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# Rising powers, global capitalism and liberal global governance: A historical materialist account of the BRICs challenge

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## Abstract

This article analyses the phenomenon of rising powers from a historical materialist perspective. It (1) elaborates the key concepts of historical structures of world order, state–society complexes and transnational class formation, and (2) applies them to Brazil, Russia, India, China and other so-called ‘rising powers’ to account for the nature and extent of the challenge they pose to the existing institutions of global governance. A double argument is advanced: first, the integration of rising powers into the historical structure of global capitalism has reduced traditional sources of great power conflict, and made rising powers heavily dependent on the existing institutional framework established by the liberal West. This facilitates their integration into the existing governance order. However, within the limits of the existing order, two factors lend a heartland–contender cleavage to the politics of global governance: the rising powers’ relatively more statist, less market-driven forms of state, and their subsequent failure to be integrated into emergent transnational capitalist class structures. Consequently, it is not the global governance order itself, but its most liberal features, that are contested by rising powers. The result is that, in contrast to realist pessimism and liberal optimism, the rise of new powers is leading to a hybrid governance order that is both transnationally integrated and less liberal.

## Keywords

Economic interdependence, global institutions, globalization, Marxism, multipolarity, political economy

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## Introduction

The power shift accompanying the rise of Brazil, Russia, India, China (the BRICs) and other so-called 'rising powers' raises important questions about the stability of the international system and the future of the Western-sponsored international order.<sup>1</sup> But rising powers do not simply confront a Westphalian order of inter-state relations dominated by the United States and its allies. Rising powers are emerging in the context of a global capitalist economy that transcends national boundaries, and an international order characterized by a multilayered system of overlapping and differentiated institutions and actors. 'Global governance' has emerged as a shorthand to incorporate these new developments into the traditional picture of the inter-state system, denoting a broader way to understand a shift of power and authority than that of a power shift within anarchic inter-state relations. Where previous power transitions have been interpreted in the context of a competitive struggle for survival, today's shifting power relations raise questions for the nature of the world polity and the kinds of principles that underpin it.

It is widely recognized that rising powers are beginning to have an increasing role in the governance of the globe, including the international institutions that have traditionally been dominated by established powers. Nonetheless, disagreements remain about the extent to which rising powers will challenge existing institutions and practices of global governance, and about the factors that shape their behaviour. This article argues that to understand the nature and origins of the rising power challenge to global governance, they must be analysed not solely as states bargaining over a place in the institutional sun, but as social formations embedded in a global political economy. To do so, the article develops a historical materialist approach to the role of rising powers in global governance. Drawing on concepts primarily from Gramscian international relations theory and the varieties of capitalism approach, this approach emphasizes the changing nature of global capitalism, the nature of state-society relations within the rising powers and the role of transnational class structures in shaping the nature of rising power engagement with global governance. While these different features of the contemporary order have frequently been analysed separately, they have less frequently been understood in connection to each other. Doing so not only positions contemporary rising powers within their historical and material context, but can also help to account for the nature and extent of the challenge that rising powers pose to the liberal governance order.

Theoretically, this article proposes a historical materialist approach to rising powers built around three propositions. First, rising power behaviour is shaped by structural features of global capitalism that determine the forms of rivalries prevalent in the international system. When economic expansion is dependent on territorial gain, territorialized conflicts with established powers emerge. When economic expansion is accommodated within a liberal world economy, conflicts shift to the management of the global economy. Second, within the structural environment of global capitalism, rising power preferences over global governance are related to their nature as social formations, that is, as state-society complexes. A typology of four kinds of state-society complexes, with associated preferences for global governance, is therefore advanced. Finally, historical materialism emphasizes the role of social forces. Integration of the leading social forces from the rising powers into established

transnational class mechanisms represents another avenue for rising powers' integration into global governance.

Approaching the rise of the contemporary BRICs states through this framework, it is argued that the BRICs rising powers pose a within-system challenge to global governance: they challenge its most liberal content, while becoming dependent on, and engaging with, its existing institutional structures. In pursuing growth through integration, today's rising powers, in contrast to previous generations of 'contender' states, have sacrificed their autonomy for wealth and influence. A result is an increased dependence of the rising powers on existing global governance institutions, forcing them to collaborate with established powers. At the same time, the prominence of statist modes of capitalist development gives rising powers less liberal preferences regarding the rules of global governance institutions. Moreover, fault lines of transnational class formation persist, with the contemporary rising powers largely excluded from the transnational capitalist class structures of the liberal West, lending a heartland–contender cleavage to the international politics of global governance (Van der Pijl, 1998).

Rising powers therefore face a dilemma in their orientations towards liberal global governance. On the one hand, rising powers are increasingly functionally dependent on the existing institutional frameworks of global governance to oversee a transnationally integrated global economy. On the other, their statist forms of capitalist development put them into tension with the market-making and individualist (liberal) tenets of global governance. The rising powers are therefore fostering a hybrid order, characterized by a deepening of transnational integration, but an erosion of global governance's most liberal principles. This conclusion diverges from at least two prominent existing approaches to the roles of rising powers in global governance. First, it differs from approaches that emphasize the inherent opposition of rising powers to the institutional orders fostered by hegemonic states (Gilpin, 1981: 23–24; Schweller, 1999; Van der Pijl, 1998: ch. 3). Second, it differs from the argument that it is the specifically liberal content of contemporary global governance that provides rising powers with incentives to integrate into it, so that they represent the 'ultimate ascendance' of the liberal world order (Ikenberry, 2011a, 2011b). While rising powers have incentives to preserve existing measures to govern transnational processes and provide regulation for the global economy, their domestic structures put them at odds with the liberal policy content of Western-sponsored institutions.

The argument is developed in three parts. First, an account is given of contemporary global governance, its liberal features and the role of rising powers as proposed by existing approaches. Second, a historical materialist approach to rising powers and global governance is advanced. The third, empirical section applies these concepts to the BRICs in the contemporary order. It is argued that the structural context of neoliberal globalization has provided the BRICs with overwhelming incentives to open and transnationalize their economies, leading to their functional dependence on the governance framework of transnational regulation. Nonetheless, what can be described as the *integrated state capitalism* of the BRICs, under the guidance of strong state classes, constitutes an enduring obstacle to their co-optation into the liberal governance mechanisms of the West. This is reflected by their failure to be integrated into established transnational capitalist networks. As international institutions come to reflect their preferences, the liberal content of global governance is being challenged from within.

## Rising powers and liberal global governance

Power shifts raise fundamental questions about global governance because global governance is founded on power relations (Barnett and Duvall, 2005b; Weiss and Wilkinson, 2013). Global governance — as understood here — refers to the political regulation of transboundary processes and actors.<sup>2</sup> Conceived as a ‘multi-level’ process (Zürn, 2010), in the international realm, this implies ‘what world government we actually have’ in the absence of a world state (Murphy, 2000: 789; see also Rosenau and Czempiel, 1992). Global governance in this understanding is a capacious concept, encompassing a plethora of public and private authorities affecting transnational processes, from the promulgation of private regulations and standards, transnational networks and civil society organizations, transnational policy planning forums, and international law, through to international ‘regimes’ and the high tables of the United Nations organs (Cox, 1996: 301–303; Cutler, 2003; Gale, 1998; Gill, 1990; Levi-Faur, 2005). Contemporary global governance has taken on many liberal characteristics. Under American leadership, Western powers have engineered a world order that has sought to remove barriers to cross-border trade in goods and services, facilitate transnational movements of capital and currencies, and propagate an ideology of the individual that sustains a global discourse of human rights (Cox, 1987; Gill, 2003; Ikenberry, 2011b; Wade, 2011). In this way, the regulation of transboundary processes has become part of a broader liberal order, fostering an expansion beyond an inter-state order to include a host of other actors contributing to transnational regulation. Global governance is ‘liberal’ to the extent that they produce rules which ‘make markets’, favour private over public allocations of resources, and spread ideas compatible with liberal hegemonic ideas like individualism and neoliberal economic management practices.

International organizations have been identified as focal points through which rising and established powers can renegotiate the terms on which global governance takes place. While no longer limited to inter-state-state diplomacy and intergovernmental forums, international organizations such as the World Trade Organization (WTO), International Monetary Fund (IMF) and World Bank remain premier venues of global governance in which international rules are elaborated, decisions are made and agreements are enforced. The liberalism of the current order is reflected in institutional anchors such as the trade liberalization rules of the WTO, the commitment to capital mobility of the IMF, interventionist practices of humanitarianism, and economic policy advice favouring market coordination and privatized development (the ‘Washington Consensus’). International organizations therefore serve as important thermometers for the broader politics of global governance.

How will rising powers relate to this liberal global governance order? Authors in the realist tradition emphasize the destabilizing role of rising powers and the increased likelihood of rising powers contesting existing governance arrangements in their broader geopolitical rivalry with the United States. The close connections between international institutions and the power of established states have been emphasized by offensive realists (Mearsheimer, 1994: 7), power transition theorists (Lemke and Tammen, 2003; Rapkin and Thompson, 2003; Tammen et al., 2000) and hegemonic stability approaches (Gilpin, 1981; Schweller, 1999). In contrast, liberal theorists criticize realists for dismissing the

open and rules-based nature of the liberal international order that alleviates security competition and fosters integration into existing 'liberal' governance institutions (Ikenberry, 2011a, 2011b; Ikenberry and Wright, 2008; cf. Snyder, 2013). Consequently, '[r]ising powers are finding incentives and opportunities to engage and integrate into this order, doing so to advance their own interests. For these states, the road to modernity runs through — not away from — the existing international order' (Ikenberry, 2011b: 61). Constructivist-inspired accounts, similarly, emphasize that China, as the largest rising power, has adopted ideas that are mostly 'satisfied' with the existing order (Johnston, 2003a) and oriented towards international 'integration' (Legro, 2007).

In contrast to these International Relations approaches, predicated on the 'international' assumption, this article builds on political economy literature that has instead situated states within the 'broader field of social relations' that gives them sociological depth (Overbeek, 2004: 114). The role of China's state-heavy form of development, and the possible challenge this poses by example to Washington Consensus norms, has been widely studied and debated (Arrighi, 2007; Breslin, 2013; McNally, 2013; Strange, 2011; see also Wade, 2010). Relatedly, others suggest that the BRICs have pioneered novel varieties of capitalism that challenge the market coordination of existing global governance institutions (May and Nölke, 2013a; Ten Brink and Nölke, 2013). In contrast, other political economy approaches have observed a more general trend towards 'neoliberalization' amongst the BRICs and a compliant approach to global governance: seeking to boost their positions within the structures, but leaving them in place (Harvey, 2005: 120–151; Schmalz and Ebenau, 2012).

This article builds on this political economy literature, but seeks in particular to situate BRIC developmentalism within the structural context of the changing nature of global capitalism and transnational class formation, and relate these more explicitly to state conflicts over the forms and content of global governance institutions (Gray and Murphy, 2013: 185). The point of departure of this article is that in order to understand the nature and extent of the rising power challenge, they must be understood in the context of broader changes in the material structures of global capitalism and the nature of transnational class integration, which constitute the frameworks for rising and established power interaction. In particular, 'mainstream' (state-centric) approaches tend to neglect the 'epochal implications and conjunctural dynamics of capitalist development' (Teschke and Lacher, 2007: 566), and even observers unfriendly to Marxism have argued that 'it is impossible for liberals, in particular, to discuss the future of the international system without some evaluation of the unfolding international role being played by capitalism' (Buzan and Little, 1999: 89). The challenge lies in integrating developments that are usually addressed through different theoretical approaches and at different levels of analysis. One approach to bringing these changes directly into relation with each other is outlined below.

## **A historical materialist approach to rising powers**

More insulated from the seductions of 'policy relevance' and think-tank posturing, historical materialism has been underutilized in contemporary rising power debates. Building on existing historical materialist theory, this section therefore advances a

conceptual framework that differentiates different types of material structures of world orders, forms of state and a framework for conceptualizing variation in global class relations. The value of such an approach is then fleshed out in subsequent sections by application to the contemporary BRICs powers.

In contrast to traditional approaches to rising powers, a historical materialist account calls into question the ontological primacy of the inter-state system, and invests in the structural conditions which shape the actors, preferences and incentive structures constitutive of world orders in a given era (Cox, 1996: 97–98). A fixation on the unchanging effects of anarchy obscures fundamental changes to the international environment resulting from the integration into transnational capitalism of putatively ‘national’ economies. An important historical structure of world order is the material bedrock of the productive forces and social relations of production that prevail in a given era, originating in the prevailing modes of production (Deudney, 2000; Donnelly, 2012; Van der Pijl, 2007: 12–16). The nature of international rivalries and the content of global governance are therefore strongly related to the dominant form of economic organization in the world.

In the classic age of European balance of power politics, social power was intimately tied to the control over land. The reason was that productivity growth occurred at a very low rate, typically between 0 and 0.2 per cent annually (Maddison, 2001: 244–265). In such ‘traditional’ societies prior to economic ‘take-off’ (Rostow, 1960), growth took place primarily through population expansion, modest improvements in social organization or a particular technological innovation. But this provoked little or no cumulative expansion and could easily be set back through social or environmental disasters. Consequently, social power was intimately tied up with the control over land, lending a zero-sum quality to power expansion in international politics.

This changed with the emergence of industrial capitalism from its anglophone epicentre in the 18th century. Capitalism rapidly advanced what Keynes considered the two core causes of modern economic progress: technological improvement, and the ability of capital to accumulate (1930: sec. 1). This decisively ended the era of simple reproduction and unleashed the ‘upward spiral of accumulation, investment, expanded reproduction, and so on’ (Cox, 1987: 406, n. 7). This induced a revolutionary change in the exercise of state power: ‘development’ became the primary means for power accumulation in the international system. Consequently, the nature of the ‘great game’ changed. The value of land-based resources declined relatively, leading to competition not over territory, but over ‘world market shares as the surest means to greater wealth and therefore greater economic security’ (Strange, 1987: 564). In so doing, state rivalries take on a qualitatively new form: ‘In all other forms of empire, the scope of hegemony depended directly on the reach of geopolitical and military force. Capitalism alone has created an autonomously economic form of domination’ (Wood, 2006: 13).

The development of industrial capitalism from the 18th century occasioned an epochal shift in the nature of great power relations, but world capitalism has also been subject to historical variations that explain the kinds of inter-state rivalries that characterize a given era. These variations primarily involve the balance between states and markets, and territorial and cosmopolitan relations to transboundary exchange. From an abstract point of view, global capitalism can be seen as a world system (Arrighi, 2007; Wallerstein, 1974),

**Table 1.** Historical structures of world order.

	Open	Closed
Capitalist	Empires of free trade, liberal multilateralism	Rival imperialisms, neo-mercantilism
Pre-capitalist	Pre-modern empires	Mercantilism

but the extent to which capitalism as a world system is ‘nationalized’ behind political borders has varied over modern history.

A crucial factor is whether state borders are porous or closed to economic exchange. The expansion of the forces of production attendant on capitalist development typically expanded the scale of operation of economic processes, and resulted in an outward expansion of socio-economic forces (Murphy, 1994; Overbeek and Van der Pijl, 1993; Zürn, 1995). Where this outward expansion is confronted with hard political borders, political tensions take the form of territorial conflicts or competitive mercantilism. Where land is closely associated with productive inputs and market access, the logical endpoint of state expansion is a competitive quest for colonies or *Lebensraum*. Such was the case during the power transition era of rival imperialisms leading up to the First World War, and in the rival neo-mercantilist blocs of the interwar period.

In contrast, where capitalism’s outward expansionary forces confront porous borders, in which the scales of political and economic processes are allowed to diverge, the control of territory is dissociated from market access, and the free development of an independent world capitalist economy can unfold. Historically, this has taken the form of empires of free trade and regimes of multilateral liberalization. Under such conditions, divisions of labour and functional differentiation can be left to develop in tandem with state power accumulation (Keohane, 2002: 47–9), removing critical pressures from power transitions. Consequently, findings of a ‘capitalist peace’ are likely to be historically specific: capitalism can lead to war or peace, depending on the nature of capitalism as a historical structure of world order. The interaction between the ‘territorial’ and the ‘capitalist’ logics of social power (Harvey, 2003) shapes the nature of imperialist rivalry in a given period. These different historical structures and attendant great power rivalry constellations are represented in the typology in Table 1.

Within the context of a given historical structure, the specific forms of state–society relations have shaped the articulation of national interests and state preferences, resulting in different historical phases of global governance, or ways of regulating transboundary exchanges (Murphy, 1994; Overbeek, 2012). Consequently, while associated with the dominance of a particular state or group of states, the content of ‘hegemonic’ international orders is always related to the national, and potentially transnational, social forces that underpin dominant state power, which then become enshrined in widely accepted norms and institutions (Cox, 1987: 149–150; 1996: 102–107, 135–140). The Allied victory in the Second World War allowed the United States and its allies to shift the governance of global capitalism from a highly ‘nationalized’ order of neo-mercantilism to one of liberal multilateralism and neoliberal globalization.



While this forms the material environment in which the BRICs have emerged over the last two decades, a historical materialist account also highlights the role of national characteristics of rising powers as state–society complexes. While capitalism and its constitutive classes can be considered ‘international in an abstract sense’, they become ‘nationalized’ within the particular configurations of specific state–society complexes (Cox, 1996: 134). In contrast to realist assumptions that states are essentially unchanged over a period of ‘millennia’ (Gilpin, 1981: 7), states cohere as varying *forms* of state, defined by the kind of state–society relations that characterize them (Cox, 1996; Van der Pijl, 1998). The concept of ‘state–society complexes’ highlights that state structures are not ‘suspended in mid-air’ (Marx), but are embedded in:

configurations of social forces upon which state power ultimately rests. A particular configuration of social forces defines in practice the limits or parameters of state purposes, and the *modus operandi* of state action, defines, in other words, the *raison d’etat* for a particular state. (Cox, 1987: 105)<sup>3</sup>

Thus, the concept of the ‘state’ is not treated as an abstract and timeless category, but is seen as historically contingent, embedded in social relations, and can be ‘particularized and differentiated’ (Cox, 1987: 409n).

Differentiating and historicizing concrete forms of state has been a task undertaken by authors in a historical materialist tradition (Cox, 1987; Van der Pijl, 1998: 84–87) and by those from the tradition of the ‘varieties of capitalism’ (Becker, 2013; Hall and Soskice, 2001; Nölke and Vliegthart, 2009). Here, we can focus quite narrowly on two features in particular that differentiate forms of state: the degree of market coordination in regulating economic allocations and social relations; and the degree of economic and social integration with transnational circuits of global capitalism. Gramsci recognized that forms of state varied according to the extent of the role of the state and state classes in exercising social control and overseeing socio-economic development (1971: 238). In ‘Hobbesian’ and non-liberal forms of state, state classes retain the initiative in social control and economic development; where autonomous bourgeoisies and market principles guide social-economic relations, ‘Lockean’ and liberal forms of state can be discussed (Cox, 1987; Van der Pijl, 1998: 86).

In addition, however, we can consider the extent to which either of these forms of state follows a national or a transnational path of social and economic development. This has important implications for preferred forms of inter-state coordination, and openness to transnational processes of socialization. Insertion into transnational structures of production modifies the class basis of state–society complexes, leading to the spatial restructuring of class relations and new relations between functionally defined class fractions. Under the impact of global capitalist restructuring, these social and economic structures have tended to become more transnationally organized and interconnected.

Together, these two characteristics of forms of state can be associated with different outlooks for the appropriate modes of regulation of the global economy and transboundary exchange more broadly, as well as having important impacts on the formation or not of transnational class linkages. The kind of state–society relations characterizing rising states indicates the compatibility of their development models with the existing rules and

**Table 2.** Capitalist forms of state.

	Transnational	National
Liberal	(Neo-)Liberal	Liberal corporatist
Statist	Integrated state capitalist	National state capitalist

norms of global governance — characterized today by liberal commitments, multilateral openness and rule-guided collaboration.

Embedding rising powers within their social and material context raises, thirdly, the question of the formation of transnational classes. A materialist focus emphasizes that:

[s]ocial forces are not to be thought of as existing exclusively within states. Particular social forces may overflow state boundaries, and world structures can be described in terms of social forces just as they can be described as configurations of state power. (Cox, 1996: 105)

In a deeply transnationalized order:

production in particular countries becomes connected through the mechanisms of a world economy and linked into world systems of production. The social classes of the dominant country find allies in classes within other countries. The historic blocs underpinning particular states become connected through the mutual interests and ideological perspectives of social classes in different countries, and global classes begin to form. (Cox, 1987: 7)

For many authors, a key feature of integration into the democratic capitalist core is the formation of transnational class linkages (Cox, 1987: 358–359; Gill, 1990, 2003; Van der Pijl, 1998: 117–135).<sup>4</sup> Earlier phases of transnational class formation took place in the North Atlantic in response to the Soviet threat, and fostered much of the institutional architecture of the contemporary order (Van der Pijl, 1984). These classes mediate the world economy and the inter-state system, forming links across national social contexts (Cox, 1987: 357). In turn, these class linkages become a core feature of integration into global governance, cohering in a *nébuleuse* of gatherings, institutions, policy planning bodies and transgovernmental networks without an authoritative international structure, but which is conducive to policy convergence and consensus formation (Cox, 1996: 300–303; Cox with Schechter, 2002: 30).

Transnational class linkages contribute to the development of transnational interests and capitalist solidification. The commonality of ‘revolving door’ relationships between corporate leaders, governmental advisory bodies, influential foundations and government itself especially serves as a binding element by which transnational interests percolate through the political and civil societies of the most integrated capitalist economies (Van Apeldoorn and De Graaff, 2012). This fosters elite socialization that straddles the state–society divide, provides an infrastructure for the distillation of common frames and political strategies, and can lead to a process of socialization in which elites in multiple countries accept and internalize the norms and principles supportive of existing structures of global economic governance (Johnston, 2003b; Wendt, 1999: 101–102). Acquiescence to existing governance arrangements can then become ‘the result of the

socialization of leaders in secondary nations' (Ikenberry and Kupchan, 1990: 283; see also Cox, 1996: 139). In short, such networks generate greater class cohesion, ideological co-extensity and 'social capital', which counters the centrifugal forces of inter-capitalist competition between countries.

The integration of rising powers into transnational production structures raises the possibility of their incorporation into transnational class linkages. Importantly, the social strata associated with transnational fractions of capital play an important role as a solvent to national capital, which has the potential to be 'won over to the neoliberal world order and absorbed into the transnational managerial class — they become its components within the nation' (Cox, 1987: 361). This indicates the possibility for a process of elite socialization potentiated by the formation of transnational class linkages between rising and established powers, such that the continued integration of rising powers furthers their integration into an expanded transnational class hegemony.

## **Global capitalism, the BRICs and transnational class formation**

### *The historical structure of neoliberal globalization*

The contemporary historical structure of global capitalism can be described as 'neoliberal globalization'. Neoliberal globalization has an important conditioning effect on the types of inter-state rivalries which characterize the contemporary era, and in shaping the nature and extent of rising power contestation of established international institutions. This structural backdrop must be understood for two key reasons. First, it constitutes the framework for action for rising power governments and determines the 'structural context of rational choice itself' (Cerny, 1995: 595). Second, structural conditions retain a methodological priority before attributing causal weight to unit-level factors: 'Understanding the constraints imposed by the world political economy allows us to distinguish the effects of common international forces from those of distinctive national ones' (Keohane, 1984: 16).

Neoliberal globalization is reflected in specific sub-domains of the global economy. In the domain of *trade*, the erosion of spatial transmission costs has caused nominally 'national' economies to be embedded in an independent articulated global trading network (Reyes et al., 2008: 13), which itself 'has become a self-organized complex system that must be considered as a whole' (Serrano and Boguñá, 2003: 4). Increasing international exchange has been a generic feature of modern capitalist development, expanding annually by an average of 6.2 per cent between 1950 and 2007 (WTO, 2007). Increasingly conducted through multinational corporations, the global trading network operates across state boundaries, involving trading entities which are interrelated through a criss-crossing network of global supply chains (Safadi and Lattimore, 2008: 9).

Relatedly, *production* processes have become less nationalized, representing a qualitative shift in the organization of the world economy. Foreign direct investment increased globally by 93 times between 1970 and 2010 (UNCTAD Stat, 2013), indicating a systemic expansion of integrated transnational production processes in the global economy. Despite the biggest ever set back to foreign direct investment from the global economic

crisis in 2008, total foreign direct investment is expected to return to its pre-crisis levels of around US\$1.5 trillion in 2013, and to continue to grow (UNCTAD, 2011: 2). By 2010, foreign direct investment stocks already amounted to 32 per cent of the world economy, with the developing world accounting for 31 per cent of those stocks and absorbing more than half of direct investment inflows (UNCTAD, 2011: 2; UNCTAD Stat, 2013). Multinational corporations occupy a commanding role in this process, the largest 500 of which account for over 90 per cent of the world's stock of foreign direct investment and nearly half of global trade (McCann, 2008a: 83). In sum, 'Multinationals are now more important than ever, and there is no sign that this increasing trend is waning' (McCann, 2008a: 83).<sup>5</sup>

Finally, neoliberal globalization is associated with the financialization of the world economy. This includes the spatial expansion of financial markets, an increase in the portion of global income generated by the finance industry, the increased portion of profits from the financial sector and the growth of new and more complex intermediating activities (Dore, 2008; Stockhammer, 2004). Widespread reductions in regulatory restrictions, the growth of financial derivatives, increased hedging for multilateralized international trade and technological and communicational improvements have fuelled a multiplication of global capital flows with profound effects for the world economy and national development (IMF, 2010: 3).

In addition, the contemporary governance of transboundary exchange has been more open and liberal than in any previous era of capitalist expansion (Crafts, 2004: 25–30). In contrast to previous phases of capitalism, the neoliberal globalization in which the BRICs have risen has surpassed all previous phases in its geographic extent and its degree of transnational integration. Collectively, these changes have superimposed increasingly globally integrated, transnational patterns of production onto the old structure of the 'international economy'. Moreover, these developments are largely exogenous to individual state action and cannot be controlled by individual governments, who:

can do little about technical innovations that diminish costs of international communication and transport, institutional innovations that make international transactions less risky, production processes that guarantee increasing returns to scale, or other states' decisions to raise or lower barriers to exchange and investment. (Frieden and Rogowski, 1996: 27)

This structure of neoliberal globalization reduces the incentives for rising powers to contest the existing order, and increases the pay-offs of integration into it. In particular, three conditioning effects of this open and transnational structure of global capitalism can be differentiated (see also Zürn, 2003: 342–344).

First, economic denationalization alters the incentive structure facing rising power governments in favour of global economic integration. Material factors have decreased the costs of transnational economic integration (spatial transmission costs, transaction costs, technical and communication infrastructure) and increased its rewards (increased returns to scale) (Frieden and Rogowski, 1996; McCann, 2008b: 355–361). Today, the opportunity costs of autarky are simply too great to constitute a viable developmental path. Consequently, in order to overcome their relative underdevelopment and the persistent economic domination of the Western powers, the BRICs have jettisoned autarkic

routes to catch-up growth in favour of capitalist integration. Integration into transnational production networks through foreign direct investment increases locally available capital stock, and can stimulate technical and epistemic diffusion — fuelling economic expansion and catch-up growth towards the world productivity frontier (Li and Liu, 2005; McCann, 2008a). Such one-off productivity gains can last many years in countries of substantial capital scarcity — and further contribute to economic denationalization.

Second, economic expansion combined with a decline in the territorial organization of production dissociates national power from control over territory. Competition is no longer over territory, but over the ability to capture market share of high value-added, knowledge-intensive industries, which provide the prospect of widespread rent-extraction arising from knowledge monopolies (McCann, 2008a; Strange, 1987: 564). This may lead to political competition for access to and influence over transnational flows and global governance institutions, but this is competition of a qualitatively different kind to that in which previous power transitions took place. The continuation of geopolitical rivalries in the form of particular ‘flashpoints’ amongst the major powers (the Middle East, Taiwan, Korea, the Sino-India border dispute) mostly represents isolated hangovers from the process of exclusive territorial state formation, rather than a defining feature of contemporary politico-economic rivalries. The deterritorialization of economic processes ensures that such conflicts do not constitute a defining feature of the system.

Third, integration into transnational production systematically erodes the ability of national authorities to direct economic development unilaterally, linking rising power societies more closely to the systemic ‘demand’ for global economic governance unleashed by economic denationalization. The need for greater supranational forms of governance as compensation for a decreased capacity to control activities autonomously has long been seen as a key mechanism driving the self-interested creation of international ‘regimes’ and institutions (Zürn, 1995: 137–165). This process, in which actors seek political institutions to better match the extensity of socio-economic processes, has been described by Spruyt as ‘institutional selection’ (1994) and can be seen as a core mechanism driving the willingness of rising powers today to be integrated into governance ‘beyond the state’: the global market, on which the rising powers depend, requires ‘an increasingly dense regulatory framework at all levels of governance’ (Buzan and Little, 1999: 97).

### *Emerging forms of state: BRICs’ integrated state capitalism*

The historical structure of neoliberal globalization is an important conditioning factor shaping states’ orientations to the existing governance order and explaining variation across historical periods, but must be coupled with national factors to account for the formation of national preferences. Despite the integration of rising powers into transnational structures of production, there remains a strong cleavage between the liberal varieties of capitalism in the Western heartland and the forms of capitalism prevalent amongst the BRICs. In contrast to the more liberal forms of state of the established powers, the BRICs can be understood as *integrated state capitalist* state–society complexes: integrated in the global economy, but with a commanding role reserved for state and

quasi-state entities in organizing the economy. Here, I provide evidence for this claim, focusing primarily on China and India as the two largest of the BRICs with the most influence over the future development of world order. This cleavage has implications for the BRICs' preferences regarding the content of the governance of the global economy, as well as for transnational class formation, which is explored below.

The domestic societies of the BRICs have become increasingly integrated with the global economy. First, while subject to considerable variation across and within countries, BRICs' capitalism is highly transnationally integrated. By 2011, the trade to gross domestic product (GDP) ratio of the BRICs had reached 47 per cent, approximately the levels of the G7 nations one decade earlier (calculated from World Bank, 2013a). The sheer scale of the BRICs' outward thrust into global trade has seen them emerge as central to world flows of goods and services (Fagiolo et al., 2009; Reyes et al., 2008; Safadi and Lattimore, 2008). Second, the BRICs have been increasingly involved in inward and outward foreign investments. All of the BRICs states except India are home to inward stocks of foreign direct investments that represent around a quarter of their GDP (India's stocks are lower, but still significant, at 11%) (OECD, 2013: 7). Integration into transnational production has played a critical role in economic growth and trade expansion especially in China and India — a role which is 'far out of proportion to its relative scale', owing to its significance for export-oriented growth and the diffusion of the competitive assets of technology and knowledge (McCann, 2008a: 77). Consequently, the BRICs have been increasingly drawn into transnational structures of production, denationalizing their economies and societies and heightening the role of capitalist investors in determining their social development.

These transnational linkages are significant not only due to their heightening of economic 'interdependence' (Keohane and Nye, 2001), but because of their association with the emergence of globalizing coalitions of domestic interests, as the erosion of obstacles to economic transnationalization have favoured class fractions with a larger paradigmatic scale of operation. While increased exposure to trade through liberalization can have potentially disruptive short-term societal consequences, and encounter strong opposition from domestic 'vested interests', once entered into, the long-term effect is to give rise to new interests that are dependent on the new economic opportunity structure. Moreover, import-competing industries face damaging competition and possible competitive extinction. Subsequently, the realignment of domestic political constituencies and cleavages as a result of new trade relationships (Rogowski, 1987) serves to lock in the transnational integration of rising power economies: 'the subsequent reshuffling of behavior will lead to new interests and the formation of political coalitions to advance those interests' (Abdelal and Kirshner, 1999: 121). Economic integration can thus alter the domestic balance within state–society complexes, manifesting a form of 'structural' and 'productive' power that shapes not only a state-as-unit's capacities and preferences, but also its internal components and 'what it is' as a corporate actor (Barnett and Duvall, 2005a: 46–47). The process of economic structuration with the global economy can transform not only the definition of the national interest, but also the social forces which constitute the state–society complex. In turn, this can affect what kind of states-as-units come to populate the international system.

Typically, these new domestic coalitions are reflections of the expansion of transnational industrial production within the BRICs, and have served to reconfigure the class structure towards transnational integration, while at the same time cementing their basic orientations as 'competition states' (Cerny, 1997). A consequence is that contemporary rising powers have seen the emergence of domestic constituencies that are favourable towards further integration and engagement with the prevailing global economy and its institutional framework. For example, coalitions of outwardly oriented capitalists have emerged in India, most notably, in the computing and services sectors (Patibandla and Petersen, 2002), and Chinese 'red capitalists' have emerged that are adept at exploiting party-state relations in tandem with global export manufacturing (Amiti and Freund, 2010; Ten Brink, 2010). In addition, new emergent 'middle classes' are rapidly growing, commanding enormous new spending power, and are oriented towards Western living standards and imported consumer goods (Farrell et al., 2006; Kharas, 2010). Due to this outward orientation, transnational fractions have become central to their 'catch-up' growth strategies, from the energizing effect of inward investments, export-oriented industrial expansion and attempts to download Western epistemic resources through foreign enterprise acquisitions, to the traditional transnational networks of the Chinese and Indian diasporas. It can even become difficult to clearly demarcate domestic interests from the interests of 'foreign' firms, where domestic employment, knowledge diffusion and contribution to the balance of payments can all derive from foreign subsidiaries and dependence on foreign markets (Maurer and Degain, 2010). China may be a paradigm case, with fully 40 per cent of its GDP dependent on exports and the majority of those exports undertaken by foreign multinationals (Saull, 2012: 325–326).

While this indicates that BRICs' capitalism and societal interests are increasingly transnationally integrated, their economies also tend to be more 'organized' and more statist than those of the traditional capitalist heartland. The opening of BRICs' capitalism to the world economy has not been accompanied by anything like a comparable degree of change in terms of the level of 'coordination' rather than liberalism in their domestic political economies. Several attempts have been made to conceptualize the distinctively non-liberal features of the BRICs' political economies (Becker, 2013; Buhr and Frankenberger, 2013; McNally, 2012, 2013; May and Nölke, 2013b; Nölke, 2012; Ten Brink, 2010, 2011; Ten Brink and Nölke, 2013). While varying in their specifics, all acknowledge the heightened role of the state and non-market forms of coordination in the state-society relations of the BRICs states. BRICs' capitalism is transnationally integrated, but substantially less liberal than that of the Western core. This combination of features lends them the character of 'integrated state capitalism'.

Christopher McNally has highlighted some of the distinguishing features of BRICs' capitalism that distinguish it from that of the liberal West (2013: 37–40): (1) the implementation of interventionist industrial policy, including tools such as strategic trade and investment policies; (2) the fostering of 'national champion' enterprises, often private in the technology sector, usually state-owned in the resources sector; (3) the prominence of sovereign wealth funds in internationalizing domestic capital; and (4) a more 'embedded' approach to financial regulation and allocation, subordinating the finance sector to industrial policy goals through state-controlled banks.

The statist nature of BRICs' capitalism is also reflected in fuzzier distinctions between public and private sectors of the economy. The economic rise of the BRICs has been marked by late-capitalist development under the supervision of strong state classes. National bourgeoisies in these 'semi-peripheral' states have never acquired a hegemonic status comparable to the heartland states of Western Europe and its colonial offshoots. In post-communist China and Russia, national bourgeoisies have been largely an *ad hoc* creation of the state class, which continues to retain the decisive element of social leadership and has 'become a major agency for mobilizing and accumulating capital' (Cox, 1987: 364). In China, much economic expansion has occurred under state-owned enterprises and thousands of 'Township and Village Enterprises', with complex arrangements between public and private ownership and organization (Huang, 2010). And domestically, 'Sino-capitalism' has been characterized by the prominence of interpersonal relationships over legal codes, and of a strong state over market-driven development (McNally, 2012: 749–756; see also Breslin, 2013; Ten Brink, 2011: 11–16). In China, even ostensibly 'private' capitalists are often deeply embedded in the party–state nexus — a phenomenon referred to as 'wearing a red hat' (Ten Brink, 2011). Similarly, in Kohli's influential analysis of India's political economy, take-off growth is attributed less to state retreat through 'liberalization' and more to an activist policy shift to prioritize economic growth and integrate Indian capital as a partner in governance (2006a, 2006b; May and Nölke, 2013b: 91–92). Even today, Brazil's and India's economies are dominated by family-owned business houses, and China's developmental model has fostered close collaboration between business elites and party–state cadres (May and Nölke, 2013a: 5–9). These are less 'mixed economies' in the traditional sense than hybrid forms reflecting a symbiosis between private and public ownership and authority.

The pragmatic relation to markets is also reflected in trade policy. The 'new economic powers' of the 21st century maintain domestic economies considerably more coordinated and more restrictive in trade policy than G7 members, despite having comparable levels of trade relative to GDP (Leipziger and O'Boyle, 2009: 48). Despite their deep integration into world trade, the BRICs' levels of trade protection are between twice and three times those of the established powers, with bound tariff levels between twice and more than 10 times as high (WTO, 2013). Both China and India, while engaging in rapid trade opening, have continued to pursue *dirigiste* models of development (Becker, 2013; Safadi and Lattimore, 2008). Some empirical indicators of the differing state–society relations of the BRICs and the G7 are presented in Table 3.

### *Enduring fault lines: The BRICs and liberal global governance*

Emphasizing these features of the political economies of the BRICs allows us also to outline the implications of the rise of transnationally integrated forms of state capitalism for the class contours of neoliberal globalization. As the political economies of the BRICs become integrated into global capitalism, they interact more and more with the transnational class structures of the liberal capitalist West. It has therefore been suggested that by introducing market elements over the last three decades, the emerging powers may 'involuntarily open up spaces in which class forces aspiring to merge into



**Table 3.** BRICs' integrated state capitalism: Overview and comparison to the G7.

	BRICs	G7
<i>Transnational Integration</i>		
Trade (% GDP) <sup>a</sup>	47.4	57.6
FDI stocks (% GDP) <sup>b</sup>		
Inward	19.9	28.5
Outward	11.0	42.4
Portfolio investment (% GDP) <sup>c</sup>	12.4	68.6
Trade centrality (USA = 100) <sup>d</sup>	94.1	n.d., USA = 100
<i>Statism</i>		
Economic restrictions (0–100 scale) <sup>e</sup>	50.8	20.0
Patrimonialism (0–100 scale) <sup>f</sup>	60.7	22.2
Product market regulation (0–6 scale) <sup>g</sup>	2.8	1.1
Economic freedom (0–100) <sup>h</sup>	54.0	71.4

Sources: <sup>a</sup> World Bank (2013a); <sup>b</sup> UNCTAD (2013); <sup>c</sup> IMF (2013); <sup>d</sup> Calculated from Reyes et al. (2009: 88); <sup>e</sup> KOF Index of Economic Restrictions (Dreher, 2006); <sup>f</sup> World Bank Control of Corruption Index, World-wide Governance Indicators, inverted and converted to 0–100 scale (World Bank, 2013b); <sup>g</sup> Organisation for Economic Co-operation and Development Indicators of Product Market Regulation (OECD, 2008).

the social universe projected by the West, can take shape' (Van der Pijl, 2012: 505). This would indicate that rising powers are opting for a developmental strategy that may erode the command of the state class on whom the rising states' development has hitherto depended (Van der Pijl, 1998: 79–84).

But there is little sign of the hegemonic integration of the state classes amongst the BRICs, despite their strong integration into transnational production. The more statist forms of state–society relations of the BRICS, combined with the predominance of national forms of elite formation, suggest that the rise of new powers reflects a fault line in the class structuring of global society, between liberal 'heartland' and illiberal 'contender' social formations (Van der Pijl, 1998: 117–118, 79–84). The strongest indicator is the failure of elites from the rising powers to be integrated into the Western-centric networks of corporate power that occupy the commanding position in the global economy.

Empirical studies of transnational linkages between the directorates of major companies and policy boards show little sign of rising power integration into the transnational network of corporate directorships (Carroll, 2010a, 2010b; Carroll and Carson, 2003; De Graaff, 2012a, 2012b). Transnationally interlocking directorates are relevant for two reasons.<sup>6</sup> First, they indicate transnational overlaps in the very upper sections of corporate power in the global economy. Second, interlocking directorates are one mechanism for transnational elite socialization, fostering solidarity and trust amongst divergent national capitals, and contributing 'to the corporate elite's social integration and (often) to its reach into civil and political society' (Carroll, 2010b: 9). 'Put simply, interlocking directorates link the key centres of command within the corporate economy' (Carroll, 2010b: 7), and have been viewed as crucial 'elements of capitalist class integration' (Mizuchi, 1996: 279).<sup>7</sup> Transnational corporate linkages remain centred on the North Atlantic, with

**Table 4.** Transnational class integration.

	BRICs	G7
Davos World Economic Forum participants (% total) <sup>a</sup>	10.8	47.8
Domicile of global corporate elites (%) <sup>b</sup>	2.6	79.6

Sources: <sup>a</sup> Calculated from *Guardian* (2013); <sup>b</sup> Carroll and Carson (2003: 44).

corporations based in the rising powers hardly engaging in transnational interlocks at all (Carroll, 2010b: 97, 101). Despite the outward thrust of globalizing capital in the form of a strong rise in major corporations headquartered in developing countries, ‘With some notable exceptions, capitalists of the semi-periphery have not joined the elite’ (Carroll, 2010b: 230). Similarly, more detailed studies of transnational linkages amongst corporate elites in the global oil industry confirm that Southern elites are indeed state permeated, that they are almost exclusively national in social network structure and that there is ‘very little West–South integration’ (De Graaff, 2012a: 289; 2012b). This is also reflected in a relatively low turnout of BRICs’ elites at the Davos World Economic Forum — a ‘true International of capital’ (Van der Pijl, 1998: 133–134). Table 4 highlights these cleavages between the BRICs and the integrated core of G7 states.

The integrated state capitalism of the BRICs and their isolation from liberal processes of transnational class formation vindicates their depiction as relying more heavily on sovereignty and state initiative to fortify their economic and social development. In contradistinction to liberal heartland capitalism, it is state classes rather than autonomous bourgeoisies who guide BRICs’ state–society relations, using the state as the major lever of development. Indeed, it has been suggested that strong states are a universal feature of catch-up development (Kohli, 2004; May and Nölke, 2013b). In such a perspective, a comparative commonality can be traced, from France’s development from Louis XIV to Napoleon, to the planned industrialization of the USSR and its transposition into National Socialist Germany, through to China’s contemporary phase of break neck development (Van der Pijl, 1998). Consequently, integration of rising powers into the *nébuleuse* of global governance ‘behind closed doors’ may face a structural impediment.

This particular configuration of transnational, but statist, interests amongst the BRICs can be brought to bear on the nature and extent of the rising power challenge to liberal global governance. The integration of the BRICs states into transnational capitalism generates a corresponding demand for global governance, both to provide a regulatory framework and common standards for transnational markets, and as a route for compensatory influence over the institutions that have taken on an increasingly significant role in shaping global capitalism, overcoming governance gaps and exercising political influence. This governance framework should not be confused with transnational ‘state’ formation, however (Robinson, 2004, 2005). Global capitalism *does* bring forth a ‘demand’ for a global state, but this demand is answered only in the fragmented, competitive and often ineffectual form of ‘global governance’, a necessary but imperfect response to the ‘lateral pressures’ of global industrialization (Murphy, 1994; Murphy and Augelli, 1993). By working through multilateral institutions such as the WTO and international financial and banking institutions, rising powers can begin to have some influence over

transnational regulations that would otherwise be beyond their sphere of authority. The demand for a heightened say over global governance can be seen as a key strategy of developmental states for which widespread economic denationalization has made the achievement of traditional Listian autonomy unfeasible (Strange, 2011: 544). For such reasons, the crowning achievement of post-Cold War liberalism and American influence, the World Trade Organization, serves as the point of departure for the economic policies of rising powers today. Indeed, their integration into transnational production is a core reason that, even during the global economic crisis, all major economies have scrupulously upheld their WTO commitments, let alone challenged the proliferation of private, semi-public and public governance mechanisms that provide a regulatory regime for global commerce. While some detected an 'unrelenting pressure of protectionism' and the implementation of 'beggar-thy-neighbour' policies (Global Trade Alert, 2009), these measures amongst the Group of Twenty major economies impacted only a small portion of world imports (0.6% between October 2010 and April 2011), and have also been offset by other trade-barrier-lowering reforms (WTO, 2011).

While the changing structure of historical action fosters rising power compatibility with the existing global economic order and its governing institutions, the differing contours of BRICs' state-society relations provide the foundations for conflicts with Western powers over the most liberal aspects of global governance. First, the reactivation of interventionist roads to capitalist development has helped to challenge neoliberal ideas of economic management and 'Washington Consensus' ideas of development (privatization, autonomous markets and open capital accounts). This follows the pursuit of export-oriented interventionism (managed currencies, active industrial policies, etc.) as the standard road to capitalist catch-up development (Kahler, 2013: 713; Rodrik, 2011; Wade, 2010). This challenge to liberal economic ideas emerges not from a concerted ideological challenge, but from the force of example of demonstrating the possibility of economic alternatives (Breslin, 2013; McNally, 2012). The rising powers champion a more pragmatic relation to markets and are reluctant to curb state autonomy in responding to economic fluctuations. Second, the less liberal preferences of the rising powers have put them on a collision course with the liberalizing thrust of the established trading powers. To be sure, all major powers have their own constellations of offensive and defensive interests in trade liberalization, but the considerably more restrictive trade policies of the BRICs have helped to blunt the liberalizing progress of the multilateral WTO regime and contributed to the *de facto* suspension of the Doha Round (May and Nölke, 2013a; Narlikar, 2010; Stephen, 2012). Third, emerging powers have been sceptical of the virtues of unmediated transnational financial flows, and have contested the inscription of capital account liberalization measures into the Articles of Agreement, and policy advice, of the IMF (Dierckx, 2013; Yianni and De Vera, 2010). All of the BRICs maintain significant capital controls and act as 'gatekeepers' to transnational capital's access to their internal markets. Fourth, the *étatisation* of transnational capitalism arising from the proliferation of Sovereign Wealth Funds, and national development banks, signals an erosion of the global marketplace as the place of an autonomous sphere of private capital and a broader recalibration of the state-capital nexus (Harris, 2009; Overbeek, 2012; Van Apeldoorn et al., 2012). Consequently, transnational capitalism is no longer the preserve of private companies

but is reinvigorating emerging state capitalist enterprises. Finally, beyond the economic realm, similar disagreements over democracy promotion, the ideology of human rights and liberal interventionism echo this challenge (Keeler, 2011; Stephen, 2012; Stuenkel, 2013). The BRICs' affinity for hard conceptions of sovereignty as the basis for international relations challenges liberal pretensions of 'responsibilities' to protect (Laïdi, 2012: 626–629).

In each of these domains, the BRICs challenge global governance's most liberal features, but not the necessity for global governance itself. The BRICs' models of capitalism are designed 'to take advantage of the neo-liberal global economic system by deeply integrating with it while keeping state control intact' (McNally, 2013: 35). In this way, members of the BRICs such as China have 'opposed neoliberalism by constructively engaging with liberal global governance' (Strange, 2011: 544). This is consistent with perspectives that see the new powers as agents of evolutionary change largely *within* the existing structures of global economic governance (Germain, 2009; Kahler, 2013; McNally, 2013). The durability of the 'liberal' world order may therefore need to be unpacked (cf. Ikenberry, 2011b: 283): the logic of the BRICs' integrated state capitalism is to embrace a rules-based international order and deep economic exchange and interdependence, but to subordinate the role of the self-regulating market and private investors to the *raison d'État*. Such is the nature and extent of the BRICs' challenge to the existing governance order.

## Conclusion

A historical materialist approach to rising powers emphasizes the historical structural context of their rise, the specifics of their state–society relations and their relations to established structures of transnational class formation. These dimensions overcome some of the weaknesses of existing accounts by providing a more causally comprehensive account of rising power preferences, as well as by explaining the historically specific nature of inter-state rivalries in a given power transition. The material structure of global capitalism is a core structure of the international system with significant implications for the kinds of rivalries that ensue during power transitions (cf. Donnelly, 2012; Saull, 2012). The rise of the BRICs can consequently be understood as the rise of integrated state capitalist powers externally related to the transnational society of the liberal West, but in the broader historical context of neoliberal globalization. Integration into the transnational structures of production and exchange of neoliberal globalization is a fundamental determinant of the orientations of rising powers regarding global governance.

Despite the association of rising powers with cyclical theories of history and stories of rise and fall, today's rising powers are unlikely to threaten the transnationalization of the global economy or the fundamental features of global economic governance. In contrast to hegemonic stability theory, global networks of production and exchange are underpinned not by a unipolar distribution of international power, but by the material reorganization of the global economy. The broader trend of market integration and economic denationalization is underwritten by technological and structural trends endogenous to world capitalism. As the Indian trade minister informed the WTO in 2009, 'The global economy today is hard-wired in a way that makes protectionist

measures difficult to resort to' (WTO, 2009). This hard-wiring increases the incentives for transnational integration, deterritorializes inter-state rivalries and links states to the functional demand for global governance to sustain a global economy. As a consequence, the transnational integration of the BRICs' socio-economic development lends them a common interest in participating in the common frameworks of governance that exist in a functional relation to the global economy, but its 'statist' dimension reinforces a cleavage of preferences between the rising contender states and the established powers of the liberal core.

In consequence, two paths forward appear especially salient. As transnationally integrated and statist varieties of capitalism come to constitute a greater portion of the global economy, the nature of global capitalism as a historical structure may tilt back towards a more neo-mercantilist variant, re-associating economic expansion and territorial control. In this way, the foundations of liberal global governance would be challenged. Alternatively, following previous iterations of statist development, rising powers might eventually come to embrace neoliberal ideas as the basis of their interaction with global capitalism (Wade, 2006). Both scenarios belong to the 'long run', however. In the meantime, the rise of new powers to a top place in the global order is creating a hybrid international order that is both transnationally integrated and less liberal.

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### Notes

1. Brazil, Russia, India and China are four of the largest and fastest-growing economies in the world, and appear as major beneficiaries of the contemporary shift in international power.
2. Recent debates on the utility of a 'global governance perspective' highlight that global governance is used in multiple and contested ways (see, e.g., Finnemore, 2013; Overbeek et al., 2010; Weiss and Wilkinson, 2013; Zürn, 2010).
3. A focus on the effects of state-society relations, 'the relationship of states to the domestic and transnational social context in which they are embedded' (Moravcsik, 1997: 513), is a commonality between historical materialist and liberal approaches to International Relations (Cox, 1996; Gill, 2003: 33–34; Moravcsik, 1997; Van der Pijl, 1998).
4. One of the most trenchant articulations of this view revolves around the purported emergence of a 'transnational capitalist class'. Beginning in the early 1990s, this provocative literature has argued for the emergence of a world-spanning fraction of capitalists dislodged from

- national moorings and constituting a new class-for-itself at the global level (Robinson, 2004, 2005; Robinson and Harris, 2000: 22; Sklair, 1997, 2001). In contrast, Carroll (2010b) and Van der Pijl (1998) explore a more limited thesis closer to the argument here.
5. The number of multinationals in the global economy has expanded from around 7000 at the end of the 1960s to more than 82,000 in 2008, with 807,000 foreign affiliates (UNCTAD, 2009). While trade has grown at twice the rate of the world economy, foreign direct investments have grown at twice the speed of world trade (McCann, 2008a: 82).
  6. Mizruchi (1996: 271) explains: 'An interlocking directorate occurs when a person affiliated with one organization sits on the board of directors of another organization.'
  7. The advantage of such an approach over interviews with leading Chief Executive Officers of multinationals (Sklair, 2001), narrative case studies of transnational planning bodies (Gill, 1990; Van Apeldoorn, 2000; Van der Pijl, 1998: 99–135) or simple aggregate data of economic transnationalization (Robinson, 2004) is that it provides a metric for the comparative significance of transnational corporate linkages relative to national ones, and it can indicate more specifically the extent to which particular national corporate networks are embedded in a transnational network: its 'spatial vectors' (Carroll, 2010a: vi).

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