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## Emerging Powers and Emerging Trends in Global Governance

*Matthew D. Stephen*

*In the 1990s, liberal optimism permeated the study and practice of international politics. International institutions were strengthened and the discourse and practice of global governance consolidated as a new approach to world affairs. Today, new powers are emerging in this institutionalized order. New powers have changed the power relations that underpinned global governance and are also economically, politically, and culturally different from established powers. Against this backdrop, this article investigates the impacts emerging powers are having on global governance. It presents six major trends and outlines their implications for the new global governance currently taking shape. Because new powers are emerging in an already institutionalized order, the emerging global governance order is gradually growing out of the existing one. Emerging powers are rendering parts of global governance dysfunctional, layering onto it, complicating it, but not overthrowing it.*

**Keywords:** BRICS, emerging powers, fragmentation, global governance, international institutions, international politics.

In the 1990s, the global system entered a new phase. The United States reigned supreme after the collapse of the Soviet Union discredited alternatives to liberal capitalism and removed the only global counterweight to Western influence. Attention turned to international institutions, human rights, democracy promotion, and economic liberalization. Infused with the liberal zeitgeist of the time, “global governance” began to emerge as a perspective on world politics as well as a new approach to managing international affairs.<sup>1</sup> It represented an ambition to manage the world by collaboratively “solving problems,” the major political questions having already been resolved in the West's favor.

Today, this project appears to be in trouble. In Crimea and Syria, in the corridors of the World Trade Organization (WTO) in Geneva, in the backrooms of the United Nations in New York, universal multilateralism has taken a hit and power politics appears to be on the rise. China, India, and the three other BRICS countries (Brazil, Russia, South Africa) have experienced rapid economic growth and are increasingly challenging Western dominance. The legitimacy of the rules and leadership roles of global governance is in dispute. China and Russia appear to offer political alternatives to liberal democracy while economic growth in the developing world has been greatest not under neoliberal regimes, but under varieties

of state capitalism. In developed democracies, new right-wing political movements have emerged that challenge outward-oriented pro-globalization policies. Meanwhile, the BRICS criticize the biases of the existing order and have begun to build their own international institutions. What is the impact of emerging powers on the constellation of multilateral institutions, norms, and rules that guide and constrain behavior at the global level? What remains of the ambition to govern the globe?

In this article, I argue that as a result of the rise of new powers, the heterogeneity of preferences weighted by power in the international system has increased over the past two decades. The great-power club of systemically significant countries has become more diverse. But international institutions are sticky, and existing institutions privilege established powers and largely reflect their preferences and ideas. As a result, new conflicts are emerging that are generating novel forms of institutional adaptation and change. I survey the nature and extent of these conflicts and outline the trends in global governance that are developing as a result. My main conclusion is that a combination of exacerbated collective action problems and divergent preferences means that the kinds of major achievements of global governance in the 1990s are unlikely to be repeated. Instead, a “new global governance” is materializing that is strongly contested, less universal, less liberal, and more fragmented.

## **The Emergence of Global Governance**

When we look back at the 1990s, we see an explosion of liberal optimism that permeated the study and practice of international politics. In the context of a deepening world market and the denationalization of policy fields such as trade, investment, health, and the environment, global governance appeared as the only path “through which conflicting or diverse interests may be accommodated and cooperative action may be taken.”<sup>2</sup> For the first time since the Russian Revolution, capitalism reigned practically unchallenged across the globe. Resources previously denied to the investor were integrated into the world market: in the former Soviet bloc under shock therapy, in China as a result of socialism with Chinese characteristics, and in Latin America under the tutelage of the International Monetary Fund (IMF) structural adjustment programs. Even a social democratic addendum to capitalism began to appear anachronistic, and “third way” social democracy, largely adapted to neoliberal economic prescriptions, emerged.<sup>3</sup> This was the context for the emergence of a governance system that was, for the first time, truly global. Thus began a phase of multilateral institution building that is only comparable in its scope and ambition with the foundation of the UN system after World War II.

The pooling of economic clout enabled the United States and Europe during the Uruguay Round to push through the creation of the WTO,

bringing into existence a nearly universal legal regime formally committed to the liberalization of world trade.<sup>4</sup> Developing countries were forced to take on new obligations to protect the “intellectual property” of big Northern corporations and to commit new economic sectors such as services and investment to the multilateral liberalization agenda. In return, developing countries got the incorporation of agriculture and textiles into the multilateral regime—but not much in the way of liberalizing them. The launch of the WTO Millennium Round in 1999 heralded the ambition to extend and deepen liberal globalization as a quasi-constitutional feature of the world economy.<sup>5</sup>

The creation and consolidation of the WTO represented only the most ambitious attempt to constitutionalize the creation of a liberal global economic order. In the same year the WTO came into force, more ambitious developed countries began exploring the prospect of extending the multilateral approach to investment liberalization, backed up by an effective dispute settlement mechanism. The failure of Organisation for Economic Co-operation and Development (OECD) governments to agree to the Multilateral Agreement on Investment in 1998 did not prevent the rapid proliferation of bilateral investment treaties (BITs) and the inexorable rise of international investment arbitration tribunals.<sup>6</sup> Meanwhile, global governors in the IMF, the World Bank, and the US Treasury had already converged on the correct recipe for economic reforms. The Washington Consensus reflected liberal principles of neoclassical economics, providing a powerful and coherent set of policy prescriptions centered on privatization, trade and financial liberalization, and fiscal conservatism. Lending conditionalities and political pressure diffused this policy paradigm around the developing world and contributed to the perception that economic policy could be standardized into a “best practice.”<sup>7</sup> In the European context, the Maastricht Treaty (1992) paved the way for one of the most ambitious supranational institutions in history, creating a “European Union” based on common liberal economic criteria and leading to the creation of a single European currency.

The aspiration to deliver on cosmopolitan notions of universal justice was realized through the entrepreneurial diplomacy of a coalition of middle powers and civil society groups, culminating in the Rome Statute of 1998 that established the legal basis for the International Criminal Court.<sup>8</sup> The Ottawa treaty on landmines (1997) had already demonstrated the capacity for multilateral action even where some major powers reject it.<sup>9</sup> The North Atlantic Treaty Organization (NATO), the core geopolitical alliance of the liberal democratic states, was expanded through the decade and by 2004 incorporated a total of twenty-six countries, stretching deep behind the former Iron Curtain. US air power could be used in the service of not only upholding the territorial integrity of states (as in the Gulf War of 1991), but increasingly in the service of putatively humanitarian imperatives (as in the former Yugoslavia). In a

gradual process of increasing normative ambition, the concept of “humanitarian intervention” gave way to the “responsibility to protect.”<sup>10</sup>

The operation of a globalized economy and the expansion of modern industry would of course generate its share of externalities, especially for the earth's biosphere. The UN Framework Convention on Climate Change (UNFCCC) was consecrated in 1992 and the Kyoto Protocol adopted in 1997 as the most ambitious attempts of global governance to limit the prospects of runaway global warming. The worst social and environmental effects of profit-driven multinational corporations could, it was hoped, be blunted through voluntary initiatives like the Global Compact (2000), providing a “framework of reference and dialogue” rather than regulatory codes of conduct such as the failed UN Code of Conduct on Transnational Corporations.<sup>11</sup>

In sum, the 1990s witnessed a burst of multilateral treaty making and a flourishing of new global initiatives to deepen economic liberalization, expand human rights, and take care of some of the most egregious externalities of global capitalism. The international system became heavily institutionalized and, for the first time, these initiatives were truly global. Moreover, in most instances, states and social forces from the Global North were in the driving seat. By 2012, an observer such as Robert Keohane could look back on two decades of “the dominance of the view that cooperation in world politics can be enhanced through the construction and support of multilateral institutions based on liberal principles.”<sup>12</sup> Global governance could be made not only in the common interest, but in the pursuit of a better society.

### **The Emergence of New Powers**

Into this mix have come the emerging powers. Recent years have not been kind to the BRICS. Since 2014, Russia's economy has been hit by low oil prices and Western sanctions. Domestic factors and the end of a commodities supercycle have undermined Brazil's economic trajectory, and even China's red-hot growth rates have cooled. Only India has bucked the trend.<sup>13</sup> While growth in the BRICS has slowed (and even reversed in some cases), the distribution of power in the international system has already been fundamentally altered since the 1990s phase of institution building. Between 2004 and 2014, China's gross domestic product (GDP) grew from \$6.6 trillion to \$17.2 trillion (an increase of 159 percent) while India's expanded from \$3.4 trillion to \$7.0 trillion (109 percent). US GDP grew from \$14.2 trillion to \$16.6 trillion (16.8 percent).<sup>14</sup> China is no longer a peripheral underdeveloped country but is beginning to rival the United States. India is fast catching up.

The power shift goes beyond China and India or even the BRICS. Take, for example, the current members of the Group of 20 (G-20). Today,

OECD and non-OECD members are evenly split in terms of total GDP.<sup>15</sup> Just one decade ago, the split was 63 percent to 37 percent. Two decades ago, it was 71 percent to 29 percent.<sup>16</sup> The attention currently lavished on stalling growth in emerging markets is a sign of their importance for the global economy, not their peripherality.<sup>17</sup> Moreover, growth in emerging economies is expected to remain stronger than in high-income countries.<sup>18</sup> The power relations that underpinned the burst of multilateral institution building in the 1990s are gone.

How will global governance change as a result? Some authors, primarily but not exclusively realists, foresee global governance being undermined, a return to great-power rivalry, and a resurgence of geopolitical competition.<sup>19</sup> International institutions, which reflect US hegemony, will wither and decline.<sup>20</sup> Conversely, neoliberal institutionalists emphasize the mutual interests that new and old powers have in maintaining the global governance system and the limited ambitions of new powers to change it.<sup>21</sup> Although clearly in tension, both of these perspectives capture important parts of the story, but they remain fundamentally incomplete to the extent that they ignore or down-play two important features of contemporary global governance.

First, contemporary global governance in many important respects reflects the preferences and social purposes prevalent among dominant social groups in Western, developed, and liberal democracies.<sup>22</sup> Since the 1980s, this social purpose has taken on a distinctly neoliberal dimension.<sup>23</sup> By externalizing features of their domestic societies into international institutions and other transnational actors, Western states have shaped global governance in their own image. In contrast, new powers are economically, politically, and culturally different from established powers. Economically, the emerging powers remain poorer in per capita terms and much more unequal than the established powers; their forms of capitalism are more organized, less “free,” and generally less liberal than those of the established powers. Far from seeking neoliberal economic credentials, most emerging economies have developed pragmatic alliances with local and foreign investors that have breathed new life into economic regimes that hardly approximate Washington Consensus norms.<sup>24</sup> Emerging powers are also politically different from established powers: China is governed by a one-party regime defined in its constitution as “a socialist state under the people's democratic dictatorship,” and Russia has developed a personalized form of rule that has been theorized as “sovereign democracy.”<sup>25</sup> While countries such as India and Brazil are committed to multiparty democracy, their political systems are characterized by weaker rule of law and weaker voice and accountability than established powers (see Table 1). It is interesting to note that these differences appear to extend into the cultural sphere. According to survey data, “survival values” prevail among the citizens of emerging powers, as opposed to the “postmaterial” self-expression

values characteristic of the developed West (see Figure 1). This suggests that societal attitudes toward issues such as environmental protection, social diversity and out-groups, and political participation are very different in emerging countries.

Because new powers are economically, politically, and culturally different from established powers, they are likely to have different preferences regarding international rules and to pursue different social purposes in their foreign policies.<sup>26</sup> Due to a more diffuse distribution of state power, these preferences are more readily translated into international outcomes. In short, the rise of new powers increases the heterogeneity of preferences weighted by power that underpins the international system. Following the logic of collective action, even where established and emerging powers share common interests, the addition of new powers to the international system can be expected to make common agreements more difficult. The fact that they are also quite different from established powers suggests that these difficulties of collective action will be exacerbated.

Second, international institutions are sticky and do not adapt perfectly to new distributions of power and preferences.<sup>27</sup> Institutions and practices will take time to adjust to the new constellation, and some may never do so.

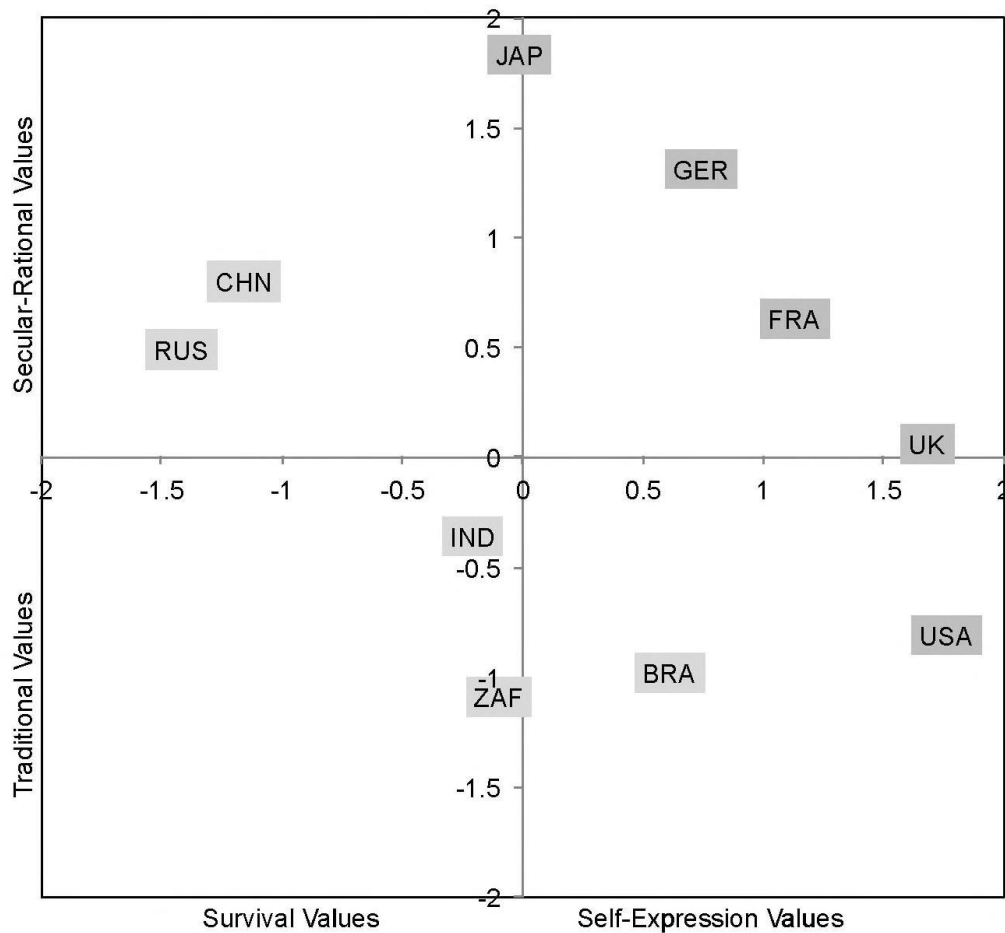
**Table 1 Political and Economic Characteristics of Major Powers**

	Rule of Law (0–100)	Voice and Accountability (0–100)	GDP Per capita (US dollars, PPP)	Economic Liberalism (0–100)
<b>BRICS</b>				
Brazil	55	61	15,518	57
Russia	26	20	23,561	52
India	54	61	5,244	55
China	43	5	11,805	53
South Africa	64	68	12,454	63
Average	49	43	13,717	56
<b>G5</b>				
United States	90	80	51,282	76
United Kingdom	94	92	36,908	76
Japan	89	79	35,614	73
Germany	93	96	42,887	74
France	88	89	37,309	63
Average	91	87	40,800	72

*Sources:* World Bank, Worldwide Governance Indicators, 2014 data, <http://info.worldbank.org/governance/wgi/index.aspx>; World Bank, *World Development Indicators*, 2015 data, <http://databank.worldbank.org/data/>; Heritage Foundation, Economic Freedom Index, 2015 data, [www.heritage.org/index/download](http://www.heritage.org/index/download).

*Note:* GDP, gross domestic product; PPP, purchasing power parities; BRICS, Brazil, Russia, India, China, and South Africa; G5, Group of 5.

Figure 1 Cultural Values in Major Powers



Sources: Ronald Inglehart and Christian Welzel, "Changing Mass Priorities: The Link Between Modernization and Democracy," *Perspectives on Politics* 8, no. 2 (2010): 551–567; data from the *World Values Survey*, [https://web.archive.org/web/20131019112321/http://www.worldvaluessurvey.org/wvs/articles/folder\\_published/article\\_base\\_54](https://web.archive.org/web/20131019112321/http://www.worldvaluessurvey.org/wvs/articles/folder_published/article_base_54).

Note: JAP, Japan; CHN, China; RUS, Russia; GER, Germany; FRA, France; UK, United Kingdom; IND, India; ZAF, South Africa; BRA, Brazil; USA, United States.

Established powers retain their privileges in existing institutions as emerging powers may find it increasingly attractive to explore exit options. The impact of emerging powers on global governance will be an outcome not only of a new heterogeneity of power and preferences, but also of the path-dependent development of the existing order.

### The New Global Governance: Six Emerging Trends

The liberal global governance project that took off in the 1990s—uniting the world under multilateral institutions wedded to liberal ideas and principles



under Western leadership—is encountering increasing challenges. The creation of strong and encompassing international institutions means that emerging powers are pursuing their interests in a system not of their making but which they cannot ignore. Under the pressure of increased systemic heterogeneity and their own path dependency, many existing regimes cannot adapt. The new global governance is a product of both increased systemic heterogeneity and the path-dependent trajectory of the status quo. By observing the processes currently manifest within various multilateral institutions, it is possible to identify the trajectories of change that have emerged and appear likely to continue in the near future: (1) global governance is here to stay, but is increasingly contested; (2) a struggle is ensuing for leadership and privilege within global governance; (3) the liberal social purpose of global governance is taking a back seat; (4) existing multilateral institutions are facing increased deadlock; (5) informalization is likely to increase; and (6) global governance is becoming more fragmented.

*Global Governance Is Here to Stay,  
but Is Increasingly Contested*

Despite the turmoil of global governance in recent years, there are strong reasons to believe that the challenges posed to existing institutions are taking place within certain limits, that opposition is selective rather than total, and that conflicts are internal to the existing order rather than existential. In contrast to liberal optimists, emerging powers are unlikely to simply accept the existing rules.<sup>28</sup> But contrary to realists fixated on great-power conflict, they also have strong incentives to use rather than oppose global governance to achieve their goals.<sup>29</sup> Emerging powers are rendering parts of global governance dysfunctional, layering onto it and complicating it, but not overthrowing it. The emerging global governance order is growing out of the existing one.

A major reason for global governance's durability consists of the global economic context within which current conflicts are being played out. This is usually referred to as “globalization” and designates the processes of social and economic denationalization that have taken place especially since the 1970s. This is reflected in an exponential increase of trade, investment, and financial flows. The emerging economies are strongly—but selectively—integrated into these global flows, which have surpassed all previous historical periods in their geographic extent and intensity.<sup>30</sup> This economic environment, unleashing the deterritorializing and disciplinary effects of a world market, has several concrete effects.

First, it has become unnecessary for emerging powers to obtain and hold foreign territory to secure the material conditions of their rise. In a competitive mercantilist or imperial system, established powers can monopolize market access and the raw materials necessary to sustain a

modern industrial economy. In a system of liberal multilateralism, where goods can be bought rather than conquered, conflicts shift gear.<sup>31</sup> Second, neoliberal globalization dramatically increases the opportunity costs of autarkic economic development. Whether emerging powers like it or not, there is little alternative but to seek to exploit the opportunities afforded by transnational production, trade, and knowledge transfer. Today, each of the BRICS hosts substantial foreign direct investments, accounting for between 10 percent and 42 percent of their GDP.<sup>32</sup> Likewise, the BRICS economies on average are almost as dependent on international trade as the Group of 7 (G7) industrialized economies.<sup>33</sup> By becoming dependent on international trade and investment, emerging powers are forced to collaborate with other states to secure access to international markets. This increases their incentive to participate in global governance but also raises the stakes involved. Third, by opening up to global capitalism, the domestic social structures of emerging powers have also changed. This involves not only the self-reinforcing formation of pro-integration social constituencies at home (the winners of opening up), but the possibility of transnational class linkages forming with elites from the developed core.

The combined effect of this economic denationalization is to increase the reliance of emerging powers on global capitalism and the multilateral institutions that enable and regulate it. Revived systemic war seems profoundly unlikely in light of this and other factors such as nuclear deterrence, the prohibitive costs of foreign occupation (Iraq and Afghanistan cost the United States around \$2 trillion dollars each),<sup>34</sup> and the widespread acceptance of the norm of territorial integrity.<sup>35</sup> Given the strong functional incentives to preserve international institutions and to manage the global economy, combined with the advantage of incumbency that existing institutions enjoy, it seems unlikely that international institutions will simply fade away. But if the material context of globalization furnishes incentives for emerging powers to collaborate in the existing global governance order, it does not prevent the formation of new conflicts, nor can it prevent these conflicts from resulting in institutional change.

#### *A Struggle Is Ensuing for Leadership and Privilege Within Global Governance*

Precisely because all major powers need to use international institutions to achieve their goals, the rise of new powers has unleashed a contest over leadership and privileges within global governance. The demand for a heightened say over global governance is central for rising developmental states for whom traditional Listian autonomy has become unfeasible.<sup>36</sup> But securing leadership and privileges within global governance is important not just for economic reasons. As the regulatory reach and enforcement capacity of international institutions has expanded, it has increased the

constraints on autonomous sovereign decisionmaking and increased the salience of value conflicts between diverse societies. The purview of international institutions, international nongovernmental organizations (NGOs), and other global governors has expanded beyond the functional cooperation of standard setting or foreign economic policy coordination. It now includes issues of fundamental ethical value such as human rights, domestic political and economic orders, and minority rights. These principles, norms, and rules then become the common standards to adjudicate who is worthy of praise or blame, who is to be named and shamed, and who is to be deemed morally superior or inferior. As such, global governance has become critical in the allocation of fundamental social recognition such as prestige, status, and respect.<sup>37</sup>

While the world economy has become multipolar, the keystone global economic multilaterals remain dominated by the United States, Europe, and Japan.<sup>38</sup> The IMF and the World Bank, pivotal institutions of monetary and financial governance, still have voting rules that privilege developed countries and even afford the United States unique privileges as a de facto veto power. To add insult to injury, their management positions are also duopolized by the United States and Europe. Integration into this financial oligarchy has been a major priority for the emerging powers, even though it is becoming increasingly clear that they are unlikely to be sufficiently accommodated into it.<sup>39</sup> Another key privilege of global governance is the United States' capacity to mint the world's major international currency.<sup>40</sup> The status of the US dollar has allowed it a vast line of credit for which it does not have to pay interest and made it effectively immune to market disciplines that shape the policies of other states. Dedollarization in international transactions and the internationalization of the renminbi is one path by which emerging powers, especially China and Russia, have attempted to contest this dimension of US privilege.<sup>41</sup> At the UN Security Council, excluded emerging powers like India, Brazil, and South Africa have joined forces with Germany and Japan to seek leadership positions as new permanent members, however unsuccessfully.<sup>42</sup> In all of these areas, emerging powers are calling for a redistribution of leadership positions and positional advantages within these institutions and an end to Western domination, in part by pursuing their own special rights and privileges within the existing hierarchy.

### *The Liberal Social Purpose of Global Governance Is Taking a Back Seat*

While emerging powers seek to extend their influence over the various mechanisms of global governance, they remain significantly different from established powers in their social, political, and cultural traditions. The differing contours of emerging powers' state-society relations provide the

foundations for conflicts with Western powers over the features of global governance that most explicitly embody its liberal and neoliberal social purpose.<sup>43</sup> The kinds of capitalism emerging are very different than those of the developed countries; moreover, countries such as China, India, and Russia are deeply suspicious of the ways in which liberal political demands have been used to criticize their domestic political systems and human rights practices.<sup>44</sup>

The fallout of the global financial crisis and the simultaneous growth of emerging powers pursuing nonliberal roads to capitalist development have challenged neoliberal ideas of economic management and development (privatization, autonomous markets, and open capital accounts). This has reinvigorated the pursuit of export-oriented interventionism (managed currencies and active industrial policies) as the standard road to capitalist catch-up development in the emerging world. It is not only the Chinese but also social groups in several emerging powers who “see virtue in a strong state, a disciplined society, stable economic growth, and national security over ‘imported’ notions of human rights, democracy, and unregulated markets.”<sup>45</sup> Although hardly a rival package of counterhegemonic ideas, the improvised muddling through pragmatism of emerging varieties of capitalism suggests a new pluralism of ideas for economic development.<sup>46</sup> In light of the lessons learned from the uncontrolled liberalization experiments of the 1990s, and given strong domestic interests vested in statist institutions,<sup>47</sup> emerging power convergence along the lines of the Washington Consensus seems unlikely. This has already had implications for the WTO, where emerging powers have contributed to the deflection of the liberalization thrust that was supposed to be one of its *raison d’être*.<sup>48</sup> Novel forms of state-capitalist interlinkages also provide the foundations for new conflicts over international trade and investment law.<sup>49</sup> The greater emphasis of emerging powers on pragmatic economic interventionism has also had implications for multilateral projects such as capital account liberalization, which was championed by established powers as a new international norm and commitment at the IMF.<sup>50</sup>

The conflict line over global governance’s social purpose is reflected in deep disagreements over the operational implementation of human rights and the cosmopolitan concept of “conditional sovereignty.”<sup>51</sup> Emerging powers express an affinity for hard conceptions of sovereignty as the basis for international relations. This challenges the liberal cosmopolitan assumption that human rights concerns trump the sovereign’s prerogative over domestic affairs. The almost obsessive fascination of Western politicians and academics with the Responsibility to Protect (R2P) is not reciprocated by elites in emerging powers who are wary of neoimperial discourses and tend to interpret the R2P’s three pillars in a sovereignty-reinforcing manner.<sup>52</sup> For these reasons, the further deepening of the liberal dimension of global governance has slowed down and may grind to a

halt. In the face of a new heterogeneity of preferences, its extension in the near future appears unlikely.

*Existing Multilateral Institutions  
Are Facing Increased Deadlock*

Although multilateral institutions are clearly more durable than the US hegemony that sponsored many of them, one virtue of hegemonic stability theory is that it emphasizes the difficulty of collective action in the absence of a dominant state powerful enough to bring the others into line.<sup>53</sup> As a result of the international diffusion of state power, the number of major international players has increased, and the interests of the group of systemically significant countries have become more diverse. This narrows the win set of overlapping interests. International institutions have become more intrusive and authoritative than they were in the past, raising the stakes of international cooperation.<sup>54</sup> Simultaneously, the major multilateral institutions have become more inclusive, and more diverse positions need to be accommodated.<sup>55</sup> The major result is that global agreements are much harder to achieve than in the past. In the absence of the G7 countries' capacity to cajole major developing states into agreeing to new common rules, as they have done in the past, one outcome for existing institutions is a tendency toward stalemate and deadlock. That is, established institutions are likely to have difficulty adapting to the new constellation of preferences weighted by power. While they continue to function (deadlock does not imply paralysis), it is becoming increasingly difficult to update them in the face of new demands and circumstances.

Deadlock has already manifested in the keystone institutions of liberal global governance. Despite the declared intentions of the G-20 major economies in 2009, the protracted refinancing and quota and voice reforms at the IMF have exacerbated differences between established and emerging powers. The agreements reached have hardly been enough to satisfy emerging and developing countries.<sup>56</sup> The protracted and open-ended negotiations to reform voting quotas, combined with diverging policy preferences on substantive issues such as policy advice, lending conditionalities, and multilateral surveillance, make it difficult to conclude that "accommodation with the incumbent powers" will be the full story.<sup>57</sup> In trade, despite more than a decade and a half of sporadic multilateral negotiations, the WTO Doha Round remains largely in a stalemate with no end in sight.<sup>58</sup> It is now twenty years since the last major multilateral trade agreement in the Uruguay Round. The climate change negotiations to renew the Kyoto Protocol have also exhibited a tendency toward deadlock of existing institutions, leading to a far less demanding compact in Paris in 2015.<sup>59</sup> Although still highly active in the deployment of peacekeeping operations, the Security Council remains interminably deadlocked on the

issues of both institutional reform and geopolitical high politics. Deadlock appears to be a major obstacle to the integration of emerging powers through internal institutional reform.

Deadlock often results in what historical institutionalists refer to as institutional drift: if an institution fails to change in tandem with a changing environment, its real role will change and its effectiveness may erode.<sup>60</sup> Institutional stasis becomes a form of institutional change when the broader environment is changing. WTO rules are thus much less developed in the major growth areas of the global economy where deepening trade integration would require common regulatory standards rather than exchanging tariff concessions.<sup>61</sup> Likewise, the failure to comprehensively recapitalize the IMF is eroding its centrality to the international financial system—despite acknowledgment of its need to evolve.<sup>62</sup> In the longer run, deadlock increases the incentive to pursue alternative avenues to realize international policy goals, such as informal outside options, and alternative institutional arrangements.

### *Informalization Is Increasing*

Informalization denotes a move away from codified norms and explicit rules, away from formal legal agreements and contracts, and toward loose agreements, common understandings, implicit rules, flexibility, and pragmatism.<sup>63</sup> Informalization is likely to increase in response to a more even international distribution of power, as binding agreements become harder to reach, even if there may be countervailing tendencies in particular areas. A wink and a nudge between the great powers may replace the binding resolution. Because informalization reduces certainty and erodes the level of obligation and precision of formal rules, it is likely to be more favored by the larger, more powerful states than the smaller powers. The reinvigoration of “G-groups” is one of the most prominent traits of informalization in global governance today, with the G-20 representing an expanded Aereopagus designating itself as the major forum for economic collaboration among the biggest countries.<sup>64</sup> The suspension of Russia's membership in the G7/8 has led to the consolidation of two informal great-power clubs: the G7 of established and largely satisfied countries, and the BRICS grouping of emerging and dissatisfied countries.<sup>65</sup> By restricting the participation of smaller powers and leaving implementation up to individual members, groups such as these represent the reassertion of a great-power system in the new global governance—in practice, also eroding the norm of sovereign equality and marginalizing forums such as the UN General Assembly.

The softening of existing agreements is another facet of informalization that overlaps with institutional drift, such as the agreement between the major powers not to adopt a successor agreement to the Kyoto Protocol and to revert instead to voluntary pledges in the Paris Agreement.

Informalization can also take the form of unspoken rules and common understandings that may be imprudent to speak of in public, such as major states recognizing in practice the spheres of interest of the others. As new powers consolidate their international influence and seek a greater role in global governance, the trend toward informalization is likely to continue. Informalization can also involve the creation of new informal institutions and clubs—in which case it overlaps with the process of fragmentation in global governance.

### *Global Governance Is Becoming More Fragmented*

Because existing international institutions tend to be sticky, the changes and challenges currently affecting global governance are of a gradual nature. New powers are coming into an already institutionalized order. Neither emerging nor established powers can simply wipe the slate clean. Because of this, new initiatives are likely to be “layered” on top of existing ones,<sup>66</sup> contributing to institutional complexity and fragmentation. The creation or strengthening of alternative venues may be an attractive prospect for emerging powers because they can get around the vested interests and veto players of existing institutions. Creating new institutions, however, can be a costly exercise and may diminish the utility of established institutions. Along with informalization, fragmentation may arise in response to persistent deadlocks that block emerging powers from achieving their goals through existing institutions. The same is true for established powers.

The most developed form of fragmentation in the existing global governance order is the creation of new formal institutions alongside, and partly competing with, established ones. With the WTO Doha Round being a victim of persistent disagreement between emerging and established powers, initiatives to further liberalize international trade have shifted to regional and interregional integration projects. The United States has pursued a bioceanic strategy of deep integration in the pursuit of a bilateral Transatlantic Trade and Investment Partnership (TTIP) with the European Union and a Trans-Pacific Partnership (TPP) with countries it sees as being at risk of getting sucked into the China orbit.<sup>67</sup> The Chinese response has come primarily in the form of an Association of Southeast Asian Nations plus China, India, Japan, South Korea, Australia, and New Zealand (ASEAN+6) megaregional free trade agreement called the Regional Comprehensive Economic Partnership. Fragmentation into partially overlapping spheres of influence backed up by rival institutional projects shows that geopolitical rivalries and international institutions are compatible and increasingly intertwined.

In development finance, the pursuit of a New Development Bank (NDB) by the BRICS countries has been widely interpreted as a result of their frustration with the reform deadlock at the IMF. A similar story might be told

about China's creation of the Asian Infrastructure Investment Bank (AIIB), which signaled China's growing capacity to provide financial firepower, mobilize political leadership, and attract a rather undignified scramble of close US allies.<sup>68</sup> Emerging powers have no intention of repeating their 1990s experiences with Washington-dominated institutions and would prefer to create their own than remain subordinated.<sup>69</sup>

Creating new informal clubs alongside established institutions also fragments global governance. The formation of emerging power clubs such as the India, Brazil, and South Africa (IBSA) Forum and the BRICS Forum is an example of fragmentation through the creation of informal clubs. In some cases, these new forums may spur reform of existing institutions, such as the G-20's directive to reform the IMF or IBSA's efforts to reform the Security Council. In other cases, they may represent obstacles by diverting political capital from more inclusive institutions, such as megaregional agreements that detract from the WTO's Doha Round. Fragmentation in the form of institutional layering is likely to provide states with increased forum shopping opportunities and to erode the universal character of global governance.

As a result of institutional fragmentation, the Western-led institutional order is no longer the only game in town. A new Eurasian forum for security cooperation has emerged (the Shanghai Cooperation Organisation); new clubs for collaboration between non-Western emerging powers have been established (BRICS and IBSA); and new banks complement and compete with older ones and with each other (the AIIB and NDB). Even interinstitutional competition to host informal gatherings to foster transnational elite exchanges has emerged, with the Boao Forum for Asia (explicitly modeled on the World Economic Forum) hosting annual gatherings of governmental, business, and academic elites since 2001. Naturally, it is based in China.

To the extent that these institutions hasten the emerging countries' rise and embody different priorities and ideas for how global governance should proceed, the plurality and complexity of global governance will be enhanced at the expense of its universality and coherence. In most cases, however, these instances of "contested multilateralism"<sup>70</sup> highlight not just the conflicting interests driving institutional change, but also that global governance is being used rather than opposed by emerging powers to pursue their goals.

## **Conclusion**

The emergence of new powers with different multilateral preferences has diminished the tendency toward consolidation of a universal liberal global governance project and raised questions about the adaptability of existing institutions. A new introspection appears to have affected the exponents of liberal global governance; its further deepening can no longer be taken for



granted. Instead, a new global governance is emerging: existing institutions face conflicts over positions of leadership and privilege and are more prone to deadlock, while the dimensions of global governance that externalize the liberal social purposes of established powers are facing increased challenges. In addition, informalization is playing a central role in adapting global governance to new circumstances of power and interest, and the creation of new institutions alongside others is contributing to the fragmentation of global governance. Western-dominated global institutions are facing competition from new centers of power.

The risk for global governance is not that emerging powers will disengage from or seek to overthrow the existing order. It is more likely that the pursuit of competing multilateral projects with different social purposes and different leading states will fragment the institutional landscape and lead to new forms of geoeconomic-institutional rivalry. In this respect, the new global governance is likely to be more institutionally diverse and polycentric, with more signs of overt conflict compared to the recent past as emerging powers are able to afford to openly disagree with established powers. In any case, “problem solving” and “cooperation” cannot adequately describe the central dynamics of the new global governance—politics is back.

## Notes

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