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Minimalist strategies for global collective action

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"The present crisis stems largely from the inconsistency between the increasingly cross-national span of markets—be it regional or global—and the persistently national span of government [..] This most important flaw in the market-government nexus cannot be simplistically described as a "lack" or an "excess" of government. The defect lies in the level rather than in the quantum of government."

Tommaso Padoa-Schioppa (2010)

The range of problems whose solution require international collective action and the acuteness of these problems are unprecedented. Yet the ability and the willingness of nation-states to cooperate to address them are lower than they have been for three quarters of a century. This contradiction is a major challenge for the international community. It is unfortunately here to stay, because it is of a structural nature. It calls for a minimalist, but effective strategy that builds on existing institutional arrangements and draws on solutions at work in various sectors to develop adequate incentive schemes that help address collective action challenges, while keeping constraints to national decision-making at minimum.

Several of the analyses that underpin this view are controversial. There is significant disagreement amongst scholars and policymakers on the scope for global collective action, the nature of the impediments it faces, the strategy that should be followed and the type of responses that can be put forward. My first purpose today is to discuss why such disagreement exists. My second objective is to explain why the mismatch between the demand for global collective action and the supply of cooperation is here to stay. My third intention is to show that although they fall short by a wide margin of the ambitions for a "new world order" or a "new Bretton Woods", there is much to learn from the analysis of existing international cooperation arrangements. My final aim is to identify the key components of a minimalist agenda for collective action.

1. Global challenges: Reality or artifice?

"A global crisis requires global solutions": ever since the G20 summit in London in 2009 (if not before), there has been a tendency to assume that pressing current challenges call for closer coordination, tighter global rules and stronger international institutions, in short for more global governance. This view, for sure, does not imply that global governance is politically feasible. But it posits that it is desirable.

It has been Dani Rodrik's merit to question it. In a recent paper (Rodrik, 2019), he claims that the case for global governance has been overstated. His point is that the relevance of the two rationales it rests on, global public goods (which must be managed at global level) and beggar-thy-neighbour policies (whose adverse effects must be contained by binding international rules), is much narrower than assumed by conventional wisdom. According to him, "the world economy is not a global commons, and virtually no economic policy has the nature of a global public good (or bad). And while there are important beggar-thy-neighbour (BTN) policies, much of our current discussions deal with policies that are not true BTNs".

Rodrik is undoubtedly right that, as it is often the case in policy discussions, precisely defined economic paradigms have been taken out of context and applied much beyond the range of cases where they have relevance. Especially, the global public goods concept developed by World Bank economists (Kaul, Grunberg and Stern, 1999) has been used metaphorically as a

justification for a large set of concerted action issues, many of which do not exhibit the features of a true public good.

Significant positive spill-over effects from national policy decisions are not sufficient to characterise a global public good. Development for example is not really a public good (though it does have positive spill-over effects) and as I will develop, even financial stability does have the required characteristics. The metaphorical use of economic concepts is tempting, but it often leads to wrong policy prescriptions.

The same applies to beggar-thy-neighbour policies. Whereas, as argued by Rodrik, the application of optimal tariffs by large countries exploiting their market power or competition for attracting tax bases are clear examples of beggar-thy-neighbour policies whose uncontrolled implementation reduces aggregate welfare, many policies are deemed beggar-thy-neighbour for the simple reason that they may have adverse effects on partner countries. But the observation that my neighbour's monetary, fiscal or wage policy does not meet my needs does not suffice to claim that responsibility for it should be transferred to the international level.

Rodrik's point is therefore valid. But it does not follow from it that the need for international collective action can be overlooked and that each country should only care about its own priorities. To start with, managing the *true* global public goods has become a much more pressing and challenging issue than at any time before in world history. A preserved climate, biodiversity, ocean life, a global internet, a reasonably well-managed outer space are true global public goods. Pandemic diseases, drug trafficking, cybercrime and terrorism are (mostly) true global public bads. These – especially the prevention of climate change – are furthermore first-order challenges whose implications may dwarf the costs and benefits of standard economic and trade cooperation. The relevance of the global public goods concept may have been overstated, but this is no reason to disregard its increased and pressing relevance in major fields.

Moreover, it does not follow from the observation that some channels of interdependence do not result in the existence of a true global public good or do not involve a real risk of beggar-thy-neighbour policies that there is no need for structured international cooperation. It only means that collective action does not face the same challenges and does not need to rest on the same type of international arrangements.

This point can be illustrated by comparing the two cases of climate change mitigation and the preservation of financial stability. Climate change mitigation is a true global public good, because every emission of greenhouse gas results in the same alteration of the global climate, irrespective of where it emanates from. Formally, each country's utility has the form:

$$U_i = U\left(f_i(E_i), \sum_{1}^{N} E_j\right) = V\left(g_i(E_i), \sum_{j \neq i}^{N} E_j\right)$$

where E_k is the emission reduction effort of country k and $f_k(E_k)$ measures the corresponding disutility in terms of equivalent outcome (which depends on a country-specific abatement curve). Except perhaps for very large countries dU/dE_i is negative (the direct benefits from a country's own climate preservation efforts are lower than the welfare costs of emission abatement), whereas dU/dE_j is positive for $j \neq i$ (the other countries' efforts are good for me). As each country benefits equally from the emission cuts of all its partners and absent an

international. coercion mechanism, each has an incentive to free-ride on the common effort. Furthermore, as demonstrated by Nordhaus (2015), the benefits of free-riding make climate coalitions inherently unstable, which frustrates collective action. Hence, the need – in a first-best world – for coercive global governance mechanisms that tackle the free-rider curse.

Because of the frequently transnational character of financial crises, it is tempting to regard financial stability also as a public good. Actually, it has often been dubbed one (see for example Shirakawa, 2012). But there is a major difference with climate: whereas no country is totally immune from spill-over effects from financial crises in partner countries, stability depends first and foremost on domestic efforts and secondarily on those of financial partners. Formally,

$$U_i = V\left(h_i(E_i), \sum_{j\neq i}^{N} \lambda_{ij} E_j\right)$$

where λ_{ij} is a measure of bilateral financial linkages. In most cases $\frac{dU}{dE_i} > \frac{dU}{dE_{j\neq i}} > 0$, meaning that whereas the partners' efforts matter, domestic efforts matter more and some at least are worth being undertaken in isolation. In such case there is no incentive to free-ride on the partner's efforts, but each national regulator may fail to do enough as it overlooks the positive spill-over effects of its action. What each regulator wants is to ensure that its counterparts sufficiently strengthen the soundness and resilience of their financial system (and may discourage cross-border transactions if it doubts this is the case, as illustrated by the euro crisis in the 2010s) . Hence there is a need for *some form* of global governance, the goal of which is not to coerce national authorities into policy choices they would not spontaneously adopt, but to agree on standards, to ensure transparency and to create trust, so that each regulator adequately contributes to the common effort. Whereas tackling climate change requires coercion, promoting financial stability requires nudge.[2]

The observation that there are fewer public goods than often assumed does not therefore weaken the case for international collective action, as Rodrik suggests. It merely calls for differentiated governance models, whose principles and binding features should depend on the strength of the corresponding interdependence and the nature of the underlying game. Indeed, the design of appropriate global governance regimes can be regarded as a matching exercise whereby cooperation schemes of varying scope and exigency meet interdependence channels of varying nature and strength.

2. The nature of obstacles

If the demand for global collective action is strong, is the problem on the supply side? Appetite for common solutions has undoubtedly diminished as a consequence of the worldwide rise of economic nationalism. Furthermore, the aggressively unilateral stance of the Trump administration undermines existing institutions and mechanisms, starting with the global trading regime and the global framework for climate action.

Governments that still believe in collective action claim their intent to keep multilateralism alive until the Trumpian parenthesis closes and the nationalist wave recedes. This is a natural strategy. Obstacles to collective action, however, are in fact of a more fundamental nature

[2] The euro area is admittedly a special case, because of the heightened interdependence triggered by monetary unification. Hence, the decision to move banking supervision at European level.

and they are unlikely to go away if and when a new administration takes office in Washington, DC.

To start with the US, reluctance to multilateral entanglements has a long history. It manifested itself in several occasions, from the rejection of the Havana charter in 1948 to the refusal of the International Criminal Court in 1998 and to recurring difficulties in Congress with trade agreements or the ratification of increases in IMF resources. But something new is happening: the growing perception in policy circles is that the United States has accepted too many constraints on its own behaviour for the sake of building a multilateral regime that does not put enough constraints on the other players' behaviour.

China is evidently at the core of US grievances, but the issue is in fact broader. When former deputy USTR chief Stephen Vaughn says that the WTO's Appellate Body instituted on the occasion of the creation of the organisation has "become its own sort of rules making body" that tries to "answer questions that the members left open during the negotiations" and that "American policymakers of both parties have been warning the rest of the world that [..] the United States never agreed to this sort of a process" (Vaughn, 2019), he is expressing widely shared concerns amongst US lawmakers, some of which were already spelled out by Obama administration officials.[3]

Trade is only one of several fields and attitudes may vary depending on the field. Whereas the Trump administration is pulling out the US from the Paris climate accord, little has changed in the US stance towards the Bretton Woods institutions. Overall, however, there is evidence of growing US doubts over the benefits of being bound by international disciplines which limit the scope of (US) policy choices but are not regarded as putting effective enough constrains on the behaviour of other players in the global game. For this reason, even if the US eventually abandons the "America first" doctrine, reluctance to binding international arrangements is likely to persist. As Vaughn puts it, "if you're really just talking about getting other countries to do what you want the other country to do, I think most of the time, the best way to do that is going to be to use the direct leverage of the United States in terms of its market". A more multipolar world is likely to be a more transactional world, and this applies to the US itself as well as to other powers.

Can we imagine the US returning instead to what could be termed "discretionary internationalism", that is, to a relatively commitment-free internationally-minded attitude? Vaughn, who confesses no sympathy for protectionism, considers that trade policy and international economic policy more broadly should be the result of a domestic political process rather than from an external process and procedural commitments. Simply, he thinks that "our elected officials cannot bind other elected officials or future elected officials or the US government in terms of policy matters to which we have not agreed".

What is being suggested is that the US could be freer of international entanglements, but behave as a liberal hegemon that offers global leadership and provides adequate to destabilising shocks. But this is precisely what it was unable to do in the interwar period, at a time when there was hardly a global governance system to speak of. Kindelberger (1972) famously showed that "the British couldn't and the United States wouldn't [..] assume responsibility for [..] (a) maintaining a relatively open market for distressed goods; (b) providing counter-cyclical long-term lending; and (c) discounting in crisis".[4] In contrast, the US

[3] See for example Schwab (2011).
[4] See also Tooze (2014).

assumed this responsibility in the post-war era through the development of a web of global rules and the creation of dedicated global institution, but also through a proactive policy attitude, for example through crisis management initiatives such as the provision of swap lines to partner central banks.

This is where China and the increasingly multipolar character of the world economy factor in. The world is not that of the 1960s or even the 1990s anymore. Even if the US "would", it might not "could". It is not the dominant trade power anymore, and even if it were willing to "maintain an open market for distressed goods", it could not lastingly play the role of importer of last resort.

As long as the US was an unrivalled global economic and geopolitical power, leaders in the White House could trade off short term domestic economic or financial interests for the wider development of the liberal international order they regarded as being ultimately in their national interest. But the growing rivalry with China and more generally the advent of a more multipolar world where a series of commensurate powers coexist is likely to result in a retreat from liberal hegemony (Mearsheimer, 2018). In a more economically and geopolitically balanced world, it is more difficult for the US – or any other would-be hegemon – to internalise the costs of systemic stability, especially if other players are not bound by rules.

Whether and where the United States, China and Europe "could" and "would" nevertheless assume the corresponding responsibility is the defining question for global collective action in the coming decades. Even leaving aside the sheer geopolitical rivalry between the incumbent and the rising power and the risks of falling into the "Thucydides trap" emphasised by Allison (2017), can what Bergsten (2020) calls the "Kindelberger trap" be avoided? Can responsibility for leadership be shared?

Empirical analysis can help shed light on the issue. Scholars of collective action have long pointed out that group size as a key variable to monitor when analysing impediments to collective action (Olson, 1965). Sandler (2005) regards the difficulty of forming large effective coalitions as the first of Olson's seven rules of thumb. This can be illustrated by the fact that one of the main reasons behind the success of the 1987 Montreal protocol on eliminating ozone-depleting gases was that only a few countries were significant producers: the US, the EU and Japan accounted for 80% of total production and developing countries for 5% only (Hale, Held and Young, 2013). But when the same approach was applied to greenhouse gas emissions, it resulted in a failure of the Kyoto protocol: There were simply too many major emitters in the developing world for the joint commitment of the advanced countries to be viable and effective.

3. Who matters? A first empirical pass

Global governance covers a huge range of fields, with some 2400 international organisations and 200,000 UN-registered international treaties and agreements that cover both the fundamental and the minuscule aspects of international interaction.[5] There is a considerable variety of situations and of models at work, some of which are successful and some of which have delivered little.

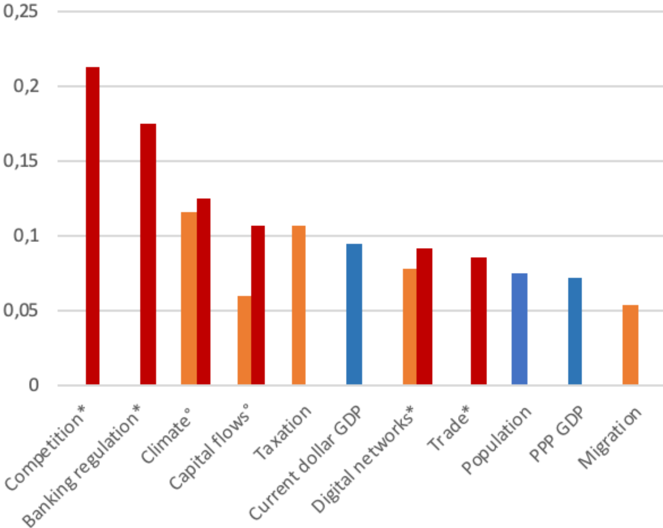
Papaconstantinou and Pisani-Ferry (2019) focus on a limited set of fields, each of which corresponds to a significant channel of interdependence: three of them correspond to the basic channels of international economic interdependence (international trade, capital flows

[5] See Alter and Raustiala (2018).

and cross-border migrations, i.e. the mobility of goods, capital and people) – of which two (trade and capital flows) also correspond to key pillars of the post-WW2 global governance regime; three explore what can be called deep integration issues, the relevance of which has risen with economic opening and its sometimes unintended consequences: the extraterritoriality of competition policy, tax competition and coordination, and the regulation of international banking; one (climate change mitigation) epitomises the challenge of managing true global public goods; and one (internet governance) embodies new forms of interdependence and an attempt to invent new forms of transnational governance.

For each of the eight fields, an indicator of concentration amongst world players is given in Figure 1. How to measure weight of each player is straightforward in some cases (CO_2 emissions for climate change) and much less in others (capital flows, for which gross external assets measures financial weight but does not take into account the centrality of key financial centres, or digital networks, for which the number of internet users measures market size but does not capture supply-side factors), but the graph nevertheless highlights that concentration varies considerably from across fields.

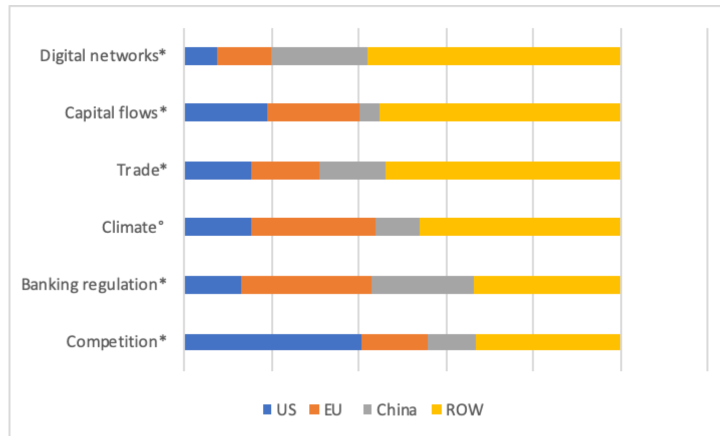
Figure 1: Concentration indices in eight international collective action fields



Source: Pisani-Ferry and Mazza (2019). The index is a Herfindhal index that varies between 0 and 1. A higher index indicates higher concentration. A star indicates that the EU (or the Eurozone for exchange rates and capital flows) is assumed to play as one in the field. A ° indicates that both indexes are provided (red for the EU as one, orange for EU countries considered individually). GDP, PPP GDP and population (all for individual countries) are indicated in blue and serve as benchmarks.

Figure 2 provides an attempt at measuring through the same variables the cumulative weight of the US, the EU and China for the six fields in which the EU or the eurozone are relevant players (this excludes taxation and migrations for which individual states are more important). Again, it is really a first pass as indicators are rough and partial. It is apparent that the three poles taken jointly matter much more in some fields such as competition and banking.

Figure 2: Shares of the US, the EU and China in six international collective action fields



Source: Own calculations based on Pisani-Ferry and Mazza (2019)

As already indicated, the measurement of each country's or region's weight is an empirical challenge. Research has recently reassessed both the importance of the US dollar for international trade (Boz, Gopinath and Plagborg-Møller, 2018) and of the US monetary policy as a primary determinant of the global financial cycle (Miranda-Agripino and Rey, 2018): whereas approaches based on standard indicators tended to treat trade partners equally, refined methods have uncovered the strong asymmetry of the international monetary system and the dominant role of the US.

While it is not benefitting from similar supply-side asymmetries, the EU has consistently been leveraging the size of its market to assert its role as a regulatory power. It has done it for competition, financial standard-setting, environmental standard-setting and data privacy regulation, to name only the main fields. This has given it an outsized power as global firms tend to comply with the highest standards, giving the EU the de facto role of a "global regulator" in fields where policy responsibility is assigned to the EU level.[6] It is also influential in fields like trade and climate where the EU has competence for external negotiation.

China has become a major trade and technology hub and has acquired a dominant global position in some key technologies. It is also assuming an increasingly leading global role in development lending (Horn, Reinhart and Trebesch, 2019).

The likely outcome for the decades to come is a scattered landscape where the relative (objective) weight and (subjective) strength of the key players varies depending on the field and where their contribution to collective action is affected in a major way by geopolitical considerations and the constellation of domestic political forces. In such a context, supply of collective action is bound to be uneven and overall limited.

4. Lessons from existing arrangements[7]

Against this background, what can be learned from the analysis of actual collective action arrangements?

Migrations is the only case of outright failure: with the (increasingly disputed) exception of asylum, there is no comprehensive regional, let alone global migration regime to speak of. This is despite the importance of the challenge and the significance of the spill-overs across

[6] Wall Street Journal, 31 March 2006, "The World's Regulator".

[7] This section updates and develops the introductory chapter of Papaconstantinou and Pisani-Ferry (2019).

host countries. There are several reasons for this state of affairs: wide heterogeneity of preferences, evidently between origin and destination countries but also among the latter, the strong distributional consequences of migration, its intensely politicised nature, the lack of an authoritative epistemic community, and the fragmentation of governance into different regimes corresponding to different layers of interaction, without the support of any strong institution. This failure has major economic, social and political consequences, with little hope that things may change in the years to come. The backlash against the Global Compact on Migrations, despite it being softer than soft law, is indicative of the extreme difficulty of collective action.

Global governance is experiencing serious challenges in a field where it was best established and had delivered the most, *international trade.* The governance of international trade is paradigmatic because it is meant to organise mutually beneficial interactions through rules which ensure that spill-overs are being taken care of by the trade partners (Grossman, 2016). It is suffering from widespread dissatisfaction with the existing regime, feeble rule enforcement, a weakening of its central institution (the WTO), a strong tendency towards the creation of sectoral or regional clubs which, while it does not need to result in fragmentation, is likely to do so in the absence of a strong multilateral core.

The global financial safety net intended to cope with *capital flows* involves rules, but it fundamentally relies on the strength of a core institution (the IMF) and the services it provides to member countries. However, it is also undergoing a process that may lead to fragmentation. As for trade, regional safety nets and bilateral arrangements such as central bank swap lines could in principle be regarded as complements rather than substitute to the IMF: absent a major overhaul of the Bretton Woods system, it would be an illusion to rely on a single institution to respond to the diversity of the liquidity needs of countries and financial market participants. The reality, however, does not only reflect a natural evolution: although the Fund remains nominally at the centre of the system, distrust for the central institution has grown.

These problems have some common roots: in both cases a mismatch between the nature of interdependence and a governance regime predicated on an increasingly outdated model of international interaction; a growing differentiation across participating countries, some of which are engaged in new forms of deep interdependence while others remain part of a mostly shallow integration model; and an intensifying dispute between the incumbent and the emerging countries, which concerns either the rules of the game (for trade) or the power balance within the governance regime (for finance).

The three fields where governance is confronted to deep integration issues exhibit similar patterns of paradoxical progress despite weak institutionalisation and weak mechanisms. In *competition*, authorities in the major countries and the EU acting independently on the basis of similar mandates have been able to define and implement principles that organise the coexistence of their extraterritorial reach. They have taken advantage of a strong EU-US oligopoly providing leadership, with China emulating rather than contesting. There are questions however on whether this progress will be resilient when it is tested in the future against the background of rising global concentration and of negative spill-overs from other policy areas (trade, industrial policy) in a more adversarial geopolitical setting.

In *banking regulation*, common standards are being implemented in a fairly coherent way despite the lack of any mandatory requirement to adopt them. In large part as a result of the

global financial crisis, the coordinate-and-review model in operation has been strengthened and is now proven effective for the harmonisation of banking solvency and liquidity standards, with the EU playing an important leadership role. The adequacy of the international standards resulting from this confidence game is however disputable, while the regulatory regime is vulnerable to disruptions emanating from new entrants and from outsiders such as fintechs, new platforms and market places.

Tax coordination is a challenging issue because of the incentive to play beggar-thy-neighbour strategies. After a long inaction, major tax avoidance challenges have started to be tackled, prompted by acute public finances needs in major countries and public opinion pressure for international tax fairness following the crisis. Progress initially concentrated in those tax areas with a conceptually simple problem to solve (abolishing banking secrecy) and where the interests of the largest advanced and emerging sovereigns participating in the G20 are aligned (with the US providing leadership). Action has relied on existing (but not tax-specific) international arrangements and on the support of a nimble institution, the OECD, that had not been designed to this end. Corporate taxation and the challenges of digitalisation have not been successfully tackled yet. They will be more difficult to address, if only because of their distributional dimensions.

Climate change mitigation is of particular interest because the international community has endeavoured to attack with a pledge-and-review mechanism a problem that can in principle only be tackled through hard law and a sanctions system. The novelty of the Paris agreement is that it is meant to gain strength by involving a strong epistemic community, subnational governments and a variety of private players, from NGOs investors and to major companies. From a static point of view, it is bound to fail. Dynamically, it may achieve results if endogenous technical progress is significant enough and if even a soft agreement succeeds is sufficiently credible for private investors and corporations to bet on the ultimate success of decarbonisation. The risk, however, is one of increased divergence between the behaviour of the front-runners and the laggards that the Paris agreement brought under the same umbrella.

The governance of *digital networks* has unique characteristics: interconnectedness came before state-sponsored international governance rules. The network was the brainchild of a transnational technology community. It was born global and its multi-stakeholder governance was meant to be light, open and participative. The US also supported this approach as it promoted its geopolitical outlook and buttressed the predominance of its companies. Nations, however, have started to catch up and are in the process of reasserting partial control. The multi-stakeholder governance structure is too weak to counter a drive towards differentiation. Security concerns as well as differences in policy philosophy as regards data privacy and content regulation are driving a process that will at minimum lead to an alignment of digital network regulation with national or regional legislation, and perhaps to an outright fragmentation.

5. A minimalist strategy agenda

Table 1 summarises the findings from the analysis of the eight interdependence fields of the preceding section. Three overall lessons can be drawn from them.

First, what is commonly called the rules-based multilateral system (or order) covers in fact a limited fraction of the web of international interdependence: essentially international trade and macro-financial interactions. In the first of these fields global governance relies on a core

set of hard principles backed by a relatively weak institution but effective dispute settlement mechanisms (until the US challenged them). In the second governance relies on a strong, adaptable institution underpinned by fairly general principles. In both fields, however, global governance is on the retreat and a process of fragmentation is at work.

Second, there are significant and worrying holes in the global governance architecture and there is no matching between the strength of global arrangements and the nature of the underlying game. Migrations involve strong spill-over but there is no collective action to speak of. Climate, which is a true global public good, is governed by very soft and yet-untested arrangements. Digital networks are in some aspect a truly global infrastructure, yet arrangements for cooperative management have an extremely weak legal basis. Governance arrangements are the product of history rather than of any logical design.

Third and more positively, a series of soft arrangements have filled gaps in the incomplete global architecture. In some cases (extraterritorial dimensions of competition policy, banking regulation and to some degree tax coordination) they have delivered a real modicum of collective action without compelling states to abide by hard international law, therefore without encroaching on sovereignty in a major way. Two interesting models in this respect are (1) cooperation between independent institutions endowed with similar mandates and operating at a distance from political government and (2) pledge-and-review mechanisms based on shared standards.

What this analysis suggests is that effective collective action should neither rely on a uniform governance-by-coercion model nor on non-committal intentions and the disorderly involvement of a multitude of non-state stakeholders. The range of solutions accessible without having recourse to hard international law is significant. What is needed is a minimalist strategy that ensures the best use of necessarily limited legal, institutional and financial resources, in a way that matches the nature of the collective action problem that is to be tackled.

This minimalist approach can rest on six essentials.

1. *A common knowledge base*. Shared knowledge is essential to identify issues and overcome obstacles to cooperation arising from divergent representations of the same problem. Consensus on the nature of problems, common assessments of upcoming challenges and shared evaluations of policy actions help shape policies even in the absence of any binding arrangement. Climate change mitigation, macro-financial coordination and financial stability initiatives heavily rely on shared knowledge assembled by epistemic communities. Public opinion can pressure governments to act.
2. *Shared principles*. Fundamental principles that command universal support, like national treatment for trade or the no-beggar-thy-neighbour principle in international finance do not eliminate divergence but limit the scope for it. They also serve as an informal coordination mechanism between variable-geometry initiatives. These principles are few, which implies that it is important to preserve them.
3. *Nimble institutions* able to provide support to international cooperation. Institutions were once considered the masters of sectoral fiefdoms within the multilateral system. But nowadays the fiefdoms hardly cover globalisation's territory. With the principles, procedures and governance they are equipped with, institutions should be regarded

as wells of social and informational capital that international collective action can draw from. They can provide support much beyond the confines of their initial mandate.

4. *Incentives.* Global collective action increasingly relies on pledge-and-review mechanisms that do not compel participants to specified targets but set standards and/or evaluate results. Such incentive mechanisms, often buttressed by markets or public opinion, are at work in climate action and financial stability. They can help considerably in fields where the nature of the underlying game does not require collective action to rely on coercion, but where national or regional initiatives need to be coordinated.
5. *Clubs.* Absent universally enforceable rules, sectoral or regional clubs can serve as a substitute. This is most evident in the climate field: should a group of countries decide to implement significant carbon taxes while their trade partners would abstain from introducing them, a border tax adjustment would serve both as a way to limit the risks of endogenous breakdown of the climate coalition, and as a way to avoid its members losing out in international trade because they would be the only ones to internalise climate externalities. But the potential role of clubs as a substitute to a truly enforceable international order has more general value. For them not to result in incoherent arrangements, they should be rooted in common principles and could be served by common institutions.
6. *Leadership.* By itself, a scattered landscape of partial and rather soft arrangements is unlikely to provide a response that is commensurate to the magnitude of today's collective action problems. Leadership is indispensable to set priorities, mobilise the institutions, arbitrate between divergent interests, and put pressure on free-riders and rogue players. As things stand, no single country or entity can anymore provide this leadership across the range of fields that must be covered. At the end of the day what matters the most is whether or not the major players, starting with the US, China and the EU, will be able to provide the minimum modicum of leadership that will help trigger collective action.

Table 1: Summary findings from the analysis of eight fields of interdependence

Field	Main rationale	Governance in place	Intended mechanisms	State of play
Migrations	Tackle regional spill-overs effects of inward migration policies	Weak and fragmented (no rules, no institution)	Policy-shaping through common principles	Ineffective
International trade	Prevent beggar-thy-neighbour "optimal tariff" and non-tariff policies	Multilateral rules + dispute settlement mechanism Rather weak institution	Shared benefits from abiding to common rules	Weak enforcement Increasing fragmentation US challenge
Exchange rates and capital flows	Prevent beggar-thy-neighbour exchange-rate policies, reduce economic cost of sudden stops	Essential principles, monitoring and mutual assistance Strong institution	Surveillance-backed peer pressure Conditionality of assistance	Nimble instititution Increasing fragmentation and self-insurance
Extraterritorial dimensions of competition	Prevent abuse of market power	Cooperation between independent national or regional regulators	Shared doctrine Principles for competence assignment	Effective so far but fragile No institutional backing
Banking regulation	Prevent detrimental financial stability effects of regulatory competition	Cooperation between independent national or regional regulators	Common indicative standards Independent monitoring	Effective but vulnerable Light institutional backing
Tax coordination	Prevent tax avoidance	Non-binding coordination based on common principles	Large countries pressure on tax havens	Partially effective Light institutional backing
Climate	Manage true global public good	Common knowledge base Non-binding pledge-and-review mechanism	Monitoring and peer pressure Incentive to seek first-mover advantage Initiative of non-state players	Limited experience so far Evidence that commitments and realisations are insufficient Light institutional backing
Digital networks	Manage common global infrastructure	Weak multi-stakeholder fora	Community- and private sector-driven initiatives with limited state involvement	In the process of alignment on national legislation / fragmentation into blocs

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