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Key Foreign Policy Challenges in 2019: Preparing for a Post-American World Order

An LKI Roundtable with Dr. Razeen Sally
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National University of Singapore

Discussants: Mr. Tissa Jayatilaka, Senior Fellow, Bandaranaike Centre for International Studies (BCIS); and Mr. Simon Bell, an international investor and consultant, and previously a Director A. T. Kearney's Global Business Policy Council

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Three key takeaways from the round table discussion with Razeen Sally, Tissa Jayatilaka, and Simon Bell:

- 1. Global economic trends have entered a new phase that favours protectionism, unilateral de-liberalisation, and a retreat from multilateral institutions.**
- 2. The commonalities that bind global and regional powers should be strengthened to generate a new multilateralism centered on competitive interdependence.**
- 3. In order to maximise benefits, Sri Lanka needs to promote domestic economic competition, as well as ensure continuity and consistency in policy reforms.**

Introduction

- Dr. Razeen Sally, Visiting Associate Professor at the Lee Kuan Yew School of Public Policy at the National University of Singapore; Mr. Tissa Jayatilaka, Senior Fellow at the Bandaranaike Centre for International Studies (BCIS); and Mr. Simon Bell, an international investor and consultant, and previously a Director on A. T. Kearney's Global Business Policy Council, addressed a Foreign Policy Round Table on 'Key Foreign Policy Challenges in 2019: Preparing for a Post-American World Order' on 17 December 2018 at the Lakshman Kadirgamar Institute (LKI).
- This round table discussion, supported by The Asia Foundation, was moderated by Dr. Ganeshan Wignaraja, Executive Director, LKI.
- The round table was attended by Mrs. Pamela J. Deen, Director of Bandaranaike International Diplomatic Training Institute (BIDTI) and representatives of the Ministry of Foreign Affairs Sri Lanka, members of international and national organisations and private sector.

Takeaways from Dr. Razeen Sally's Presentation:

Global Economic and Trade Outlook

- The International Monetary Fund projects global growth for 2018-19 to be around [3.7%](#) . Global trade growth in 2018 has declined to 4%.
- The global economic growth rate in 2018 was sustained primarily by the US economic growth rate of 3%, which is expected to slow down in 2019.
- To revive the global economy, there should be more unilateral liberalisation in developing countries, and new measures for the World Trade Organization (WTO) to review legitimate issues, particularly regarding Free Trade Agreements.
- The WTO's dispute mechanism body is in danger of collapsing because of US obstruction in appointing new judges to its [Appellate Body](#).

The New Wave of Economic Protectionism

- The adoption rate of protectionist measures has increased substantially, accompanied by a new wave of unilateral de-liberalisation. This trend, initially implemented by the US, was gradually imitated by developing countries.
- Protectionist measures could also adversely affect the global supply chains, which is particularly harmful to developing countries with a labour cost advantage hoping to attract foreign direct investment from multinational companies.
- In 2018, the global trade growth rates exceeded global economic growth rates, However, this figure is forecasted to decline in 2019, possibly as a result of the new protectionist wave.

Takeaways from Simon Bell's Presentation:

Retreat of Political Liberalism in the World Order

- There is a fundamental shift in the world where anger over issues like income inequality, and political alienation are being exploited by populists to advance ideologies based on a mixture of isolationism, and versions of '*realpolitik*.'
- The political space available for multilateral cooperation on common issues like poverty alleviation, climate change adaptation and mitigation, and natural resource management is shrinking.
- Despite the central focus on President Trump's unilateral behavior, similar figures and policies are proliferating globally from Britain to Brazil.

Way Forward for Smaller States

- Smaller states, like Sri Lanka, are in an ideal position to be more nimble and compact in making policy decisions than larger states.
- Entering into an era of greater protectionism, the only choice for smaller states is to become more open in order to compete with larger states.
- Sri Lanka's economic future lies primarily in professional services, particularly in Information Technology (IT), and knowledge service industry.

Takeaways from Tissa Jayatilaka's Presentation:

The Decline of Global American Influence

- Despite the relative stability of America's economic and military strength, there has been a decline in America's ability to shape the world.
- The retreat of US leadership has increased the risks of global conflicts stemming from trade wars, arms races, and security vacuums.
- Immediate post-cold war predictions of an American-led 21st century have been replaced with the substitution of the Asian powers (China and India at the helm) as the main influential actors.

Transition in the Asian Security Order

- Strategic competition between global and regional powers in the Indo-Pacific region is transforming Asia's geopolitical dynamics, and will have a decisive impact on its future.
- There are diverging views on China's security strategy in Asia with concerns of a deliberate policy to encircle smaller states into Beijing's strategic orbit.
- It would be more productive to move towards the formation of a strategic framework based on competitive interdependence among the great powers as a way to resolve regional security concerns.

Takeaways from the Discussion:

- Reforms in policy and core institutions should concentrate on enhancing domestic competition in trade, foreign investment and supply chains to strengthen export performance to facilitate the implementation of FTAs.
- The ongoing shift of English as the global language to other languages, such as Mandarin and Cantonese, is an opportunity for Sri Lanka to develop and promote professional services in markets like China.
- Despite the many structural re-distribution issues inherent in the global economic system, the majority of the world has benefited from the largest material gains in recorded history due to this system.

Suggested Further Reading

Sally, R. (2019). International Trade: A Bleak Outlook. Lakshman Kadirgamar Institute. [online] Available at: <https://www.lki.lk/blog/international-trade-a-bleak-outlook/>

The Lakshman Kadirgamar Institute. (2019). Spotlight on Building a Country Brand with Simon Bell - The Lakshman Kadirgamar Institute. [online] Available at: <https://www.lki.lk/publication/spotlight-on-building-a-country-brand-with-simon-bell/> [Accessed 29 Jan. 2019].

IMF. (2019). *World Economic Outlook, October 2018: Challenges to Steady Growth*. [online] Available at: <https://www.imf.org/en/Publications/WEO/Issues/2018/09/24/world-economic-outlook-october-2018>

Latiff, A, and Wijesinha, A. (2018). Trade Tensions and Strained Global Cooperation. [online] Available at: <https://www.lki.lk/blog/trade-tensions-and-strained-global-cooperation/>

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