

# New World, New Rules:

## Global cooperation in a world of geopolitical rivalries

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A book with [George Papaconstantinou](#) (EUI) published **before** the election of Donald Trump

### The project behind the book

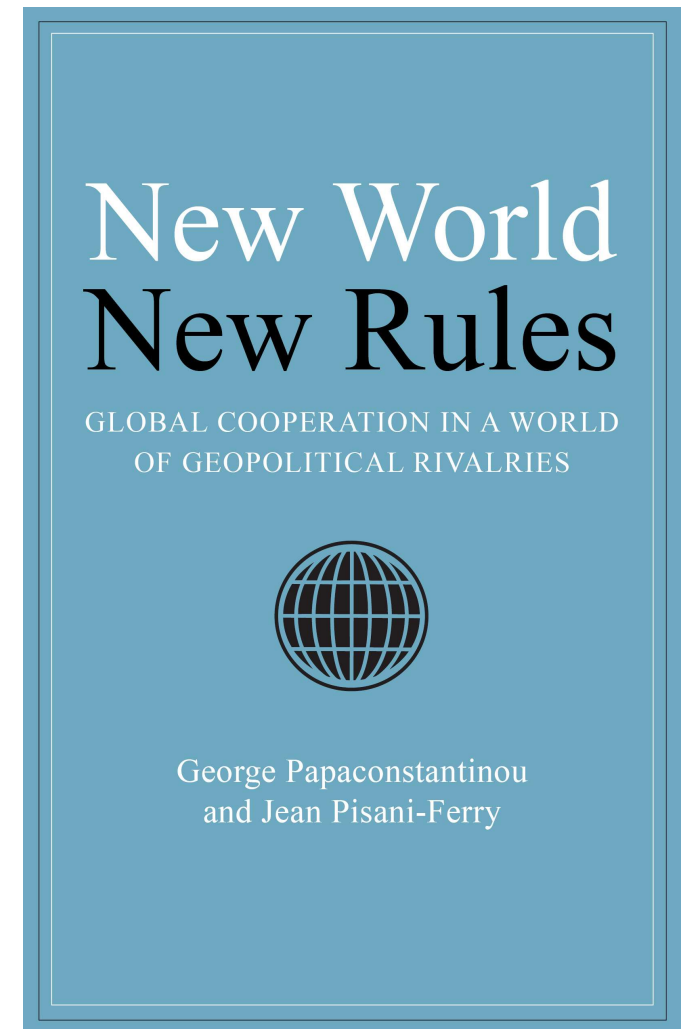
- 4 years at EUI
- Seminars with other EUI centres (GGC, MPC, FBF, Bruegel (2), OECD, LSE, Bocconi, Hertie/Oxford, ECF
- Mobilized more than 250 participants
- Focus is on economic integration/global governance issues; not security and defense

### Starting point:

- Fundamental contradiction/gap/mismatch
- **Demand side:** climate change, biodiversity, deep interdependence (trade and finance, competition, taxes)
- **Supply side:** rise of nationalism, fragmentation, diversity of preferences, geopolitical tensions

### Today's world:

- Interdependence *plus* fragmentation
- How do we reconcile this in practice? Need to be pragmatic



# Approaches of global governance

## ➤ **Legal: strength of rules**

- “If international law is a true law [...] it must necessarily include an order of constraint” (Kelsen 1934)

## ➤ **Economic: incentives**

- Incentives to cooperate to overcome free-riding temptation (Nash 1950s)

## ➤ **Political science: power relations/institutional structures/regime complexes**

- Institutions are key

None fully accounts for success or failure

- Legal strength: successes without it (banking reg) / failures despite of it (trade)
- Incentives: failure of global health cooperation despite evident incentives to cooperate
- Institutions: some successes w/out institutions, some failures despite established ones

# The book's **bottom-up approach**

9 fields of investigation

- **3 global commons**
  - Public health
  - Climate change mitigation
  - Digital commons
- **3 traditional channels of interdependence**
  - International trade
  - Capital flows
  - Migrations
- **3 'behind the border' integration cases**
  - Banking regulation (financial stability)
  - Competition policy
  - Taxation
- There could have been more (biodiversity, oceans....)

# Six ingredients for success

1. Joint and **agreed identification of the problem** that collective action must address;
2. **Shared expertise** illuminating the problem and potential solutions;
3. **Common action principles** translated into “don’t do” requirements and coherent commitments;
4. **Transparent reporting mechanisms**;
5. An **overall outcome evaluation process** to assess results and adapt policy instruments;
6. A **trusted institution** or institutions

# What works / does not work **and why**

Domain	Health	Climate	Digital	Trade	Macro-finance	Migration	Competition	Banking regulation	Taxation
Joint problem identification									
Source of shared expertise									
Common action principles									
Transparent reporting mechanisms									
Outcome evaluation									
Trusted institution(s)									

Source: own assessment based on case studies. (White: satisfactory; light grey: intermediate; dark grey: deficient)

## **Ten simple commandments for policymakers to advance the collective action agenda**

- 1. Recalibrate priorities when pursuing collective action: global commons come first.**
- 2. Preserve economic interdependence in a multipolar world;** it is still crucial but cannot be the only priority.
- 3. Forget first-best solutions.**
- 4. Stick to basic values and principles** in the quest for second-best solutions.
- 5. Make use of variable geometry solutions.**
- 6. Work with “clubs”:** different preferences imply different speeds.
- 7. Nurture existing institutions** even when wholesale reform is not possible.
- 8. Align incentives with the private sector.**
- 9. Use epistemic communities and leverage public sentiment.**
- 10. Exploit geopolitical windows to achieve breakthroughs.**

# Trump's record (this far)

Field	Trump's stance	Outlook
Global public health	Withdrawal from WHO	
Climate	Withdrawal from Paris agreement	
Digital commons	Primacy of US law	Further fragmentation
Trade	Tariffs across the board	Further fragmentation
Capital flows	US to remain member of IMF, WB but wants to end 'mission creep'	Pressure on IMF, WB against climate action, gender equality
Migrations	US to close borders with Canada, Mexico	No major change (countries anyway are closing borders)
Banking regulation	? Unclear	US already partially out (Basel rules only apply to major banks)
Competition policy	Hostility to EU Commission's extraterritorial reach	Bleak (also because of China)
Taxation	Hostility to global agreement on corporate taxation	Bleak



# Absent action by other countries, Trump will destroy the international system

- Sees Global Governance as impediment to US supremacy
- Rubio in Senate: “The postwar global order is not just obsolete; it is now a weapon being used against us”
- His outlook: A world of rival fortresses (Yuval Noah Harari)

# What has been done by others?

## Canada (and likely Australia)

- Resistance to US imperialism
- Supported by the electorate

## China

- Tit for tat tariffs
- De-escalation in sight

## EU and UK

- Threats of trade retaliation
- Aims of eventual agreement
  - UK/US trade deal of May 8 (but US 10% import tariff remains in force)
  - A template for EU/US future trade agreement?

# The way forward

Form 'coalitions of the willing' to retain / reform existing agreements without US

It's happening already:

- Trade: Incapacitated Appellate Body substituted by 'Multi-Parties Interim Appeal Arbitration Arrangement' without the US
- Health: Remaining members of WHO have agreed on Treaty to handle pandemics
- Climate: International Maritime Organization has agreed (without US) to introduce carbon pricing on shipping emissions

Key forward moves:

- Climate: US accounts for 11% of global emissions. It is not a major player. EU should engage with China / India / Brazil
- Trade: Build on existing achievements (including trade agreement with Mercosur)
- Taxation of multinational corporations
  - Agreement on minimum taxation (Pillar 2 of BEPS) reached and in the process of being ratified.
  - EU should go ahead with willing partners (but expect strong US pushback)
- Money: Remove impediments to use of euro as international currency