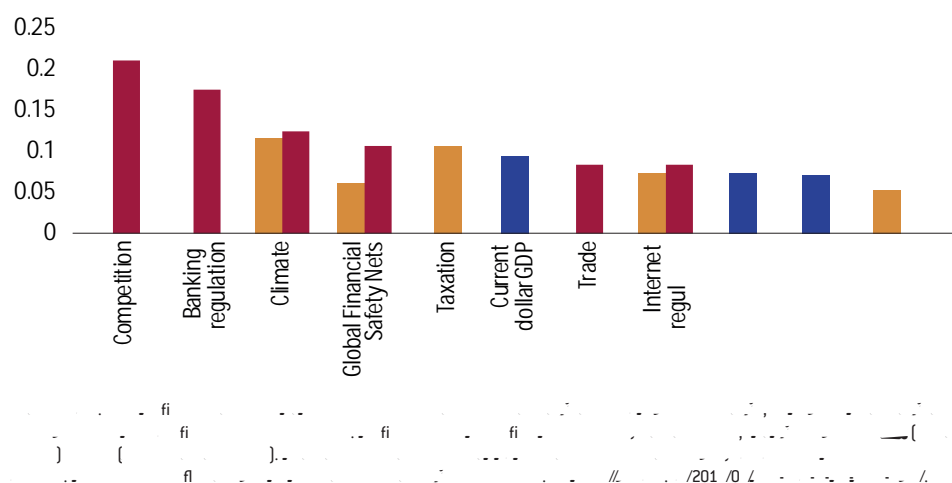




### INTERNATIONAL COLLECTIVE ACTION: CONCENTRATION INDICES IN SELECTED AREAS



### THE ISSUE

There is a greater need than ever for international collective action. From climate preservation to financial stability and internet security, heightened interdependence calls for common responses to global threats. Obstacles to global collective action are no less formidable. Beyond President Trump's stance and worldwide concerns over sovereignty, the China-US rivalry and the emergence of a multipolar world are impediments of a structural nature. The legal and institutional architecture of the rules-based global governance system looks increasingly incomplete and obsolete. A process of fragmentation has started to affect its core tenets. None of the main players is providing leadership. The US is increasingly questioning its post-war role; China is reluctant to invest in a system designed by others; Europe remains too weak and fragmented to offer sufficient leadership.

### POLICY CHALLENGE

International collective action is in search of a new paradigm. It cannot rely anymore on global binding rules supported by universal institutions. New forms of cooperation have emerged in a number of fields. These are soft pledge-and-review mechanisms, cooperation between independent agencies, regional groupings, coalitions of the willing and open partnerships involving non-state participants and knowledge networks. To maximise the effectiveness of such arrangements, they should rely on a limited set of universal principles and be served by nimble and legitimate institutions. Existing international institutions should be regarded as globalisation's social capital. There are problems that will not be solved without having recourse to strong participation and enforcement mechanisms such as sanctions or pecuniary incentives. Europe should equip itself to be an effective player in this new global game. This calls for internal governance reforms.

## 1 STATE OF PLAY

**There is a greater need for international collective action than ever before.** The threats of catastrophic climate change and biodiversity collapse demonstrate the increased importance of global commons and the urgency of coordinating responses at global level. But the need for collective action also arises from risks to financial stability, threats to internet security, tax avoidance by multinational firms and mass migration, to name only some of the most prominent challenges.

**The 1990s represented the high water mark of the collective action model characteristic of the post-second world war system.** This system relied on universal, treaty-based institutions tasked with the organisation of international cooperation and the enforcement of legally binding rules in major fields of interdependence. At the time, the template became truly universal as membership of the Bretton Woods institutions was extended to Russia and the former Soviet bloc, while preparations were made for Chinese and Russian membership of the World Trade Organisation. However, efforts to replicate this template in fields such as investment, competition and climate action have been frustrated.

**Once regarded as a milestone on the way to completing the institutional architecture of globalisation, the creation of the WTO did not achieve its aims.** Since the mid-1990s, multilateral negotiations have stalled, trade governance has fragmented into a myriad of preferential agreements, and China's membership of the WTO has failed to trigger the convergence of its economic system (let alone its political system) with the Western model. The essential principles of the General Agreement on Tariffs and Trade (GATT) and the dispute settlement mechanism instituted with the creation of the WTO were nevertheless upheld, until the Trump administration's deliberate sabotage undermined the core tenets of the post-war order.

**For the Bretton Woods institutions, the Asian crisis of the late 1990s was a turning point.** Intrusive and economically misguided International Monetary Fund programmes were considered proof that these institutions were at the service of the Western powers. A decade later, the multilateral response to the euro crisis was regarded as further evidence of this built-in bias.

**The global financial crisis did not result in a permanent upgrade to global governance.** The response to the financial meltdown and the ensuing recession was swift and forceful, and the elevation of the G20 to leaders' level adjusted the political leadership body to the new reality of the global economy. But nevertheless changes to the rules and institutions of global governance fell short of the leaders' 2009 promise that "*a global crisis requires a global solution*"<sup>1</sup>. Financial regulation was upgraded, but international macroeconomic coordination was short-lived and hopes that the crisis would provide an opportunity to reform the international monetary system were frustrated.

**The urgency of climate change mitigation has not resulted in a revival of the post-war template.** At Kyoto in 1997 and Copenhagen in 2009, attempts to create a legally binding, enforceable system of negotiated emission reduction commitments failed. The Paris Agreement of 2015 was based on an entirely different paradigm: national 'contributions' that are unilaterally determined and non-binding. The expected effectiveness of the collective endeavour to contain the rise in temperature relies on soft mechanisms: review procedures, peer pressure and the involvement of non-state participants.

**The governance of the internet epitomises the obsolescence of the post-war model.** The emergence of the first truly global, borderless infrastructure has essentially been based on uncoordinated state and private initiatives based on broad principles and a series of information exchange protocols. Its governance

1. G20 London Summit - Leaders' Statement, 2 April 2009, available at [https://www.imf.org/external/np/sec/pr/2009/pdf/g20\\_040209.pdf](https://www.imf.org/external/np/sec/pr/2009/pdf/g20_040209.pdf).



trading regime, it has no ownership of a system that was designed by Western powers and whose rules embody their preferences. The significance of the Belt and Road Initiative for global governance remains unclear, but it might be sowing the seeds of a different kind of system of international economic relations.

**The US is reassessing its decades-long strategy towards China.** From Richard Nixon to Barack Obama, all US presidents followed the same inclusive approach. It was assumed that China's disruptive power could best be tamed by shaping the direction of its development by making it a full member of the rules-based global economic community. But if this strategy has helped China to develop and catch up technologically, it has not led to system convergence and it has not contained geopolitical rivalry. Consequently, the US increasingly regards China as a strategic threat.

**Europe remains the staunchest advocate of the multilateral system but it lacks strength and coherence.**

As a rules-based construct, the

**multilateral rules and institutions.**

Network-based interdependence in fields including finance, international currency, global value chains and data flows, confers exorbitant power and responsibility on whoever controls the nodes of the system. The assumption that all countries are equal has never matched reality. But interdependence once seemed to be an equalising force. This is less the case today than ten or twenty years ago.

**Conflicting representations of the same reality are a serious obstacle to collective action.** This is evidently the case for climate change denial, but also for less extreme forms of disagreement, as recently illustrated by European disputes over the solution to the euro crisis. Battles of ideas are often harder to win than disputes arising from divergent interests. This problem is bound to be

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**involve the risk of fragmentation.**

Soft forms of cooperation are hardly applicable to a collection of 200+ countries. They are more effective when the number of significant players remains limited – as in the cases of central banking, competition and banking regulation. Coalitions of the willing have developed in many fields, starting with international trade, sectoral regulation and the environment, where the Montreal Protocol on the elimination of substances harming the ozone layer provided an early template. The forming on a voluntary basis of sectoral, regional or development level-based coalitions can be an effective conduit to collective action, though at the cost that

based on precise matching procedures that assign adequate resources, institutions and mechanisms to clearly identified problems.

**A way to control the risk of fragmentation involved in the reliance on clubs or groupings of countries would be to require them be rooted in common universal principles ('minilateralism').** This is actually the case with regional or sectoral trade agreements: they are subject to WTO scrutiny, must respect fundamental principles such as national treatment and unless they meet certain conditions, they should uphold the most-favoured nation principle. Compliance with such principles has ensured some coherence in the evolution of the international trading system. Similar issues arise in a series of fields, from investment to regulation to climate to financial safety nets.

**Existing institutions - which can be regarded as globalisation's social capital - should be requested to serve collective action beyond the confines of their sectoral remits.** Global institutions were once regarded as the master of sectoral fiefdoms within the multilateral system. But today, they are rather regarded as wells of social and informational capital that international

absence of a shared knowledge base is also a reason why international agreement is so difficult in the field of migration). In domains that speak to public opinion like the preservation of the environment, public health or the fight against tax evasion, pressure from below might also help counter the incentives to free-ride that governments are subject to, and could help overcome obstacles to collective action. But polyilateralism risks being too weak to overcome obstacles to collective action in critical fields such as climate change.

**In the absence of compulsory universal agreements, some collective-action problems can only be tackled by having recourse to sanctions, pecuniary levies and international transfers.** Whereas it is