EDITORIAL

Impact of Multilateralism and Changing Geopolitical Relations

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This article is about the development of geopolitical relations and multilateralism since World War II. The author goes into the growth of multilateralism and its impact on security, the economy and taxation. It provides a short outlook on the impact of the fast-changing geopolitical situation since 2022.

Keywords: Geopolitics, Multilateralism, UN, OECD, NATO, EU, Paris Agreement 2015, Harmonization, Military spending, National Security

1 MULTILATERALISM

Multilateralism (defined as the practice of three or more countries cooperating to achieve common goals) came up at the end of the nineteenth century – an era with severe international conflicts such as the Crimean War (1854–1856), the Mexican-American War (1846–1848) and the Franco-Prussian War (1870–1871). The consequent threat of war triggered peace movements which led to a prelude of multilateralism. In 1899, at the First Hague Peace Conference, twenty-six countries discussed disarmament, international jurisdiction and arbitration. As a result, the Permanent Court of Arbitration was established in the Netherlands.[1] In spite of these ambitious peace plans, in July 1914 World War I broke out. This global conflict between two coalitions, the 'Allied Powers' and the 'Central Powers' was fought in Europe, the Middle East, and parts of Africa and the Asia-Pacific, and turned out into one of the deadliest conflicts in history. During the Paris Peace Conference, June 1919, the signing of the Treaty of Versailles marked the end of World War I and also the start of the League of Nations with the aim to promote international cooperation and to achieve international peace and security.[2] Until the mid-1930s the League of Nation can be considered the first attempt of a multilateral framework for international cooperation between the members of the international community.[3] It could, however, not prevent the start of the Second World War. The League was officially dissolved in April 1946, after handing over its assets and archives to the newly formed United Nations (UNs).

World War II ended on 2 September 1945, with the surrender of Japan.[4] Already in April 1945, fifty countries had gathered in San Francisco to discuss the creation of a new international organization that could prevent another world war like the one they had just lived through. In October 1945, the Charter of the UN and the Statute of the International Court of Justice (ICJ) were ratified by China, France, the Soviet Union, the UK, the US and most of the other signatories.[5] Meanwhile, UN's membership has grown to 193 nations. The UN is working to maintain international peace and security, give humanitarian assistance to those in need, protect human rights, uphold international law, set sustainable development goals and agreed on world-wide action to limiting global warming in 2050 to a maximum of 1.5°C higher than in the pre-industrial era (the Paris Agreement of 2015).[6]

Notes

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1 The Permanent Court of Arbitration, as well as (later) the UN International Court of Justice are still housed in the Peace Palace in The Hague; *see* https://www.vredespaleis.nl/peace-palace/history/?lang=en (accessed 15 Dec. 2025).

2 *See* https://peacepalacelibrary.nl/research-guide/league-nations (accessed 15 Dec. 2025).

3 Christian J. Tams, *League of Nations*, para. 40, Max Planck Encyclopedia of Public International Law (MPEPIL), https://opil.ouplaw.com/display/10.1093/law:epil/9780199231690/law-9780199231690-e519?rskey=uTzzB8&result=1&prd=MPIL (accessed 15 Dec. 2025).

4 In most parts of Europe, the war had ended three months earlier with the surrender of Germany on 8 May 1945.

5 *See* https://www.un.org/en/about-us/history-of-the-un (accessed 15 Dec. 2025).

6 By executive order of President Trump (dated 20 Jan. 2025), the US has withdrawn from the Paris Agreement with effect of Jan. 2026.

Also the General Agreement on Tariffs and Trade (GATT, signed in 1947 as a provisional agreement and organization) was a direct reaction to World War II and the desire for it to never be repeated.[7] In 1995 the GATT was replaced by the World Trade Organization with a membership that has grown to 166 nations and numerous bilateral and multilateral trade agreements.[8]

In 1948, eighteen countries in Western Europe created the Organization for European Economic Co-operation (OEEC) to implement the Marshall Plan of the US that provided substantial economic and technical assistance in the recovery of their economies after World War II.[9] Based upon the successful cooperation in the OEEC, in 1961 the Organization for Economic Co-operation and Development (OECD) was founded by the eighteen western European member countries of the former OEEC, and the US, Canada and Japan. Over time, OECD's membership has grown to thirty-eight, including countries from Latin America, Asia and the Pacific region. It became a forum and knowledge hub for data, analysis and sharing best practices in public policy (including tax policy), working together with over 100 countries to build stronger, fairer and cleaner societies.[10]

The end of World War II was also the beginning of the 'Cold War' when the US and the USSR (the Soviet Union), the former allies which won World War II, became rivals reshaping the post-war world and dividing 'old' Europe. With the Truman Doctrine (1947) and the Marshall Plan (1948), the US wanted to prevent communist expansion of the Soviet Union by providing USD thirteen billion to rebuild and stabilize Western Europe's economies. Moreover, there should be a balance of military powers between 'West and East'. In 1949, twelve countries from Europe and North America, founded the North Atlantic Treaty Organization (NATO) that now serves as a collective security pact for thirty-two sovereign Member States (NATO Allies).[11] According to Article 5 of the North Atlantic Treaty, *'an armed attack against one NATO member shall be considered an attack against all members, and triggers an obligation for each member to come to its assistance'*. This article in the North Atlantic Treaty 'translates' the right of self-defence, recognized in Article 51 of the UN Charter, into an obligation.[12]

Post-World War II efforts for peace and economic recovery within Europe started in 1951 with the founding of the European Coal and Steel Community (ECSC) by Belgium, France Germany, Italy, Luxemburg and The Netherlands. In the Treaty of Rome (1957), these six European states founded the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). By the treaty of Maastricht (1992), the 'EEC' was changed into the 'EU' (European Union). Since 1957, the membership of the EU has grown from six to twenty seven Member States.[13] The biggest increase took place in 2004, some fifteen years after the fall of the Berlin Wall, when eight eastern European countries (Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, Slovakia and Chechia) joined the EU, followed in 2007 by Bulgaria and Romania.[14] Three of the many multilateral objects of the EU were (and still are) the creation of a customs union, further harmonization of taxation and the implementation of common policies to achieve the climate targets agreed in the Paris Agreement of 2015 (the Green Deal[15] in 2019 and the Green Deal Industrial Plan[16] in 2023).

Looking at the above, I would state that multilateralism may have its pros and cons, but that, on balance, multilateralism, instead of considering my nation more important than others, has substantially contributed to a period of eighty years in which the world has been spared from world wars like the ones our ancestors have experienced in the first half of the twentieth century.

2 Impact of changing geopolitical relations between US, EU and Russia

The fall of the Berlin Wall in 1989, marking the end of the Cold War between 'West and East', led in most Western NATO Allies to a turning point from a 'war

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7 *See* https://www.wto.org/english/docs_e/legal_e/gatt47_e.htm (accessed 15 Dec. 2025).

8 *See* https://www.wto.org/english/thewto_e/whatis_e/tif_e/fact1_e.htm (accessed 15 Dec. 2025).

9 *See* https://archives.eui.eu/en/isaar/39 (accessed 15 Dec. 2025).

10 *See* https://www.oecd.org (accessed 15 Dec. 2025).

11 *See* https://www.nato.int/en/about-us/organization/nato-member-countries (accessed 15 Dec. 2025). According to Art. 10 of the North Atlantic Treaty, membership of NATO is open to any *European State in a Position to Further the Principles of this Treaty and to Contribute to the Security of the North Atlantic Area.*; *see* https://www.nato.int/en/about-us/organization/nato-member-countries (accessed 15 Dec. 2025).

12 *See* https://www.nato.int/en/what-we-do/introduction-to-nato/collective-defence-and-article-5 (accessed 15 Dec. 2025). NATO invoked Art. 5 for the first and (up to now) only time after the 9/11 terrorist attacks against the US in 2001.

13 On 31 Dec. 2020, the UK, Member State since 1973, departed from the EU, because of the outcome of the 'Brexit-referendum' in 2016, in which 52% of the UK voters had voted to leave the EU.

14 Around the same time, these states also became NATO Allies.

15 *See* https://commission.europa.eu/topics/business-and-industry/industry-and-green-deal_en (accessed 15 Dec. 2025).

16 *See* https://commission.europa.eu/topics/competitiveness/green-deal-industrial-plan_en (accessed 15 Dec. 2025).

economy' to a 'peace economy' with a (drastic) decrease of defence spending. This situation lasted until 2022 when we were confronted with a war in Ukraine that could pose a direct threat to the EU. In a wider scope, it brought a fast changing of geopolitical relations: four players on a four-player geopolitical chessboard – the US, China, Russia and the EU, acting as a union of twenty-seven Member States – are setting the scene for themselves and for the rest of the world.[17]

After Ukraine's President Yanukovych rejected an EU association agreement, protests erupted in Kyiv, notably the mass demonstrations in Kyiv's Independence Square (Maidan Square) in 2014. The Parliament removed President Yanukovich who fled, paving the way for a pro-European government, and Russia responded by annexing the Crimea peninsula and supporting separatists in eastern Ukraine (the Donbas). In hindsight, this has been the prelude to Russia's invasion in Ukraine (February 2022), the start of the Russia-Ukraine war that is still going on.[18] Europe and the US support Ukraine with money and weapons. Bilateral negotiations on a lasting end to the fighting between the US and Ukraine and between the US and Russia have not yet led to a clear 'deal' (and eventually a peace deal that holds and lasts) that is acceptable for both Russia and Ukraine. Pending the outcome of the negations, Europe is aware of the consequences for its security. In February 2025, the Coalition of the Willing has been formed. This group of 31 European countries, co-led by Britain and France, has the object of building a robust peace for Ukraine and Europe.[19] Moreover, NATO makes us aware of the risks of Ukraine losing its security. In a speech on 11 December 2025, NATO Secretary General Mark Rutte, sketched the worst-case scenario as follows:

> *Just imagine if Putin got his way; Ukraine under the boot of Russian occupation, his forces pressing against a longer border with NATO, and the significantly increased risk of an armed attack against us. It would require a truly gargantuan shift in our deterrence and defence. NATO would have to substantially increase its military presence along the eastern flank, and Allies would have to go much further and faster on defence spending and production. In such a scenario, we would long for the days when 3.5 per cent of GDP on core defence was enough. That number would grow massively, and with that imminent threat, we would have to act fast. There would be emergency budgets, cuts to public spending, economic disruption, and further financial pressure. In that scenario, painful trade-offs would be unavoidable but absolutely necessary to protect our people. So, let's not forget: Ukraine's security is our security.*

In this scenario, the fast increase of defence spending and production[20] means much more than 3.5% of GDP, as agreed by the NATO members at the recent NATO-Summit in The Hague (June 2025). It will lead to NATO Allies (other than those who benefit from increased income from military production such as the US) weighing-off cuts in other public spending against increasing taxes.

As regards the targets set by the Paris Agreement, we can expect that in a war economy the political focus of countries on an ambitious reduction of greenhouse gas emissions will shift to national independency, security and defence.[21] Multilaterlism is at the heart of the EU. Without the EU, its Member States would probably not have become as strong and wealthy as they are now. However, the present geopolitical development with its nationalistic and protectionist tendencies (also visible within some Member States) bring new challenges for the EU. Depending on the outcome of the war in Ukraine, we may face a potential risky borderline between Russia and the EU and a revival of the Cold War, with further increasing government spending on defence in EU Member States and challenges for tax policy.

This editorial is my farewell editorial as member of the editorial board of EC Tax Review. It has been an honour and a pleasure serving on this board since 2007, and I extend my sincere wishes for a prosperous future to all editorial board members and readers of EC Tax Review.

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[17] In this context, the recent National Security Strategy of the United States of America (Nov. 2025) give some insights in President Trump's strategy in the relations between the US and other nations in the Western Hemisphere, Asia, Europe (including Russia), The Middle East and Africa; *see* https://www.whitehouse.gov/wp-content/uploads/2025/12/2025-National-Security-Strategy.pdf (accessed 15 Dec. 2025).

[18] President Putin consistently calls it a 'Special Military Operation'.

[19] Euro News, Everything we know so far about the 'Coalition of the Willing' for Ukraine, https://www.euronews.com/my-europe/2025/04/02/everything-we-know-so-far-about-the-coalition-of-the-willing-for-ukraine (accessed 15 Dec. 2025).

[20] *See* K. Jayaram & S. Sen, *Business Is Booming for Defense Contractors*, Reuters (9 Dec. 2025), https://www.reuters.com/graphics/BUSINESS-DEFENSE/lbvgmjwxrvq/ (accessed 15 Dec. 2025).

[21] *See* Han Kogels, *Will the Road to Carbon Neutrality Become Even More Bumpy Than Ever?*, 5 EC Tax Rev. 184 (2024), doi: 10.54648/ECTA2024020.