Global–Regional Realignments in Trade, Finance and Development: Introduction to the Special Issue

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Special Issue Article

Abstract

Multilateral Bretton Woods institutions such as the IMF, the World Bank and the WTO are increasingly challenged by a rising number of bilateral, regional and plurilateral organizations. The mandates of global and regional organizations overlap and intersect when trade is being regulated, financial crisis lending is being provided or development is being financed. In this special issue we examine the forms, dynamics and implications of these global–regional realignments for global economic governance. By drawing on the analytical toolbox of regime complexity research, the authors address mechanisms of integration and disintegration in the regime complexes in trade, finance and development from the viewpoint of actors and particularly regional challengers. The papers discuss first, the motives and strategies to spur fragmentation or integration. Second, they examine to what extent actors seek to substitute or complement focal institutions on the global level. Third, the special issue evaluates the implications of a coexistence of integration and disintegration for global economic governance.

Policy Implications

- Integration in a regime complex through forum-linking is often driven by materially large powers that seek to realize first-mover advantages by spreading their regulatory models across different levels. Policy makers should thus be aware that dominant solutions reflect inherent power asymmetries.
- The WTO, the World Bank or the IMF should factor in that regional actors seek collaboration to benefit from the expertise, reputation, size or resources of the global hubs. Global institutions are mostly complemented rather than substituted.
- Regional actors prefer decentralized, regional or bilateral arrangements for strategic reasons related to national or regional imperatives. Decentralized arrangements may provide materially weaker actors with a stronger voice in decision-making processes.
- Governing the global-regional interface should seek to exploit the benefits of both centralized and decentralized institutions.
- Positive coordination through working groups or intermediaries should attempt to explore options for joint strategies to maximize the overall effectiveness of policies. Negative coordination based on the principle of subsidiarity should seek to inhibit the negative externalities of decentralized solutions by specifying rules for a possible division of labor between centralized and decentralized units.

1. Global–regional realignments in embedded contexts

Multilateral Bretton Woods institutions such as the IMF, the World Bank (WB) and the GATT (later the WTO) constituted the cornerstones of the post-Second World War liberal economic order. Regional economic organizations emerged in Europe, Africa, Asia and in Latin America already after the Second World War, partly in opposition to the liberal global order and partly in defense of antagonistic blocs of Western and Communist states. While regionalism is thus not a new phenomenon, the latest wave of 'new regionalism' seems to confront the former 'focal' institutions in finance, development and trade with substantial challenges (Kahler, 2017).

In trade, the proliferation of bilateral and plurilateral trade agreements parallel to the WTO has become the norm rather than the exception. The rise of preferential trade agreements (PTAs) as a major platform for further trade liberalization was motivated by the lengthy negotiation processes within the Doha round and by concerns to better address several behind-the-border trade barriers such as safety standards, environmental or health regulation. In addition, the emergence of regional and global value chains has increased the role of multinational firms as lobbyists for preferential trade (Elsig et al., 2019, pp. 2–3).

Demands by emerging countries for greater representation in the IMF and World Bank governing bodies became more emphatic in response to the latest global financial crisis 2008/09. The rather incremental reforms of votes and quota shares triggered a search for regional alternatives. In Southeast Asia, the Chiang Mai initiative bilateral currency swap network was multilateralized for the event of a

 doi: 10.1111/1758-5899.12947

balance of payment crisis shortly afterwards. Regional reserve funds had already been established in the wake of the several financial crises since the 1980s in Latin America, Russia and Asia and in Europe. The latest financial and debt crisis in Europe has triggered the setup of the European Stability Mechanism (ESM) as regional financial arrangement (RFA) to provide direct assistance to member states.

In development finance, new multilateral development banks (MDBs) such as the Asian Infrastructure and Investment Bank (AIIB) and the New Development Bank (NDB) have joined the club of multilateral financial institutions to mobilize resources for infrastructure or sustainable development projects. Regional actors such as the EU have entered the turf of the World Bank by creating hybrid facilities for development financing shaped by cooperation between public and private actors (Baroncelli, 2019).

Apparently, a realignment of the relationship between previous focal institutions and a rising number of bilateral, regional and plurilateral organizations in trade, finance and development has taken place. The mandates of global and regional organizations increasingly overlap and intersect when trade is being regulated, financial crisis lending is being provided or development is being financed. However, the forms, processes and implications of global–regional realignments for global economic governance have not yet been thoroughly examined.

Two strands of literature engage with the changing landscape of global and regional institutions. The first strand of research has focused on how *single global institutions change*. In the wake of the Asian and particularly the global financial crisis, authors have examined whether the IMF and the World Bank have been undergoing radical or rather incremental institutional change (Moschella and Tsingou 2013; Weaver and Moschella 2017) or how global institutions institutionally adapt to the rise of the emerging powers (Hopewell, 2016; Zangl et al. 2016; Kruck and Zangl 2020). Fioretos and Heldt 2019 analyze the 'legacies and innovations' in global economic governance in light of the 75th anniversary of the Bretton Woods conference. They find that the Bretton Woods system has become more variegated over time while the legacy institutions remain pivotal. Governance innovations serve to 'reinforce rather than undermine the cornerstones of the conference' (Fioretos and Heldt 2019, p.17).

The literature on *comparative regionalism* on the other hand examines the dynamics of regional integration (Börzel and Risse, 2016). Studies of regional economic governance in finance, development and trade have weighed the risks and benefits of the new regionalism (Kahler, 2017), developed recommendations for 'good governance' in decentralized governance architectures (Rana and Pardo 2018; Kahler et al., 2016) or have considered the implications of regional arrangements for emerging market borrowers (Kring and Gallagher, 2019).

While both literatures have generated important insights into the mechanisms of global or regional institutional change, they lack a particular analytical focus on the entanglement of global and regional arrangements, their governing forces and the implications for global economic governance.

2. Regime complexity research as toolbox

In this special issue we seek to advance our understanding of the driving forces, institutional patterns and governance implications of global–regional realignments in trade, finance and development. In line with the emergent literature on regime complexes in international relations, we draw on the framework of "international regime complexes' (e.g. Alter and Meunier 2009; Alter and Raustiala 2018; Orsini et al., 2013; Drezner, 2009; Faude and Fuss 2020; Heldt and Schmidtke 2019; Henning 2019; Henning and Pratt 2020; Quaglia and Spendzharova 2021; Raustiala and Victor 2004). Regime complexity research is interested in the increasing density of international institutions in global governance and analyzes the constraints and opportunities a changing institutional environment creates for strategic action and for the provision of international public goods. Regime complexes are defined as sets of partially overlapping or nested elemental institutions that operate in a common issue area (Alter and Raustiala 2018; Henning and Pratt 2020; Raustiala and Victor 2004). In our case, the elemental institutions are global economic organizations (e.g. IMF, World Bank or WTO) regional or trans-regional arrangements (e.g. regional trade agreements, regional financial arrangements, multilateral development banks and regional actors entering the turf of global organizations) and bilateral agreements (e.g. bilateral PTAs, swap agreements or bilateral development assistance). The fact that institutions' memberships, mandates or rules overlap creates the stage not only for conflicts around norms or interpretations, but also for strategic action within and across institutions (Faude and Gehring 2017).

3. Cleavages in the regime complexity debate

The academic debate on regime complexity is divided over the possible implications of institutional overlap and proliferation for inter-state collaboration and the provision of public goods (see also Faude and Fuss 2020; Henning and Pratt 2020). A number of authors have stressed *lacking coherence* and threats to the effectiveness of cooperation posed by fragmented and overlapping structures. States maximize their gains through forum-shopping, that is, they select 'the international venues based on where they are best able to promote specific policy preferences, with the goal of eliciting a decision that favors their interests' (Alter and Meunier 2009, p. 16). The institutional differences between forums result in different cost-benefit calculations for actors (Henning, 2017; Murphy and Kellow 2013) as they focus on the forum that promises the best cost-benefit ratio (Raustiala and Victor 2004). In trade, for instance, states deliberately defect from WTO rules by pursuing PTAs and other regional trade arrangements which undercut the rules enshrined in the GATT framework (Drezner, 2013). States preferring lower international standards have fiercely resisted the location of new rules in the WTO and have even actively sought to locate them elsewhere in the existing regime complex (De Bièvre et al., 2014).

In finance, the rise of multiple regional financial arrangements in Europe, Asia, Latin America and other regions was driven by either dissatisfaction with the IMF or by efforts to overcome its shortcomings. The collaboration between the IMF and the European institutions in the wake of the Eurozone crisis has displayed conflicts about the division of labor between the IMF and the European RFAs, the design of country programs as well as different approaches towards conditionalities related to financial, fiscal and structural adjustment policies (Henning, 2017a; Lütz et al., 2019). Lacking alignment of lending institutions on material program conditionalities led to the overburdening of borrowers and implementation deficits (Lütz et al., 2019).

There are further drivers of fragmentation. Coalitions dissatisfied with existing institutions aim to challenge the status quo by using external institutions. Regime shifting describes the shift by states or non-state actors of 'rule-making processes to international venues whose mandates and priorities favour their concerns and interests' (Helfer, 2009, p. 39). If no external institution is available to states or non-state actors whose mandate, function and decision-making rules can be changed in such a way that it competes with an already existing institution, there is still the possibility of competitively establishing a new institution (Morse and Keohane 2014). Competitive regime creation implies considerable transaction costs (Jupille et al., 2013), so this path of action is only taken when substantial benefits are being expected. In development finance, the founding of the Asian Infrastructure and Investment Bank and the New Development Bank marked a notable example of competitive regime creation (Beeson and Lee 2016; Chin and Freeman, 2016). The European Union for its part, has entered the World Bank's turf by creating trust funds allowing it to better earmark its development aid for regions and themes (Baroncelli, 2013). Thus, the creation of new and partly competing donor institutions might enhance the competition for lower costs and standards of aid provision.

The second strand of more recent research emphasizes the potential for *order* and beneficial outcomes in regime complexes. Henning and Pratt (2020) contend that fragmentation in regime complexes is a matter of degree. While a fragmented and non-hierarchically arranged regime complex marks one end of a continuum, the other end might display a comparatively hierarchical, integrated and undifferentiated regime complex. Finance, for instance, is considered a 'relatively integrated complex' that is becoming increasingly disintegrated and less hierarchical over time (Henning, 2017a).

Given that a fragmented institutional landscape entails substantial transaction costs with respect to rule making, the channelling of resources or the management of large numbers of projects, actors might prefer to link forums instead. Forum-linking spurs integration 'by proposing a common normative frame applicable to all forums' (Orsini, 2013, p. 41). In trade and in the area of the protection of intellectual property rights for instance, states have been seen to deliberately locate upward regulatory harmonization in trade-related issue areas under the highly judicialized enforcement model of the WTO dispute settlement system (De Bièvre et al., 2014; Sell, 2003).

Regime complexes are viewed as having the potential to reduce inconsistency by establishing different mechanisms of either formal or informal coordination such as joint interplay management (Stokke and Oberthür 2011), institutional deference (Pratt, 2018), orchestration (Abbott et al., 2015; Quaglia and Spendzharova 2021) or a stable division of labor between different elements (Gehring and Faude 2014). If global and regional organizations specialize and focus on their comparative advantages, this will eliminate duplication, even if the formal mandates overlap widely.

Through the specialization of the individual institutions, a decentralized regime complex may enable local experimentation with institutional alternatives (Abbott, 2012) which may then be adopted by the other forums and institutions (see also Keohane and Victor 2011). This may promote integration of a regime complex through the diffusion of best practices, based on synergies and cognitive interaction (Biermann et al., 2009; Gehring and Oberthür 2009; Morin and Orsini 2014).

Recent work on regime complexity in the realm of historical institutionalism (Faude and Fuss 2020; Heldt and Schmidtke 2019) contends that path dependence will likely strengthen the focal institution as single and uncontested governance leader of a field and thereby enhance the coherence of a regime complex. Already existing institutions may reduce transaction costs for creating new institutions since actors can replicate the design of a focal institution. States which have adapted to the focal institution will press for similar institutional designs. In development finance, the World Bank's principles and governance structure served as a model for a number of multilateral development banks, including the newly created AIIB. Thus, despite institutional proliferation, the World Bank is viewed as the focal international organization in the area of development finance. From a historical-institutionalist perspective, the proliferation of PTAs marks a path-dependent evolution of the liberal trade regime which enhances its resilience. Since PTAs build upon GATT/WTO rules, they do not challenge the trading system, but simply add a new layer of rules which allows actors dissatisfied with decision-making procedures at the WTO level to overcome legislative gridlock (Faude and Fuss 2020).

To sum up, regime complexity research provides us with analytical categories to study actor strategies which spur order and fragmentation in dense institutional landscapes. Yet, the debate is to a large extent macro-oriented. It is focused on mapping regime complexes regarding their degree of integration, coherence, differentiation or division of labor (e.g. Faude and Gehring 2017; Heldt and Schmidtke 2019; Henning and Pratt 2020). While this allows us to understand regime complexes as governance systems and elements of a global order, this perspective lacks a micro-foundation.

4. Our research focus

Against this background, our objective in this special issue is to study regime complexes 'at work.' Using the toolbox of regime complexity research, we seek to generate empirical and conceptual insights in the changing relationship between global and regional organizations in the issue areas that shape the Bretton Woods system. The papers in this special issue share an agency-based perspective to scrutinize the mechanisms governing linkages between institutions on several territorial and partly also functional levels. The authors draw on theoretical approaches based on rational choice, constructivism or historical institutionalism to show how institutional change in regime complexes transforms the opportunity structures for actors.

First, the authors study why and how actors play regime complexes. We are interested to learn more about the motives and strategies to either create and spur fragmentation through increasing institutional overlap or to further integration through (re-) linking global and regional institutions. The papers discuss forum-shifting, regime creation, forum-linking, diffusion/learning or orchestration as mechanisms. Our focus is less on the focal institutions themselves, but on states – large powers, regional powers, weaker states, borrowers and creditors – regional organizations, firms, NGOs and experts.

Second, we examine the relationship between global and regional institutions from the viewpoint of actors and particularly of regional challengers. Do actors use regional institutions to functionally substitute the focal institutions on the global level? Or do they draw on regional institutions in order to complement the use of the WTO, the World Bank or the IMF?

Third, we will discuss the possible implications of global–regional realignments for the patterns of fragmentation and integration in trade, finance and development and for global economic governance.

5. The papers

Trade

Dirk de Bièvre and Emile van Ommeren examine how multinational companies (MNCs) navigate through the fragmented regime complex of world trade. They ask to what extent industry level differences and multinationality affect institutional choices. The authors argue that the choice of either multilateral cooperation within the WTO framework or of bilateral interaction both within the WTO or on the level of PTAs depends on the degree of product differentiation. On the one hand, product-differentiated MNCs (e.g. in textiles or chemicals) are likely to engage in strategic competition with rival firms, generating incentives to mobilize for country-specific discrimination in the form of PTAs or other forms of bilateralism based on exceptions to the WTO's non-discrimination rules. On the other hand, firms producing rather homogeneous products (e.g. petroleum or coal) tend to operate on a global market with reference prices and are therefore more inclined to push their governments to seek multilateral solutions. Large firms which benefit from open export markets are more likely to invest in multilevel lobbying and in forum-linking to push their agendas internationally. Given their vested interest in the continuity of cross-border trade between their headquarters, affiliates and sales markets, they will push for integration rather than fragmentation.

Manfred Elsig and Sebastian Klotz study how the interaction of rule makers in WTO committees influences their approaches towards designing rules for digital trade in PTAs. In line with earlier findings that copy pasting and references to WTO articles can be found in PTAs (Allee and Elsig, 2016), they argue that countries that participate actively in WTO committees in the area of digital trade are likely to also engage in deeper cooperation in PTAs. Thus, the WTO spills over into the regional forums through active committee diplomacy and shapes the content and design of PTAs. Similar to de Bièvre and van Ommeren, Elsig and Klotz argue that actors with competitive advantages will actively push their preferred regulatory templates both on the WTO level and in PTAs. Here, the US seeks to diffuse its model of digital chapters through multiple forums. This, however, has created strong reactions by other trading powers such as the EU and China that pursue different agendas on digital trade which might lead to rising salience and politicization of digital debates within the WTO.

In intellectual property regulation different groups of states prefer different institutional forums to further their interests. Justus Dreyling analyzes cases of regulatory reform in which materially weaker actors such as coalitions of Global South countries and NGOs have succeeded in getting their voices heard. In the regulation of plant variety protection, these coalitions pushed for a global commons for specific crop seeds and a multilateral system of access and benefit sharing. In copyright regulation they worked towards improved access to books for a wide range of beneficiaries including people with visual and other print disabilities. While initial reform attempts were successfully opposed by materially powerful actors, including the EU, the US and industry interests, materially weaker actors were able to achieve regulatory reforms in the form of codified treaties in later attempts. Drawing on historical institutionalism, Dreyling argues that a changing institutional context has provided challenger coalitions with new opportunity structures in future iterations of bargaining. A shift from a coordinated context towards competition between several multilateral forums such as the WTO and WIPO was beneficial for challengers. However, he also shows that much institutional fragmentation might constrain challengers in their ability to mobilize broader support coalitions and to act collectively.

Finance

Laurissa Mühlich and Barbara Fritz examine regional financial arrangements that see to prevention or a backstop in case of a financial crisis within the Global Financial Safety Net (GFSN). They characterize the GFSN as a regime complex with partially overlapping memberships between RFAs and the IMF and participation in central bank currency swap arrangements. The complex displays a non-hierarchical and uncoordinated decision-making structure for crisis finance. The authors study the borrowing activities of developing countries and emerging markets that became members of one of six RFAs between 1976 and 2018. RFAs that are mostly borrower-dominated and have an autonomous regional governance structure are most frequently utilized and used as stand-alone financial source, despite relatively small sums provided. Regionally autonomous RFAs that are dominated by intra-regional creditor countries are used as complements to other GFSN elements. In contrast, the authors find RFAs that lack regional policy autonomy and bind themselves to the IMF are likely to be substituted by bilateral currency swaps if available. Here, the stigma attached to IMF borrowing is seen to spill over to the RFA. Mühlich and Fritz conclude that in a regime complex, the governance capacity to give regional borrowers a stronger voice is vital for an RFA to serve as an alternative to the IMF. Although the lending volumes of borrower- dominated RFAs are too small to substitute the IMF, it is argued that rising competition through RFAs may increase resources and options for crisis prevention that are adapted better to the regional needs of developing countries and emerging markets. The authors contend that regime complexity gives less powerful countries a small, but non-negligible leverage in terms of using and combining different GFSN elements.

Development

Regional powers such as China and the EU are increasingly shaping the regime complex of development finance. Hongying Wang scrutinizes China's strategy to create new and overlapping structures and institutions while navigating through the existing institutional landscape. Wang shows that the regime complex of development finance consists of a multitude of elemental regimes, some collaborating and some competing. In the multilateral realm, there are dozens of multilateral development banks (MDBs) and institutions including the World Bank, regional, and cross-regional banks. Many are dominated by Western donor countries but some are led by borrower countries in the global South. They share common characteristics, but also display important differences. In the bilateral realm, there are numerous national development banks and agencies. The models and norms of traditional and emerging market donors diverge significantly. China has taken a strategic approach in its engagement with the development finance regime complex. In the multilateral realm, it has played a leading role in the newly created AIIB and NDB. Thus far, the AIIB has largely reinforced the traditional MDB system led by the World Bank while the NDB has shown strong characteristics of borrower-led MDBs. China has supported collaboration among different MDBs despite their different orientations, engaging in 'forum-linking' as its dominant strategy. In the bilateral realm, China has persistently acted outside the framework of the OECD's Development Assistance Committee (DAC). Its alternative definition and operations of development assistance have been a challenge to the traditional donors, and provide ample opportunities for recipient countries to 'forum shop.' The reasons for China's 'strategic incoherence' with regard to the governance of development finance might be manifold. While China's multiple national identities and complex national interests are important underlying conditions, the highly fragmented nature of this regime complex has been a crucial and hitherto neglected factor.

Eugenia Baroncelli studies the role of the EU as a challenger of the World Bank's focality in development finance. The debate on this topic has so far centered on the newly created Asian development banks AIIB and NDB as possible challengers to the World Bank's leadership. By contrast, emergence of regional actors within the group of Bretton Woods inspired institutions has not gained much attention yet. Both international organizations share a commitment to common norms, including sustainable development, reduced inequality and good governance. Still, increasing tensions particularly related to non-core lending and the management of Trust Funds have been shaping their interaction. Drawing on a historical-institutionalist perspective, Baroncelli reconstructs the dynamics of EU–World Bank interaction since the 2000s. Over time, the EU has shifted from being a follower of the World Bank and principal in WB-managed trust funds to becoming a competitor by orchestrating new EU-led institutional tools such as the EU–Africa Infrastructure Trust Fund for loan leveraging. The newly created blending facilities have allowed the EU to set its own standards for lending, target sectors and countries of strategic interest and to leverage resources for infrastructure projects with regional public goods components. The latest phase features increasing interaction with the World Bank which has turned into a principal of EU-led trust funds occasionally. Baroncelli demonstrates how global–regional realignments oscillate between competition and complementarity over time.

Susan Park examines the relation between the World Bank and the European Bank for Reconstruction and Development (EBRD), a multilateral bank within the realm of the Bretton Woods system. Her particular focus is on how the EBRD's Independent Accountability Mechanism, viewed as an idea about the importance of being held accountable to those affected by development lending, has emerged and changed. Inspired by constructivist reasoning, she shows how policy norms spread and solidify, thereby possibly changing the institutional practices of multilateral development banks. Here, the EBRD adopted the policy norm from the World Bank mainly in response to pressure by its largest shareholder, the US. Once the Independent Accountability Mechanism was implemented, periodic reviews of its institutional practices by non-state accountability experts and NGOs allowed for inter-institutional learning and reinforced the policy norm. Based on increasingly consistent rules and obligations related to human rights, the regime complex of development finance has thus become more coherent.

6. What did we find?

The empirical results of this special issue have implications for the study of global–regional realignments in trade, finance and development. Drawing on our initial research questions we discuss first, why and how actors play the regime complex, second, whether regional institutions are used to functionally substitute or complement the global hubs and third, what our findings imply for the issue of order in regime complexes and for global economic governance.

Forum-linking or forum-shopping

When and why do actors engage in *forum-linking*? Actors engage with the focal institution WTO, IMF or World Bank, choose a multilateral forum or link forums if this allows them to realize competitive advantages or serves their strategic interests. In trade, multinational companies which produce homogeneous products or rely on large export markets are likely to engage in multilevel integration. Large powers such as the US are interested in realizing first-mover advantages by spreading their digital chapters across the WTO and PTAs. In development, the US as the largest shareholder in both the World Bank and the EBRD triggered the diffusion of the accountability norm from the global to the regional level. China for its part has supported collaboration among multilateral development banks and with the World Bank as well.

Regional actors will draw on the focal institution to benefit from its expertise, reputation or its size. The EU appreciates the authority and expertise of the World Bank to channel funding to large-scale projects. In finance, the larger RFAs have linked most of their lending to prior IMF programs to benefit from the Fund's expertise and reputation. European creditors opted for forum-linking by delegating the management of financial assistance to a troika consisting of the IMF and European institutions. Global–regional cooperation enabled them to distribute the costs for credit lending more widely by including the group of non-European IMF shareholders and to rely on the expertise and reputation of the IMF as long-term manager of financial adjustment programs.

Actors prefer *forum-shopping* by using decentralized, regional or bilateral arrangements for strategic reasons related to national or regional imperatives. In trade, product-differentiated MNCs are likely to engage with PTAs and bilateral trade in order to realize country-specific discrimination. The EU founded its own blending facilities to support non-core lending to better target sectors and countries of strategic interest and to channel resources towards projects with regional reach and public goods elements. China engages in bilateral lending via its national policy banks to realize national strategic interests.

Materially weaker actors such as developing countries or emerging markets that suffer from power asymmetries in the governance structure of the global focal institutions, may benefit from institutional competition and decentralized arrangements. In finance, the governance structure of RFAs may allow less powerful borrower countries a stronger voice. In intellectual property rights, a shift towards a competitive institutional context provided challengers of the status quo with an opportunity structure to mobilize broader support coalitions in favor of regulatory reform.

Complementarity or substitution

In general, actors prefer to complement rather than substitute the focal institutions WTO, World Bank or the IMF by drawing on regional or bilateral institutional arrangements. Multinational companies and large powers such as the US, China and also the EU are multilevel players. They have the capacity and are interested to target several institutional levels instead of only one. Only in finance we have found some evidence for a substitution of the IMF through RFAs. Materially weaker actors such as developing countries and emerging markets which appreciate having a stronger voice in borrower-dominated regional funds and are able to draw on smaller lending volumes, prefer regional to global arrangements. In general, different venues serve different strategic interests which is why a coexistence of multilateral, plurilateral, regional and bilateral structures in trade, finance and development is likely to endure.

7. Governing the global–regional interface

The rise of regional actors and institutions whose mandates overlap with those of the global hubs WTO, IMF and World Bank does not seem to undermine the rules and norms of the liberal world order (see also Heldt and Schmidtke 2019). Actors appreciate the expertise, reputation, the size and the resources of the global incumbents. Global institutions are challenged, complemented, but rarely substituted.

While fragmented structures have become the 'new normal,' this does not necessarily imply instability. In the three policy areas examined in this special issue we find efforts to spur integration in a regime complex via forum-linking, cooperation or diffusion. At the same time, actors seek to exploit the benefits of fragmentation through forum-shopping or creating new, decentralized institutions that serve their national or regional strategic interests.

The coexistence of integration and disintegration in a regime complex is not necessarily problematic. From a normative perspective, integration does not always lead to more effectiveness. As has already been argued, focal institutions may spread their pathologies and problems to other components in the regime complex (Heldt and Schmidtke 2019). The World Bank for instance, has been criticized for its lack of accountability (Weaver, 2008). If other multilateral development banks adopt its model of an Independent

Accountability Mechanism, they may also be targeted for lacking legitimacy of their operations.

Furthermore, standardized solutions that travel across levels reflect inherent power asymmetries. As has been shown, large powers are multilevel players that seek to export their preferred templates which may be too costly for other countries and regions. In addition, the normative blueprints of the Bretton Woods institutions such as liberalization, individual property rights or good governance are not necessarily shared by emerging powers or materially weaker actors. In development, they tend to collide with the principles of non-interference in internal affairs, voluntary contributions or non-conditionality that have shaped traditional patterns of South-South Cooperation (Bracho and Grimm 2016).

Disintegration on the other hand, may provide materially weaker actors with a stronger voice in decision-making procedures of regional governance arrangements. In addition, lacking integration is seen to allow for flexibility, experimentation and innovation (Heldt and Schmidtke 2019; Keohane and Victor 2011). Trade agreements for instance, are more likely to introduce novel environmental clauses to the trade regime complex when they bring together parties with many diverse experiences of earlier environmental clauses. In addition, legal novelties are often introduced in trade agreements without the presence of large powers (Hollway et al., 2020).

Governing the global–regional interface should seek to exploit the benefits of both centralized and decentralized solutions. Global hubs provide members of a regime complex with expertise, capacity and resources. They further rule harmonization in order to prevent inefficient duplication of efforts or regulatory arbitrage. Decentralized or regional institutions offer solutions with a stronger representation of smaller powers and allow for flexibility and experimentation. They serve regional strategic interests and provide for specialized solutions and regional public goods.

Managing global–regional interlinkages in a regime complex would then require an intelligent combination of *positive* and *negative coordination*. *Positive coordination* attempts to explore and utilise options of all participants for joint strategies in order to maximize the overall effectiveness and efficiency of policies. *Negative coordination* seeks to ensure that new initiatives designed by specialised actors or subunits will not interfere with the established policies and interests of other affected units (Scharpf, 1994). In our context, positive coordination would take place across multi-, plurilateral, bilateral and regional levels and be based on coordination committees or working groups. Here, orchestration (Abbott et al., 2015) and 'hub intermediaries' could facilitate the management of global-regional interfaces and help to de-link consensual from contested issues (Quaglia and Spendzharova 2021). Negative coordination would seek to inhibit the negative externalities of decentralized institutions. Rules inspired by the principle of *subsidiarity* could define possible divisions of labor between centralized and decentralized units of a regime complex based on specialized knowledge and comparative advantages.

In this special issue we demonstrate that the toolbox of regime complexity research is also applicable to the study of global–regional realignments in trade, finance and development. Further research should extend this perspective to examine global–regional interlinkages in more differentiated policy areas with global institutions that are less focal than the WTO, the IMF or the World Bank. The regime complexity debate interested in defining preconditions for integration and separation (Johnson and Urpeleinen 2012) would in turn benefit from building on the insights of other strands of research that have already reflected on modes of coordination in embedded contexts (Scharpf, 1994) such as the literatures on federalism and on European integration.

Note

Earlier versions of the papers were discussed at the workshop "Bretton Woods Institutions and Regional Organizations in a Changing Multilateral Order' in Berlin, 19–20 September, 2019. We appreciate funding of the conference by the Deutsche Forschungsgemeinschaft (DFG) and the FernUniversität in Hagen. I am indebted to Eugenia Baroncelli, Dirk de Bièvre, Justus Dreyling, Barbara Fritz, Sven Hilgers, Anja Menzel, Laurissa Mühlich, Emile van Ommeren, Susan Park, Sebastian Schneider and Hongying Wang for valuable comments on a preliminary version of this introduction.

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