economy. Such activities include establishing and enforcing rules; resolving disputes; being consumer and lender of last resort, stabilizing the international financial system; and prosecuting organized international violence (wars). Even if smaller states could undertake these tasks—richer small states might indeed be able to afford them—it is still not efficient for them to do so. Providing insurance, as in Posen’s metaphor (Posen, 2025), is safer and more profitable when a large state uses scale to diversify across a sufficiently broad selection of client portfolios.

This is the modern, technical expression of Kindleberger’s Hegemonic Stability Theory: having a benevolent hegemon oversee the world raises the well-being and security of all nations, just as having a dominant, trustworthy central bank raises financial system stability.

But Kindleberger’s reasoning contains a hidden assumption. It hypothesises that hegemonic benevolence is a parameter whose value is exogenously given. What the current situation reveals that is that instead what appears to be benevolence is simply an economic variable that responds endogenously to costs and benefits.

The outcome is what in Section 2 I called the Posen Amendment. America’s role has switched from global insurer to profit extractor because the cost-benefit ratio for the US changed.

Whatever new international system gets built, this dynamic must be factored in as a structural possibility. Any order whose stability depends on continued hegemonic benevolence is only as durable as that benevolence—which is to say, only as durable as the cost-benefit arithmetic that sustains it. The arithmetic changed for the United States. It will, in due course, change for any state occupying an analogous position of structural

dominance.

When multiple Great Powers are infected by the Posen Amendment, the result is not just a zero-sum game, but one where all parties lose. Armstrong and Quah (2026) call that an “Epic Fail” equilibrium, by analogy with the Prisoners Dilemma game.

3.2 The Middle-Power Fallacy

The conventional response to hegemonic withdrawal is to look to Middle Powers to step into the role of benevolent hegemon. Middle Powers have greater capacity than smaller states and less ideological and competitive history than major powers at the time obviously unsheathing a long-simmering geostrategic rivalry. This Middle Power argument is natural and intuitive. That, however, does not make it right.

Carney (2026) argued for a principled, pragmatic coalition of middle powers prepared to sustain rules-based order in the US absence. Canada, the EU, Australia, and Japan have all been described in commentary as candidates for more prominent multilateral leadership. In providing background for the Middle Power argument, Russell (2025) described how when America abandoned its traditional hegemonic stance, many in Southeast Asia imagined the transition would happen “gradually and naturally.” In the event, the speed “stunned and discombobulated” many US partners. Given the urgency, the Middle-Power argument takes on heightened appeal.

But the middle-power thesis has a structural weakness mirroring precisely the same hidden assumption in Hegemonic Stability Theory. Middle powers confront the same diminishing-incentive dynamic as do great powers, only with even less capacity to absorb leadership expense. A middle power seeking leadership incurs genuine costs—diplomatic capital, domestic political space, economic adjustment—in exchange for diffuse benefits shared across the entire international system. In this calculus the outlook for middle powers is unfavourable: The Posen Amendment applies to middle powers with even greater force than it does to superpowers.

The middle-power proposal, in this reasoning, is a poor man’s substitute for Hegemonic Stability Theory, not a structural improvement on it.

3.3 The Case for Smaller States

It is smaller states that are most strongly incentivized to restore the multilateral system. They depend most on that system, and they have the least capacity for prospering in self-isolation.

My argument for smaller states, therefore, is not a moralistic appeal on behalf of the powerless and vulnerable. It is an argument that draws on the architecture of incentives.

Consider the situation of a small open economy. Its prosperity depends on access to international markets. It cannot replicate within its borders the economies of scale and specialization that trade provides. Its security depends on maintenance of international norms and institutions constraining the use of coercive power by large states. Its capacity for independent action on collective action challenges—climate, pandemics, financial stability—is negligible without international frameworks. For such an economy, the erosion of multilateral order is not an inconvenience to be managed around the margins. It is an existential threat.

This existential stake produces a qualitatively different incentive structure from that of either great or middle powers. A great power can, if pressed, self-insure. It can patrol its own sea lanes, anchor its own currency, sustain its own technology ecosystems, project its own security guarantees, and impose its own standards. A middle power can partially do some of these things, at high relative cost. The smaller state can do essentially none. Its only structurally viable strategy is to sustain and extend the multilateral system that pools risks and distributes costs of global public goods provision across a broader base. It is only through cross-national engagement that smaller states are able to leverage the increasing returns to scale that large nations already naturally enjoy.

The policy implication is that smaller states should not wait for major and middle powers to resolve their differences. Smaller states need to actively exercise agency to shift equilibrium away from the “Epic Fail” outcome (Armstrong and Quah, 2026). Quah (2026b) proposes that, in these disrupted circumstances, smaller states can practice a mix of three possible strategies: align; acquiesce; or adapt and mitigate. Alignment means a smaller state taking sides, or more generally, accepting the bundles of attributes—trade and technology in particular—offered by a small set of Great Powers. Acquiescence means taking actions to placate major powers,

in an effort to stabilize the international space available to the smaller state. Adaptation and mitigation seek to, respectively, minimise the symptoms and treat the causes of major power disruption.

For smaller states to now grasp the nettle of rebuilding a multilateral world order, it is the third of these strategies that will be needed. I consider specifics on how to achieve adaptation and mitigation, or just mitigation.

3.4 Pathfinder Multilateralism in Practice

The mitigation pathway is not merely hypothetical. It is already visible in a growing set of institutional arrangements embodying what I call pathfinder multilateralism: coalitions of the willing establishing and maintaining rules-based cooperation in specific domains, remaining open to new entrants who accept agreed rules, and operating without requiring great-power patronage.

The deepest institutional expression of this logic in Asia-Pacific is ASEAN. Operating since 1967 on the principle of ASEAN centrality—the region determines its own outcomes rather than allowing external powers to do so—ASEAN has served as foundational architecture for a remarkable range of pathfinder initiatives. The ASEAN Free Trade Area brought eleven Southeast Asian economies into rules-based trade. ASEAN has been the institutional backbone for both RCEP and CPTPP negotiations. The ASEAN Digital Economy Framework Agreement, concluded in 2025, demonstrates the architecture can extend into new domains.

CPTPP provides another proof of concept. Reconstructed from the original TPP after US withdrawal in 2017, CPTPP has continued to expand. Its twelve signatories now represent over 14 percent of global GDP. A queue of applicants (China, Indonesia, Philippines, UAE) reflects the gravitational pull of a functioning, high-standard rules-based framework. Japan's two-way goods trade with the rest of CPTPP grew by over half between 2019 and 2024; Vietnam's increased by nearly a third; Australia's by close to 30 percent. These figures show real economic gains delivered by an agreement that the US abandoned.

RCEP is the world's largest free trade agreement, at a time when fragmentation of the global economy is worsening and multilateralism continues under threat. Intra-RCEP trade grew 8 percent between 2022 and 2024. Its institutional logic is notably inclusive—it encompasses economies as po-

litically diverse as China, Japan, Australia, ASEAN member states. RCEP demonstrates a second point about pathfinder multilateralism: incentive-compatible coalitions can include actors with very different political systems, provided institutional design is oriented toward mutual economic benefit rather than ideological convergence. Thus RCEP illustrates the theory of comparative advantage, applied not to trade but to group formation. ASEAN leadership in RCEP provides due process based on consensus; it gives yet others confidence and trust. This process works when the group comprises perhaps a dozen nations (likely not for WTO's 200). China brings economic weight - both in market size and export prowess—but RCEP is clearly led by ASEAN.

The WTO's MPIA (or Multi-Party Interim Appeal Arbitration Arrangement) was created in 2020 when the US refusal to appoint appellate body members, paralysing the main dispute settlement system. It illustrates the same logic at the institutional repair level. MPIA membership has grown from 16 to over 53 nations. It is an improvised solution, but it demonstrates that the function of multilateral dispute resolution can be preserved even when a major power withdraws cooperation, provided enough states with sufficient collective interest organize around a workable alternative design.

The most recent addition is the Future of Investment and Trade Partnership, launched September 2025, now with 16 members including four from Asia. Unlike a traditional FTA, FITP does not involve binding market access commitments. Instead, it provides a collaborative mechanism for addressing non-tariff barriers and emerging trade issues. Its design reflects growing recognition—evident in Mellsop's consultations—that the range of possible forms for rules-based cooperation is wider than the traditional choice between comprehensive FTA and nothing. From dialogue, through agreed principles and guidelines, through sector-specific arrangements, through memoranda of understanding, to fully binding agreements: the spectrum of cooperation formats available to smaller states building pathfinder coalitions is broad, and different points on that spectrum serve different purposes at different stages of coalition formation.

Taken together, ASEAN, CPTPP, RCEP, MPIA, FITP constitute a partial but growing institutional ecology for a G-minus world. Their common features: open membership under agreed rules; decentralized governance not depending on any single participant's ongoing commitment; design oriented toward incentive compatibility rather than great-power patronage.

3.5 Don't Let Perfect Be the Enemy of Multilateral-Enough

The rebuilt order will not replicate the liberal ideal at its most ambitious. It will not deliver perfect harmonization of standards, frictionless trade, complete capital mobility, or universal adherence to a single set of norms. The arrangement will not be perfect, but that is acceptable. It just has to be multilateral-enough.

What is multilateral-enough? There should be sufficient institutionalization of peaceful dispute resolution so that interstate conflict remains the exception rather than the rule. Trade and investment should operation under sufficient openness so that smaller economies can access the scale economies and specialization gains to drive prosperity. There should be sufficient cooperation on collective challenges—pandemics, climate, financial stability—so that no single nation's failure to act produces catastrophic spillovers. The rules governing commerce and finance should contain sufficient predictability so that businesses can make long-term investment decisions without facing arbitrary policy reversals.

This is a lower bar than the liberal internationalist vision at its peak. But it is a realistic bar, and it is achievable through the mechanisms described above: pathfinder multilateralism, inadvertent cooperation, and incentive-compatible coalition design.

The principle guiding reconstruction should be incentive compatibility, not normative purity. An order in which every participant's individual best response is to maintain cooperative commitments is more durable than an order depending on benevolence of a Great Power that can be withdrawn when incentives shift. For this new order, there need not be identical interests, shared values, or ideological alignment. It requires institutional architecture making cooperation individually rational—ensuring gains from participation consistently outweigh costs of defection, creating enough penalty for deviation (through exclusion from membership benefits) that no single actor has unilateral incentive to abandon rules.

This is mechanism design applied to international relations. The question is not simply which states are willing to cooperate, but under what institutional design parameters cooperation constitutes a dominant strategy.

CPTPP's high-standard membership rules—requiring demonstrated compliance with trade commitments before accession—embody exactly this

logic: they create a premium for rule-following making membership valuable and deviation costly. ASEAN centrality embodies a different version: by making the region's institutional framework something all external actors must engage with rather than around, it creates an incentive-compatible platform for smaller states' collective agency.

Middle powers can participate in these coalitions and their participation is valuable. But the driving force behind construction and expansion of incentive-compatible coalitions need not be, and in the current conjuncture is not, middle-power leadership. The driving force is the existential stake smaller states have in a functioning multilateral order, and the collective demand-side agency they can exercise when they act together.

4 Conclusion

The rupture in multilateral world order is real, consequential, and unlikely to be quickly reversed. But it has been diagnosed in a way that misdirects response. The rupture is not primarily a consequence of US–China rivalry. It is the product of structural forces—declining relative weight of the traditional hegemon, domestic political economics of advanced democracies, extreme flattening of the international power hierarchy into hyper-multipolarity—that are causally independent of, though interacting with, great power competition.

This paper has argued that economic forces have remained decisive for world order. It is economic arithmetic—the changing cost-benefit calculus of hegemonic provision, the domestic distributional failures of globalization—driving the breakdown of the established international economic system.

Hyper-multipolarity characterises the resulting international landscape.

The outcome is a G-minus world, an international system in which the traditional underwriter has withdrawn. Middle powers are the conventional next candidate, but structural analysis reveals their limitations: they face the same incentive deterioration as great powers, scaled down, and their appeal reflects the same flawed logic as Hegemonic Stability Theory—the assumption that the solution to concentrated power is different, smaller concentrated power.

The states with the strongest structural incentive to rebuild the system are smaller Third Nations. Their dependence on functioning mul-

tilateral order is existential in a way that larger states do not experience. Their collective demand-side agency, properly exercised through mitigation strategies, pathfinder multilateralism, and exploitation of inadvertent cooperation, is sufficient to move the equilibrium of world order—not toward the old hegemonic arrangement, which cannot be restored and probably should not be, but toward something more durable: a system shaped by incentives rather than by the accident of power distribution.

The rebuilt order will not be perfect. It will be multilateral-enough. And critically, it will be shaped by incentives, not by power.

Whether the great powers eventually find their way back into a functioning multilateral system remains to be seen. The United States remains an enormous market and potent financial force; the world economy would be richer for its re-engagement on rules-based terms. China's integration has produced large mutual gains, even as its growing power generates legitimate concerns. But reconstruction cannot wait for those questions to be resolved.

The rest of us need urgently to build a system that works. Smaller states need to go beyond being price- and rule-takers. Instead, they are the actors most capable of restoring what has been lost.

The foundation of the new international system should no longer be power, but incentives. What the international system is now going through makes clear: any one given distribution of power, concentrated at the top, can be used to hold together world order or to disrupt it. But when incentives line up, the resulting international system will be stable and continue to function as intended, no matter how the hierarchy of power shifts.

References

Amitav Acharya. [After Liberal Hegemony: The Advent of a Multiplex World Order](#). *Ethics and International Affairs*, 31(3):271–285, Fall 2017.

Amitav Acharya. *The End of American World Order*. Polity Press, London, 2018. Second edition.

Shiro Armstrong and Danny Quah. [Economics for the Global Economic Order: The Tragedy of Epic Fail Equilibria](#). In Shiro Armstrong and Yves

- Tiberghien, editors, *Globalisation and the Economics, Technology, and Security Nexus*, Canberra, 2026. ANU Press.
- Barry Buzan. [The Inaugural Kenneth Waltz Lecture A World Order Without Superpowers: Decentred Globalism](#). *International Relations*, 25(1): 3–25, March 2011.
- Mark Carney. [Principled and pragmatic: Canada's path](#). *World Economic Forum*, January 2026.
- World Economic Forum. [The Global Cooperation Barometer 2026](#). World Economic Forum, Geneva, 2026.
- Vitor Gaspar, Sean Hagan, and Maurice Obstfeld. [Steering the World Toward More Cooperation, Not Less](#). *IMF Blog*, September 2018.
- Kristalina Georgieva. [The Price of Fragmentation](#). *Foreign Affairs*, 102(5):131–142, September 2023.
- Monica Herz and Selina Ho. [How Multilateralism Can Survive](#). *Foreign Affairs*, 105(1), January 2026.
- G. John Ikenberry. [The Future of Liberal World Order](#). *Japanese Journal of Political Science*, 16:450–455, 2015.
- Charles P. Kindleberger. *The World in Depression, 1929-1939*. University of California Press, Berkeley, 1973.
- Jane Mellso. [‘Trade is in our Blood’: Momentum Builds in Asia for Expanding Rules-based Economic Cooperation](#). Asia Society, New York, 2026.
- Joseph S. , Jr Nye. [Will the Liberal Order Survive?](#) *Foreign Affairs*, 96(1):10–16, January 2017.
- Adam Posen. [The New Economic Geography](#). *Foreign Affairs*, 104(5): 26–43, September 2025.
- Eswar Prasad. [How Geopolitics Overran Globalization](#). *Foreign Affairs*, 105(2), March 2026.

- Danny Quah. [Multilateralism Can Survive the Loss of Consensus](#). *IMF F&D*, pages 14–15, September 2025a.
- Danny Quah. [China Plus One vs world minus one](#). In *Recalibrating Asia's Frontiers*, number 24 in Asia-Pacific Roundtable, ISIS Malaysia, pages 33–35, Kuala Lumpur, 2025b.
- Danny Quah. [Correlated Trade and Geopolitics Driving a Fractured World Order](#). In Lili Yan Ing and Dani Rodrik, editors, *The New Global Economic Order*, pages 54–66, New York, 2026a. Routledge.
- Danny Quah. [Third Nations Can Piece Together a Ruptured World Order](#). *East Asia Forum*, March 2026b.
- Alec Russell. [Middle Powers Face a New Age of Uncertainty](#). *Financial Times*, 23, December 2025.