DECLINING EFFECTIVENESS OF MULTILATERAL INSTITUTIONS AND GEOECONOMIC FRAGMENTATION: AN ANALYSIS OF THE GLOBAL COOPERATION CRISIS

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ABSTRACT

This article examines the relationship between the declining effectiveness of multilateral international institutions over recent decades and the processes of geoeconomic fragmentation from an analytical and scientific perspective. The institutional crisis affecting leading multilateral bodies including the World Trade Organization (WTO), the International Monetary Fund (IMF), the G20, and the United Nations Security Council is analyzed through a wide range of empirical evidence. The study investigates how the trend of geoeconomic fragmentation manifested through the formation of trade blocs, technological decoupling, financial segmentation, and supply chain restructuring progressively undermines global cooperation mechanisms. The research demonstrates that institutional erosion and geoeconomic fragmentation operate as mutually reinforcing factors, producing adverse effects on global economic efficiency and the welfare of developing nations. The article puts forward key directions for reform and recommendations aimed at restoring multilateralism in an increasingly contested international environment.

Keywords: *multilateralism, geoeconomic fragmentation, institutional erosion, World Trade Organization, trade policy, fragmentation, global cooperation, international economic relations.*

Introduction. From the second decade of the twenty-first century onward, the global economic and political order has been undergoing fundamental transformation. The liberal international order established in the aftermath of World War II — characterized by its multilateral institutions, open trading system, and rules-based mechanisms of cooperation — is increasingly under mounting pressure. At the heart of this pressure lie two closely interrelated phenomena: the systemic decline in the effectiveness of multilateral international institutions, and the intensification of geoeconomic fragmentation.

The manifestation of declining multilateral institutional effectiveness is clearly reflected in several specific indicators. The WTO's dispute settlement system has been dysfunctional since 2019; the frequency of veto use in the UN Security Council has reached record levels; and G7/G20 summits have demonstrated a growing inability to produce binding agreements on critical issues. Meanwhile, geoeconomic fragmentation is materializing through the realignment of goods, services, capital, and technology flows along geopolitical dividing lines.

Studying these two tendencies jointly carries significant importance not only from the perspective of economic policy, but also from the standpoint of international relations theory and development studies. The research question is formulated as follows: Does geoeconomic fragmentation cause the decline in the effectiveness of multilateral institutions, or conversely, does the crisis of institutions accelerate geoeconomic fragmentation? Or do they stand in a dialectical relationship of mutual reinforcement, generating new risks for the global economic system? The practical significance of this article lies in the fact that its findings and recommendations can be directly applied in the decision-making processes of national economic policymakers, international organization leadership, and those shaping trade and diplomacy strategies for developing countries.

The theoretical foundations concerning multilateral institutions and international cooperation trace back to the liberal and neoliberal institutionalist

schools of thought. Keohane (1984), in his foundational work After Hegemony, demonstrated that multilateral institutions play a decisive role in coordinating mutual state interests and resolving collective action problems. Ikenberry (2001) further argued that the stability of the liberal international order rests upon institutionalized relationships.

However, subsequent research adopted a more nuanced view of institutional effectiveness. Mearsheimer (1994) analyzed how the rules of multilateral institutions are selectively applied by great powers to serve their own interests. Ikenberry (2011) later examined the possibility of the liberal order surviving without a dominant hegemon. More recent literature (Lake, Martin & Risse, 2021) identifies hegemonic decline, domestic political transformations within states, and technological change as the primary causes of institutional crisis.

The term 'geoeconomics' was first introduced by Luttwak (1990) and later more precisely defined by Blackwill and Harris (2016) as the use of economic instruments by states to achieve geopolitical objectives. The International Monetary Fund (IMF, 2023) defines geoeconomic fragmentation as 'the division of the world economy into blocs as a result of geopolitically motivated policies.'

Aiyar et al. (2023), using simulation models, demonstrated that full geoeconomic decoupling could reduce global GDP by between 0.2 and 7 percent. A large body of research (Fajgelbaum & Khandelwal, 2022; Gaulier et al., 2023) has empirically confirmed that trade flows are being restructured along lines of geopolitical proximity.

Manifestations of the Multilateral Institutional Crisis. The WTO has been unable to fully perform one of its core functions the dispute resolution mechanism via the Appellate Body since December 2019. The United States' blockade on appointing new members to the Appellate Body has rendered the system inoperable. This situation represents not merely a technical malfunction but a practical fragmentation of the multilateral trading order.

The Doha Development Round of negotiations was launched in 2001, yet has failed to produce significant results over more than two decades. During this period, over 350 bilateral and regional trade agreements were concluded (Baier & Bergstrand, 2007). This process has directly undermined the WTO's role as the singular global center for trade regulation.

In the technology domain particularly regarding digital trade, artificial intelligence, and intellectual property rights there is virtually no consensus among the WTO's principal member states. This situation raises serious doubts about the organization's capacity to adapt to the modern global economy.

The G20 and Financial Cooperation Mechanisms. Following the 2008 financial crisis, the G20 became the primary forum for global economic governance. However, geopolitical tensions beginning in 2014 (the Ukraine crisis), 2018 (the US–China trade war), and 2022 (the Russia–Ukraine war) have significantly curtailed the G20's ability to adopt joint declarations. The 2022 Bali Summit and the 2023 New Delhi Summit produced communiqués shaped as compromise texts due to disagreements over Russia's actions, reflecting the deepening divisions within the forum.

The trend toward financial fragmentation is also becoming increasingly visible: the exclusion of Russian banks from the SWIFT system (2022), China's development of the CIPS (Cross-Border Interbank Payment System), and BRICS countries' efforts to reduce dollar dominance — all represent direct attempts to create alternatives to multilateral financial architecture.

The frequency of veto use in the UN Security Council has increased sharply since 2013. During the Syrian crisis (2011–2023), Russia exercised the veto on more than 18 occasions. The outbreak of the Ukraine war (2022) effectively paralyzed the Security Council. These developments have exposed the organization's inability to fulfill its core mandate of maintaining international peace and security.

In the areas of climate change, pandemic response, and digital governance, multilateral mechanisms have also increasingly failed to deliver expected outcomes. The Paris Agreement (2015) was adopted without binding targets; during the COVID-19 pandemic, the COVAX mechanism suffered serious failures in the equitable distribution of vaccines.

The formation of trade blocs is one of the most visible manifestations of the current trend. The US Inflation Reduction Act (2022) and the CHIPS and Science Act (2022) — essentially policy instruments designed to reshore manufacturing to the United States and its allies — sparked disputes over compatibility with international trade rules. China, in turn, has adopted the 'Made in China 2025' initiative and the 'dual circulation' strategy, seeking to strengthen its domestic market and reduce vulnerability to external pressures.

Global value chains are being restructured. Tendencies such as reshoring, nearshoring, and friendshoring are reshaping the geography of manufacturing along geopolitical lines. According to IMF (2023) estimates, under conditions of full fragmentation, some developing economies could lose more than 4 percent of their GDP.

Fragmentation in the technology sector is arguably the most strategically significant dimension of geoeconomic separation. US restrictions on exports of advanced semiconductors to China (2022–2023), as well as the exclusion of Huawei and other Chinese companies from global telecommunications infrastructure, are clear examples of technological decoupling. As a result, global internet infrastructure is increasingly exhibiting a trend toward 'splinternet' — a fragmented global network.

Competition in artificial intelligence is also intensifying. The United States and China control more than 90 percent of global AI investment, and the rivalry between them is growing across issues of technological standards, data governance, and the military application of artificial intelligence.

Dollar dominance has undergone minor but perceptible changes in recent years. The share of settlements conducted in national currencies among BRICS countries has increased. China is pursuing consistent measures to internationalize the yuan — including expanding bilateral currency swap agreements and developing the CIPS system. Nevertheless, financial fragmentation remains incomplete: the dollar continues to dominate as the global reserve currency and the primary instrument of trade settlement.

This study demonstrates that the crisis of multilateral institutions and geoeconomic fragmentation do not operate in isolation; rather, they exist in a mutually reinforcing, bidirectional relationship. This relationship can be articulated through the following logical chains.

The first channel — institutional disengagement: As geopolitical tensions intensify, states increasingly avoid reaching agreements within multilateral institutional frameworks and instead turn to bilateral or bloc-based alternatives. This in turn weakens the mandate and authority of multilateral institutions.

The second channel — rule fragmentation: Non-compliance with multilateral rules, or their selective application, erodes mutual trust among states and encourages viewing economic relations through a geopolitical lens. This in turn accelerates fragmentation.

The third channel — systemic crisis of confidence: The simultaneous manifestation of both processes undermines trust in global economic cooperation, and formalizes policies oriented toward autarky or 'strategic autonomy.' Developing countries become the primary victims of this process, as they are compelled to bear the consequences of geopolitical confrontations between third parties.

CONCLUSION AND RECOMMENDATIONS

This study demonstrates that the decline in the effectiveness of multilateral institutions and the processes of geoeconomic fragmentation are co-evolving

tendencies that reinforce one another. They must be understood not in isolation, but as two sides of a broader global governance crisis.

If these tendencies are left unchecked and unmanaged, they pose a genuine threat of inflicting serious harm on the global economy. IMF and OECD projections indicate that under conditions of full fragmentation, the world economy could contract by at least 2.5–7 percent, with developing countries bearing this burden disproportionately.

In light of these findings, the following recommendations are advanced:

1. Reform multilateral institutions. Restoring the WTO's dispute settlement mechanism is the most urgent task. Constructive negotiations on reforming the Appellate Body and appointing new members are indispensable.

2. Strengthen the 'minilateralism' approach. Agreements among smaller groups of states which do not encompass all nations but nonetheless create norms for emerging issue areas can serve as a partial complement to global order.

3. Protect the interests of developing countries. Financial and technical assistance mechanisms must be expanded to help countries most vulnerable to fragmentation adapt to the new environment.

4. Develop global rules in the digital and technology domain. Establishing international norms on artificial intelligence, digital trade, and data governance represents one of the most critical tasks for the future.

5. Relevance for Uzbekistan and Central Asia. Amid geoeconomic fragmentation, Central Asian states particularly Uzbekistan should strengthen regional cooperation in order to protect their economic interests and amplify their voice within multilateral institutions.

In conclusion, the relationship between multilateral institutions and geoeconomic fragmentation must be understood within a unified analytical framework and addressed in a comprehensive manner by global policymakers. Failing to do so risks allowing the dialectical intensification of these two factors to

propel the global economy and international relations into an even more complex and perilous phase.

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