MAKING GLOBAL POLICY COOPERATION HAPPEN

Organisation for Economic Cooperation and Development

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1 Introduction

Global policy cooperation involves collective action among countries and international organisations to address common challenges and to achieve shared goals. Collective action improves welfare in a range of policy domains, because policy interventions in a given country/region may – and often do – have external repercussions on other countries/regions (**Box 1**). In some cases, the external implications of domestic policies may not be well understood, which calls for deepening policy analysis to better inform the policy debate and underscore the merits of collective action. In other cases, such external effects are well known, but countries face incentives to act alone, because they perceive the short-term gains associated with unilateral action to outweigh the longer-term welfare benefits of cooperation. Collective action may therefore be pursued to maximise collective welfare by: catalysing support for policy interventions in a given country that generate positive externalities on other countries (e.g., structural reform in individual countries that can make global economic growth stronger, more balanced and more sustainable) and discouraging actions that create negative externalities (e.g., unilateral protectionism in trade and finance that generates some short-term gains in individual countries while impeding needed longer-term adjustments in demand growth at the global scale).

Global policy coordination has become essential in response to the global crisis and to address the challenges of supporting economic activity during the recession. Collective action was instrumental for delivering the needed policy stimulus in the aftermath of the crisis and coordinating liquidity provision by central banks. Efforts are ongoing in different policy areas, including for implementing pro-growth structural reforms that could recover the potential output losses associated with the crisis, while contributing to fiscal sustainability and rebalancing global growth; reforming financial regulation; promoting cooperation in tax matters; and dealing with climate change. Several initiatives are being pursued under the aegis of the G20 in recognition of the need to achieve common objectives through collective action.

This note discusses a number of policy areas where global policy cooperation is desirable and outlines the key pre-conditions for successful collective action. Section 2 focuses on pro-growth structural reform, post-crisis fiscal consolidation, trade and international financial integration, cooperation in tax matters and climate change as examples of policy challenges requiring collective action. Section 3 delves into the pre-conditions for successful collective action, ranging from the need to seek a shared understanding of the policy challenges that call for action in pursuit of common in interests to confidence building among countries. Section 4 raises questions for discussion.

Box 1. The economics of global policy coordination

The theoretical underpinnings of global policy cooperation are based on the notion of "market failures", which need to be addressed through collective action. Market failures tend to occur in relation to the provision of public goods and create externalities on group behaviour that encourage agents to consume more than their fair share of a public resource or cover less than a fair share of the costs of production (the free-riding problem).[1] Collaborative action can solve the market failure problems associated with public goods and mitigate the incentives that lead to over-consumption or under-provision.[2]

As in the case of provision of public goods, policy interventions in a given country/region may create externalities for other countries/regions. Collective action can solve the market failures created by policy externalities and lead to outcomes that improve collective welfare on an international level. Global cooperation is therefore desirable in a number of policy areas, in particular when:

- Policy action at the individual country level affects welfare on a global scale. This is the case of pro-growth structural reform, which improves economic performance in individual countries and can contribute to rebalancing global demand through the effects of reform on savings and investment. Global cooperation is therefore needed to maximise the desirable collective impact of action in individual countries.

- The short-term gains from policy interventions accruing to individual countries may outweigh the longer-term collective welfare benefits of policy interventions. This is the case of unilateral protectionism in trade and finance that generates some short-term gains in individual countries while impeding needed longer-term adjustments in demand growth at the global scale. Global cooperation can therefore do much to discourage actions that have detrimental effects on collective welfare.

- Countries may recognise the mutual benefits of collective action but may face strong incentives to act alone. This is the case of actions that may increase collective welfare while creating short-term costs to individual countries (e.g., climate change mitigation). Global cooperation is therefore needed to catalyse support in individual countries for such collective welfare-improving initiatives. Typically, the main hurdle to be overcome to ensure successful collective action is that countries that would have to gain from acting alone need to be compensated for foregoing such gains in favour of shared (often longer-term) benefits.[3]

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1. A common example of a free rider problem is defence spending: residents cannot be excluded from being defended by a country's military forces, and thus free riders may refuse to or avoid paying for defence, even though they are still as well guarded as those who are willing to pay for government provision of defence.

2. In other words, because of a market failure, interactions between utility-maximising consumers and profit-seeking firms would not lead to efficient provision of public goods in the sense that there is another level of provision that yields higher utility at a lower cost. Mancur Olson's 1965 book "The Logic of Collective Action: Public Goods and the Theory of Groups" is an important early analysis of the problems of public good provision.

3. Ronald Coase, the Nobel prize laureate, proposes a mechanism by which potential beneficiaries of a public good group together and pool their resources based on their willingness to pay for the public good. If the transaction costs between potential beneficiaries are sufficiently low, then an adequate level of public goods production can occur even under competitive free market conditions.

2 Policy areas for global cooperation

Rebalancing global growth and delivering fiscal consolidation

The global crisis has left many countries with a legacy of lower potential output and unsustainable public finances. OECD estimates point to a crisis-related loss in potential output in the neighbourhood of 3% in the OECD area as a whole.[1] This loss is due to a combination of lower capital intensity in production after the crisis and an increase in long-term unemployment. The crisis has also weakened the public finances of many OECD countries, which are now unsustainable. Government indebtedness is projected to rise to close to 100% of GDP in the OECD area as a whole in 2011 as a result of implementation of stimulus packages during the crisis, coupled with cyclical revenue losses and expenditure hikes associated with the ensuing recession.[2] Moreover, the crisis has led to a temporary narrowing of global imbalances, measured as the sum (in absolute value) of the world's external current account balances, from close to 5% of world GDP in 2008. Global imbalances are now beginning to widen again. There is increasing recognition that collective action will be required to restore strong growth over the longer term, to put the public finances back on a sustainable track and to rebalance growth internally and externally. Efforts in this area are being pursued under the aegis of the G20 *Framework for Strong, Balanced and Sustainable Growth*.

Rebalancing global growth

Several pro-growth reform priorities identified through the OECD's regular surveillance of structural policies in individual countries (and reported on a yearly basis in *Going for Growth*) would have an impact on the external positions of the reforming countries. For example, pro-competition reforms in product markers are expected to boost potential growth through their effect on labour productivity and utilisation (employment and hours worked). These growth-enhancing reforms may therefore contribute to a rebalancing of growth in the reforming country both at the domestic level (through a shift in demand towards investment in dynamic sectors and activities) and externally (by affecting savings and investment, the composition of capital inflows and the demand for imports). Such rebalancing is not without repercussions for the reforming countries' trade and investment partners, which illustrates the cross-border implications of unilateral action in pursuit of stronger economic growth. Because of their effect on external positions, implementation of investment-friendly policies in countries that have large current account surpluses, such as Germany and Japan, would contribute to global growth rebalancing.[3]

Social policies also generate important international spillovers and could contribute to the rebalancing of global growth. This is the case of a host of initiatives that are meritorious in their own right, including a strengthening of social protection in emerging-market economies with large current account surpluses, such as China and other dynamic Asian countries. To the extent that they discourage precautionary savings, policy initiatives in this area would contribute to lowering current account surpluses in emerging-market economies. Other interventions, such as those aimed at broadening the reach of financial intermediation to lower-income individuals and small businesses, could facilitate access to credit for consumption, working capital and investment and therefore, as a side-effect, alter the reforming

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1. See OECD (2010), *Going for Growth* (OECD, Paris) for more discussion on the effects of the crisis on potential output.

2. See OECD (2010), *OECD Economic Outlook*, No. 88 (OECD, Paris) for more information of trends and prospects for fiscal consolidation and external imbalances.

3. See L. de Mello and P.C. Padoan (2010), "Promoting Potential Growth: The Role of Structural Reform", *OECD Economics Department Working Paper*, No. 793 (OECD, Paris), for more discussion and a summary of empirical analysis carried out by the OECD on the effects of structural reform on potential output, public finances and external positions.

country's saving-investment balance. Because these policies have supply- and demand-side effects, it is often difficult to ascertain the net effect of reforms, which may also take time to come to fruition. But their potential for altering the internal and external composition of growth underscores the importance of collective action.

Other structural reforms may have an effect on the external current account of reforming countries and consequently global demand patterns. Tax reform could have a bearing on the composition of global demand to the extent that tax systems affect savings and investment decisions in individual countries.[4] For example, reforms that discourage consumption in countries with large current account deficits, such as the United States, include a phasing-out of income tax deductibility for mortgage payments or a further shift in the tax system to a consumption base. In addition, initiatives to reduce oil consumption could lower the current account deficit in oil-importing countries, although the final impact depends on how such policies affect the fiscal deficit and consumption of other goods.

Delivering fiscal consolidation

Collective action in support of stronger growth would affect the public finances of individual countries and could contribute to making post-crisis growth more sustainable.[5] A number of employment-friendly reforms have a direct beneficial impact on fiscal positions by reducing expenditure (e.g., on unemployment benefits) and raising tax receipts through the effects of reform on economic activity. This is the case of a tightening of eligibility criteria and cuts in the level and/or duration of unemployment benefits in countries where provisions are already generous. A phasing-out of early retirement schemes and an increase in statutory retirement ages would also have a positive effect on the budget through the impact of such reforms on labour supply and, in turn, tax receipts. Instead, other policies would only contribute to fiscal consolidation indirectly and include regulatory reforms to boost productivity, which, over time, would generate tax revenue by spurring economic activity.

International coordination could do much to mitigate the negative short-term effect of synchronised consolidation on global demand. Because fiscal consolidation needs are unprecedentedly high in a large number of countries, activity will be affected by fiscal consolidation efforts in the short run not only at home but also abroad through trade and investment linkages. It is difficult to be sure about the exact magnitude of these cross-border effects, but simulations carried out by the OECD using the Organisation's Global Model suggest that they can be large (**Table 1**).[6] International cooperation is therefore important for calibrating the level and pace of fiscal consolidation efforts in individual countries for the effects of consolidation elsewhere. The path of consolidation may therefore be adjusted across different countries, so that adjustment may be delayed or additional support may be provided where public finances are comparatively sound to compensate for more frontloaded interventions in countries with a more pressing need to consolidate.

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4. See A. Johansson *et al.* (2008), "Taxation and Economic Growth", *OECD Economics Department Working Papers*, No. 620 (OECD, Paris) for more information and empirical evidence.

5. See OECD (2010), *OECD Economic Outlook*, No. 88 (OECD, Paris) for more information on the scope for structural reform to improve the public finances.

6. See OECD (2010), *OECD Economic Outlook*, No. 87 (OECD, Paris) for more information of trends and prospects for fiscal consolidation and external imbalances.

Table 1. **The effects of single-country and synchronized fiscal consolidation**

Fiscal consolidation equivalent to 1% of own-country GDP

	Impact of change on:[1]				
	United States	**Japan**	**Euro area**	**Total OECD**	**Of which "own country"**
Source of change:	GDP effects, per cent differences from baseline in first year				
United States	**-0.9**	-0.2	-0.1	-0.5	-0.3
Japan	0.0	**-0.8**	0.0	-0.2	-0.1
Euro area	-0.1	-0.1	**-0.8**	-0.3	-0.2
OECD	-1.2	-1.3	-1.1	**-1.1**	
Spillover as per cent of own-country effect	**26%**	**54%**	**32%**		

1. Figures on the diagonals provide an estimate of the "own country" effect of standardised fiscal consolidation, whereas off-diagonal figures provide an estimate of spillover effects based on simulations of the OECD's Global model. In the near term, spillover effects are between one-quarter and one-half of the size of own-country effects. These results do not allow for the possible effects of lower long-term interest rates from fiscal consolidation, which might be expected to offset some of the negative demand effects and have positive spillover effects as well.

Source: OECD calculations.

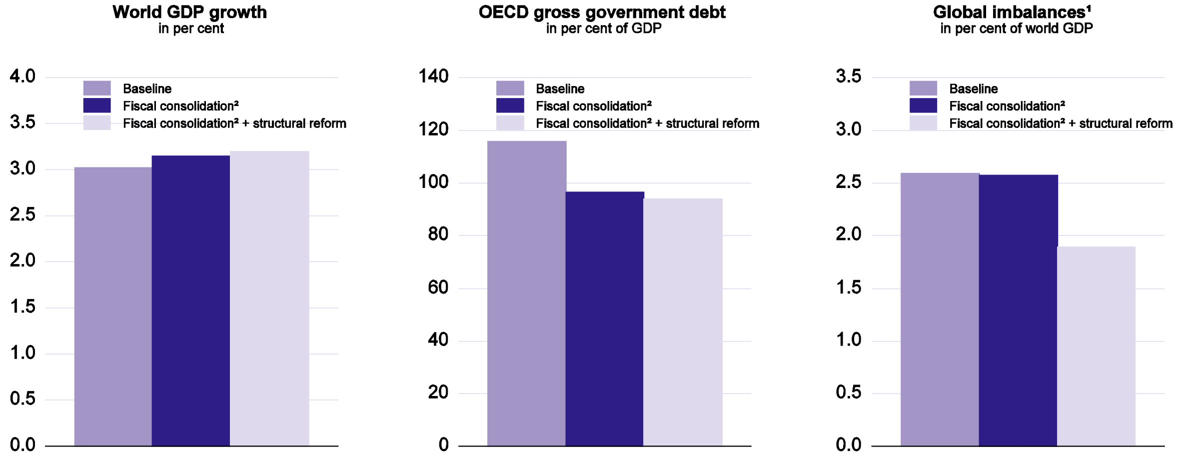
Measuring the benefits of collective action

The payoff of collective action to tackle unsustainable public finances and rebalance global growth through pro-growth structural reform is potentially large. Policy simulations[7] carried out by the OECD show that, in a baseline scenario characterised by only gradual fiscal consolidation, high government indebtedness would dampen medium-term growth prospects (**Figure 1**). Long-term interest rates would likely increase due to rising indebtedness, which would undermine long-term growth and pose risks for future stability. Global imbalances would re-emerge over the medium term as global demand recovers and output gaps close. By contrast, a combination of fiscal consolidation and structural reforms (that are desirable in their own right and would gradually reduce savings in countries with large current account surpluses and discourage consumption in deficit countries) could lead to a sustained reduction in global imbalances. Over the longer term, global output would be higher than in the baseline scenario, due to a combination of lower long-term interest rates and a removal of distortions that constrain consumption and investment in surplus countries and savings in deficit countries.

7. See OECD (2010), *OECD Economic Outlook*, No. 87 (OECD, Paris), Chapter 4, for more information.

Figure 1. Structural reform can do much to sustain growth and reduce global imbalances

Policy simulations, 2016-25 average



1. A summary measure of global current account imbalances is constructed as the absolute sum of current balances in each of the main trading countries or regions.
2. Fiscal consolidation including exchange rate response.

Source: OECD calculations.

Avoiding trade and financial protectionism

A commitment to keeping markets open was – and continues to be – essential for sustaining the rebound in global trade and investment in the aftermath of the global crisis. OECD countries steered clear of the serious structural policy mistakes of previous crises, such as an escalation of trade protectionism during the Great Depression, which made the recovery from that crisis much more difficult than needed. Open markets for goods, services and investment allow countries to use their human and physical resources in the most efficient way and therefore to concentrate production where it is most competitive.[8] Over time, trade openness also creates dynamic gains to the extent that it fosters technological improvement and enhances productivity. There is great scope for collective action in this area, including through the Doha trade negotiations, because the benefits from trade that arise from a country's own liberalisation efforts can be magnified when access to other countries' markets is improved through multilateral trade negotiations.

The unevenness of the global recovery is putting exchange rates under strain.[9] In contrast to a much more subdued pace of expansion in the OECD area as a whole, the rebound in activity has been impressive in the large emerging-market economies outside the OECD area. Policy normalisation is therefore well under way in these fast-growing economies. Sizeable capital inflows attracted by widening interest-rate differentials relative to the slower-growing advanced economies and better economic prospects are leading to an appreciation of the exchange rates of several fast-growing emerging-market countries. Such capital movements and the associated exchange-rate movements are consistent with a rebalancing of global growth. However, in some countries, experience with sudden capital flow reversals,

8. The OECD estimates that a 10% increase in trade is associated with a 4% rise in per capita income (OECD, 2003, *The Sources of Economic Growth in OECD Countries*, OECD, Paris).

9. See OECD (2010), *OECD Economic Outlook*, No. 88 (OECD, Paris) for more information on near-term projections for the global economy.

which had destabilising effects on economic activity in the past, and calls by exporters for action to avoid related short-term losses in trade competitiveness are prompting policy responses that range from interventions in foreign exchange markets (through direct purchases of foreign currency) to the introduction of macro-prudential regulations that affect both domestic and foreign investment and/or outright capital controls.

There is much scope for collective action to prevent an escalation of unilateral retaliatory measures in the course of the recovery. Initiatives to stifle price adjustments would create distortions that undermine efforts to rebalance global growth. By maintaining competitive exchange parities, fast-growing emerging-market economies with large current account surpluses would find it difficult to develop domestic sources of growth, while also delaying adjustment in slow-growing mature economies with current account deficits through stronger external demand. There also appears to be broad agreement that outright controls are second-best responses to excessive capital inflows and that there are costs to international reserve accumulation, including a fiscal burden in countries with large domestic-international interest-rate differentials. Instead, structural reforms that tackle the root causes of excessive capital inflows and the associated exchange-rate movements would be a more appropriate policy response. In particular, international policy coordination in the area of pro-growth reform would play a role in facilitating orderly exchange-rate realignments. As discussed above, a number of structural reforms that could improve economic performance in individual countries would affect saving-investment balances at the same time and therefore contribute to external rebalancing. Likewise, international cooperation in fiscal matters would contribute to external rebalancing by affecting government savings and would alleviate pressures on the exchange rate of those countries with budget deficits and appreciating exchange rates.

Working towards climate change mitigation

Despite broad agreement on the need to tackle climate change and to avoid environmental degradation, there are important obstacles to collective action in these areas.[10] For example, greenhouse gas-emitting regions have strong incentives to free ride, because they often gain less individually from participating in collective action than from not participating and benefiting from other countries' abatement efforts. Participation incentives are likely to be lower where mitigation costs (from a world carbon price, for example) are relatively high and/or expected damages from climate change are relatively low. Collective action can nevertheless be encouraged by putting in place arrangements for international financial transfers or other forms of support in the areas of mitigation financing, innovation (especially R&D), technology transfers, international trade and climate change adaptation.[11] In addition, the cost of action can be minimised if cost-effective instruments, such as price-based instruments, R&D policies and targeted regulations and standards, are applied as broadly as possible across all emission sources (countries, sectors and gases).

However, support for collective action can be strengthened. The benefits of mitigation policies are difficult to quantify and fully monetise. OECD analysis nevertheless shows that ambitious mitigation action at the world level requires building up a coalition of countries that can, in principle, achieve ambitious world targets even if nonparticipating countries take no mitigation action, meet those targets without inducing excessive mitigation costs and deliver a net benefit to participating countries as a whole, so that each participating country has sufficient incentives to take action. One way to foster wider international mitigation action is to first implement those measures that yield both climatic and economic benefits, including in particular the removal of fossil fuel energy subsidies. These subsidies amount *de*

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10. Efforts towards collective action in this area include the forthcoming United Nations Climate Change Conference in Cancún, Mexico.

11. See OECD (2009), *The Economics of Climate Change Mitigation: Policies and Options for Global Action beyond 2012* (OECD, Paris) for more information.

facto to a negative carbon price. As such, their removal may be seen as a necessary, albeit politically difficult, step towards broad-based international carbon pricing. In this regard, subsidy removal would free up budgetary resources that could be used, in turn, to target more directly the social objectives that might have been supported through the subsidies.

Promoting cooperation in tax matters

Increased competition and economic integration have encouraged countries to make their tax systems more attractive to investors. While interjurisdictional tax competition can be beneficial in terms of preventing further increases in the tax take, some tax practices undermine fair competition and public confidence in tax systems. This is the case of practices that encourage and/or facilitate tax avoidance and evasion, which lead to an erosion of tax bases and consequently thwart the ability of governments to meet social demands for public goods and services. At the same time, cross-country empirical evidence shows that policymakers in a given jurisdiction respond to policy initiatives implemented elsewhere, often to maintain the attractiveness of their tax systems to investment, which underscores the scope for international spillovers in tax policy.

International policy cooperation is ongoing to discourage predatory tax practices. The increase in cross-border flows that come with a global financial system require more effective tax cooperation. Better transparency and information exchange for tax purposes are key to ensuring that taxpayers have no place to hide their income and assets and that they pay the right amount of tax in the right place. Tax transparency has featured prominently among the policy goals of G20 countries since 2008, and the standard of information exchange on request, including bank and fiduciary information, is now universally endorsed.[12] The OECD-led Global Forum on Transparency and Exchange of Information for Tax Purposes contributes to these efforts by improving transparency and establishing effective exchange of information. International cooperation is also desirable to provide technical assistance to those jurisdictions needing help in implementing the standards of transparency and exchange of information for tax purposes.

Other areas

Benefits and challenges for collective action also arise in other policy domains. Reform of financial regulation is a case in point. Efforts are under way to strengthen prudential rules for banks in a manner that curbs excessive risk-taking. In increasingly integrated global financial markets, initiatives in this area require effective international policy coordination, as is currently being pursued under the aegis of the G20 and the Financial Stability Board.

3 Options for encouraging international policy cooperation

A large body of analysis carried out in relation to the OECD's project on Making Reform Happen (MRH) highlights the challenges facing countries in their reform efforts and the preconditions for successful implementation of structural reform.[13] The experience of reform in policy domains ranging from product and labour market regulation to education, health care and the environment suggest that reform processes share common traits, while recognising that there is no one-size-fits-all toolkit for reformers. The policy lessons highlighted in OECD analysis show that international policy

12. The United Nations has incorporated the OECD standard in the UN Model Tax Convention in October 2008.

13. See OECD (2010), *Making Reform Happen: Lessons from OECD Countries* (OECD, Paris) for more information. See also J. Hoj *et al.* (2006), "The Political Economy of Structural Reform: Empirical Evidence for OECD Countries", *OECD Economics Department Working Papers*, No. 501 (OECD, Paris), for empirical evidence on the main drivers of reform in product and labour markets in OECD countries.

dialogue can speed up the process of "policy learning", which enables countries to learn from each other. However, global policy coordination poses specific challenges that need to be addressed to deliver effective collective action.

The main objectives of global policy cooperation

The overarching objective of global policy collaboration is to encourage countries to adopt mutually reinforcing policies based on the joint evaluation of the external implications of their domestic actions. To this end, it is essential to reach a common understanding of the linkages among different domestic policy areas and instruments and of the implications of these policy linkages for the achievement of shared objectives. This is particularly challenging, because domestic policy objectives and instruments are likely to vary across countries, given different framework conditions and institutional settings, as may in some cases the understanding of the implications of these policies for the attainment of shared goals. Effective global policy coordination also requires confidence to be built among participating countries, especially when domestic policy objectives, national preferences and policy settings diverge. Heterogeneity often acts as an obstacle to policy exchanges among countries that needs to be overcome to foster consensus building. However, international organisations have the potential for fostering cooperation with evidence, best practices and capabilities to monitor progress in policy implementation.

Pre-conditions for successful cooperation

There are pre-conditions for successive policy cooperation. The literature on international cooperation suggests that policy goals are often best obtained in a "hegemonic" structure (a single-country leadership). But there are conditions for effective governance with multiple leaders that generate the appropriate incentives for collective action.[14] Such conditions are that actors (countries) must have a long-term policy horizon and be willing to adjust their preferences and policies, and to engage in repeated interactions to establish mutual trust.

Effective international policy cooperation requires a framework for countries to exchange policy views and reach shared commitments. Such a framework needs to be adaptable and flexible to allow policymakers to react promptly to rapidly evolving economic and social environment. A framework for policy discussions also needs to ensure fair representation of countries with different interests to ensure that participants have voice in policy discussions and different viewpoints are heard. Moreover, policy discussions need to be based on technical analysis of the highest possible level and to reflect in a balanced manner the different views and competing policy options that might emerge in a particular area. The analysis would therefore also need to be carried out impartially and independently to ensure credibility in the policy debate. Finally, policy exchanges need to take place in an environment that fosters mutual trust among the participating countries. These pre-requisites are important for ensuring that participating countries have ownership of policy commitments.

Policy cooperation needs to be action-oriented and evidence-based. It is essential that policy exchanges be conducive to a common understanding not only of policy options and instruments on the basis of sound technical analysis, but also of how shared outcomes and policy commitments can be delivered. A balance therefore needs to be struck between ownership of policy commitments and implementation and external scrutiny of policy initiatives, which would call for some form of monitoring of implementation. This trade-off needs to be taken into account when designing a framework for policy cooperation in a manner that encourages participants to take action towards the achievement of common

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14. See P.C. Padoan (2007), "Political Economy of New Regionalism and Global Governance", in M. Telò (Ed.), *European Union and New Regionalism* (Ashgate, Aldershot).

objectives. Action-orientation also facilitates the use of "lessons learned" to inform the policy debate and contribute to future successes.

Policy cooperation needs to identify concrete deliverables and a timeframe for action. Underpinned by strong technical analysis, consistent policy commitments need to be made and appropriate policy instruments need to be identified to achieve the shared objectives. To this end, indicators could be selected to the extent possible to allow for a mapping of policy actions to outcomes so that the effectiveness of different policy initiatives can be assessed within a specific implementation timeframe. Such a policy-outcome mapping underscores the OECD's benchmarking of structural policies in *Going for Growth* and allows for deepening the analysis of the impact of reform on economic performance.

Action towards attainment of common objectives needs to be tracked. Effective monitoring of implementation of policy commitments ensures credibility in policy cooperation and allows for corrective measures to be taken, where and when needed, should outcomes be out of step with the intended objectives of collective action. Keeping track of implementation of policy commitments also allows for identifying capacity bottlenecks in individual countries, sharing experiences on how to overcome implementation difficulties and drawing best practices. Effective monitoring would also facilitate peer pressure so that individual countries meet their commitments, especially in areas where incentives for action are weak.

4 Issues for discussion

International policy cooperation can improve global welfare by allowing collective action to be taken in areas where individual countries may underestimate the external effects of domestic policies and/or may face strong incentives to act alone or to free ride on other countries' policy efforts. This is particularly important in the current juncture, when the world economy is recovering from the recession but still faces difficult challenges to deal with the legacies of the crisis in terms of lower potential output, unsustainable government indebtedness and high unemployment. In particular:

- *How can incentives for individual action that runs counter to collective welfare be mitigated through international policy cooperation, especially in the areas of trade and financial integration and tax policy?*

- *What lessons can be drawn from the political economy of reform in individual countries that would facilitate international policy cooperation and remove obstacles to collective action at the international level?*

- *How can international policy cooperation support implementation of pro-growth reforms in individual countries and maximise the benefits of such reforms for restoring the sustainability of global finances and tackling joblessness?*

The effectiveness of international policy cooperation depends on a number of pre-requisites, including options for building trust among participants with heterogeneous interests and facilitating the monitoring of implementation of policy commitments. In particular:

- *What are the pre-requisites for effective international policy cooperation? How can conflicting interests be reconciled in pursuit of shared objectives? How can the "losers" of collective action be compensated to ensure participation in international policy cooperation?*

- *How can policy commitments made through collective action be monitored to ensure effective implementation? What are the strengths and weaknesses of different monitoring mechanisms?*

- *What role can the OECD play in facilitating global policy cooperation?*