

What Agenda for Retooling Global Collective Action?

Issues for discussion

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The Trump presidency is likely to go down in history as a watershed for international economic relations. Even if its nationalist stance is eventually reversed by the next president, the already undermined and outdated web of multilateral rules and institutions that constitute the international economic order is unlikely to survive unscathed. Most agreements and institutions will most likely remain in place, but not the hope that a set of compulsory multilateral rules and an array of universal, treaty-based institutions will bring about “global solutions to global problems”. The world has become too sovereignty-conscious, too heterogenous, too multipolar, too multi-agent, too deregulated and too technology-driven for the simple restoration of the late 20th century order.

In an increasingly interdependent world replete with policy externalities, global public goods cannot be left unattended, however. To name just a few of the major challenges we are facing, climate preservation, biodiversity, financial stability and internet security will not emerge from the uncoordinated action of national governments. Nor will they be engineered by a benevolent hegemon. And they cannot be left to simply be the outcome of market interaction. The task ahead is to define principles and procedures for international collective action in a post-Trumpian world.

There are few precedents to draw on for this task. Whereas history provides several examples of hegemonic stability, multipolar regimes have generally been much more precarious. At any rate, past arrangements did not have to provide a conduit for collective action to a degree comparable to today’s needs. They do not offer much guidance either for steering deregulated markets. Never before has the world been confronted with the combination of multipolarity, pervasive externalities and market-driven interaction which we are currently experiencing.

Policymakers globally are acutely aware of these challenges. Scholars and practitioners of international cooperation know well that collective action cannot rely on good intentions and vague promises. Effective collective action must rely on mechanisms that elicit the internalisation of externalities. Coercion is one of them. The question is what alternative mechanisms can substitute it when there is little will to agree on new international laws and to abide by the existing ones.

Such mechanisms are at work in the international system, which already relies much less on compulsion than its original architects had hoped for. In trade, competition, financial regulation, taxation, the containment of environmental damages, technology, different responses have been experimented. Some have delivered results commensurate to expectations or even exceeded them, some have not. It is important to understand why. For example:

- The 1987 Montreal protocol on the elimination of ozone-depleting gases provides a benchmark model for the management of global public goods. Its success was based on the strength of the scientific evidence, the small number and high degree of homogeneity of

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emitting countries, the high concentration of emitting firms and the relatively limited cost of substituting new gases to the ozone-depleting ones. This made a mandatory agreement among a subset of countries an ultimately successful option;

- Trade and integration agreements increasingly involve “coalitions of the willing” that build on WTO principles but develop specific rules to tackle regional or sectoral interdependence. Preferential trade agreements and even more, plurilateral agreements (PAs) or critical mass agreements (CMAs) have the structure of clubs. Club rules are consistent with multilateral principles, such as national treatment, and include specific provisions that may either apply to the sole signatories (for PAs) or to any WTO member (for CMAs). Despite the current uncertainty over looming trade wars, both PAs and CMAs have helped to overcome the curse of unanimity in trade negotiations;
- Banking regulation initiatives launched in the aftermath of the global financial crisis have not led to the universal imposition of compulsory requirements. They rely on template regulations agreed upon among the 28 members of the Basel Committee on Banking Supervision and on the strict monitoring of the implementation of corresponding standards. In this process, markets have contributed: by putting pressure on regulators, they have fostered the adoption of stricter capital and liquidity ratios. As a consequence, effective implementation of the new standards is widespread, though not universal. Time will tell if this is sufficient to ensure financial safety;
- The Paris climate agreement is an attempt to overcome obstacles to collective action through turning epistemic communities, subnational governments and private players into participants in a system of pressures on governments. From a static point of view, it is clearly insufficient to overcome incentives to free-ride and the resulting instability of climate coalitions. But envisaged in a dynamic setting in which technologies compete, it may elicit enough regulatory uncertainty to let clean technologies catch up with the efficiency of the dirty ones. This is not to say that the agreement will be effective: the odds are that it will prove vastly insufficient to contain the rise in Earth temperature below 2°C. But it illustrates why a non-binding agreement can nevertheless influence behaviour;
- In what is perhaps the fastest growing human resource, the internet, a problem of a different nature arises. Digital governance has not been designed through multilateral institutions; it has evolved as a decentralized regulatory environment and shaped by a myriad of public and private organizations, including public–private partnerships, the involvement of stakeholders on par with official representatives, a reliance on experts and epistemic communities, peer-to-peer interactions, as well as diffused authority. Yet this template which proved successful for the internet’s rapid growth and pervasiveness seems today completely inadequate to address global security and privacy concerns relating to the combined role of powerful oligopolies and governments attempting to influence internet content.

International collective action problems are not all alike. In some cases, there is willingness to act on the part of the various players, and a modicum of transparency and trust-building is sufficient to elicit cooperative behaviour. In others, exemplified by the notorious prisoners’ dilemma, the temptation to free-ride on common commitments can only be countered by powerful incentives. The number of players and the heterogeneity of their preferences also varies considerably across issues: some involve only a few major, relatively similar players, while others are made intractable by the number and

diversity of the state and non-state stakeholders. Another important factor is the degree to which knowledge and information are shared. Obstacles to cooperation often arise from uncertainty and divergence as regards the nature and the severity of the problem at hand.

In this context the agenda for rekindling international collective action cannot be to preserve a twentieth century system whose bases have crumbled. It cannot be to empower global institutions whose effectiveness is being hampered by outdated governance and the adversarial attitude of some countries. Collective action cannot rely either on non-committal intentions and the involvement of a multitude of non-state stakeholders. It must rest on a series of dedicated institutions/structures and precisely identified mechanisms which provide adequate solutions to well defined problems, while keeping the reliance on coercive rules, binding procedures and other strong demands on sovereignty at a minimal level.

The effectiveness of such an approach depends on the nature of the issues the global community has to tackle. If it is to be more than a fig leaf for putting blind faith in ad hoc solutions, there must be an underlying structure that makes it possible to map generic solutions onto generic problems. Put simply, the number of solutions must be significantly lower than the number of problems. This is not an unnatural assumption, and it is indeed akin a fundamental one behind Elinor Ostrom's patient exploration of local cooperative arrangements: her aim was to "dig below the immense diversity of regularized social interaction [...] to identify universal building blocks used in crafting such structured interactions". It is through identifying what type of arrangement help address what type of collective action problem that progress can be made in the design of effective agreements.

The architecture of the international system based on such a "critical multilateralism" is likely to be quite different from the one of the post-war order. The question is whether and under what conditions such a necessarily second-best approach can deliver. To answer this question, it is important to assess if it can produce strong enough incentives to cooperate and to examine carefully its key components. These could be discussed and developed along the following directions:

- *Broad principles* that govern international relations and serve as a basis for developing specific agreements. Such principles do exist: for example national treatment and the most favoured nation clause for trade, the prohibition of beggar-thy-neighbour economic policies in international finance, or the special and differential treatment for development. Being generic, such principles are easily transposable in other contexts than the ones for which initially conceived. For this reason, they may constitute the positive law that applies across the board and provides the substantive backbone of a diversified international system;
- *Specific clubs* that help internalise externalities at the level where they are most significant. These can be regional, sectoral, size-based, development level-based or, simply, coalitions of the willing that bring together players eager and able to act in a certain field. Clubs are an effective way to internalise significant externalities and to overcome size and heterogeneity problems. Their rules can vary depending on the issue they intend to tackle – because not all collective action problems are alike, but must be rooted in the same set of broad principles.
- *Nimble institutions* that support collective action in a series of domains. To help map a small number of generic solutions onto a larger number of problems, and to support a variety of clubs, there should be fewer global institutions than there are currently, and these institutions should be nimbler. Governing the world through a large network of specialised international institutions was a viable option as long as each would administer a specific domain on the basis

of a specific universal treaty. But if global governance is set to evolve more in the direction of a constellation of clubs, such an approach would be a sure recipe for balkanisation and the rigidification of an evolving structure. Rather, international institutions should be regarded as poles of expertise able to devise solutions for a variety of problems. To this end, they should be given a broad mandate and be equipped with strong governance, so that they can adapt to a variety of situations. Some already provide examples of such a role: the IMF was not initially designed as an institution monitoring global capital markets, nor was the World Bank designed as a knowledge bank or the OECD as an assessor of educational achievements. These institutions have been able to evolve and tackle problems as they emerged. Critical multilateralism does not require delegating competence to powerful global institutions, but it does require institutions that are able to tell the truth, experiment and propose.

The challenge ahead is, first, to assess systematically what existing arrangements that limit demands on sovereignty and assignment of competence to international institutions have actually delivered, what are their vulnerabilities and, second, to determine if this wealth of experience provides a strong enough basis for the necessary retooling of global collective action. These are the aims of the *Transformation of Global Governance* project undertaken at the European University Institute.

The European University Institute's Transformation of Global Governance (TGG) Project

The TGG project was launched in Spring 2018 by George Papaconstantinou (School of Transnational Governance) and Jean Pisani-Ferry (Tommaso Padoa-Schioppa chair, Robert Schuman Centre). Its aim is to critically review new types of global governance arrangements that have emerged in recent years. Unlike the post-war ones, these arrangements tend not to be universal, treaty-based and institution-supported. They rely on variable geometry and flexible formats. They draw on incentives and peer pressure rather than legal compulsion.

Building on a common analytical framework, the review should to help find out if there are powerful emerging templates to learn from and what are the conditions for their effectiveness. Ultimately, the goal is to provide sound intellectual underpinnings to an agenda for reforming global governance.

Seminars

Following the inaugural Tommaso Padoa-Schioppa lecture delivered on 9 April 2018, a series of specific seminars are being organised within the framework of the TGG project. The following topics are being addressed:

- International trade and the WTO system (Florence, 20 June 2018)
- Banking regulation (Milan, 13 September 2018 – co-organised with the Florence School of Banking and Finance)
- Cross-border effects of competition policy (Brussels, 16 October 2018 – co-organised with Bruegel)
- Lessons from History (Florence, 14 November 2018)
- Internet regulation (Berlin, date TBD, co-organised with the Hertie School of Governance)
- Climate change mitigation (date and place TBD, co-organised with the Florence School of Regulation)

Publications

Is Global Governance passé? Jean Pisani-Ferry, forthcoming September 2018.