



## THE TRANSFORMATION OF GLOBAL GOVERNANCE PROJECT

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### THE GOVERNANCE OF TRADE, FINANCE AND MACROECONOMIC COOPERATION: A HISTORICAL PERSPECTIVE SINCE THE 1970S

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1. **The ‘paradise lost’ feeling that there was a golden age of global governance dominates policy reflections.** Nostalgia of this golden age inspires recommendations to make globalisation sustainable again by revamping its rules and by strengthening the institutions that support it. Recurrent calls for a “new Bretton Woods” illustrate the attractiveness of an idealised past.
2. **But the core task of historians is to de-idealise the past** and this applies very well to global governance. Even a cursory assessment of a few key episodes of the recent decades leads to question the widely held assumptions that there was a time when the global economic governance framework was comprehensive, unified, rules-based and cooperative.
3. **The framework of governance rules and institutions was never comprehensive enough to cover adequately the multiple channels of interdependence.** In fact, tension between the actual pattern of integration and the institutional set-up has been nearly permanent and the history of global governance is one of institutional arrangements catching up slowly and haphazardly with reality.
  - International trade offers a case in point: the Uruguay round launched in the 1980s was intended to fill existing gaps in the sectoral coverage of the international trade rules, while an enlargement of membership in the GATT (not least to China) was being pursued in parallel. It was an ultimately successful, but conflictual and imbalanced process, the outcome of which generated frustrations and grievances on the part of emerging as well as advanced countries;
  - Supervisory coordination in banking and finance is another case. Attempts to define an international regime for supervision and resolution started in the 1970s but failed to produce meaningful results and degenerated into weak cooperation procedures. It is only in response to successive crises (the Latin American debt crisis of the 1980s, the financial accidents of the late 1990s, the global financial crisis of 2008) that rules were tightened and that monitoring procedures were strengthened.
4. **Complaints about the fragmentation of the global governance regime go back to the 1970s at least.** The lack of a coherent, or even unified regime was actually one of the key motivations for instituting regular summits of the heads of state and government (the Gs). At the first summit in Rambouillet in 1975, British PM Harold Wilson already complained about the proliferation of institutions; but he, and his colleagues, noted at the same time that these institutions gathered officials at ministerial level only. Heads of government did not have an international forum where to meet on a regular and frequent basis. The G7, and later the G20, took up the responsibility of orchestrating the responses to prevailing challenges – by coordinating national policies but more often by setting priorities and tasking institutions. Whether the emergence of this rather informal mode of governance (and of the parallel institution of the European Council, whose creation occurred a little earlier, in 1974) should be regarded as a testimony of the failure of the rules-based institutional order, or as a necessary complement to it, is a matter for debate.
5. **The “rules-based” regime was never entirely rules-based – or when it was, rules could be breached.** This is very apparent in the monetary field. Surveillance of national policies has generally been toothless and even the concepts that underpin it have been left trailing reality. In the early 1970s the US unilaterally departed from the rules of the Bretton Woods system by taking the dollar off gold, devaluing it and ultimately going for a floating exchange rate regime. This was a major break away from a fundamental rule of the post-war system. Their decision represented a trauma for Europe. It created confusion and international tension, before cooperation resumed and eventually resulted in defining new rules.
6. **A recurring theme of the history of global governance has been whether it changes because of the need to adapt to evolving interdependence structures or as a result of power struggles between participating nations.** If anything, the question has gained relevance in today’s context.