

Globalization and Global Governance in Transition

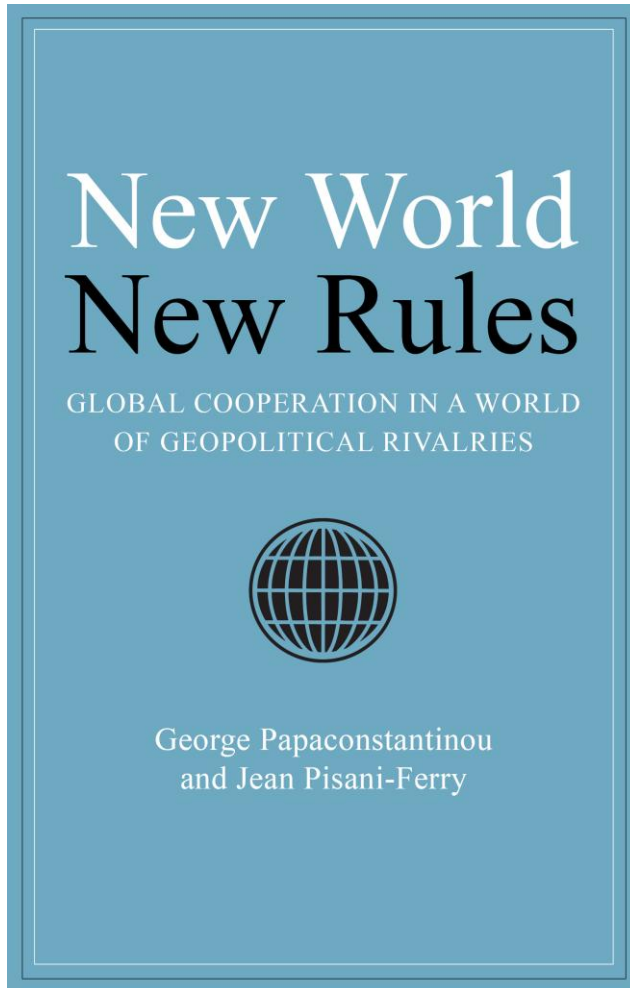
George Papaconstantinou, EUI

Jean Pisani-Ferry, Bruegel, SciencePo and PIIE

Brookings-KDI conference on “Quo Vadis Multilateralism? International Cooperation in a Changing Global Order”

Washington DC, 9 December 2025

An update of our 2024 book



The book

- A bottom-up approach to global action in a fragmented world
- An inquiry into what works and what does not

Much has changed since the book was published

- Trump's election
- Trump II much more disruptive than Trump I
- A tipping point?

The brief and the outline of the paper

The brief: *“An overarching view of how a confluence of powerful forces - ranging from technological transformation to shifting geopolitics to rising economic nationalism to changing policy paradigms - is reshaping globalization and how global economic governance and multilateralism may need to be rethought.”*

Outline of the paper:

1. Introduction
2. Globalization: where are we at?
3. Governance in flux
4. The Trump effect as a structural break
5. The impact on key policy areas
6. New world new rules: A way forward

Globalization has not reversed; it's different

“Traditional” globalization – movements in factors of production – has stalled & changed:

- **Trade-to-GDP ratios** have plateaued since 2008; trade restrictive measures are up
- **Cross-border capital flows** have not fully recovered since their GFC crash; a more segmented picture is reflecting geopolitical alliances
- **Currencies** (a conduit of trade and investment) are increasingly weaponized
- **Migration flows** (movement of labor) broadly steady but very contentious

But there are more channels at play today than trade and investment flows:

- **Digital and data flows** are now the most dynamic frontiers of globalization, and they continue to expand exponentially
- **Global commons** increasingly important: globalization is about interdependence

Governance in flux: fragmented interdependence

The **post-WW2 multilateralism blueprint** never quite worked...

- It was always imperfect: its essential pillars (enforceable multilateral order, universal membership, an effective institution) cannot be found jointly anywhere
- It was incomplete: in many fields relevant organizations either never created (investment, competition) or absent altogether (global commons)
- It was politicized, with the US having a de facto special status (“exorbitant privilege”)

This resulted in **hybrid governance arrangements** that:

- Reflected structural shifts, diversity of preferences and geopolitical rivalries
- Combined multilateral institutions, regional coalitions, issue-based clubs; involved global and regional structures, public-private interaction, epistemic communities
- Differed across policy areas – global commons, channels of economic interdependence, “behind the border” integration

Mapping governance in 9 different policy areas

Policy area	Governance arrangements	Strengths and weaknesses
Climate	Common knowledge base (IPCC); Non-binding pledge-and-review mechanism; Individually determined, conditional pledges	Strengths: Initiatives of sub-national players; forceful epistemic community; public support for stronger governance; industry dynamic effects. Weaknesses: Light institutional backing; insufficient commitments/realizations
Health	Long-established IO (WHO) with some but not adequate powers, insufficient funding	Strengths: Higher in policy agenda after pandemic; WHO competence; privately funded efforts for specific issues. Weaknesses: Politics of global health governance; lack of trust in WHO
Digital commons	Weak multistakeholder fora; new push to rebalance and for states to regain governance	Strengths: Powerful epistemic community; focus on critical issues (security). Weaknesses: No common rules/view; no institution/enforcement
International trade	Multilateral rules + dispute settlement mechanism; rather weak institution	Strengths: Common rules; arbitration mechanisms; clubs and plurilateral agreements. Weaknesses: Enforcement; fragmentation; US challenge
Capital flows and GFSNs	Principles, monitoring and assistance; strong institution (IMF); surveillance-backed peer pressure; conditionality of assistance	Strengths: Nimble institution (IMF); multiple layers with some cooperation; Weaknesses: Increasing fragmentation; coordination issues – availability, lending terms, debt relief, seniority
Migration	Weak and fragmented; attempts at policy-shaping through common principles	Strengths: General principles for asylum. Weaknesses: No common rules/view; no institution/enforcement
Competition policy	Informal, voluntary cooperation between independent regulators	Strengths: Effective cooperation and extraterritorial decisions. Weaknesses: No institutional backing; pressure from trade/industrial policy
Banking regulation	Cooperation between independent regulators; coordinate-and-review model; indirect industry participation	Strengths: Effective harmonization of banking solvency and liquidity standards (BCBS); industry buy-in. Weaknesses: Light institutional backing; regulatory regime vulnerable to disruptions from outsiders (Fintech)
Tax coordination	Non-binding coordination based on common principles	Strengths: Personal taxation rules (end of banking secrecy); cooperation on corporate taxation. Weaknesses: Distributional conflicts and partial implementation for corporate taxation; light institutional backing

The Trump effect as a structural break

- The root causes: GFC fallout, the China shock,...
- Trump I vs. Trump II: from improvisation to *Project 2025*
- Fundamental US shift on global governance: US tired of its global role
- Postwar global order now seen as unbalanced if not as a “tool being used against us”
- Not a case of classic isolationism: US goes from a global insurer to an extractor of profit, leveraging its power, with selective action
- Not a temporary aberration: many elements here to stay post-Trump – a strong hysteresis effect in key policy areas, notably trade and tariffs

The “Trump effect” in different policy areas

Policy area	Stance of US administration	Outlook
Climate	Withdrawal from Paris Agreement	Negative; US pressure on third-parties leading to weaker efforts (e.g. IMO case)
Health	Withdrawal from WHO	Little prospect of coordination for future pandemics
Digital commons	Primacy of US law; pressure on EU for removing regulation	Further fragmentation
International trade	Tariffs across the board (from avg. 2% Jan 2025 to 18% October 2025)	Further fragmentation
Capital flows and GFSNs	US to remain in WB, IMF but wants to end “mission creep”	Pressure on WB, IMF against climate action, gender equality is proving effective
Migration	US closing borders, mass deportations (>500,000 deportations)	No major change with status quo (except in deportations)
Competition policy	Hostility to EU extraterritorial reach	Bleak (also because of China)
Banking regulation	Deregulation of fintech and cryptocurrencies	US already partially out (Basel rules only apply to major banks). Major pressure on other partners
Tax coordination	Hostility to global agreement on corporate taxation	Bleak

3 scenarios for moving forward

1. **A G0 world.** Collapse of international cooperation; only loose/opportunistic alliances between countries. Tariffs continue, Bretton Woods institutions become irrelevant or cease to exist, global commons fall prey to this lack of international cooperation.
2. **Fragmentation without rules.** Power blocs: a US-led bloc, a China-led bloc and a non-aligned set (or countries shifting between blocs). Global cooperation more extensive than scenario 1; some agreements (e.g. climate). Global economic institutions retain meaningful but limited roles. Crucially, global cooperation based on power balances and bilateral agreements rather than commonly agreed rules.
3. **Multipolar multilateralism.** Cooperation in a new international order structured around reformed multilateral global institutions that reflect a new geography of power: first tier (US, China, India and perhaps Europe); second tier (middle powers such as Brazil, Indonesia and Australia). Global institutions have support/buy-in of different groups of countries in a variable-geometry fashion, depending on policy area at stake.

Directions for a “multipolar multilateralism”

- Recalibrating priorities by **putting global commons first**. Irreversibility means their preservation is existential; but how to shelter them from the turbulence of geopolitics?
- A **less prescriptive global order** is necessary: but how to sort out what is indispensable from what is merely desirable?
- “**Coalitions of the willing**” are feasible and the way to go: but where can they be applicable and what are their limits?
- Do global problems continue to require **leadership from a single dominant country**? Will third countries be able to uphold global governance rules without the US?
- A “**bottom up**” **approach** has been effective in a number of policy areas: but what is the space available for it against hard geopolitical and geoeconomic preconditions?
- How to **align incentives** with the private sector and leverage epistemic communities and public sentiment?

Thank you