

The Rise of New World Players In Global Governance, a Balance of Power Is Re-emerging

Matthew Stephen

Power and wealth are on the move. While still far behind in terms of per capita wealth and human development, the rapid economic development of several “rising powers” is today leading to a new international distribution of wealth. Countries like China and India have more resources and are more outwardly-oriented than they were in the past. Brazil has entered another phase of strong economic growth, and Russia is reasserting itself after a period of collapse in the 1990s. Moreover, rapid economic growth in these “emerging markets” has coincided with the economic crisis and stagnation that has affected Europe and the United States. This has accelerated the relative shift of world income. China is expected soon to overtake the United States as the world’s largest economy, with India following behind. European countries will be pushed out of the top tier of the world’s powers, and replaced by large, developing countries. In short, the world economy is becoming multipolar.

With more wealth comes more power, but not automatically. Wealth has to be leveraged to translate into outcomes. But the size of a country’s economy conveys power for several reasons. First, it indicates the resources that a state can draw on to bribe others (and in turn resist being bribed), and which can be converted into bureaucratic capacity and economic modernization. Secondly, having a large economy also conveys bargaining power through the leverage of access to large internal markets. Consequently, states with large economies are typically pivotal to successful multilateral economic bargains such as trade negotiations. Thirdly, a country’s share of the world economy is significant from a systemic point of view. Countries with particularly large shares of the world economy have a functional importance to the global economy that makes them “systemically significant”. At the same time as new players have risen up, the threshold for systemic significance has been lowered due to economic globalization. Consequently, new powers have achieved a kind of veto or spoiling capacity over collective decisions in global governance. Two decades ago the G7 countries could override the rest of the world if they agreed. Today, little can be agreed without the consent of China, India, and several other new powers.

How will the rise of new powers affect international politics? There are sceptics and there are optimists. Sceptics worry about the future of the Western-sponsored international order. They see existing international institutions – such as the WTO, IMF, and World Bank – as reflecting the interests of the United States and its liberal capitalist model. Consequently, new powers will oppose these institutions and lead to a contest over the rules and norms of global governance. Similarly, the domestic arrangements of China and Russia are seen as rehabilitating authoritarian and non-liberal alternatives to Western forms of social organization. Optimists tell a different story. From this point of view, the genius of the American-led order is to provide both dominant and rising states with a shared interest in preserving the existing order. It does this by binding American power into a network of military alliances, providing other countries with economic opportunities through open capital markets and free trade, and offering the potential for integration and a bigger say in existing international institutions.

Whether the optimists or sceptics prove correct will depend to a large extent on the choices rising states make. This directs our attention to the intentions of rising powers. But the intentions of the rising powers are not shrouded in mys-

Summary: Rising powers want leadership positions in global governance, but this is stalled by conflicts with established powers. Consequently, two forms of institutional change are emerging: a resurgence of great power bargaining outside of formalised institutions, and the proliferation of new, alternative institutions on a regional basis. The re-emergence of a balance of power may also have salutary effects by containing the excesses of each of the major powers, including the United States.

tery. In fact, an examination of their recent behaviour gives a strong indication of what kind of order they are trying to foster. The results are likely to disappoint optimists, but pessimists may also be surprised.

Firstly, the rising powers are challenging the established powers for positions of privilege within global governance institutions. While the world economy has become more multipolar and the international distribution of power has shifted, the keystone institutions of global governance remain dominated by the United States, Europe and Japan. The IMF and World Bank, pivotal institutions of monetary and financial governance, still have voting rules that privilege developed countries, and even afford the United States the singular privilege of a *de facto* veto power. To add insult to injury, their management positions are also duopolized by the United States and Europe. Likewise, the status of the US dollar as the key international currency 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. Multilateral trade negotiations have traditionally been dominated by a small group of developed countries, allowing them to write the rules of trade for the world. And at the Security Council, excluded powers like India, Brazil and South Africa are seeking leadership positions as new permanent members. In all of these areas, rising powers are calling for a redistribution of leadership positions and positional advantages within these institutions and an end to Western domination. To this extent, they favour integration into the existing system, and optimists can feel vindicated.

However, these attempts at integration have only been partially successful. Consequently, a resurgence of great power bargaining can be observed in many multilateral contexts. In trade, for example, countries like India and Brazil have challenged the exclusionary manner in which decisions have previously been made, but have themselves been integrated into a new inner circle of great trading powers (the “new” Quad). The reform of the IMF and World Bank has been marginal and slow, and has been stalled by the failure of the United States to ratify the modest reforms agreed to in 2010. The rising powers have therefore embraced the shift towards the G20 group of major economies, which has now been designated as their prime forum for economic cooperation. Consequently, at one fell swoop, around 90 per cent of the world’s countries have been excluded from a say in the governance of the global economy. The G20 has no formal rules and is strictly a bargaining forum for major economic powers. A functional equivalent to great power bargaining might be a further formalisation of procedural inequality within international institutions, along the lines of the Security Council’s permanent seats, but this has been stalled both by sovereignty concerns of other countries, and the reluctance of established powers to make the compromises necessary to integrate them.

An alternative to reforming existing institutions is to create completely new ones. This is the second result of the rise of new powers. This process can be seen most clearly in trade. As the Doha Round has stalled under inter-competitive pressures, major powers have sought to improve their alternatives to a negotiated settlement. This has taken a mostly regional, quasi-hub-and-spokes form, with each major power cultivating its own free trade region. By contrast, free trade deals between the major powers are the exception: only South Africa and Europe, and Mercosur and India, have concluded free trade agreements. Consequently, today a majority of world trade takes place on preferential terms, which, while compatible with WTO rules, defeats the original multilateral concept of non-discrimination. Similarly, in finance, the BRICS have proposed their own development bank and currency swap agreement as alternatives to the Bretton Woods institutions of the IMF and World Bank. Consequently, the rise of new powers is likely to be associated with a proliferation of regional alternatives to universal organisations, and the more equal distribution of power may prove to be an engine of institutional complexity.

It is important to note that this institutional contestation seems to emerge primarily from a frustration at rising powers’ exclusion from leadership positions, rather than principled opposition to existing rules and norms. This “spill over” of positional aspirations into institutional revisionism could only be prevented



Matthew D. Stephen is researcher in the WZB research unit Global Governance. He conducts research in international political economy, theories of international relations and rising powers.

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matthew.stephen@wzb.eu

by a greater level of institutional accommodation by established powers like Europe and the United States. The problem is that international institutions are quite hard to change once they are established. This insulates international institutions from shifts in the underlying balance of power. Unfortunately for defenders of the existing system, established powers have proved more obstructionist than accommodating in adapting existing institutions to new realities. The result is a return to great power bargaining and institutional diversity. To this extent, the outlook of the pessimists is confirmed.

A final consistency in the outlooks of rising powers is scepticism towards any further institutionalisation of *liberal* rules and agreements. This is the case even for those rising powers like India, Brazil and South Africa, who, due to their liberal democratic domestic arrangements and shared heritage with the West, might be thought of as “least likely” to contest the existing liberal order. The levels of domestic development of countries like the BRICS are far below that of the established powers, and their economic success has been based on distinctly less liberal varieties of capitalism to that of the US and Europe. They are correspondingly less willing to give up their economic autonomy and bind their economic policies to liberal regimes. This is also reflected in a more cautious approach to the liberal ideology of human rights, and the cosmopolitan concept of conditional sovereignty. Rising powers realise that conditional sovereignty has meant conditional on the interests of the United States, rather than on objective criteria of human rights or democratic reforms.

In sum, as the current order of global governance adjusts to the impact and demands of rising powers, it is likely to become more regionalised, less overtly liberal, and based on a greater degree of unmediated great power bargaining than before. However, these changes are still compatible with the basic structures of the existing system. New regional trade deals, for example, are compatible with the rules laid down by the WTO. Moreover, the rise of new powers has been deeply related to their integration into world capitalism. This generates a shared economic destiny amongst the major powers and creates a need for international rules and agreements to provide the political infrastructure for a global economy. While challenging the established powers for leadership in writing these rules, rising powers are dependent on the existence of rules for their development successes.

The news is therefore not all bad. In fact, a diminished role for the West may be just what the doctor ordered. Those who fear the corrupting effects of concentrated power should welcome a new balance on the power of the United States and its friends. A more balanced world order could restore some stability to the system and discourage all of the great powers from exploiting their positions. A new balance of power for the twenty-first century might be much more stable than the one that broke down in the early twentieth century. All major powers agree on the norms and laws against war and territorial expansionism, nuclear weapons keep militarist aspirations in check, and transnational capitalism divorces economic expansion from territorial control. Moreover, the pragmatism of rising powers is a welcome antidote to liberal crusades and may help to prevent new ideological conflicts from re-emerging amongst the major powers. Many policy makers and academics are worried about a loss of Western influence, and are trying to find ways to prolong their dominance. These considerations should give them pause for thought.

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