

Rising powers and global governance: negotiating change in a resilient status quo

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The significance of the large emerging economies—Brazil, India and China—for global governance in coming decades is rarely contested. Each of these countries has placed large bets on integration with the global economy; each aims for a larger regional and global role. Strong economic performance during the great recession of 2008–2009 and its aftermath has only reinforced their claims for international prominence. The implications of their growing influence on the mosaic of institutions and actors that define global governance are, however, disputed.

Two divergent views of the future are grounded in the implications of economic convergence for international order. For most economists, the convergence of these populous developing countries with the industrialized countries—in absolute and per capita terms—is one of the great success stories of recent decades.¹ Given broad commitments made by these large emerging economies—the BICs—to engagement with the global economy and existing international institutions, the outlook for future global governance is benign: why should governments endanger the institutional formula that has brought them success? A more pessimistic view of convergence concludes that eras of power transition present a heightened risk of conflict, as incumbents react to stave off relative decline in the face of confident challengers. From this perspective, convergence introduces a greater risk of conflict and disorder. Rising powers will aim to place their imprint on reconstructed global institutions, and that stamp will differ markedly from a status quo supported by the incumbent powers.

Deciding between these competing images—nascent supporters of existing global governance and rising challengers promoting a disruptive agenda of change—requires a careful empirical examination of the causal links that would support either view. Negotiating behaviour provides key evidence for such an investigation. The *preferences* of the emerging powers in respect of global governance are a crucial starting point: if they do not diverge substantially from the current institutional and normative status quo, then the potential for conflict and

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¹ Michael Spence, *The next convergence: the future of economic growth in a multispeed world* (New York: Farrar, Straus & Giroux, 2011).

bargaining deadlock is diminished. Preferences apply to both policy outcomes—the content of global governance—and institutional design. Equally important are *capabilities* for influencing global governance, since these may not follow directly from increasing economic weight. Countries may possess latent capabilities but fail to engage or deploy those capabilities to full effect, for reasons of domestic or international calculation. The effectiveness of *strategies* used by the rising powers is a third determinant of their ability to influence global negotiations and existing global governance institutions. Finally, as Amrita Narlikar's Introduction to this issue of *International Affairs* suggests, change in global governance results from bargaining between rising powers and *incumbents* (the United States, the European Union and Japan). The responses of those incumbents will be critical to global governance outcomes. In an analysis of this kind, many actors may seek changes in the existing order and its rules: an automatic equation of incumbent powers with the status quo and rising powers with challengers should be avoided.

Two definitional and theoretical caveats should precede this analysis linking preferences, capabilities and strategies to bargaining outcomes. First, following the introduction to this issue, global governance will not be limited to formal intergovernmental organizations (IGOs), even though those institutions often serve as the prime arena for negotiations between the emerging and incumbent powers. Global governance also includes an array of non-state actors and informal institutions in addition to the global peak organizations such as the International Monetary Fund (IMF) and the World Trade Organization (WTO). Second, continued economic convergence will be assumed. Recent slowing of economic growth in each of these countries, as well as their political tribulations, from the fall of Bo Xilai in China to India's power blackouts, highlight the uncertainties of their political and economic performance. Nevertheless, policy changes that have produced economic advance in each of these three countries seem to support a prediction of continued economic convergence on the anaemic economies of the indebted incumbent powers.

To signal tentative conclusions in advance, the impact of the large emerging economies on global governance is unlikely to be revolutionary. They do not differ from other powers, past and present, in wishing to extract as many benefits as possible from their engagement with the international order while giving up as little decision-making autonomy as possible.² They are less likely to be radical reformers than conservatives. Their domestic political and economic dilemmas induce an aversion to risk. Integration into the global economy remains cautious; they are circumspect in their willingness to assume global leadership roles. The BICs will seek shock absorbers and insurance policies, both domestic and international. Distributional conflict internally, given the large levels of social and economic inequality in these societies, also points towards a high assessment of risks from any costly, if responsible, stakeholder status. Large, conservative free-riders can pose risks for global governance, however, particularly for those

² Rosemary Foot and Andrew Walter underscore this similarity between the two economic powers in *China, the United States, and global order* (New York: Cambridge University Press, 2011).

issues, such as righting macroeconomic imbalances or arresting global climate change, that require more rapid and less incremental shifts in international collaboration.

New economic powers and preferences for global governance: policies and institutions

For those who predict damaging challenges to the existing global order from rising powers, demonstrating that their preferred global order would diverge from the status quo is not always necessary. An extreme example is offered by the proponents of offensive realism, who argue that increasing capabilities will themselves transform preferences in a radically revisionist direction.³ For others, state-centred development models create preferences that represent a clear challenge to the market-oriented prescriptions of the so-called Washington Consensus. Many governments, including the United States administration, adopted policies of large-scale state intervention in the wake of the global financial crisis of 2008–2009.⁴ The BIC economies, however, are often portrayed as proponents of an alternative, state-centred development model, grounded in long-standing ideology and deeply entrenched interests, that is inimical to the existing rules of the game in global economic governance.

More alarming, on this view, for supporters of existing global governance institutions, is the prospect that emerging powers may attempt to export an alternative model of political and economic organization that deploys ‘purposive state intervention to guide market development and national corporate growth, rather than relying on self-regulated market growth’.⁵ Dani Rodrik argues that the most successful developing economies have not followed the usual menu of market-oriented policies; instead, they have adopted a package of broadly neo-mercantilist policies that have promoted export-oriented manufacturing sectors. Economic convergence does not therefore produce challenges to market orthodoxy and its representatives among global institutions; rather, those challenges have produced economic convergence.⁶ If the BIC economies share successful state-directed models of economic development, and if they seek to create a compatible global environment for those economic models, conflict with the incumbent powers and with existing global economic institutions is likely to ensue. The recent record of their preferences in respect of global economic governance, however, does not indicate that the large emerging economies are promoting such an ambitious and ideological agenda.

³ John J. Mearsheimer, *The tragedy of great power politics* (New York: Norton, 2001).

⁴ The largest privatization in 2011 was the sale by the United States government of shares in the insurance company AIG, which reduced the holdings of the Federal Reserve in the company from 92% to 77% (Gill Plimmer, ‘Number of state sell-offs cut in half’, *Financial Times*, 12 Aug. 2012).

⁵ Gregory Chin and Ramesh Thakur, ‘Will China change the rules of global order?’, *Washington Quarterly* 33: 4, Oct. 2010, pp. 119–38 at p. 123.

⁶ Dani Rodrik, ‘The future of economic convergence’, John F. Kennedy School of Government, Harvard University, Faculty Research Working Paper Series no. RWP 11-033, Aug. 2011.

Rising powers and preferences for global economic governance

The revealed preferences of the BICs in global economic negotiations reflect their quest for greater influence in the dominant global economic institutions. They have consistently pressed for and, during the latest economic crisis, won a pledge of greater quota shares in the Bretton Woods institutions and, in China's case, greater representation in the top echelons of management.⁷ With those concessions by the incumbent powers, the emerging economies have been willing to commit greater resources to the international financial institutions. BIC governments remain sceptical, however, about any strengthening of the international regime of macroeconomic policy surveillance. In the wake of the great recession that began in 2008, the G20, which included the largest emerging economies, was awarded a central role in macroeconomic policy coordination, through the Framework for Strong, Sustainable and Balanced Growth, backed up by the Mutual Assessment Process (MAP). In practice, that process failed to produce concrete policy commitments that would move the G20 towards its collectively agreed goals. At the Seoul summit of the G20 in 2010, for example, China opposed a US proposal for using current account surpluses and deficits as indicators of the need to adjust. China was hardly alone in its opposition, however. Germany, another economy persistently in surplus, supported its position. Resistance to multilateral surveillance of macroeconomic and exchange rate policies on the part of the emerging economies was not the only reason for the disappointing results of the new G20 process.

The economic crisis also produced criticism of another feature of the international monetary system: the central role of the dollar. During the 2008–2009 financial crisis, China's criticism of the dollar's role appeared to aim at a strengthened multilateral system, not an overthrow of that system.⁸ The Chinese monetary agenda included many ideas that were familiar from earlier discussions of monetary reform, paralleling European criticisms from the Bretton Woods era.⁹ Chinese representatives did not raise these issues forcefully at G20 summits, however; nor did China or the other emerging economies appear to aim at a new global monetary architecture. A more significant option, promoted by China (though not by India or Brazil), was the internationalization of its currency with the aim of creating an alternative to the dollar. Its ambition produced a different dilemma, however. An elevated role for the renminbi would require change in China's core economic policies: a more flexible exchange rate, a reformed finan-

⁷ Justin Lin was appointed Chief Economist and Senior Vice President at the World Bank in 2008; Min Zhu was appointed Deputy Managing Director at the IMF in 2011.

⁸ Widespread attention was given to a series of articles published in early 2009 over the name of Zhou Xiaochuan, president of the People's Bank of China, which argued for a new valuation of the Special Drawing Right (SDR), based on an expanded basket of currencies; a new SDR allocation, a recommendation supported by developing countries; a revival of the idea of a substitution account, which had been considered in the 1970s; and, finally (and most controversially), an effort to make the SDR a more attractive reserve asset.

⁹ Eric Helleiner, 'The IMF and the SDR: what to make of China's proposals', in Bessma Momani and Eric Santor, eds, *The future of the International Monetary Fund: a Canadian perspective*, Center for International Governance Innovation/Canadian International Council Special Report (Waterloo, ON, 2009), pp. 18–22.

cial system and capital account liberalization.¹⁰ Here Chinese ambition to change international monetary governance collides with deeply entrenched patterns of domestic governance. In this instance, global economic ambition seems likely to undermine the existing political and economic order rather than reflect it.

Capital controls, a necessary adjunct to a pegged exchange rate if domestic monetary policy autonomy is to be retained, have long been part of the economic policy menu in China and India. The escape of these countries from financial turmoil during the international economic crisis only enhanced the attractiveness of such controls for developing economies that have faced cycles of boom-and-bust capital flows. During the 1990s, the IMF and the United States had pressed for a strengthening of international rules to promote capital account liberalization, a campaign that failed after a succession of financial crises in emerging markets. Over the course of the next decade, controls on capital inflows, although not more comprehensive controls, became more widely accepted policy instruments. Pragmatic adoption of capital controls by the BICs as a useful tool in dealing with international financial turmoil played a significant role in shifting the international policy consensus and inducing a qualified blessing by IMF staff in late 2012.¹¹

The preferences of China, India and Brazil in international financial and monetary governance demonstrate a common feature: a pragmatic desire for maximum policy discretion to deal with the effects of globalization. Some of those choices—notably China's pegged and undervalued exchange rate—attracted sharp international criticism, from the United States and others, as a violation of international rules. Nevertheless, the preference for maximum discretion in domains of politically sensitive economic policy was hardly restricted to the large emerging economies.¹² More significantly, the emerging economies did not present a coherent alternative template for global economic governance, nor did their proposals for change depart radically from those advanced in the past. The trade regime presented a similar picture, in which they defended national practices and policies without challenging the core principles or norms of the regime. The deadlock in June 2008 at the Doha Round of trade negotiations did not result from fundamentally divergent views of the trade regime or its future; the outcome can be explained by the political clout of agriculture in most major trading powers (and the particular sensitivity of subsistence agriculture in China and India), combined with WTO institutions that failed to encourage negotiating consensus among a larger and more diverse group of key negotiating parties.¹³

¹⁰ Barry Eichengreen outlines the obstacles to both an expanded role for the SDR and an international role for the renminbi in *Exorbitant privilege: the rise and fall of the dollar and the future of the international monetary system* (New York: Oxford University Press, 2011), ch. 6.

¹¹ IMF, 'The liberalization and management of capital flows: an institutional view', Washington DC, 14 Nov. 2012. On the role of emerging economies in forging the new consensus, see Jeffrey M. Chwieroth, 'Managing capital inflows in East Asia: an exercise in productive power', in Benjamin J. Cohen and Eric M. P. Chiu, eds, *Power in a changing world economy: lessons from East Asia* (London: Routledge, forthcoming 2014).

¹² Foot and Walter, *China, the United States, and global order*, pp. 95–102, note the reluctance of the United States, prior to the 2008 crisis, to accept international surveillance of its macroeconomic policy choices.

¹³ Amrita Narlikar, 'Is India a responsible great power?', *Third World Quarterly* 32: 9, 2011, pp. 1607–21 at pp. 1617–18; Amrita Narlikar, 'New powers in the club: the challenges of global trade governance', *International Affairs* 86: 3, May 2010, pp. 717–28.

The coordination of financial regulation has gained particular prominence in global economic governance since the financial crisis. The United States and the United Kingdom (and their national regulatory systems) were at the epicentre of the crisis. One might, therefore, have expected a serious challenge from the BICs to their near-hegemonic position in international regulatory regimes. Instead, as in other issue areas, inclusion of members of the G20 in key regulatory and standard-setting bodies reduced opposition and lent support to further evolution in regulatory cooperation. Participation in international regulatory bodies permitted the BICs some leverage over future regulatory developments in the financial capitals of the industrialized world where the global crisis originated.¹⁴ No fundamental challenge to the existing framework or its regulatory norms, embodied in Basel II and Basel III, emerged from China, India or Brazil, however. On the contrary, China continued its selective use of international regulatory standards as an instrument of domestic financial reform, a process that antedated the great recession.¹⁵

Overall, the revealed preferences of China, India and Brazil in global economic negotiations, both before and after the global financial crisis, were those of moderate reformers at best, intent on maintaining domestic policy space in the face of international norms and rules that had been too often developed without their participation. It was most often their participation in the process of rule creation and institutional evolution that was the key issue, not the content of the rules themselves.

Rising powers and international security regimes: opposition to hierarchy, defence of sovereignty

In salient issue areas of international security in the new century, it is, at first glance, more difficult to discover common ground among China, India and Brazil. Their military profiles and aspirations appear dissimilar. They share distance from the web of alliances and security relationships that centre on the United States, however; and they have often found themselves in opposition to US policies, during the Cold War and after. As the United States asserted a more expansive definition of its security interests after the terrorist attacks of 11 September 2001, the BIC governments often appeared as conservative defenders of existing international security regimes, confronting a Great Power intent on modifying those regimes unilaterally. The ambiguity of the label 'status quo' is most apparent in this domain.

Two key security regimes—non-proliferation of weapons of mass destruction (WMD) and peacekeeping in internal conflicts—illuminate both differences and common concerns among China, India and Brazil over the content of existing global governance institutions. Each was initially critical of the 1968 Nuclear

¹⁴ Eric Helleiner, 'What role for the new Financial Stability Board? The politics of international standards after the crisis', *Global Policy* 1: 3, 2010, pp. 282–90.

¹⁵ Foot and Walter, *China, the United States, and global order*, pp. 255–64.

Non-Proliferation Treaty (NPT) that has been a core institution for preventing the spread of nuclear weapons. China and Brazil did not ratify the NPT until 1992 and 1998 respectively; India remains a non-signatory state. The division embedded in the treaty between recognized nuclear weapons states and states committed to remain non-nuclear was regarded as an affront to all developing countries. The BICs have moved a considerable distance from their earlier critical stance towards an endorsement of the goal of non-proliferation. They remain sensitive, however, to any intimation of hierarchy in the non-proliferation regime, particularly attempts by the United States or other powers to impose new obligations without multilateral assent.

Although China's support for non-proliferation of WMD is now 'substantial and enduring', it has declined to recognize the US-backed Missile Technology Control Regime governing missile proliferation and continues to export missile-related goods and technologies.¹⁶ India's agreement on civilian nuclear cooperation with the United States represented a tailoring of regime rules to suit the national interests of an NPT non-signatory; its commitments brought India into compliance with some non-proliferation norms, though it remains outside key export control agreements and has declined to join the Proliferation Security Initiative.¹⁷

The participation in the non-proliferation regime of both China and India was driven in part by the logic of nuclear incumbency, ensuring their own security by preventing the spread of WMD to non-state actors in particular. For Brazil, which had abandoned its nuclear weapons programmes, the NPT remained 'an intrinsically unfair Treaty'.¹⁸ For economic and foreign policy reasons, Brazil was intent on defending its rights (and those of other developing countries) under the NPT to enrich uranium for peaceful purposes and to develop nuclear-powered submarines; it also refused to sign the 1997 Model Additional Protocol to the NPT. All three rising powers viewed 'mastery of nuclear technology as an important attribute of a great power'.¹⁹ Although they endorsed the aim of non-proliferation with varying degrees of enthusiasm—a sharp change from their stance during the Cold War—the BICs also carefully reserved as wide a sphere as possible for national action within the formal multilateral constraints of the NPT regime.

Repeated interventions in internal conflicts during the post-Cold War decades, most with authorization from the UN Security Council (UNSC), highlighted the conservative stance of the rising BIC powers towards the content of existing global governance. China, India and Brazil have each contributed substantially to international peacekeeping activities. China has contributed more peacekeeping

¹⁶ Evan S. Medeiros, *Reluctant restraint: the evolution of China's nonproliferation policies and practices, 1980–2004* (Stanford, CA: Stanford University Press, 2007), pp. 2, 4, 242–3.

¹⁷ Amrita Narlikar, 'Reforming institutions, unreformed India?', in Alan S. Alexandroff and Andrew F. Cooper, eds, *Rising states, rising institutions* (Washington DC: Brookings Institution, 2010), pp. 105–127; C. Raja Mohan, *India and the nonproliferation institutions* (Washington DC: Center for Strategic and International Studies, 2010).

¹⁸ Brazil's Foreign Minister applied this label in 2010; he argued in the same speech for the complete elimination of nuclear weapons and their lack of utility for national security.

¹⁹ Description of Brazil's position under Lula in Sarah Diehl and Eduardo Fujii, 'Brazil challenges international order by backing Iran fuel swap', *Nuclear Threat Initiative*, 15 July 2010, <http://www.nti.org/analysis/articles/brazil-backing-iran/>, accessed 16 April 2013.

personnel than any other permanent member of the UNSC over the past decade.²⁰ India has long been 'an essential participant' in UN peacekeeping operations, contributing 11–13 per cent of all peacekeepers.²¹ Brazil intervened in regional political crises in Venezuela, Bolivia and Ecuador, sent troops or observers to Lusophone African countries, and assumed leadership of the UN mission in Haiti.²²

Despite this activism, the rising powers have insisted on multilateral, UN support for such actions. They have consistently defended a traditional conception of sovereignty and professed scepticism regarding armed intervention against incumbent governments. As members of the UNSC, none supported UNSC Resolution 1973 approving a no-fly zone over Libya in 2011. In UN discussions over the Responsibility to Protect (R2P) provisions that defined obligations to defend civilian populations, China was a 'conservative force', but did not hinder discussion of the issue; India also offered only tepid support for the new principle.²³ Once again, domestic politics (concern over their own internal vulnerabilities) and foreign policy (alignment with developing country coalitions) drove the global governance preferences of the BICs towards a strict interpretation of the reserved sphere of national decision-making authority.

The common thread that connects preferences in global economic governance with these international security regimes is an insistence on equality with incumbent powers in interpreting global governance regimes and a rejection of any constraint on national decision-making autonomy that has not been explicitly negotiated and agreed. As they enter the upper echelons of the international hierarchies, whether as traders, investors or nuclear-capable powers, their embrace of equality with other non-incumbents also becomes more ambiguous, exemplified by China's resistance to permanent UNSC membership for India and Brazil.

Preferences on global governance: institutional design

Despite these qualifications, the overarching trend in the preferences of China, India and Brazil on existing global governance regimes has been one of convergence on the status quo. Using the Cold War era as a benchmark, the BICs have moved in nearly every issue area towards greater acceptance of the content of major international governance structures. Their preferences on the form of global governance have become equally unexceptional. Although Asian governments have often been cast as hostile to legalized international institutions, China and India have participated actively in the dispute settlement mechanism (DSM) of the WTO. Developing countries are often viewed as disadvantaged by legal-

²⁰ Chin and Thakur, 'Will China change the rules of global order?', p. 128.

²¹ Teresita C. Schaffer, 'The United States, India, and global governance: can they work together?', *Washington Quarterly* 32: 3, 2009, pp. 71–87 at p. 74.

²² Paulo Roberto de Almeida and Miguel Diaz, 'Brazil's candidacy for major power status', in Michael Schiffer and David Shorr, eds, *Powers and principles: international leadership in a shrinking world* (Lanham, MD: Lexington, 2009), pp. 225–56 at p. 241.

²³ Foot and Walter, *China, the United States, and global order*, p. 50; Narlikar, 'Is India a responsible great power?', p. 1614.

ization and the costliness of participation in such institutions, but the BICs have developed experience in the WTO DSM (often as targets of trade complaints) that has led to active engagement, particularly as third parties in panel proceedings.²⁴

Global governance is no longer limited to formal intergovernmental institutions, however. Networked governance, whether by transgovernmental networks or hybrid networks that include non-state actors, has become increasingly prominent in recent decades.²⁵ Non-governmental organizations (NGOs) are both actors and negotiating resources for national governments. Given the dominance in many issue areas of NGOs based in the G7 countries, BIC governments have often regarded these non-state actors as coalition partners of the industrialized countries. Their wariness has been amplified by contentious domestic relations with their own NGOs or, in the case of China, rejection of autonomous civil society organizations. The rising powers once again display conservative preferences, usually opting for a model of global governance in which national governments serve as essential gatekeepers to global institutions, and IGOs remain the preferred venue for negotiation and implementation of international agreements.

National capabilities and strategies of influence in global governance

The three largest rising powers display preferences on the content and form of global governance that have, in most issue areas, converged with those of the incumbent powers. As their engagement with the global economy and international institutions grew, they became more outspoken reformers, displaying 'a more assertive policy pursued through engagement and negotiation: pressing for reform but operating very much within the system'.²⁶ Preferences could diverge in the future, however, given domestic political change or renewed international economic turmoil. As sceptics have predicted, increasing capabilities might themselves produce a change in national preferences on the content and form of global governance.

Whatever the direction of underlying preferences, however, sheer economic weight and increasing military prowess do not directly translate into capabilities that provide bargaining power in global negotiations or influence over the institutions of global governance. In economic issue areas, market size contributes to capabilities and often provides a major bargaining advantage. More specifically, in the trade regime 'the capacity to open or close a market' is a reasonable estimate of bargaining power.²⁷ Rapidly growing internal markets and export-oriented economies are the primary foundations for the growing capabilities of China,

²⁴ Christina L. Davis and Nancy Blodgett Bermeo, 'Who files? Developing country participation in GATT/WTO adjudication', *Journal of Politics* 71: 3, July 2009, pp. 1033–49.

²⁵ Anne-Marie Slaughter, *A new world order* (Princeton, NJ: Princeton University Press, 2004).

²⁶ A description of Brazil's stance towards the existing order by Andrew Hurrell, 'Brazil: what kind of rising state in what kind of institutional order?', in Alexandroff and Cooper, eds, *Rising states, rising institutions*, pp. 128–50 at p. 136.

²⁷ John H. Barton, Judith L. Goldstein, Timothy E. Josling and Richard H. Steinberg, *The evolution of the trade regime: politics, law, and economics of the GATT and the WTO* (Princeton, NJ: Princeton University Press, 2006), pp. 10–11.

India and Brazil in global economic governance. In similar fashion, the scale of domestic financial centres and an ability to deny access to those markets have increased the leverage of the United States and the United Kingdom in bargaining over international regulatory standards.²⁸ As the BICs begin to host substantial, internationally connected financial markets, they will also gain greater voice in the development of future regulatory standards. Market size and access provide only a baseline for capabilities within global economic institutions, however: an ability to *commit credibly* to market access and compliance with agreed market opening measures is equally important.

Measurement of capabilities in other domains of global economic governance is more difficult. Monetary capabilities centre on the ability to delay or deflect adjustment costs (and their accompanying political costs), which in turn is based on reserves, the ability to borrow, and the openness and adaptability of the national economy.²⁹ A currency that is widely used internationally provides additional influence and also imposes certain constraints: a requirement for a credible and conservative monetary policy as well as highly developed and liquid financial markets.³⁰ In bargaining with the incumbent powers, China and other emerging economies have possessed one key asset: their large levels of reserves, accumulated as insurance against international financial shocks and as an effect of undervalued exchange rates. China's reserves in particular have exploded in size over the past decade. Although growing monetary power awarded it greater influence at the IMF, China's efforts to use its reserves as bargaining assets in bilateral negotiations with the United States have been largely ineffective.³¹

In global governance of issue areas that concern international or internal security, technological and military indicators provide initial estimates of national bargaining power. In the non-proliferation regime, mastery of nuclear technology and status as at least a near-nuclear power grant leverage to force adjustment in the regime, as India's bargaining with the United States demonstrated. Since many issues related to international security are referred to the UNSC, permanent membership of this body (currently enjoyed by China, but not India or Brazil) represents potential influence through veto power. The ability to participate in the internationally authorized use of force or in peacekeeping missions, based on at least minimal ability to project military power, is a further capability possessed by each of these rising powers.

Any survey of capabilities confirms the divergent profiles of the rising powers. China alone possesses increasing capabilities across international economic and security issue areas. On indices of military capability, Brazil stands apart: many of its South American neighbours have larger defence budgets relative to their

²⁸ Beth A. Simmons, 'The international politics of harmonization: the case of capital market regulation', *International Organization* 55: 3, June 2001, pp. 589–620.

²⁹ Benjamin J. Cohen, 'The macrofoundations of monetary power', in David M. Andrews, ed., *International monetary power* (Ithaca, NY: Cornell University Press, 2006), pp. 31–50.

³⁰ Andrew Walter, 'Domestic sources of international monetary leadership', in Andrews, ed., *International monetary power*, pp. 51–71.

³¹ Daniel Drezner, 'Bad debts: assessing China's financial influence in great power politics', *International Security* 34: 2, 2009, pp. 7–45.

economies; its military assets are smaller than those of either China or India.³² If variation in capabilities is one determinant of the influence of these rising powers in global negotiations, however, their willingness to mobilize these capabilities is equally important. Negotiating styles have compensated for deficits in capabilities. India and Brazil, for example, share an activism and engagement, particularly in trade negotiations, that cannot be explained by sheer commercial power. Brazil's coalition-building, its 'intensive "insider activism" and its capacity to work the informal norms of the WTO' explain its prominent position in that organization.³³ India, a founding member of the GATT, was overshadowed as a commercial power when more dynamic exporters emerged in Asia. Despite this decline in its measured capabilities within the trade regime, it has remained a leader of the developing country opposition during successive rounds of trade negotiations, including the current Doha Round. As for China, although it has been a leading member of Doha Round coalitions, it evinced little activism at the WTO during its first years as a member.³⁴ Its most active engagement with the WTO's DSM has occurred as a respondent and as an interested third party in cases involving other WTO members.³⁵

Domestic political constraints often inhibit the ability and willingness of the BICs to mobilize their capabilities in global negotiations and global governance institutions. New political actors, activated by integration with the international economy, often make it difficult to forge a coherent negotiating strategy. New foreign policy actors in China—from internationally active businesses to netizens—have produced a more fragmented policy process, calling into question the priority awarded to internationalization and pressing for a more forceful posture in pursuit of Chinese national interests.³⁶ Brazilian foreign policy-making, once dominated by the Ministry of External Relations (Itamaraty), now 'appears overstretched by its international commitments and at times conflicted, if not bewildered, regarding which international objectives it is supposed to pursue'.³⁷ State governments in India have begun to take positions on international economic policy, particularly India's relationship with the WTO, a sign that national deliberations on multilateral issues are no longer restricted to a national policy elite.³⁸

Domestic political calculations of cost also impose limits on engagement with such institutions. The relative poverty of these large, rapidly growing economies limits their willingness to exercise leadership in global institutions. Poverty is just

³² Regina Soares de Lima and Monica Hirst, 'Brazil as an intermediate state and regional power: action, choice and responsibilities', *International Affairs* 82: 1, Jan. 2006, pp. 21–40 at p. 38.

³³ Hurrell, 'Brazil: what kind of rising state in what kind of institutional order?'

³⁴ Margaret Pearson, 'China in Geneva: lessons from China's early years in the World Trade Organization', in Alastair Iain Johnston and Robert S. Ross, eds, *New directions in the study of China's foreign policy* (Stanford, CA: Stanford University Press, 2006), pp. 242–75 at pp. 253, 265.

³⁵ Chad Bown, 'China's WTO entry: antidumping, safeguards, and dispute settlement', in Robert C. Feenstra and Shang-jin Wei, eds, *China's growing role in world trade* (Chicago: University of Chicago Press, 2010), pp. 328–32.

³⁶ Linda Jakobson and Dean Knox, *New foreign policy actors in China*, SIPRI Policy Paper no. 26 (Stockholm: SIPRI, Sept. 2010), p. vii.

³⁷ De Almeida and Diaz, 'Brazil's candidacy for major power status', p. 227.

³⁸ Rob Jenkins, 'How federalism influences India's domestic politics of WTO engagement (and is itself affected in the process)', *Asian Survey* 43: 4, July/August 2003, pp. 498–621.

one element in the domestic fragility and insecurity that beset China, India and Brazil, however. China and India confront ethnic rebellions on their peripheries. The corrosive political effects of corruption pervade both authoritarian China and the two democracies. Environmental degradation has emerged as a prominent political issue in all three societies. This long domestic agenda and likely distributional conflicts in societies with high levels of economic and social inequality will affect bargaining stances across issue areas, generating a reluctance to bear substantial costs as part of international bargains, high sensitivity to the distributional implications of those bargains, and an unwillingness to give up the special status of developing country. Sharp distributional conflict within societies may produce distributive negotiating strategies, as national representatives become boxed in by the domestic costs of concession.

Domestic politics also creates political incentives for framing negotiations in ways that reduce flexibility. One politically driven perception is common to all rapidly developing economies: despite their aspirations for international status, rising powers typically underestimate their effects on the global economy and other countries. The scale of their policy externalities, whether greenhouse gas emissions or barriers to trade and investment, is far larger than can be easily conceded in domestic political discourse. This combination—persistent domestic demands on resources and self-perceptions of economic impact that lag behind reality—almost inevitably translates into a strong incentive to limit negotiating concessions, to curb costly global commitments, and to attempt to free-ride on the commitments of others.

Strategies and counter-strategies: rising and incumbent powers

National capabilities in global governance negotiations can be amplified by building coalitions of two types: South–South groups, in which the large emerging economies exercise leadership; and regional options that increase the rising powers' leverage at global level. Two competing South–South alternatives have emerged in global negotiations. The first, coalitions with other large emerging economies, offers an option more manageable in size, at the cost of reintroducing the hierarchy that the rising powers attack in other settings. Among such coalitions (although the scope of their activities hardly qualifies them for that label) are the IBSA Dialogue Forum linking the three democracies of India, Brazil and South Africa and the BRICS summit (Brazil, Russia, India, China and South Africa), which first met in 2009. Each of these groups has assumed the familiar dialogue format of many other similar groups: anodyne summit declarations, ministerial meetings between summits, and occasional concrete proposals, the latest an initiative for a BRICS development bank. After four summits, there is little evidence that the BRICS governments have forged any common collective action in global forums; given their divergent national interests in many key negotiations, the group is unlikely to craft an effective programme of action. Like the BRICS group, IBSA has no headquarters or permanent secretariat; founded in 2003, it has held five summits.

Its principal programmatic initiative to date has been the creation of a small IBSA Fund for development finance.

Efforts to forge larger South–South coalitions have centred on the WTO’s Doha Round and on climate change negotiations. India and Brazil actively promoted the G20 coalition during the Doha Round; India was also a leader of the G33 on the key agricultural agenda. Although China collaborated with Brazil and India in the final, deadlocked negotiations in 2008, China more typically chose to portray itself as a link between the developing and developed worlds. It has been less wedded to a coalitional strategy, in part because of its independent national power within the trade regime, in part because its diversified trade interests and significance as an exporter of manufactured goods resemble the commercial profile of an incumbent power.³⁹ For the BICs, and particularly India and Brazil, coalitional strategies produced seats at the top table in global trade negotiations. The forging of coherent developing country coalitions also offered potential benefits to the negotiating process through more effective representation of a larger number of actors. For individual BICs and the global trade negotiations, however, the balance sheet was decidedly mixed. As Amrita Narlikar points out, despite the potential benefits of large, coherent coalitions, the threat of defection by coalition members produced negotiating rigidity and, ultimately, deadlock at the Doha negotiations.⁴⁰ India was able to block unwanted agreements in the Doha Round, but agreements that matched its expanding commercial interests remained beyond its grasp.⁴¹ For Brazil, a major agricultural exporter, the collapse of the Doha Round in 2008 also raised questions about its interest in leading a developing country negotiating coalition.⁴² For both India and Brazil, coalition leadership enhanced their capabilities at the WTO, but impeded their strategic flexibility.⁴³

Coalitions based in regional agreements and institutions appear to offer more promising alternatives for China, India and Brazil. Like South–South coalitions, regional partnerships may add heft to national capabilities. Regional alternatives also provide a second bargaining benefit: an outside option in global negotiations. The two dominant economic powers, the United States and the European Union, have used that outside option—the threat of a regional exit from global economic regimes—explicitly and implicitly to win global bargaining advantage. The BICs have been disadvantaged in bargaining with the incumbent powers by the absence of their own credible regional options.

Over the past decade, however, China, India and Brazil have expanded their regional strategies. Since 2000, Asia has witnessed a striking proliferation of

³⁹ Pearson, ‘China in Geneva’, pp. 146–7.

⁴⁰ Amrita Narlikar, ‘A theory of bargaining coalitions in the WTO’, in Amrita Narlikar and Brendan Vickers, eds, *Leadership and change in the multilateral trading system* (Dordrecht: Nijhoff, 2009), pp. 183–202.

⁴¹ Narlikar, ‘Is India a responsible great power?’, pp. 1610–11.

⁴² De Almeida and Diaz, ‘Brazil’s candidacy for major power status’, p. 242.

⁴³ Outside the trade round, the demands of coalitional politics with the BASIC/G77 countries during climate change negotiations hindered Brazil’s move towards acceptance of internationally verifiable commitments to limit greenhouse gases. See Kathryn Hochstetler and Eduardo Viola, ‘Brazil and the multiscalar politics of climate change’, paper prepared for presentation at the 2011 Colorado Conference on Earth Systems Governance, Colorado State University, Fort Collins, CO, 17–20 May 2011, p. 6.

regional initiatives: preferential trade agreements (PTAs); ASEAN Plus Three, which promoted financial cooperation between North-East and South-East Asia for the first time; and the East Asian Summit, which brought India into a pan-Asian institution. China was a driver in many of these initiatives, embracing its regional vocation with the same energy that characterized its earlier approach to global multilateral bodies. India's regional efforts in South Asia were less successful, although it actively pursued PTAs with economies both within and outside Asia. For both China and India, however, Asia was unlikely in the short term to add significantly to their global bargaining power. Regional heterogeneity in Asia—in income levels, political regimes and other dimensions—points to divergent preferences over regional institutionalization. Rivalry between the rising powers, China and India, as well as China's competition for regional leadership with Japan, make a deepening of regional collaboration unlikely. The negotiation of the Chiang Mai Initiative Multilateralization (CMIM) is a rare example of Chinese partnership with Japan in developing regional cooperation. The recent slowdown in China's economic growth highlights a final impediment to building an Asian regional base that could provide a credible regional alternative in global bargaining: economic dependence on extra-regional economies (largely the US and the EU). Asian regionalism has also produced relatively weak institutions with little delegated authority, offering only uncertain support for the global ambitions of China and India.⁴⁴

Brazil has also pursued a regional leadership role as an avenue for strengthening its global ambitions, beginning with the negotiation of a customs union, Mercosul (the Southern Common Market), and accelerating during the presidency of Lula da Silva when Brazil played a leading role in creating the South American Community of Nations (Unasur) in 2004. Brazil has confronted the same dilemma as China and India, however: the costs of a leadership bid that has won at best uncertain support from the rest of the region. Brazil's activism in South America did not produce either immediate acknowledgement of its regional leadership at the global level or acquiescence by its neighbours in its new role. Regional bargains did not translate easily into common positions in global negotiations. At the same time, regional diplomacy placed new burdens on an already overtaxed diplomatic establishment.⁴⁵

Neither South–South nor regional coalitions have reliably supported the global bargaining power or the global governance ambitions of the BICs. India and Brazil, the most energetic proponents of South–South coalitions, achieved larger roles in the WTO and other forums as a result of their coalitional leadership; but leadership also imposed costs by tying their bargaining strategies to a large and heterogeneous group of developing countries. Regional alternatives were not successful enough to serve as credible outside options, and they taxed

⁴⁴ Miles Kahler, 'Regional institutions in an era of crisis and globalization', in Miles Kahler and Andrew MacIntyre, eds, *Integrating regions: Asia in comparative context* (Stanford, CA: Stanford University Press, forthcoming 2013).

⁴⁵ Hurrell, 'Brazil: what kind of rising state in what kind of institutional order?', p. 142; Soares de Lima and Hirst, 'Brazil as an intermediate state and regional power', pp. 31–2.

the diplomatic resources of the BICs. The aspiring global powers discovered that regional neighbours were often their rivals rather than loyal supporters of their negotiating agendas.

Incumbent counter-strategies: delay and co-optation

As China, India and Brazil sought to expand their influence and satisfy their policy preferences in global institutions, the incumbent powers—the US, the EU and Japan—were not passive observers. They pursued their own strategies in response, seeking, on the one hand, to gain legitimacy by accommodating demands by the rising powers for a greater formal role in key institutions while, on the other, retaining as much decision-making authority and institutional efficiency as possible.

Over the past decade, in nearly all of the key global governance institutions, the largest emerging economies were granted larger decision-making roles, either through an increase in quotas (as in the IMF and World Bank) or through incorporation into clubs that had been restricted to industrialized countries (such as the principal entities overseeing financial regulation). In some cases, such as India's membership of the OECD, club requirements were ultimately assessed as too costly and were declined—but the option was discussed.⁴⁶ The G20, a previously marginal group that included the large emerging economies, was promoted to a central role in global economic management. At the same time, key beach-heads of incumbent power, such as the top positions at the IMF and World Bank, were not readily conceded. Following the scandal-induced resignation of IMF managing director Dominique Strauss-Kahn, the BRICS issued a statement labelling Europe's long-standing claim to the position an 'obsolete, unwritten convention'. Nevertheless, at the IMF and then again at the World Bank, Europe and the United States succeeded in retaining institutional leadership by a skilful acceptance of competition and the nomination of individuals who did not fit the traditional mould: a woman at the IMF (Christine Lagarde) and, at the World Bank, a global health expert who was born in Asia (Jim Yong Kim).

After co-opting the large emerging economies, the incumbent powers did not, for the most part, encounter radical demands for change or monolithic blocs led by the new members. In the G20, for example, the Asia-Pacific members were the largest group, but they did not coordinate successfully to promote a regional agenda. Thus the incumbent powers gained legitimacy not only for existing global institutions and policies but also for the principle of hierarchy itself: in expanding their influence within these institutions, the emerging economic powers accepted that some countries were more equal than others, a position that they had long criticized.

The incumbent powers also worked to weaken outside options that would enhance the future bargaining power of the rising powers. The move to co-opt these powers into existing clubs placed their relations with other members of South–South coalitions at risk. Regional arrangements that appeared threatening

⁴⁶ Schaffer, 'The United States, India, and global governance', p. 77.

to incumbent powers were undermined through competitive regional initiatives: Japan attempted to match China's campaign for PTAs in the Asia-Pacific region; the United States countered the threat of a China-led Asian trading bloc with the Transpacific Partnership. The net result of the incumbents' strategies was a modest increment of influence for the rising powers in existing global institutions and negotiating forums—institutions made more legitimate by the participation of those powers. At the same time, outside options that might enhance the future institutional leverage of Brazil, China and India were rendered less credible by the incumbents' counter-strategies.

Conclusion: negotiating with rising powers and the future of global governance

The world's three largest emerging economies—China, India and Brazil—give little sign that they wish to mount radical challenges to the status quo in global governance. Their economic success is based on cautious integration with the international economy, and they have become major stakeholders in the existing international economic order, unlikely to support revolutionary change. Their record before and during the global economic crisis of 2008–2009 was one of support for reformed global governance institutions, defined as institutions that award them greater influence, commensurate with their expanded economic, political and military capabilities. Proposals for change in global governance, to the degree that they were advanced by the BIC powers, were well within the scope of existing reforms, past and present. BIC governments have demonstrated little desire to export national models of development, but they have resembled other large countries, including the incumbent powers, in attempting to defend national policy autonomy while extracting maximum benefit from global economic integration.

This generally benign scenario of accommodation and reform does not mean that the rising powers will be pliable negotiating partners. Nor does it eliminate the risk of conflict between rising powers and incumbents with the potential to disrupt global governance. Conflict is most likely to occur along three fault-lines: system friction, distributional conflict and institutional efficiency. Emergence of conflict on the first fault-line depends on the stance of the incumbent powers, which are likely to demand market-oriented changes of the rising economic powers. If continuing economic advance by the large emerging economies is dependent on their *failure* to converge on market-oriented models of political economy, governments of the rising powers and domestic interests that are entrenched in their existing models of development will resist these demands for harmonization with global standards. Although the emerging economies will converge selectively on many of the institutional practices and standards of the incumbent powers, they will continue to display institutional differences that affect their economic partners and competitors. Conflict over treatment of foreign investors, government subsidies, labour and environmental standards, and many other behind-the-border policies

and practices will continue. Negotiations between the incumbent powers and the emerging economies over these issues will raise questions that have been on the global governance agenda throughout the era of globalization: should international economic governance aim for deeper integration at the cost of domestic political and economic difference? Or should the harmonization agenda that was a prominent part of the Washington Consensus be exchanged for a more modest vision, one in which system differences are managed, not erased, and negotiations aim at reducing conflict rather than harmonizing divergent practices?

The second line of conflict within global governance is less amenable to management and resolution. Distributional conflict with the current rising powers is more likely to increase because of their internal domestic cleavages: high levels of poverty and inequality coupled with lagging perceptions of their economic impact on the global system. Even severe critics of China and the other BIC economies do not claim that the threats they pose to global governance 'derive from any cohesive, let alone comprehensive strategy concocted by the political or even intellectual leadership of the country'.⁴⁷ Rather, the principal threat comes from a perception on the part of the incumbent powers that the rising powers are free-riding. The large emerging economies may excuse their uncertain compliance with global rules and reject new and binding obligations by pointing to weak state capacity and their continuing status as developing countries. As the economic weight and negotiating power of the emerging economies grow, the incumbent powers are likely to resist such negotiating strategies.

Negotiating issues with large distributional consequences will be rendered even more intractable by the competing perspectives on either side: what is identified as free-riding by the incumbent powers is defined by the emerging powers as economic justice for countries still contending with large poor populations. These disparate negotiating perspectives obscure a more fundamental issue of global justice: how much should a poor country—no matter how large—contribute to sustaining global governance? Even if the BICs' economic success merits removal of their developing country status, what other concessions should be made in the light of their internal social and economic demands?

Finally, the incorporation of these rising powers into global governance sharpens the existing trade-off between institutional legitimacy based on inclusion and legitimacy based on efficiency in reaching cooperative international bargains and implementing those bargains. Narlikar has described this trade-off in WTO negotiations, where the inclusion of new trading powers in prominent roles during the Doha Round produced deadlock.⁴⁸ Here the negotiating strategies pursued by the rising powers will be key. Simply building large coalitions to press their interests and those of other developing countries will not be adequate if the result is persistent deadlock across many issue areas. The need for institutional innovation to deal with large numbers in a multilateral negotiating setting

⁴⁷ C. Fred Bergsten, Charles Freeman, Nicholas R. Lardy and Derek J. Mitchell, *China's rise: challenges and opportunities* (Washington DC: Peterson Institute for International Economics, 2009), p. 12.

⁴⁸ Narlikar, 'New powers in the club'.

has been present since the explosion of independent states and their entry into international institutions in the 1960s and 1970s.⁴⁹ Nearly all such institutional solutions involve some measure of delegation or representation, however: all sovereign parties cannot be equally involved in forging global agreements at all times. For many developing countries, and particularly for the largest emerging powers, such delegation, and the hierarchy that it implies, are difficult to accept. The risk, if institutional innovations are not successful, is institutional exit on the part of one or more incumbent powers. The formation of clubs with restricted membership or the creation of coalitions of the willing may serve as an option for advancing international cooperation. Such alternatives to existing global negotiating forums and governance institutions also risk fragmentation of global governance and disfranchisement of less influential participants.

Global governance in an era of rising powers and distracted incumbents

The most recent global economic crisis, the worst since the Great Depression of the 1930s, did not result in a wholesale breakdown of international cooperation or the dismantling of regimes of global governance. In recent negotiations, the rising powers have demonstrated themselves to be conservatives, driven by domestic stakeholders and their conceptions of national economic interest to defend the existing order. The support of the rising economic powers—in contrast to their counterparts during the earlier economic crisis—was crucial in sustaining international cooperation. There are two histories of the 1930s, however: on the one hand, militant challengers to the status quo that disrupted peaceful change; on the other, a deficit of individual and collective leadership.⁵⁰ Looking forward, a power transition model that emphasizes disruptive challenges to global governance seems implausible. Disorder and conflict resulting from a failure of leadership are less improbable. On this model, incumbents, distracted by slow growth and growing indebtedness, would confront rising powers, intent on extracting national advantage while benefiting from the existing rules of the game. Cooperation, particularly if it entailed greater international oversight of national policies, would fail to advance. Critical new issue areas, such as surveillance of global economic imbalances or climate change, would witness fragile bargains at best or unilateral action at worst.

Several institutional innovations could contribute to successful negotiations with the rising powers and advances in global governance that win their consent. First, if incumbents concede greater influence over global governance to the rising powers, the ascendant powers must commit to transparency. Increased transparency has been a major achievement in recent reforms of global governance; it should not be traded away, whatever the discomfort of these governments.

⁴⁹ Miles Kahler, 'Multilateralism with small and large numbers', *International Organization* 46: 3, Summer 1992, pp. 681–708.

⁵⁰ For the latter, see Charles Kindleberger, *The world in depression, 1929–1939* (Berkeley: University of California Press, 1986).

Transparency is not a panacea for failed negotiations and persistent conflict, but few would refuse to acknowledge the contribution of informational distortions and asymmetries to cooperation failures. Second, given the domestic political and economic uncertainties that confront the large emerging economies, negotiations over reformed institutions should aim at built-in flexibility, in the form of escape clauses and safeguards (subject to international oversight). Third, given the political sensitivities surrounding sovereignty in these countries and a willingness to turn to nationalist vocabulary in framing debates over global engagement, informal institutional forms may prove more effective, by avoiding any appearance of international imposition. Surveillance mechanisms, which are likely to be introduced in many issue areas, from macroeconomic coordination to climate change, are particularly sensitive; the careful design of those mechanisms will be essential for strengthened global governance. Finally, the informal networks that span governments and NGOs in the industrialized world, a critical new underpinning to international collaboration, must link to the emerging economies as well.

Innovations of these kinds, even if they can be implemented, provide only modest insurance against a weakening of the patchwork of global governance and its institutions in the face of a changing global environment. Spillovers from military and political rivalries—between the United States and China, or between China and India—could undermine collaborative bargains in other issue areas. Another large economic shock, comparable to the great recession of 2008–2009, could make regional options more attractive as institutional insulation against global economic disorder. Successfully negotiating the rise of China, India, Brazil and other rapidly developing economies will not be easy. The incumbent powers and their citizens should bear in mind, however, the significant positive global externalities produced by successful development in the largest emerging economies. A return to the poor and poorly governed China of the recent past, to the India of persistent poverty and low growth rates, to the Brazil of hyperinflation and recurrent financial crises would be the worst outcome for the international order. Reformed global governance should aim to sustain future economic and political progress in these large emerging economies. Governments of incumbent powers must convince their publics that such progress continues to produce substantial benefits and to merit reform of global governance. Despite their daunting domestic agendas, the rising powers, in turn, must couple growing influence in the institutions of global governance with an increase in their own levels of international engagement.