

The Political Economy of Globalization

Globalization, Multilateralism, and International Institutions

From Embedded Liberalism to the Crisis of Global Governance

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Session Overview

This session explores how global capitalism became institutionalised, how international organisations exercise power, and why globalization now strains the very multilateral system that enabled it.

- 1 1. From Embedded Liberalism to Globalization's DNA
- 2 2. The DNA of Globalization
- 3 3. Why Globalization Requires Multilateralism
- 4 4. How International Institutions Work
 - 4.1 The IMF
 - 4.2 The World Bank
 - 4.3 The WTO
 - 4.4 BIS and Central Bank Networks
 - 4.5 G20
- 5 5. The Erosion of the Post-WWII Governance Model
 - 5.1 The Regulatory Deficit
 - 5.2 Absence of Leadership and Accountability
 - 5.3 Inefficiency + Rise of Alternative Models
- 6 6. Consequences: Fragmentation and Crisis
- 7 7. Rebuilding Global Governance: UN 2.0

From Bretton Woods to Globalization

The last session ended with a paradox:

Embedded Liberalism (Ruggie, 1982)

A system where international openness was tolerated *only if* states preserved domestic autonomy and social stability.

But from the 1970s onward:

- Capital controls were dismantled;
- Exchange rates floated;
- Multinational corporations reorganized production globally;
- Trade expanded faster than global GDP.

The postwar compromise faded — but globalization accelerated. Why?

Introducing Cristina Duarte's Perspective

To answer this question, we integrate **Cristina Duarte's "Understanding the Complex Relationship Between Globalization and Multilateralism" (UN 2024)**.

Analytical Bridge

Her argument allows us to link:

- 1 The **historical construction** of globalization;
- 2 Its **systemic imbalances**;
- 3 The **dual role** of multilateralism;
- 4 The erosion of the post-WWII model;
- 5 And current institutional reforms (UN 2.0).

This section introduces the **DNA of globalization** — a precondition to understanding global institutions.

The Perpetuating Nature of Globalization

Globalization is not a post-1989 phenomenon; it is a **long durée process** characterised by continuity:

- 19th-century imperial expansion → first globalization;
- Post-WWII multilateralism → second globalization;
- Digital capitalism → third wave.

Historical Constant

Globalization perpetuates itself by continuously searching for new markets, resources, labour, and frontiers for accumulation.

From colonial extraction to contemporary supply chains — the logic persists.

Schema: The Perpetuation Mechanism



Each wave deepens global integration while reinforcing asymmetries.

Poverty Alleviation as a Byproduct

Duarte stresses that globalization **did reduce poverty**, especially in East Asia, but:

Key Insight

Poverty reduction was an *unintended consequence*, not a core objective.

- Profit and accumulation drive globalization — not equity.
- Millions lifted from poverty, but billions left behind.
- Wealth concentration accelerated dramatically.

Empirical contrast:

- 8.5% of global population in extreme poverty (2024).
- But global wealth reached unprecedented levels.

Systemic Imbalances as Structural Outcomes

Globalization generates imbalances by design:

- Wealth concentrates at the top (1% > 50% of global wealth).
- Capital mobility exceeds regulatory capacity.
- Environmental degradation intensifies.
- Inequalities widen across and within countries.

Structural Mechanism

Capital moves globally; regulation remains national → governance gap → imbalances accumulate.

This gap is the space where multilateralism should intervene.

The Two Core Functions of Multilateralism

Duarte provides a powerful analytical distinction:

Function 1 (Successful): Paving the Way for Globalization

Create the financial, legal, and infrastructural conditions for global markets to expand.

Function 2 (Weak): Addressing Globalization's Imbalances

Correct inequalities, regulate markets, and protect global public goods.

The crisis of multilateralism stems from the imbalance between these two functions.

Function 1: Paving the Way for Globalization

This function was highly effective. Three institutions played decisive roles:

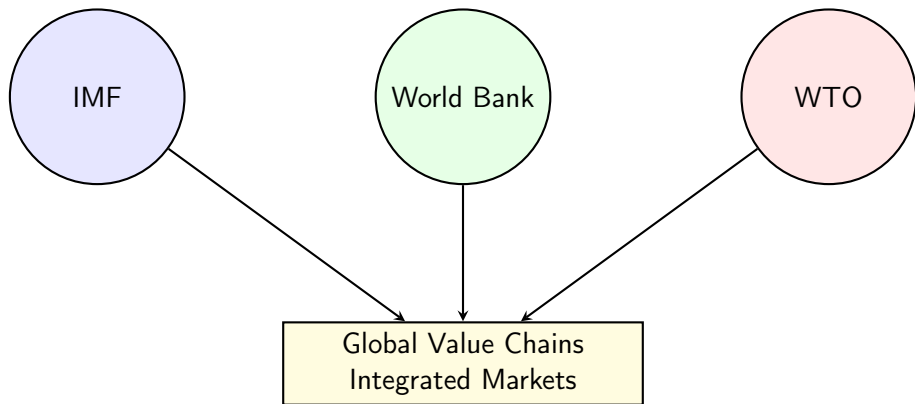
- **IMF** — financial liberalization, stabilization, capital mobility.
- **World Bank** — massive infrastructure financing (ports, roads, telecom).
- **WTO** — rules-based multilateral trade system integrating global value chains.

Outcome

Global trade reached 60% of world GDP (2008), and global value chains became the backbone of capitalism.

These institutions built the architecture of globalization.

Schema: The First Function of Multilateralism



The multilateral system engineered the infrastructure of globalization.

Function 2: Addressing Imbalances

This function should include:

- Development cooperation (MDGs → SDGs);
- International regulation (ILO standards, Paris Agreement);
- Norms for tax justice, environmental protection, labour rights;
- Redistribution mechanisms.

But Duarte argues that this function has been:

- underfunded,
- politically marginalized,
- institutionally weak.

This asymmetry is the root of today's global governance crisis.

International Institutions as Architects of Globalization

We now move from the **DNA of globalization** to the institutions that transform its logic into rules, norms, and policy practices.

Analytical Premise

Institutions do not simply “coordinate”: they **produce**, **stabilise**, and **legitimate** global capitalism.

Duarte’s framework allows us to understand both their power and their limits.

IMF — Composition and Governance

Who composes the IMF?

- 190 member states.
- Voting power based on **quota shares**: the US holds 16.5%, EU collectively 30%.
- Board of Governors (ministers of finance), Executive Board (24 Directors), Managing Director.

How decisions are made:

- Important decisions require an **85% supermajority**.
- Gives the US an effective veto; G7 highly influential.
- Day-to-day operations run by the Executive Board.

How the IMF exercises power:

- Surveillance missions (Article IV).
- Lending with **conditionality**: fiscal rules, subsidy reform, liberalisation.
- Epistemic influence via models and technical expertise.

The IMF: Mandate and Functions

Core Mission:

- Safeguard global monetary stability;
- Conduct surveillance (Article IV);
- Provide emergency lending;
- Promote capital liberalisation.

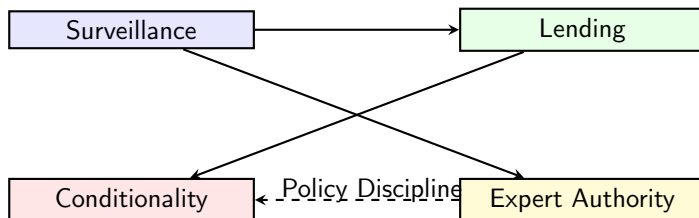
Institutional Power

Financial + epistemic + normative power:

- Loan conditionality (structural reforms);
- Macroeconomic frameworks shaping fiscal policy;
- Ideational authority through models and expertise.

Example: Egypt, Pakistan, Sri Lanka (2022–2024).

Schema: IMF Power Mechanism



Hard money + soft expertise = global influence.

World Bank — Composition and Governance

Who composes the WB?

- 189 member states.
- Two core institutions: IBRD + IDA.
- Staff: economists, engineers, governance experts, social scientists.

Decision-making:

- Weighted voting (US 15%, Japan 8%, China 6%).
- President traditionally American.
- Executive Directors shape lending priorities.

Power mechanisms:

- Project financing: infrastructure, climate, social protection.
- Normative power through **World Development Reports**.
- Policy-based lending (since 1980s).

Example: Morocco's renewable-energy portfolio — Noor Ouarzazate CSP complex.

The World Bank: Beyond Development Finance

Key Missions:

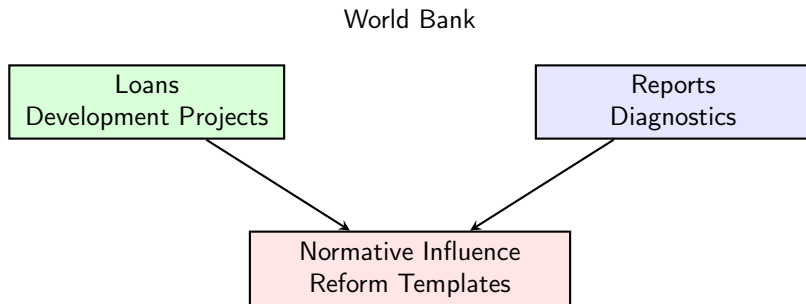
- Finance development and infrastructure;
- Provide technical assistance;
- Shape governance and social policy norms.

Knowledge as Power

World Bank reports (WDRs) redefine “best practices”: from structural adjustment (1980s) to good governance (1990s) to climate finance (2020s).

More than a bank: a global development epistemic community.

Schema: The Knowledge–Finance Nexus



Money + ideas = policy transformation.

WTO — Composition and Governance

Who composes the WTO?

- 164 member states.
- Secretariat with trade lawyers/economists (600 staff).
- Ministerial Conference = supreme decision body.

How decisions are made:

- **Consensus-based** decision-making.
- “Single undertaking” → nothing is agreed until everything is agreed.

Power mechanisms:

- Binding dispute settlement (DSB).
- Authorised retaliation when rules are violated.
- Surveillance of trade policies (TPRM).

Example: Airbus–Boeing dispute; US–China TRIPS digital trade tensions.

The WTO: The Constitutional Court of Trade

Core Functions:

- Negotiate trade rules (MFN, national treatment);
- Provide binding dispute settlement;
- Discipline tariffs, subsidies, NTBs.

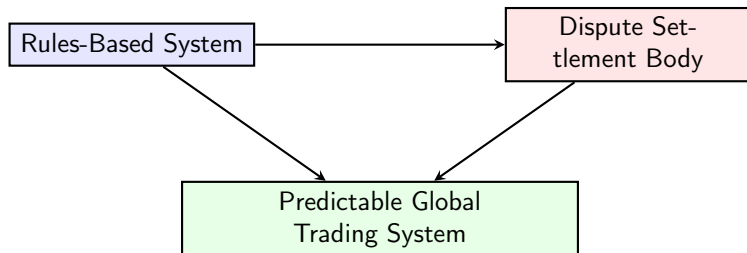
Strength

Judicialisation: non-compliance triggers retaliation rights.

Weakness

Consensus requirement → impossible to update rules (Doha Round frozen since 2001).

Schema: WTO Governance Logic



Law replaces power — until geopolitics returns.

The BIS: The Most Powerful Institution You Never Hear About

Core Roles:

- Forum for central banks;
- Hosts the Basel Committee;
- Coordinates banking regulation (Basel I, II, III);
- Produces confidential systemic risk data.

Nature of Power

Technical authority + secrecy + peer pressure. A “soft institution” producing “hard consequences.”

G20 — Political Steering Committee of Global Capitalism

Who composes the G20?

- 19 countries + EU (85% of global GDP).
- Rotating presidency; annual Leaders' Summit.

Decision-making:

- Non-binding communiqués.
- Expert tracks: Finance Track + Sherpa Track.

Power mechanisms:

- Agenda-setting.
- Coordinating IMF + WB reforms.
- Backing OECD tax deal (BEPS).

Example: 2008–2010 crisis → creation of the Financial Stability Board.

The G20: Steering Committee of Global Capitalism

Created after the 2008 crisis to coordinate:

- IMF reforms;
- Global financial stability (FSB);
- Macroeconomic policy dialogue;
- Tax governance (BEPS);
- Climate finance.

Analytical Role

The G20 provides political legitimacy for decisions later implemented by the IMF, WB, BIS, and OECD.

Case Study — Choosing an Institution

A low-income country faces:

- a 20% currency depreciation,
- a debt rollover at 15% interest,
- food inflation above 25%.

Question: Which institution should it approach first — IMF, World Bank, WTO — and why?

Students justify their choice in 1 minute.

BIS — Central Bank of Central Banks

Who composes the BIS?

- 63 central banks (EU, US, China, emerging powers).
- Basel Committee members: 45 institutions from 28 jurisdictions.

Decision-making:

- Technocratic consensus.
- No formal voting; relies on peer pressure.

Power mechanisms:

- Sets global banking rules (Basel I–III).
- Stress tests + confidential risk assessments.
- Crisis coordination (swap lines).

Example: Federal Reserve swap lines (2020 COVID) stabilising dollar liquidity worldwide.

The Structural Adjustment Clubs (1980–2000)

Composition:

- IMF + World Bank + US Treasury (“the Treble”).
- OECD DAC donors (conditional aid).
- Credit rating agencies (Moody’s, S&P).

Mechanisms:

- Conditional lending (IMF/WB).
- Policy-based lending (privatisation, deregulation).
- Debt restructuring tied to reforms (Paris Club).

Structural effects:

- Fiscal austerity, subsidy removal.
- Trade liberalisation + capital opening.
- Shrinking policy space for development.

Example: SAPs in Latin America, Africa (1980s–1990s).

Why the System is Failing: Duarte's Diagnosis

Global governance is eroding because:

- The **first function** (globalization facilitation) dominates everything;
- The **second function** (addressing imbalances) was crowded out;
- Institutions became structurally asymmetric.

Result

The model designed in 1945 cannot manage a global economy it helped create.

The Regulatory Deficit

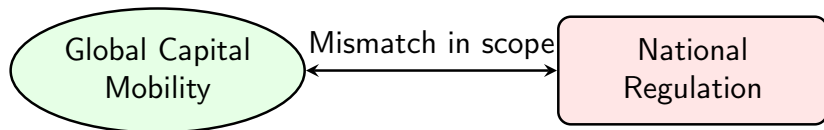
Duarte stresses that global markets expanded faster than global regulation:

- Massive tax evasion (loss \$427bn/y);
- Weak enforcement of labour and environmental norms;
- Corporate power exceeds regulatory reach;
- Global finance escapes national oversight.

Structural Gap

Capital is global, regulation is national → systemic deficiency.

Schema: The Regulatory Gap



Regulatory Deficit

Markets have outgrown the institutions designed to regulate them.

Absence of Global Leadership

- No enforcement of climate commitments;
- Failure to regulate global finance (2008, SVB 2023);
- WHO underfunded during COVID;
- Geopolitical paralysis (UNSC deadlock).

Interpretation

The system lacks political authority commensurate with global challenges.

Inefficiency of Multilateral Processes

Multilateralism became:

- slow,
- bureaucratic,
- consensus-dependent,
- unable to update rules (WTO),
- unable to enforce commitments (Paris Agreement).

Trust Erodes

Citizens and governments lose faith in institutions perceived as ineffective.

Rise of Alternative Governance Models

- Explosion of bilateral and regional agreements;
- Proliferation of “minilateral” clubs (BRICS, AIIB, RCEP);
- Countries bypassing the WTO for trade disputes;
- Monetary fragmentation (yuanisation, digital currencies).

Duarte's Interpretation

Fragmentation reflects the failure of multilateralism's second function.

The Crisis of Global Governance

Consequences of institutional erosion:

- 1 **Inequality** widens within and across countries;
- 2 **Climate policy** remains under-enforced;
- 3 **Debt crises** proliferate (52 countries in distress);
- 4 **Trust collapses** in multilateral institutions;
- 5 **Geopolitical tensions** undermine cooperation.

Macro Outcome

A global economy without an effective global governance system.

A Turning Point: The Need for a New Governance Paradigm

The previous sections established a clear diagnosis: **the post-1945 governance system is no longer fit for purpose**. Globalization has outpaced the institutions designed to regulate it.

Transition

Duarte argues that rescuing multilateralism requires a **holistic reinvention** — not incremental repair.

The UN reform package, known as **UN 2.0**, embodies this strategic shift.

UN 2.0: A Forward-Thinking Organizational Revolution

UN 2.0 is not an administrative reform; it is a paradigm shift built on a new institutional culture.

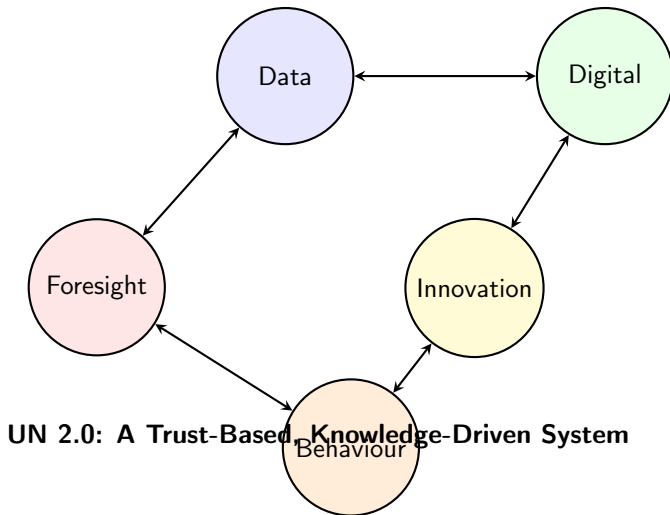
- A modernized UN capable of managing 21st-century complexity;
- A leadership model that integrates equity, sustainability, and foresight;
- Tools to address global imbalances and restore legitimacy.

Five Transformational Capacities — The “Quintet of Change”

- 1 Data
- 2 Digital Transformation
- 3 Innovation
- 4 Strategic Foresight
- 5 Behavioural Science

Together, they enable a UN able to act, anticipate, and accompany structural change.

Schema: The Architecture of UN 2.0



The SDGs as a Holistic Governance Framework

The SDGs embody a conceptual rupture:

- Integration of economic, social, and environmental dimensions;
- Collaboration over competition;
- Joint ownership of global public goods;
- Development as a shared responsibility.

Why SDGs Matter for Governance

They institutionalize the second function of multilateralism: **managing imbalances** rather than merely promoting integration.

Why Africa Matters to Global Governance

Duarte's argument is powerful: **“The Africa We Want is the Africa the World Needs.”**

Africa represents:

- The youngest population globally;
- The frontier of urbanisation and digital expansion;
- The critical node for climate and biodiversity futures;
- A geopolitical actor reshaping multilateral agendas.

Analytical Implication

Global governance cannot be reformed without African leadership.

Africa's Triple Paradox

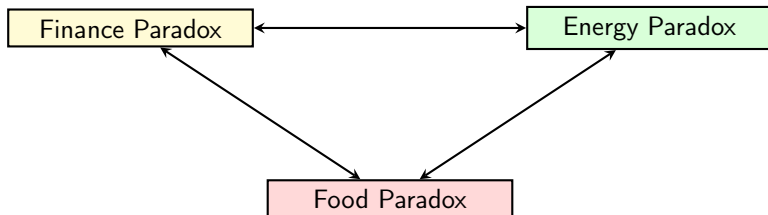
OSAA's Flagship Report (2023) identifies three structural paradoxes:

- 1 **Finance**: rich in resources, yet in debt distress.
- 2 **Energy**: rich in energy potential, yet facing energy poverty.
- 3 **Food**: rich in arable land, yet high food insecurity.

Systemic Insight

The paradoxes reinforce one another: no solution is possible without an integrated governance approach.

Schema: The Triple Paradox System



An Integrated Governance Challenge

Unlocking “UN Intangible Assets”

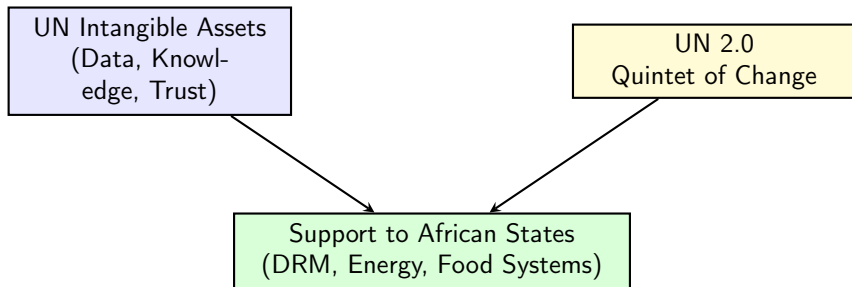
UN 2.0 amplifies assets already embedded in the UN system:

- Global footprint (4,000 field locations);
- Data infrastructure;
- Knowledge production across sectors;
- Institutional trust and neutrality.

Strategic Proposal

Use these assets to empower African agencies to lead global governance on sustainable development, energy, and food systems.

Schema: UN 2.0 as a Catalyst for Africa



A catalytic UN allows Africa to shift from rule-taker to rule-shaper.

Rescuing the Second Function of Multilateralism

Three conditions must be met:

- 1 Acknowledge a new global economic order (multipolarity, digitalization);
- 2 Construct a win-win transition between North and South;
- 3 Reintroduce accountability in global institutions.

Political Premise

Redistribution of power is not a threat: it is the precondition for effective global governance.

A Vision for the 21st Century

A new multilateralism must be:

- **Inclusive:** integrating African, Asian, and Latin American leadership;
- **Accountable:** binding commitments and enforceable rules;
- **Adaptive:** leveraging foresight, digital tools, and behavioural science;
- **Integrated:** aligning global rules with domestic social objectives.

Long-Term Objective

Transform globalization from a mechanism of extraction into a system of shared prosperity and protection.

Synthesis: Seeing the System as a Whole

- The world-system approach reveals long-term hierarchies;
- Embedded liberalism shows how stability once depended on reciprocity;
- Duarte exposes the structural erosion of this model;
- UN 2.0 + African agency outline the architecture of renewal.

Final Idea

Understanding globalization requires a systemic gaze — rebuilding it requires a political imagination.

Thank You!

Questions or Comments?