

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. From Embedded Liberalism to Globalization's DNA
2. The DNA of Globalization
3. Why Globalization Requires Multilateralism
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. 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. Consequences: Fragmentation and Crisis
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:

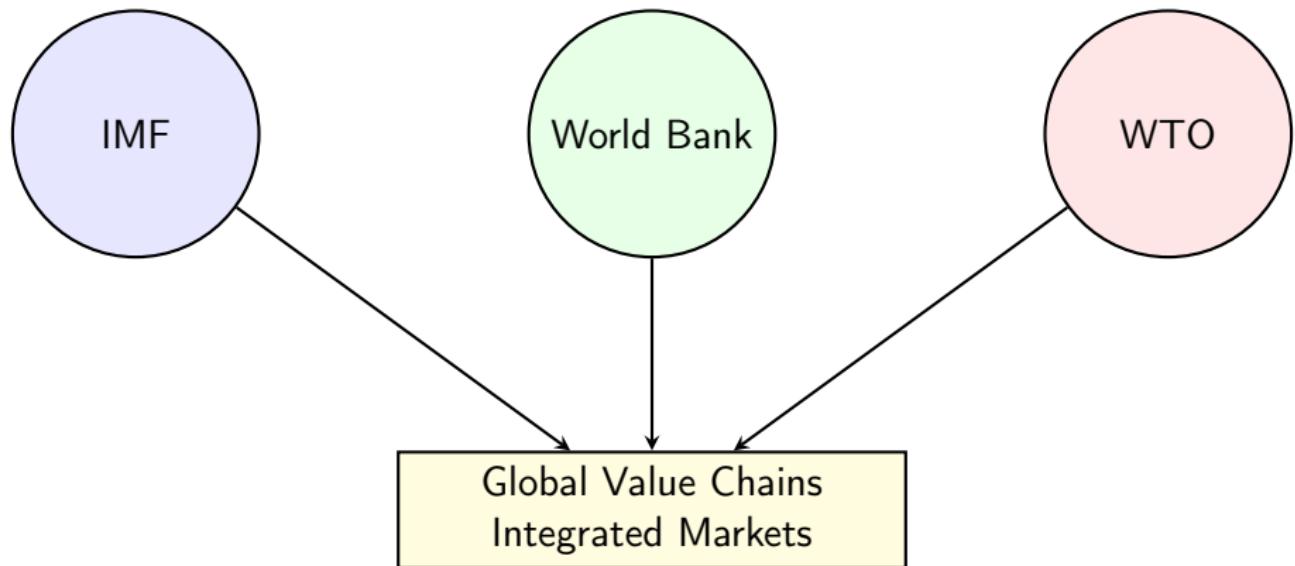
- **IMF** — financial liberalization, stabilization, capital mobility.
- **World Bank** — massive infrastructure financing (ports, roads, telecom).
- **WTO** — rules-based multilateral trade system integrating global value chains.

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.

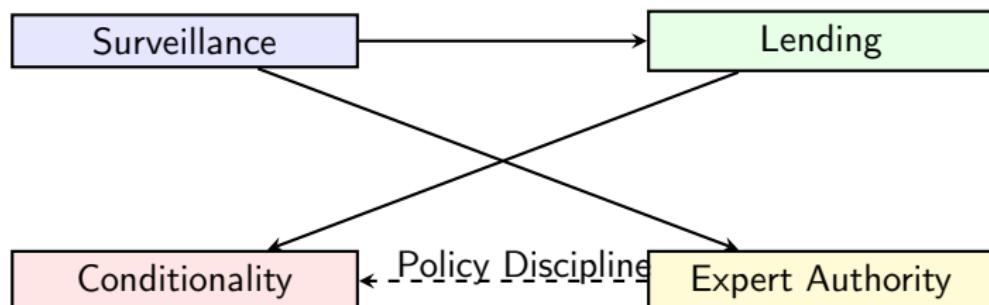
Institutional Power

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:

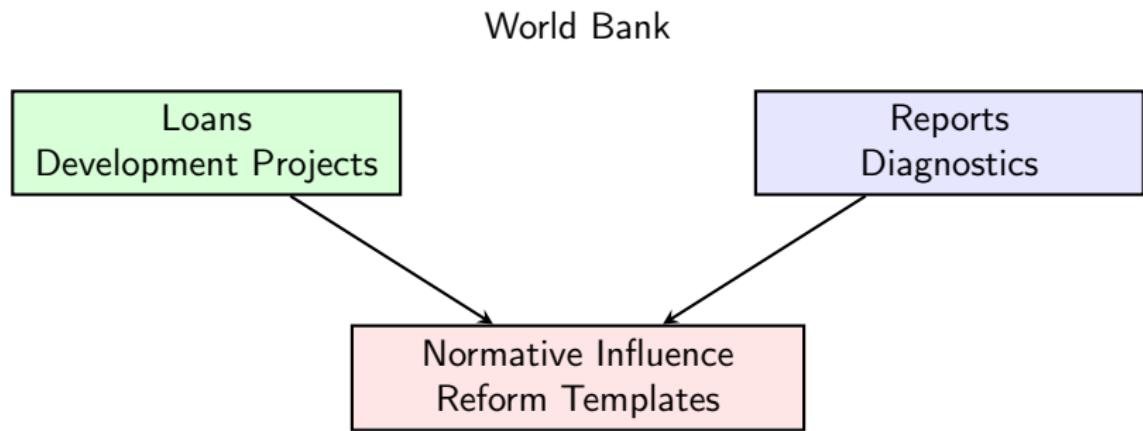
- Finance development and infrastructure;
- Provide technical assistance;
- Shape governance and social policy norms.

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.

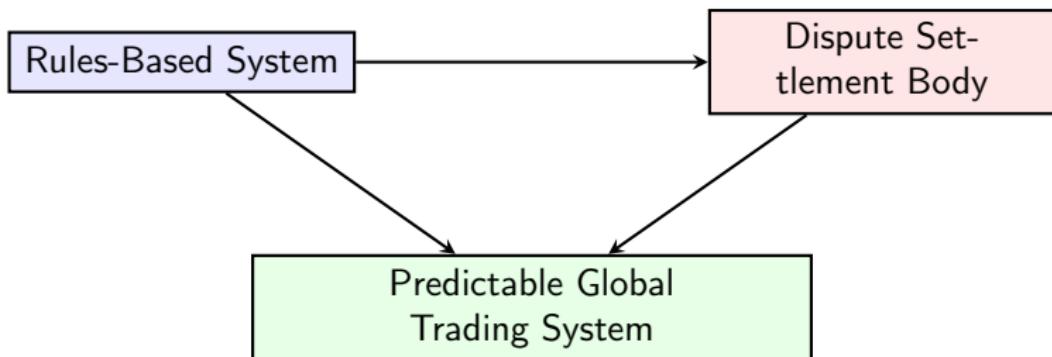
Strength

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 communiq  s.
- 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

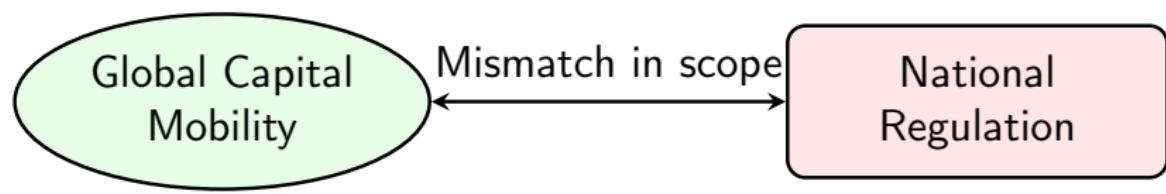
Duarte stresses that global markets expanded faster than global regulation:

- 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.

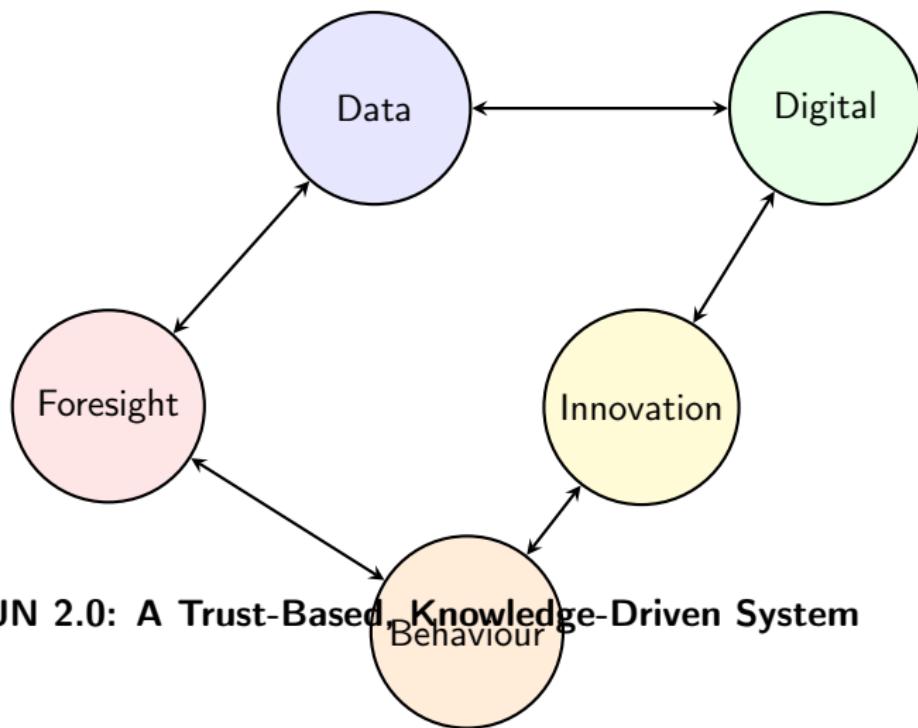
- A modernized UN capable of managing 21st-century complexity;
- A leadership model that integrates equity, sustainability, and foresight;
- Tools to address global imbalances and restore legitimacy.

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

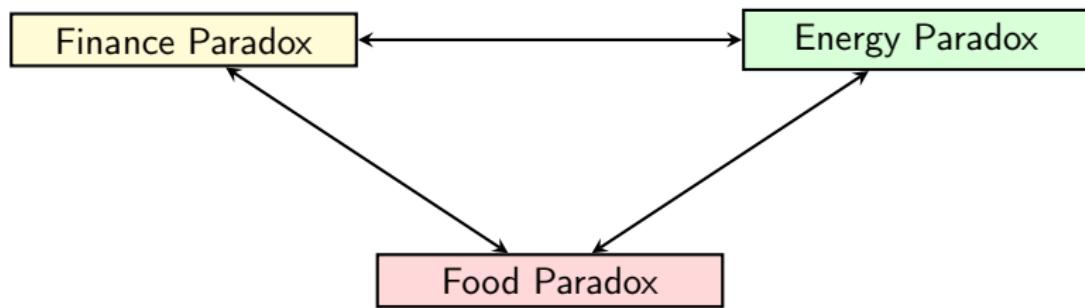
OSAA's Flagship Report (2023) identifies three structural paradoxes:

- 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”

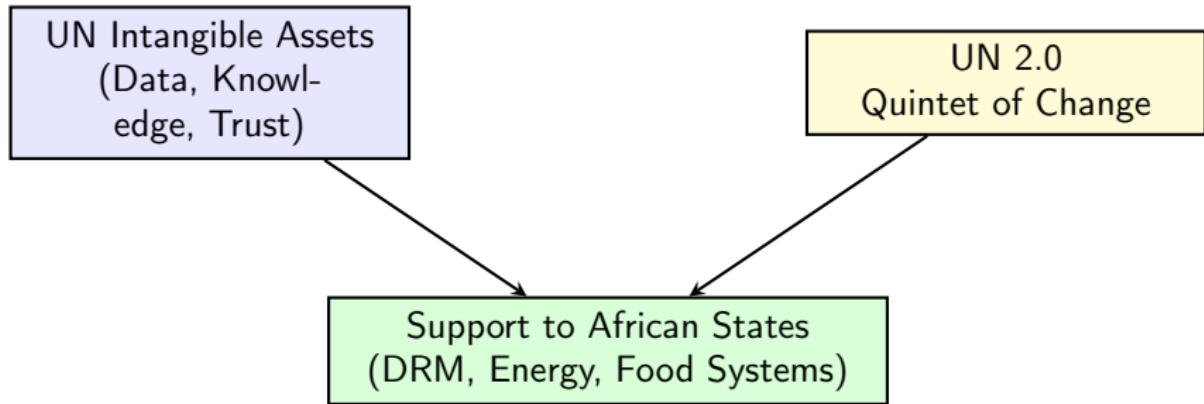
UN 2.0 amplifies assets already embedded in the UN system:

- 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?