RISING POWERS AND ALTERNATIVE MODES OF GLOBAL GOVERNANCE

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For the largest emerging economies—Brazil, India, and China (the BICs)—efforts to expand their influence in global governance have centered on key formal institutions, such as the International Monetary Fund (IMF) or the World Trade Organization (WTO). Less attention has been given to the rapid growth of alternative modes of global governance that deviate from the traditional model of intergovernmental organizations (IGOs). BIC participation in and influence over four alternative modes are considered: informal governance structures within existing IGOs; informal groups of governments that produce soft law; networked governance in the form of transgovernmental networks (TGNs); and hybrid alternatives that include non-state actors, particularly non-governmental organizations (NGOs). Investigation of the logic of BIC participation in these alternative institutions produces three tentative conclusions, supported by illustrative rather than conclusive evidence. Overall, the governments of these newly influential powers have been conservative in their preference for intergovernmental organizations rather than alternative modes of governance. Only the second of these alternative modes, state-centered production of soft law within ad hoc or informal groups of governments, coincides closely with the preferences of the rising powers. Second, in confronting the new landscape of alternatives to intergovernmental organizations, the BICs have found that incumbent powers are often entrenched as deeply as they are in peak IGOs. Finally, the ability of the rising powers to expand their influence in these new forums will accelerate or decelerate depending on domestic political and economic resources that they bring to these new sites of global governance. Brazil, India, and China vary in the resource endowments that their domestic political configurations provide for this purpose.
For the largest emerging economies—the rising economic powers of China, India, and Brazil—strategies for expanded international influence have centered on the key formal institutions of global governance. Larger quotas and voting shares at the International Monetary Fund (IMF) and the World Bank, permanent Security Council seats for India and Brazil at the United Nations, inclusion in the core negotiating group at the World Trade Organization (WTO). A larger role in these high-profile organizations has become symbolic of their growing power in important issue-areas. By concentrating on these peak global institutions, however, both the rising powers and their observers may have given too little attention to the rapid growth of alternative forums and modes of global governance: less formal, often lacking in substantial delegated authority, promoting guidelines and norms rather than binding obligations, networked in form, incorporating non-state actors. The expansion of this domain of global governance is generally acknowledged, but its definition and its boundaries have remained imprecise. What we know about the participation in and influence over these arenas of global governance on the part of Brazil, India, and China (the BICs or rising powers) is limited, because the expansion of these alternative modes of governance and BIC participation in them are both relatively recent.

The following investigation is, as a result, necessarily tentative. Its first aim is simply to clear some of the conceptual underbrush that surrounds the new modes of governance. Their proliferation has been more than matched by scholarly typologies that overlap or conflict. Using intergovernmental organizations (IGOs) as a starting point, a simplified set of categories is developed that diverge on different dimensions from the “IGO model.”¹ Second, conjectures based on both the existing theoretical literature and a limited number of cases are developed that relate the preferences and capabilities of rising powers to these new formats. Finally, and most tentative of all, experience in a few key issue-areas that display these new modes of governance is used to map predictions over the likely future influence of these three rising powers. In particular, several key questions are advanced, although definitive answers cannot be provided: are the BICs equipped for this new landscape of global governance? Is their concentration on prominent formal institutions likely to award them an enhanced

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¹ The post-1945 IGO model was defined by states as principals, multilateralism, a centralized and legalized institutional design, and weak supranationalism (national governments retained most political authority). (Kahler 2009)
presence on an isolated peak in much larger range of global governance options? Or are they adapting as successfully as other actors to this new landscape, which continues to reflect the continuing dominance of the incumbent powers and their bureaucracies, their corporations, and their nongovernmental organizations?

Alternative modes of global governance: beyond the IGO model

The limitations of an exclusive concentration on intergovernmental organizations and formal international agreements have been apparent since the development of the concept of regime three decades ago. Nevertheless, institutional analysis has served to reinforce, at least temporarily, a state-centric emphasis on rule creation and compliance. Particularly since the 1990s, however, the prominence of globalization’s new actors—both transnational corporations and international non-governmental organizations (INGOs)—as well as the appearance of new arenas for the development of less binding agreements and rules have forced a re-evaluation of the terrain of global governance. The term “global governance” itself was designed to capture these new features of global collaboration and authority creation. (Whether, in every case, the new governance modalities have expanded in number or scholarly attention has simply been redirected to them is not clear.)

Many labels and typologies have been applied to these new formats of global governance. Too many have been defined by what the new modes are not: not highly legalized, not centered on intergovernmental organizations with delegated powers, not limited to state members. Investigation has been driven by divergent questions. Pauwelyn, Wessel and Wouters (hereafter PWW) identified “informal international lawmaking” (IN-LAW), a “tapestry of novel forms of cooperation, ostensibly outside [formal] international law,” and asked whether our understanding of international law requires expansion to accommodate this new reality. Governments and other actors have been linked in identifiable networks, within and outside formal international institutions; the effectiveness of these modes of cooperation was at issue. Others have singled out hybrid forms of governance that included governments as well as corporations and NGOs, asking whether these hybrids could plug gaps in the regulatory architecture. The direct influence of NGOs operating across national borders has been captured in transnational advocacy networks or, more broadly, as transnational civil society. In these cases, the outcome of interest is often influence on national policies or wider normative change.

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2 Krasner 1983.
3 On the dominance of formal rules in the study of international institutions, see Stone 2013.
5 Slaughter 2004; Eilstrup-Sangiovanni 2009.
6 Abbott and Snidal 2009b.
7 Keck and Sikkink 1998; Chen 2012.
The role of rising powers, the largest emerging economies, in these new forms of governance is the focus of this investigation. Complete explanations for the institutional preferences of these rising powers—each with distinctive configurations of domestic interests—are not within the scope of this paper. Rather, the significance of domestic determinants for their preferences will be assumed, as well as their calculation of the effects of different modes of global governance on their bargaining power, relative to either bilateral negotiations or another, feasible governance forum. Although functionalist analysis—the implications of a governance alternative for sustaining cooperative outcomes—often dominates comparisons of this kind, there is little evidence in the behavior of these governments that such calculations loom large. Rather, we will assume that the preferences of governments—whether BIC or incumbent—will reflect a calculus of political survival that is based on domestic support and the advantages that international bargaining success will bring in terms of such support. Preferences will be estimated by both declared policies and the behavior of governments within each of the modalities in selected issue-areas. Those estimates will necessarily be incomplete, given the absence of data on the engagement of the BICs in a wider sample of such governance alternatives.

In their discussion of IN-LAW, PWW discuss three non-traditional dimensions: actors, processes, and outputs. Unfortunately, their account of IN-LAW often implies that these dimensions covary or are causally related. In organizing and assessing alternative governance formats and the role of rising powers, similar dimensions will be deployed without an assumption of covariance, moving from more traditional to more novel alternatives. First, two relatively modest deviations from the IGO model are considered. Informal governance structures within existing international institutions and the relationship of new powers to those informal rules are examined. Second, intergovernmental forums without formal constitutions or membership rules are considered; these informal groups rarely promulgate binding agreements. The G-20 and the development assistance regime of the Organization for Economic Cooperation and Development (OECD) serve as exemplars of intergovernmental cooperation through informal groups and the manufacture of soft law. The analysis then moves from deviations within the traditional IGO model of global governance to distinctive alternative modalities, in particular networked forms of governance and the participation of the BICs in those modalities. Finally, and often linked to network forms of governance, the emergence of non-governmental actors—both transnational corporations and NGOs—as participants in global governance, with and without national governments, is considered. The emerging economies have had an ambivalent relationship with such novel forms of governance, even as their own civil societies have grown and become more engaged beyond their national borders.

*Structural power and informal governance within IGOs*

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8 Pauwelyn, Wessel, and Wouters 2012, p. 10.
One variant of informal governance takes place within established, formal regional and global institutions. Informal in this instance does not refer to soft law or absence of a charter. Rather, informal rules of internal governance emerge to accommodate the structural power of those members who would exit the organization if they could not “exercise control when their interests are intense.” Because of these “emergency override procedures,” global institutions, such as the IMF, develop “hybrid institutional forms.” Their formal decision rules, which may award a large vote share to the dominant powers, do not fully reflect the influence that those powers are able to exert because of these unwritten informal rules. In Randall Stone’s account, it is the United States that typically exercises influence through informal rules. His model of informal governance within the IMF explains how the United States is able to exert influence over IMF policies far in excess of its vote share of 16.75%. Informal rules awarding influence to the most powerful members of an international organization originate not only in the wide disparities in power within such organization but also in outside options that are enjoyed by the powerful and the scale of negative externalities imposed on less powerful members if a powerful member exits. Stone assigns significant institutional costs to this accommodation: in the case of the IMF, a loss of credibility when it bends to U.S. wishes and a lack of transparency that conceals the channels of informal influence. In many respects, the costs of informal rules of governance are those that appear in corporations and other organizations in which power is concentrated in a few large shareholders—blockholders—who often override the interests of minority shareholders and exert control in their own interests.

Stone argues that international governance improves as the distribution of power becomes more egalitarian. The new equilibrium implies more resistance to informal “override” rules that benefit powerful actors in relative decline; more legalization will be advanced and accepted as a means of constraining the self-interested behavior of more powerful members. This prediction suggests a relatively benign outcome as the vote shares and economic weight of China, India, and Brazil increase in global institutions. Other scenarios are also plausible, however. The BICs could become new dominant blockholders with their own informal rules of governance, rules that allow them to protect key clients and core foreign policy interests. China, for example, has begun to build potential channels of influence through senior staff at the key international financial institutions: a deputy managing director of the IMF and an executive vice president and CEO of the International Finance Corporation in the World Bank Group.

At present, the structural power of the emerging economic powers is limited by their lack of attractive outside options. Current regional options in particular do not offer a realistic alternative to the benefits of global economic organizations, a disparity that will only grow as their economies become larger and more internationalized. The BICs also

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10 Ibid., pp. 218-219.
11 Kahler 2006
lack the extensive global foreign policy interests that drive many of the U. S. interventions at the IMF and other institutions. Those interests will become more prominent as their citizens, trade, and investments spill across national borders. As their weight in the global economy grows, the cost of their institutional disengagement or exit for other members, including the United States, will only increase. Even if rising powers do not press to become new blockholders in key global institutions, greater legalization of global institutions in response to their rise, as predicted by Stone, could be offset by their own institutional preferences for less formal alternatives. Any constraints imposed on the incumbent power or powers in an IGO would also become constraints on their own policies as their capabilities increase. These endogenous preferences, should they remain, could delay the decline of informal rules that benefit the United States and other incumbent powers.

**Rising powers and state-centered production of soft law**

The increased participation of Brazil, China, and India in global governance institutions over the past two decades has been driven in large measure by the large wager that each of these countries has placed on the integration of its economy with the global economy. Even outside the domains of global economic governance, however, a pattern of convergence on and participation in global regimes is clear. For example, each of these countries was originally a harsh critic of the nuclear non-proliferation regime embodied in the Nuclear Nonproliferation Treaty (NPT). Although their relationships to the NPT continue to vary, each has either ratified the NPT (China and Brazil) or accepted its norms as a de facto nuclear power (India). At the same time, in their widening engagement with global and regional institutions, the BICs have demonstrated a preference for particular features of institutional design. In the case of Asia, the regional home of two of the BICs, legalized agreements or institutions (those with precise and binding obligations or substantial delegated authority) are relatively rare. States, rather than non-state actors, are empowered in these institutions. Membership criteria are often vague and are rarely based on explicit policy changes on the part of applicants. Consensus is the dominant decision rule. The governments of emerging Asia are hardly unique in these institutional preferences, particularly when compared to other developing countries. Nor does this pattern of limited legalization at the regional level produce an aversion to participation in global institutions that are highly legalized, such as the WTO.

The apparent preference of the BICs for soft law over hard law (less obligation, precision, and delegation rather than more) in their international agreements reflects sensitivity to

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13 Kahler 2013, 8-9.
14 Kahler 2001; Davis and Bermeo 2009.
perceived encroachments on sovereignty that is rooted in their domestic politics.\textsuperscript{15} For example, China’s strong preference for intergovernmental organizations rather than private governance (based on non-state actors) reflects both the domestic political support for sovereignty protection on the part of nationalists as well as the demands of industry and state institutions.\textsuperscript{16} Given these preferences over type of IGO and international agreement, the large emerging economies should find a congenial institutional home in informal and often ad hoc groups of sovereigns that have been labeled “multilateralism light.”\textsuperscript{17}

\textbf{The G20 and the DAC: building consensus with rising powers}

The G20, founded as a means of incorporating “systemically important” economies into financial discussions after the Asian financial crisis, was elevated to a central role in global economic management during the financial crisis of 2008-2009. As a primary forum for economic dialogue between industrialized and emerging economies (including China, India, and Brazil), the G20 matches closely the institutional preferences of the BICs, since its collective commitments were not legally binding, membership criteria were far from clear, and decisions were taken by consensus. In short, it offered “a fast and pragmatic way” to incorporate the emerging economies into “joint management of international affairs.”\textsuperscript{18} The attractiveness of its institutional format to the rising economic powers, however, did not prevent criticism of its inability to move from short-term crisis management to a more effective role in macroeconomic and exchange rate management. Policy commitments agreed at G20 summits were not legally binding (low levels of obligation), and they lacked precision. Although the IMF was assigned a role in the G20 Mutual Assessment Process (MAP) of multilateral surveillance, the process lacked transparency, which limited the effectiveness of IMF monitoring.\textsuperscript{19}

The preferences of the BICs did not determine the institutional format of the G20. Germany and other industrialized economies also balked at attempts by the United States to obtain more precise commitments on macroeconomic management, for example. The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) provides a clearer example of the attractions and drawbacks of soft law in building consensus and cooperation between incumbent economic powers and the large emerging economies. The OECD, once characterized as a club of the rich countries, now includes several emerging economies.

\textsuperscript{15} States will prefer soft law when “jealous of their autonomy and when issues at hand challenge state sovereignty.” (Abbott and Snidal 2001, 39)  
\textsuperscript{16} Kennedy 2012, 15-16.  
\textsuperscript{17} Penttilä (2009) defines “multilateralism light” by the absence of a charter, formal rules, an institutional core, or clear membership criteria. (p. 3)  
\textsuperscript{18} Ibid., p. 2.  
\textsuperscript{19} For a criticism of the G20s performance and particularly its inability to obtain precise, quantitative commitments from its members, see Truman 2010.
among its members: Mexico, Chile, Poland, and Turkey, among others. Unlike the G20, the OECD has a substantial organizational core, but its standards and best practices are developed consensually and, although often precise, represent soft law rather than legally binding obligations. The DAC has become a key forum for major aid donors to define their official development assistance (ODA) and to agree on best practices in its delivery. Peer review adds weight to DAC standards, but the DAC and the OECD have no delegated authority to undertake or authorize enforcement against aid donors.

The emerging economies, particularly China and India, have been aid donors for decades; their development assistance has increased in volume and changed character in the past decade. These new actors present a challenge to the DAC regime if their aid policies undermine the informal standards set by the DAC. DAC members have been particularly concerned by possible erosion of standards for governance of foreign aid in recipient countries, by lack of conditions for debt relief, and by the use of development assistance to promote a scramble for resources in poor countries. Although China, India, and Brazil are not members of the OECD, the organization has offered a program of “enhanced engagement” to those countries and others since 2007. The rapid growth of non-DAC donors (to a total of more than thirty since 2000) also led to DAC initiatives that have promoted dialogue and consensus on aid standards and norms. The results of these efforts to increase cooperation between the DAC and donors from the large emerging economies have been mixed at best. The divergence between DAC donor standards and the practices of China and other emerging donors should not be overstated: some convergence has occurred, and, in certain areas, the DAC only provides guidelines, not “clear unambiguous rules” (another characteristic of soft law). Nevertheless, the limited transparency of BIC development assistance programs remains at odds with a core DAC standard. The opacity of their aid programs may be rooted in the political sensitivity of aid programs in countries where domestic poverty alleviation remains a prominent issue. Institutional fragmentation and lack of experience in development assistance may also increase emerging donor reluctance to participate in forums that appear to be dominated by established donors with large aid complexes.

The G20 and the DAC demonstrate that global institutions matching the preferences of the rising powers—informal with limited delegation and soft law commitments—may not lead to effective collaboration. Although soft law may provide the best option in certain contexts, as an instrument of cooperation it requires a degree of normative consensus and effective peer review. Perhaps the greatest barrier to further convergence on the soft law governing DAC standards lies in the dynamics that have

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20 Paulo and Reisen 2010, pp. 539-543.
21 For an evaluation of these outreach activities to non-DAC donors, Ibid., pp. 546-548; Mawdsley 2012, pp. 185-194; Bräutigam 2010, pp. 39-40.
22 Bräutigam 2010, p. 44. For a summary of China’s convergence and divergence with DAC standards, Brautigam 2010, pp. 30, 37, 44.
23 Mawdsley 2012 p. 83.
produced different profiles of development assistance on the part of established donors and the largest emerging economies. For China and India in particular, aid programs were once dominated by political and foreign policy goals. With economic liberalization, their development assistance and its wider array of policy instruments are now motivated by commercial considerations, such as export promotion, resource diplomacy, and foreign direct investment. At the same time, DAC donors moved in a different direction, toward lending to develop social sectors such as health and education. At the same time, aid from the United States and Europe often incorporated an expanded role for non-state actors, particularly well-funded private foundations (the Gates Foundation was only one) and NGOs, which delivered their own aid as well as serving as conduits for a growing share of government ODA. As agenda-setters, NGOs reinforced the turn in DAC aid toward social sectors and away from foreign policy and economic ends.

Normative consensus was unlikely between state-centered aid donors among the emerging economies, which weakened the already soft constraints of the DAC, and non-governmental actors that “privatized” aid and pressed for standards that did not match the preferences of the BICs or many aid recipients. The DAC aid regime replicated developments in other international regulatory regimes—divergence between standards set in the north under the influence of NGO networks (good governance and environmental standards in ODA, for example) and the commercially and development-driven standards of the BICs. Existing informal institutions and soft law standards could not easily bridge this underlying asymmetry between domestic and transnational normative dynamics on either side.

**Networked governance as an alternative for the emerging economies**

Networks shape global governance in several ways. First, networks and participation in networks can determine national preferences over global governance. Transnational economic networks, for example, alter the interests of domestic actors and shape the foreign economic policies of governments toward foreign trade and investment. With the rise of trade related to international production networks that link industrialized and developing countries, for example, the commercial policy preferences of the emerging economies rapidly shifted toward trade liberalization that permitted their insertion into these networks. The emerging economies have been prime beneficiaries of both the construction of international production networks and examples of the shift toward liberalized trade. International networks can also transform national policy preferences through diffusion of policy innovations or socialization of national elites. Second, because of their membership in international institutions or their trade relations, states are part of social networks that produce significant international effects, such as

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increasing or reducing the likelihood of militarized disputes or armed conflict.\textsuperscript{26} Networked governments within existing international organizations (in groups such as the G-7 or the G-24) may accumulate power resources from their networks that outstrip their formal voting power. Third, as discussed in the next section, networks may also provide an avenue for non-state actors to participate in global governance, either through delegation to expert networks or participation in hybrid institutions.

\textit{Transgovernmental networks (TGNs) as a global governance alternative}

Transgovernmental networks (TGNs) represent a fourth role for networks in global governance, one that offers both advantages and disadvantages to the emerging economies. TGNs link government agencies across national borders. As noted earlier, they are hardly a new phenomenon, but their deployment appears to have surged in recent decades.\textsuperscript{27} These networks, anchored in national governments, offer a governance alternative that can be weighed against the supranational or IGO model on the one hand and hierarchy on the other.\textsuperscript{28} Networked governance through TGNs is too often equated with other informal variants of global governance, many of which are ad hoc and limited in time. TGNs, however, are based on “shared or pooled authority and on repeated, enduring and reciprocal relationships among actors in different national jurisdictions.”\textsuperscript{29} This definition distinguishes networks from hierarchies, IGOs, and other types of informal global governance. Networked governance is distinguished from hierarchies and IGOs by an absence of delegated authority for dispute resolution. In a hierarchy, such authority is delegated to another state; in an IGO with supranational authority, such as an international court, authority to interpret the rules and enforce them is delegated. In a network, no such single authority exists: dispute resolution remains a task for members of the network. At the same time, the requirement for repeated and enduring relationships sets a bar that cannot be met by many informal international and regional institutions.\textsuperscript{30}

Several features of networked governance might attract or deter the BICs.\textsuperscript{31} The narrow scope and technical or expert identity of many TGNs may appear less threatening to these states, given their aim to protect national sovereignty and decision-making

\textsuperscript{26} Hafner-Burton and Montgomery 2009;  
\textsuperscript{27} Raustiala 2002; Slaughter 2004.  
\textsuperscript{28} Kahler and Lake 2009.  
\textsuperscript{29} \textit{Ibid.}, p. 248. This definition of networked governance is based on another by Podolny and Page (1998, p. 59) that emphasizes two features of networks—“repeated, enduring exchange relations” and the absence of an authoritative dispute resolution mechanism. Podolny and Page distinguish networks from markets and hierarchies.  
\textsuperscript{30} A recent examination of networked governance and developing countries (Martinez-Diaz and Woods 2009a) includes several organizations that appear to be informal but not networked according to this definition.  
\textsuperscript{31} Summarized in Kahler and Lake 2009, pp. 253-271; Eilstrup-Sangiovanni 2009, pp. 201-203 and Table 10.1 (p. 201).
autonomy. The de facto use of consensus for decision-making, low levels of legalization, and a low-cost exit option would also provide reassurance to large emerging powers. On the other hand, successful TGNs often rely on high levels of trust, which may restrict the size (and utility) of networked governance. That requirement also creates barriers to newcomers, such as the BICs, who may not have had intensive relations with existing network members. Compared to alternative modes of global governance, TGNs may produce higher bargaining costs, as agreements are revised to satisfy the shifting preferences of members. For governments with limited capabilities for the conduct of external relations, bureaucratic overload is possible. Finally, distributional conflict between states cannot be too severe, since networks lack an authoritative means of resolving disputes. On the other hand, distributional conflict within states, a persistent risk in the open emerging economies, may render networks more appealing than formal IGOs: their lack of transparency serves to insulate the work of TGNs from domestic scrutiny.

*TGNs in financial crisis management and regulatory cooperation*

Central bank cooperation and the coordination that occurs among national financial regulators are embedded in longstanding TGNs that illustrate the dilemmas of network engagement for Brazil, India, China, and other emerging economies. Central bank cooperation also illustrates the symbiotic relationship that often exists between TGNs and IGOs. The central banks of the industrialized world have used the Bank for International Settlements (BIS) as the focal point for their networked collaboration. The BIS staff (only 647 in number) serves its central bank members through support for dialogue among members, research, and service as the financial agent of its member banks. It possesses no delegated authority vis-à-vis its members. Regulatory cooperation through the Basel Committee produces non-binding agreements on standards for capital adequacy and banking supervision, as well as promoting best practices among national supervisors. Since 2011, the Basel Committee has enhanced its monitoring of members’ implementation of the Basel III standards. The core responsibility of the BIS and its ancillary committees, however, is to serve as an effective focal point and service provider for the TGN of central banks.

The most significant episodes of central bank cooperation have occurred during financial crises, such as the global financial crisis of 2008-2009. Since the crisis originated in the United States and Europe, it was not surprising that some of the first steps in international crisis management were led by a core network of the U. S. Federal Reserve, the European Central Bank, and the central banks of the U. K., Canada, and Switzerland. The principal measures taken to shore up dollar-starved financial institutions—swap agreements (essentially large-scale lending to its network partners by the Federal Reserve)—demonstrated the high levels of trust within the network. The early stages of the crisis also demonstrated another feature of the network, however: members could
disengage at will, as the central banks of the emerging economies and Japan did.\textsuperscript{32} As the crisis became a global financial panic, following the Lehman Brothers bankruptcy in September 2008, the network of collaboration was enlarged to include swaps with the central banks of Australia, Sweden, Denmark, and Norway.

Up to this point, swaps arranged through the network were limited to the Atlantic economy; Australia’s central bank was the only exception. As the crisis spread beyond its North American and European origins, central banks from the emerging economies asked to join the network. The response to their request demonstrated the difference between networked governance and the formal institution of the BIS. Although the major emerging economy central banks had been invited to join the BIS in 1996 (including the central banks of Brazil, China, and India), the Fed viewed their requests for swap arrangements in a different light than those from its European and Canadian partners: The Fed had not cultivated the “same intimate, longstanding relationships” with these central banks. In addition to lower levels of transparency and trust, political risks of lending to these countries were higher. The Fed ultimately developed criteria that discriminated among emerging economy central banks based on their own requests, their significance to the international financial system (potential negative externalities for the United States), and the “independent and trustworthy” status of their central banks.\textsuperscript{33}

This episode demonstrates another shortcoming of networked governance for emerging economic powers: incumbent powers are often as dominant and entrenched in governance networks as they are in the key international financial institutions (IFIs). Gaining access to valued networks—whether for information, financial resources, or other goods—is dependent on those within the network; unlike IGOs, membership criteria are unclear and the benefits of membership are also uncertain (and often determined in an opaque fashion by existing network members). That opacity offered a different benefit to the core network members, and particularly the Federal Reserve: shielding the Fed’s lending to European central banks and banks from the scrutiny of Congress and the public.

The relations of the core network with the China’s central bank, the People’s Bank of China (PBOC), illustrate the hurdles to full incorporation in a valued network. Irwin recounts China’s announcement of monetary easing in November 2011, without consultation with other major central banks, as indicating a “measure of distance and doubt” between the PBOC and the core central banks.\textsuperscript{34} This lower level of trust reflects the homophily operative in many networks: a greater willingness to network with like partners. The PBOC lacked independence; its decision-making (in part because of its political masters) was not transparent to others in the central bank network. As a result,

\textsuperscript{32} Irwin 2013, p. 128.

\textsuperscript{33} Ibid., 154-155. Swaps were ultimately agreed with Brazil, Mexico, South Korea, and Singapore.

\textsuperscript{34} Ibid., p. 374.
the value of its commitments was unclear. In networks, credible commitments based on high levels of trust are essential, given the absence of any authority outside the network that can arbitrate disputes.

Networks of central bankers are part of the larger networked universe of cross-border regulatory cooperation. The Financial Stability Board (FSB, formerly the Financial Stability Forum, founded in 1999) is a “trans-network organization,” an institutional focal point for networks of regulators, standard-setters, central bank experts, finance ministries, and IFIs that might otherwise fail to coordinate their actions. Its very small staff and its role imitate that of the BIS, the host for its secretariat. The FSB Charter is “an informal and nonbinding memorandum of understanding for cooperation adopted by its members.”

As was the case with the BIS, the regulatory network has expanded to include the emerging economies that are members of the G20. Since most became members only with the formation of the FSB in 2009, it is too early for an accurate estimate of the BICs’ engagement with the new organization and the regulatory network that it oversees. Nevertheless, in these networks, as in earlier ones, one can easily detect the advantages of incumbency. For example, despite its expansion, one-third of the FSB’s national representatives, excluding IFIs and standard-setting bodies, represent the European Union.

The value in these central bank and regulatory networks often consists of knowledge transfer, information exchange, and normative diffusion. To benefit from such functions, it is not clear that intensive engagement with the network is necessary. China, for example, participated in the rules and norms of the Basel process before it became a full member of the FSB or the BCBS in 2009. The networked structure of these regulatory bodies may have made it easier for China to absorb regulatory standards, since the process was not binding. As Andrew Walter describes, China could select the standards (and the pace of their implementation) according to its own preferences. China’s key financial links to Hong Kong and its more sophisticated financial center were another valuable link to the regulatory network. China had both international reputational and domestic reasons for accepting the Basel regime. Imported regulatory standards provided valuable instruments for pressing forward with needed financial reforms. Reformers and regulators also used their status as links to a respected international network to strengthen their relatively weak leverage within economic policymaking in

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35 Lombardi 2011, p. 6.
36 At the time of the creation of the FSB, in the midst of the global financial crisis, the G20 leaders also declared that other standard-setting bodies should review and expand their memberships to strengthen representation by the emerging economies; several key institutions did so.
37 Lombardi 2011, p. 9.
China. Engagement with the TGN and its international standards was also successful because financial regulation was not highly politicized in China.

Transgovernmental networks and rising powers

Networked governance, because of its apparently “horizontal” character, has impressed some as a more egalitarian and consensual model of global governance. The advantages of networks when compared to IGOs appear impressive: less resource-intensive, more flexible, low contracting and implementation costs, scalability, adaptability. From the perspective of the largest emerging economies, however, those functional advantages may be offset by disadvantages inherent in this alternative mode of governance.

First, when networks are defined precisely, they are less clearly competitors with IGOs or hierarchy as modes of governance. Although some networks, such as the Chiang Mai Initiative in Asia, were established because of perceived failings in established IGOs, networks have often relied upon IGOs or co-existed with them. The BIS serves as an organizational core for an extended network at the global level. Despite features that diverge from hierarchies, power within networks cannot be ignored. Network power establishes hierarchies among members according to their structural positions within the network or the resources that they bring to it. On both of these dimensions, the BICs are likely to confront incumbent powers with more network power. Many TGNs began with relatively few members, largely from the industrialized world. The advantages of incumbency may be greater in networks than in IGOs, since the “repeated, enduring, and reciprocal” relationships that constitute networks and power within networks are strengthened over time. Because of this power asymmetry in many networks, the BICs have often distanced themselves from security TGNs promoted by the United States and its allies. Brazil, China, and India are not participants in the Proliferation Security Initiative (PSI), for example; only Brazil is a member of the Missile Technology Control Regime, although, under threat of sanctions, China agreed to adhere to the MTCR Guidelines; India has also adhered unilaterally since 2005.

The leverage provided by ease of exit from networks could enhance the influence of the BICs and other members that lack structural power within the network. If network externalities are large, attracting new members may be important for current members, and accommodation of the new members will be more likely. An exit option also exists for IGO members, however: the threat of exit by powerful members is a source of the informal rules that serve those members, as described by Stone. Threat of exit from a TGN is only likely to be effective in enhancing leverage when the threat is credible, and

38 Walter 2010 161-162
39 Ibid., p. 165; also Foot and Walter 2011, pp. 229-273.
40 Martinez-Diaz and Woods 2009, p. 13; Eilstrup-Sangiovanni 2009, p. 203 (Table 10.2).
41 Eilstrup-Sangiovanni 2009, 220-221.
credibility depends on clear and appealing outside options. Although BICs should find both the informal processes of TGNs and the non-binding character of their norms and standards appealing, other aspects of network informality could impede an expansion of the influence of rising powers. Lack of clear membership criteria and decision rules within TGNs could award the emerging economies less influence than a weighted voting system with well-defined criteria for increasing a country’s vote share.

Influence also depends on the value that a member brings to the network, another determinant of bargaining leverage within TGNs. Do the BICs—or their government agencies that participate in TGNs—bring value that will increase their influence within the network? Since information is a major asset in many networks, but lack of transparency in decision-making, evident in the case of China, may diminish the value of a network member. Successful participation in expert networks may require a resource that is in short supply or needed for domestic ends. Agenda-setting may not engage the BICs, since the TGN’s agenda may be pre-empted by its more influential members, diminishing the attractions of membership. Finally, the need for repeated and enduring relationships within multiple TGNs across complex issue-areas may tax the capabilities of BIC governments, in which key ministries are often under-staffed. Networked governance through TGNs may be flourishing, but it is not clear that China, India, and Brazil as relatively new and often peripheral nodes in these networks, will expand their influence more rapidly in this domain than in traditional IGOs.

**Enfranchising non-state actors: transnational civil society and global governance**

Up to this point, alternative modes of global governance have paralleled the IGO model of governance on one key dimension: the actors in each alternative mode have been states. Although they disaggregate national governments, TGNs are composed of state agencies with more or less autonomy in their cross-border relations. The enfranchisement of non-state actors in global governance—formally and informally—represents a significant step away from the IGO model. The new modes of governance that result from that enfranchisement are developments that have driven much of the recent interest in new modes of global governance and often define the term “global governance” itself.

Networked governance is distinguished here from modes of governance that include non-state actors, although networks may prove to be more compatible with different categories of actors, public and private, given the informality of their membership rules. Outside the domain of traditional national security, where TGNs dominate, new forms of governance with non-state or mixed membership have grown rapidly in recent decades. Many labels have been applied to the growth of regulatory and governance arrangements that incorporate private corporations or NGOs. Abbott and Snidal label this form of governance, particularly prominent in cross-border regulation, as
“transnational new governance” or “regulatory standard-setting” (RSS). IGOs, the agents of states in traditional global governance, may also extend their limited governance capacities by alliances with non-state actors and other intermediaries. In certain cases of “orchestration” by IGOs—using intermediaries to target other actors in pursuit of their global governance goals—IGOs may challenge the gate-keeping role of states that are formally their principals, by “bypassing” or “managing” them.

Although these new modes of governance include an array of actor types, the growth of RSS—hybrid regulatory regimes that include multinational corporations, governments, and NGOs—is closely linked to two global dynamics: on the one hand, the expansion of corporate investment and production networks into emerging economies (as their governments have liberalized their economies) and on the other, expansion of NGOs that have pressed the industrialized countries to fill perceived regulatory gaps that emerge from weak intergovernmental regimes and divergent regulatory standards in the emerging economies. As Abbott and Snidal note, RSS and other hybrid forms of global governance were relatively rare before 1985; their rapid expansion over the past three decades tracks economic liberalization in the emerging economies and their growing attraction as sites for foreign investment and global supply chains. The three largest emerging economies—China, India, and Brazil—have benefited from these developments in the global economy. At the same time, new transnational actors often target their national regulatory regimes. One might predict, as a result, that their attitudes toward participation of these new actors in global governance and the alternative modes of governance that they have advanced would be ambivalent at best.

Rising powers, NGOs, and global governance

Although the category of non-state actors extends beyond NGOs, it is NGO participation in global governance that has presented the most profound dilemmas for China, India, and Brazil. Their preference for national governments as both the central actors in global governance and the gatekeepers of access to the global economy and global institutions often places them at odds with international NGOs claiming a role in advancing global norms and changing national policy regimes to match those norms. Since most, though hardly all, of the most prominent internationally active NGOs (INGOs) are based in the industrialized countries, the agendas of these non-state actors are even more suspect.

Despite these superficial similarities, Brazil, India, and China demonstrate substantial variation on a key dimension: relations between their national governments and their own NGO sectors. The differences among the BICs are not a simple translation of the

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42 Abbott and Snidal 2009b.
44 Abbott and Snidal note rapid expansion of transnational RSS after 1985; they do not make an explicit connection with the economic changes noted.
divide between democratic (Brazil, India) and authoritarian (China) regimes. Brazil’s NGO sector was a key element in its democratization during the 1980s; its large and vibrant third sector plays a highly visible and accepted role in national politics, even when challenging particular government policies and practices. International linkages, including funding, between Brazilian NGOs and their regional and global counterparts are prominent; Brazilian NGOs have played leadership roles in Latin American and global NGO networks, such as the World Social Forum. India also has a longstanding and large NGO sector; estimates of the number of Indian NGOs range from 100,000 registered with the government to a Home Ministry estimate of 1.2 million active NGOs. The relations of the Indian government with its NGOs, particularly those that challenge government policies and receive foreign funding, have been contentious, however. Most NGOs attempt to maintain a “pragmatic partnership with the state,” since the government controls access to both public and international funding, the latter through the Foreign Contributions (Regulation) Act (FCRA). Foreign funding has become more important to India’s NGO sector as the economy has opened in the past two decades. The latest antagonistic episode between government and some NGOs occurred in May 2013, when the Indian government selectively froze foreign funding of organizations that were engaged in activities viewed as harmful to the public interest.

Despite an authoritarian polity dominated by the Chinese Communist Party, China’s NGO sector has also grown rapidly since the institution of economic reforms in the 1980s. Once again, estimates vary widely (and according to the definition of NGO): 400,000 registered NGOs in China and as many as three million unregistered NGOs. The registered category includes a large number of government-organized NGOs (GONGO), which obscures the definition of “non-governmental.” Government monitoring and control of NGOs remains “pervasive and effective to a large extent,” and most Chinese NGOs “emerge and flourish only insofar as their activities complement government interests.” Nevertheless, the relationship between state and NGO varies according to sector and local context. Since many NGOs perform domestic governance functions that cannot be fulfilled by the state, relations are often symbiotic, marked by state attitudes of reliance and suspicion. State resources and tolerance, however, can serve to narrow the range of political options for NGOs.

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46 Ibid., 173.
47 Notable among these NGOs was the Indian Social Action Forum (INSAF), which had protested (and delayed) industrial projects and nuclear power plants. (Devraj 2013; Lakshmi 2013)
49 Wu and Chan 2012, pp. 9-10; Hildebrandt 2012, p. 853.
50 Gong’s (2012) description of the state’s attitude toward NGOs in the public health sector. (p. 3)
51 Chen 2012, pp. 11-12; Hildebrandt 2012, p. 845; Hildebrandt 2013.
Variation within the key triangle of national government, local NGOs, and INGOs has marked the stance of Brazil, India, and China toward participation by NGOs in global governance. Many of the early NGO campaigns that aimed to change global regulatory regimes met with resistance from the BICs. The World Trade Organization (WTO), for example, was targeted in a campaign to add labor standards to the trade regime. The campaign, initiated by labor unions based in the industrialized world, failed. The change to trade rules was opposed, not only by developing country governments, but also by NGOs from the developing world.52

A different pattern emerged at about the same time in the more successful challenge to the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) under the WTO. A coalition of NGOs, eventually including organizations from both the industrialized and developing worlds, supported the South African government and other governments (including Brazil) in the issuance of compulsory licenses for producing generic drugs to treat those with HIV/AIDS. In this case, an NGO network aligned with governments from the developing world and forced a revision in TRIPS rules.53 China and Chinese NGOs were absent from this campaign. This episode demonstrated that governments able to align with local NGOs and to link to influential INGOs could mobilize valuable new capabilities in the emerging landscape of global governance.

_Brazil, India, and China in a world of hybrid governance_

Domestic patterns of government-NGO relations have shaped the strategies of the rising powers toward new forms of global governance that include non-state actors. Brazil and China represent two distinct patterns of interaction with these new modes of governance; India’s NGO sector, less internationally connected and less accustomed to collaborate with the Indian government, produces a pattern that lies between the other two countries.

The Brazilian government has been able to rely on its vibrant non-governmental sector as an important resource in global governance. The value of civil society allies has been apparent in the domain of international trade. Although the legalization of the WTO has raised the bar for successful participation in dispute resolution and negotiations, two WTO cases—Canada’s challenge to Brazilian subsidization of Embraer and the United States case against Brazil’s patent law—mobilized trade associations and NGOs into trade politics on a large scale. As a result, Brazilian society made unusual investments in trade-related expertise; the Brazilian government was able to reach beyond its own bureaucracy to “broader public-private networks” that enhanced its capacity at the WTO. Even though these private actors could challenge government positions on

52 He and Murphy 2007, p. 715. The failure of this campaign at the WTO was one source of the move toward hybrid (NGO-corporate) regulatory regimes in areas such as labor standards.
commercial policy, the net result was a strengthening of Brazil’s international capabilities.⁵⁴ Brazil resembled the industrialized countries in its deployment of NGOs in its development assistance programs, in contrast to both China and India. Despite its large NGO sector, India has rarely engaged with its NGOs as development partners.⁵⁵ Even in issue-areas in which Chinese NGOs might contribute to development assistance, such as global health, they have played a minor role in China’s growing development assistance.⁵⁶

China presents a critical and “least-likely” case of adaptation to global governance alternatives that incorporate non-state actors. Its record demonstrates that, despite its strong preferences for state-to-state relations, pressure for adaptation to the new governance landscape has forced some change in its strategies. China has updated its older version of “people-to-people diplomacy,” interacted with INGOs in international forums, particularly UN agencies, and adopted “civil society repertoires” when needed.⁵⁷ In issue-areas where new models of global governance are prominent, such as climate change, the Chinese government seems more comfortable with INGO collaboration than with promotion of an international role for Chinese NGOs. The pattern outlined by Hale and Roger in transnational climate governance (TCG) is what one would expect for a government that wishes to extract the greatest benefit from such new forms of collaboration while relinquishing as little control as possible. Although China participates in many TCG projects, its “shallow and uneven” participation largely reflects “the priorities and needs of bureaucratic agencies within the central government” rather than “spontaneous, bottom-up emergence of pro-climate activity.”⁵⁸ A recent review of the Partnerships for Sustainable Development illustrates the same pattern: partnerships initiated by an array of IGOs and INGOs outside China (high demand for a China presence by those organizations) with no participation by Chinese NGOs and an agenda that matches the interests of the Chinese government.⁵⁹

Whether China’s (and India’s) model of limited engagement with these alternative modes of global governance will successfully promote their interests is questionable. Here, as in the earlier alternatives, the incumbent powers seem to have an advantage in advancing at least a part of their international agenda through the most influential INGOs and through alliances with those INGOs when required. Brazil’s international strategy resembles that of the industrialized countries, using INGOs when required to oppose objectionable policies promoted by the rich countries (as in the case of the 2001 WTO proceeding brought by the United States). Brazil’s own NGO sector and its dense

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⁵⁴ Shaffer, Sanchez, and Rosenberg 2008.
⁵⁵ Mawdsley 2012, p. 100.
⁵⁷ Chen 2012, pp. 54-55.
⁵⁸ Hale and Roger 2012, p. 72.
⁵⁹ Chan 2009, p. 132.
cross-border linkages to other NGOs may be somewhat unpredictable national resources, but they give Brazil an advantage that neither India nor China can claim. By seeking to maintain a so-called Westphalian model of control over its national participation in global governance as well as control over the international ties of their NGO sectors, China and, to a lesser degree, India may fall further and further behind in this rapidly expanding sector of global governance.\footnote{Gong (2012, pp. 13-16) notes these disadvantages in the domain of global health: Chinese NGOs are not equipped to participate in the new international forums and have few resources for international exchange. He also observes that northern INGOs with the greatest legal and political resources will benefit the most from an expansion of NGO participation in global governance.}

**Conclusion: emerging economies, convergence, and alternative modes of governance**

The rise of Brazil, China, and India (the BICs) and their claims for a larger role in global governance have paralleled the appearance or expansion of modes of global governance that deviate, to a greater or lesser degree, from the IGO model. The array of alternative modes has been organized according to the distance of each from the traditional IGO model. In determining the preferences of the BICs regarding modes of global governance, the data available is limited; their own expanded engagement with global institutions is relatively recent. Here a trimming of competing typologies has been attempted in order to clarify the content of the alternatives. Tentative conclusions regarding the preferences and strategies of the BICs have been based on a limited number of examples rather than more extensive data that is not readily available.

At least three conclusions can be advanced across the alternative modes that have been examined. First, with regard to the BICs and global governance alternatives, parallel emergence has not meant alignment or promotion. The BICs have seldom initiated novel alternatives in global governance. They have typically behaved as conservatives in their preferences over the format of global governance. The rising powers most often endorse a state-centric view that is far more comfortable with the IGO model and includes a role for governments as gatekeepers between their societies and global institutions. Only one of the alternatives considered has coincided closely with their preferences: the manufacture of soft law in ad hoc or informal groups, such as the G20. These forums offer few constraints on national policy, demand few scarce resources, allow for gradual compliance with consensus-based norms, and satisfy their need for an international reputation for leadership and engagement. As the example of the DAC demonstrates, however, this institutional formula will not always produce normative convergence or agreement on new soft law, if national policy trajectories diverge substantially.

Second, although alternative modes of governance are often portrayed as accommodating to new actors, such as the BICs, these modes have often been created...
by governments and other actors in the industrialized countries. The incumbent powers—the United States, the EU, and Japan—typically retain substantial first-mover advantages and a dominant presence in these alternative modes of global governance. The alternatives were often created to promote the interests of incumbent powers, or, behind their governments, the interests of their internationalized actors, particularly multinational corporations and INGOs. One key advantage of the incumbents is the cooperative spillover from one mode to another. Power within TGNs, for example, is often based on longstanding ties within formal international organizations. NATO membership produces a strong disposition to collaborate in the networks of the Proliferation Security Initiative or the Missile Technology Control Regime. In the case of informal rules within IGOs, the structural power of the emerging powers still lags far behind the United States and the EU. The externalities that would be imposed by BIC disengagement or exit from these organizations are growing rapidly, but their outside options remain less attractive, particularly their regional options.

If the largest emerging economies continue to catch up economically with the incumbent powers, the distribution of influence within both traditional (IGO) and alternative modes of global governance is likely to flatten further. Such change will accelerate or decelerate, however, depending on a third variable: domestic resources that enhance influence within these alternative modes. Many of the alternatives were created in the image of the incumbent powers. In their operation, they favor the resources that the incumbents can bring to these forums, based on domestic politics and political economy. Highly elaborated and well-staffed national bureaucracies offer an immediate advantage as alternatives proliferate, particularly in TGNs. The sheer demand placed on the international sectors of national government, INGOs, and multinational corporations continues to challenge the resources of the BICs. Variation among Brazil, China, and India with regard to their civil society organizations and their ability to manage global governance issues that involve both INGOs and their own NGOs is an important distinction with consequences for effectiveness across issue-areas of growing importance. Brazil has found it easier to mobilize the domestic resources needed to engage with modes of governance that incorporate non-state actors. Deeper domestic differences also promote or impede growing influence on the part of the rising powers. Transparency in decision-making is demonstrably important for building collaboration in TGNs, as witnessed in the networks of central banks. Since networked governance does not provide a delegated mechanism for dispute resolution, transparency enhances the credibility of commitments made by network members. The value placed on transparency is a particular obstacle for China and its successful operation within TGNs. Its politically motivated choice to control rather than mobilize civil society organizations also hampers its effectiveness in hybrid modes of governance that incorporate NGOs.

The emerging economies, a much larger group than Brazil, China, and India, will demand a growing presence and increased influence within global governance institutions. Much of their attention—and the attention of researchers—has been focused on the
formal rules governing peak global IGOs. Those institutions, however, represent only one segment of the panoply of global governance arrangements. Participation by the BICs in alternative modes of global governance has provided substantial benefits to the emerging economies and enhanced the legitimacy and effectiveness of these new modes of governance. Insuring that those alternatives reflect the realities of global politics and incorporate these newly influential actors will depend on both the response of a growing universe of actors in global governance and the choices made by the rising powers themselves.
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