

ANALYTICAL ESSAY

Global Governance: Three Futures

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Since the end of Cold War, three sets of actors have produced change in global governance, change that could be threatening and transformative for existing global governance institutions and the future of international cooperation. Three alternative futures have emerged: fragmentation, stagnation, and transformation. Emerging powers—and some established powers—have promoted new regional institutions that offer useful competition but also the threat of fragmentation. Divergence of preferences between emerging and incumbent powers have also produced stagnation, but the greatest threat of stagnation has come with the rise of populist and nationalist movements that have now found a voice in two powerful countries, the U.S. and the U.K. Finally, non-state and subnational actors have produced new modes of governance, in which national governments and intergovernmental organizations play a reduced, though often strategic role. United States withdrawal from or disruption of global governance would alter the likelihood that these futures will emerge.

Keywords: Global governance, intergovernmental organizations (IGOs), nongovernmental organizations (NGOs), multinational corporations (MNCs), United States

Introduction

Throughout the post–Cold War decades, two powerful constituencies supported the demand for global governance: multinational corporations, which benefited from an open international economy and the trade and investment agreements that supported it, and nongovernmental organizations (NGOs), operating across national boundaries to set global agendas and implement programs in human rights, climate, global health, and other sectors. These two growing constituencies, although they often disagreed over the content of global governance, shared a belief in the need for global governance. For internationally active corporations, rules that guaranteed the security of their activities and their property were essential to the stable business environment that they desired. For NGOs, the success of their international agendas was tightly linked to intergovernmental organizations (IGOs) and agreements that could influence the behavior of national governments and other actors. If corporations wanted rules to confirm the expansion of international capitalism, NGOs typically sought to regulate globalization and mitigate its effects.

The support that these constituencies offered to global governance institutions were generally reflected in the national policies of the industrialized countries.

They faced opponents—anti-globalization activists on the left and free market proponents on the right—who challenged the global economic multilaterals and their support for a managed globalization. Throughout these decades, however, another set of voices were largely suppressed by a broad elite consensus in the industrialized world. Those voices were skeptical of the benefits of economic globalization, hostile to any encroachment on national autonomy by international rules, and supportive of less entanglement with the outside world. This isolationist and nationalist strand found expression in parties and movements that championed restrictions on immigration, trade protection, and withdrawal from international agreements and commitments. Labeled as fringe elements in the political landscape of Europe and North America, the growth of social media and the 2007–08 financial crisis and recession granted them a larger audience. No longer fringe, they remained outside government in the major industrialized democracies. Their fortunes changed dramatically with the 2016 British referendum on exiting the European Union (EU) and the election of Donald Trump as President of the United States (US) in the same year.

The electoral outcomes in the United Kingdom (UK) and US should not be overstated as a signal of an irresistible political wave of populist and nationalist backlash against globalization and existing governance institutions. The 2015 election of Justin Trudeau's Liberals in Canada, the 2016 defeat of a far-right candidate for president in Austria, the 2017 victory of Emmanuel Macron in the French presidential election, and the subsequent loss of the Conservative parliamentary majority in the UK have revealed the distinct limits to this wave. Nevertheless, the embrace of "hard" Brexit by the UK Conservative government and the Trump administration's withdrawal from the Trans-Pacific Partnership (TPP) and the Paris Climate Agreement portend a different stance toward global collaboration by two governments that have been drivers and supporters of post-1945 global governance.

Global Governance: Three Trends—and Alternative Futures

Even before Brexit and Trump, the effectiveness of global governance was contested by its supporters. For example, the Doha Round of trade negotiations at the World Trade Organization (WTO) was declared moribund in December 2015, in large measure because of a stalemate between the US and other industrialized countries on the one hand and the emerging economies on the other. The failure of Doha appeared to symbolize the gridlock characteristic of conventional global governance (Hale, Held, and Young 2013). Conversely, in the same month, the Paris Climate Summit (COP 21) reached agreement on a pledge and review system of national contributions that broke a similar stalemate in national commitments to limit climate change. The adoption of the Kigali Amendment to the Montreal Protocol in October 2016 marked another step forward in limiting greenhouse gases.

These contrasting outcomes underscore that global governance and its effectiveness are not uniform: variation by issue area is marked. The trade and climate issue areas also symbolize three recent trends in global governance that could predict alternative futures for international order: *fragmentation*, *stagnation*, and *transformation*. Each of these alternatives is related to influential new actors that had appeared in the new century.

Risks of Fragmentation: The New Regionalism

The largest emerging economies—China, India, and Brazil—had played an important role in both the breakdown of the Doha Round and the success of the Paris Climate Summit. Their demands for reform of existing global governance institutions, particularly gaining more influence at the IMF and World Bank, had met with some success until domestic stalemate in the US delayed a promised reallocation of

quota shares at the IMF for five years. The slow pace of reform encouraged the emerging economies, especially China, to consider regional arrangements in which they would play a leading or dominant role.

The threat that regional institutions would become stumbling blocks rather than building blocks for global multilateralism had been recognized since the 1990s. However, twenty-first-century regionalism differed from earlier initiatives, such as the North American Free Trade Agreement (NAFTA) or the Common Market of the South (Mercosur), in ways that could create both more risks for existing institutions of global governance and opportunities for new forms of collaboration. Many new regional institutions have been created or led by emerging economies such as Brazil (Union of South American Nations) and China (Asian Infrastructure Investment Bank, AIIB) or the BRICS group (New Development Bank, Contingent Reserve Arrangement). These institutions were often founded because of discontent with global institutions that were viewed as dominated by the industrialized North. Even regional arrangements negotiated by the US, Japan, and Europe were often more ambitious in scale and scope than earlier agreements. The membership of megaregional trade agreements (TPP; Transatlantic Trade and Investment Partnership [T-TIP]; and Asia's Regional Comprehensive Economic Partnership [RCEP]) constituted large shares of world trade and product. Regional financial arrangements (RFAs) and new regional development banks appeared less threatening to the global status quo in the short term but could also eventually pose a competitive threat.¹

Regional institutions need not mean disruptive fragmentation; strategies for insuring compatibility with the core principles of global institutions and managing competition in constructive directions can be devised. Their success will require a tempering of regional ambitions, particularly on the part of emerging powers, a new level of innovative response from the global IGOs, and a commitment to reform from the industrialized countries.

Stagnation: Domestic Political Change and International Stalemate

The emerging economies could exercise their option for exit into a more regionalized world order. As the Doha Round has demonstrated, they could also exercise voice in the face of resistance on the part of incumbent powers, creating conditions for continuing gridlock in an unreformed system. A more troubling source of stagnation in global governance, however, lies in the rise of populist and nationalist movements and their recent success in changing the foreign policy trajectories of the UK and the US. The turn away from international support for existing institutions may lead to increased gridlock, but such domestic political pressure is more likely to produce stagnation in global governance as two powerful motors in global governance take a more skeptical and possibly disruptive stance toward existing institutions and new governance initiatives. More significantly, the political forces that have produced these changes are active in most of the industrialized countries, directing political attention to the winners and losers from globalization and inducing caution in awarding more authority to institutions beyond the nation-state. Here, once again, the extent and power of continued pressure from these forces will vary from country to country. The emergence of Eurosceptic and nationalist movements, however, has definitely challenged the supportive environment enjoyed by most of the major global institutions. In both budgetary and ideological terms, conventional intergovernmental institutions may face an uncertain or hostile environment.

¹ For a summary description of the new regionalism and its risks for global governance institutions, see [Kahler et al. \(2016\)](#).

Prospects for Transformation: The Rise of Complex Governance

A third development in global governance offers a more optimistic prospect. Just as the turn of the current century marked a shift toward the new regionalism and new movements calling into question the benefits of global governance, the first decade of the century was also marked by a significant increase in innovative forms of governance that included nonstate actors as well as subnational governments. These new formats have been given different labels: transnational governance, private transnational regulatory organizations, private authority, and informal international lawmaking.² Although NGOs and MNCs have long been involved in global governance, their path to influencing conventional forms of governance, centered on IGOs and intergovernmental agreements, was typically through their home national governments. Beginning in the mid-1980s and accelerating in the 1990s and 2000s, these actors increasingly claimed more direct routes to global governance through direct relations with IGOs and in multi-actor forms of governance in which national governments were no longer the sole or dominant actors. These new modes of governance typically populate issue areas in which formal governance has not produced a dominant institution or those that have recently arrived on the international agenda, such as global health, governance of the internet, climate, and peacebuilding. In contrast to intergovernmental mechanisms, these new formats lean toward informal rules and less institutionalized processes, imitating the growth of informal IGOs, which have paralleled their emergence (Vabulas and Snidal 2013).

Complex governance, like the regional alternatives of emerging powers, can be both a complement to existing IGOs in global governance and a competitor that threatens disruption of those more conventional, longstanding modes of governance. In the domain of global health, new actors, such as the Gates Foundation and a myriad of NGOs, can mobilize resources that surpass those of established institutions, such as the World Health Organization (WHO). In other cases, IGOs and national governments engage in the orchestration of the new actors, coopting them for shared purposes and influencing their behavior (Abbott et al. 2015). The pattern of complexity is often difficult to disentangle, as avenues of influence run in multiple directions and the number of actors proliferate. For those who view these new modes of governance as innovative and nimble, filling gaps that intergovernmental negotiation and organization have failed to address, they offer a transformative prospect for global governance—one that would allocate a reduced, though still strategic, role to governments and IGOs.

The Three Futures of Global Governance after Brexit and Trump

Several of the trends that point toward these alternative futures are likely to persist regardless of future political developments in Europe and the US. Nevertheless, a world in which the US and possibly other powerful national governments will no longer lead—not to mention potentially play a disruptive, spoiler role—could alter the likelihood that one or another of these trends will dominate the future. Even if the Trump presidency is short-lived or the outlines of Brexit soften, the political voices that exerted their influence during those campaigns are unlikely to disappear. Political polarization may not revolve around issues of global governance, but such polarization in the US and elsewhere will likely undermine support by national governments for further innovation in intergovernmental organizations.

² See for example: Roger, Hale, and Andonova (2016); Abbott, Green, and Keohane (2016); Green (2013); Pauwelyn, Wessel, and Wouters (2012).

Regional Risks and a Future of Fragmentation

A diminished role for the US could have mixed effects on the risks of fragmentation posed by the new regionalism. US withdrawal from the TPP and the already unlikely prospect of completing the TTIP negotiations will mean that one major threat of fragmentation—from the megaregional trade agreements—will diminish. On the other hand, regional initiatives that do not rely on the US are likely to persist and deepen. Europe faces a choice between an unstable status quo and devolving more authority to European institutions, at least in certain domains. Although China's Belt and Road initiative does not have a parallel regional organization, it aims to foster Eurasian economic integration through infrastructure connectivity; its financing will reinforce the growing importance of the AIIB. Given US withdrawal from the TPP, China will attempt to complete the negotiation of RCEP and may advance a Free Trade Area of the Asia-Pacific.

Whether these alternative regional leaders will combine greater support of global institutions with their regional institution-building is uncertain. More troubling is the prospect of defensive regionalism in the event of a crisis that is not managed effectively by global institutions because of erratic and threatening US policies. A more significant series of US missteps, coupled with US disengagement with global institutions, could produce an even greater and more damaging regional backlash.

Future Stagnation: Alternatives to Gridlock and US Withdrawal

For those who see unmet and urgent demand for global governance in such issue areas as global health or climate, a more likely future than fragmentation is stagnation resulting from either gridlock between the US and other major powers or the withdrawal of the US from its leadership role. A preview of gridlock-induced stagnation was given by the Trump administration's proposed policy measures in trade. Instead of relying on the WTO dispute mechanism, which has served US commercial interests well in the past, the US has called on trade remedies that have rarely been deployed in the post-WTO era.³ The response of trading partners to the mobilization of those remedies is likely to be action at the WTO. The Trump administration could ignore negative WTO rulings or withdraw from the trade organization, leading to an erosion of global trade rules and a weakening of the WTO.

In the face of changes in US foreign policy, one barrier to fragmentation and/or stagnation in global governance would be an assumption of greater global leadership, either individually or collectively, by other major powers. Although president Xi Jinping has declared that China will not shirk its responsibilities in mitigating climate change or supporting an open trading order, China may not be able to deliver on its promises without the collaboration of other powers. The G19+1 outcome on climate at the Hamburg G20 summit—isolating the Trump administration and its position on climate change—is the most recent and striking indicator—following the Mine Ban Treaty and the International Criminal Court—that collective leadership in the absence of the US is possible. The EU has negotiated free trade agreements with Canada and Japan, signaling that the era of trade liberalization is not over and that a more protectionist US will not deter others from acting.

However, emerging powers, such as China, India, and Brazil, face daunting obstacles to global leadership roles. They cannot count on a regional base comparable to the EU in making their bid for global leadership. Each confronts one or more regional powers that contest their assertion of leadership, and their regional partners have seldom demonstrated a willingness to defer to their claims. Equally important, each of the emerging powers faces a long and costly domestic agenda despite their

³ Notably, Section 232 of the Trade Expansion Act of 1962, which uses national security as a justification for imposing protectionist measures, and Section 301 of the Trade Act of 1974, which authorizes unilateral action against “unjustified, unreasonable, or discriminatory” trade measures.

economic rise: environmental degradation, growing economic inequality, and political uncertainty. The ability of these middle-income countries to devote attention and resources to global initiatives is sharply limited by domestic demands that are only likely to grow more insistent. Finally, leadership in global governance by the emerging powers will be constrained by their definition of national interests: they are conservative globalizers, relatively content with the existing order but reluctant to cede more national autonomy for the construction of new global institutions. If industrialized countries are unwilling to lead and emerging economies are unable, global governance may stagnate in a G-Zero world (Bremmer and Roubini 2011).

Transformation: How Resilient is Complex Governance?

The third alternative future—continuing transformation of global governance—is also uncertain in a post-Trump, post-Brexit world. Complex governance relies more on national governments and their resources in certain issue areas than in others (Avant et al., 2017). The power of national governments to enforce human rights obligations cannot easily be replaced. The universe of actors in peacebuilding—governmental, NGO, and IGO—relies on the financial resources of governments. In other domains, particularly those in which NGOs, corporations, and subnational governments have played a central role, the transformation of global governance appears to be underway. The Paris Agreement welcomed a prominent role for non-governmental and subnational actors in mitigating climate change, confirming a well-established transnational model of global governance in climate. Whatever the actions of the US government, the climate regime gains resilience from both a broad consensus in favor of mitigation (outside the Trump administration) and an inclusive “all hands on deck” approach to governance (Hale 2016). A multistakeholder model is also implanted in the governance of the internet; despite the objections of some governments, it seems to enjoy wide support based on its efficiency and legitimacy. A central question remains whether these innovative arrangements are resilient enough to survive or whether they too may be subject to stagnation or retreat in the absence of support from one or more of the most powerful national governments.

Constituencies and the Future of Global Governance

For more robust predictions regarding the likelihood of these alternative futures, one must return to the constituencies that support and seek to reform or extend global governance: NGOs, MNCs, and emerging economies. International NGOs that operate across national borders have been principal agents in setting the agenda of global governance and creating new forms of complex governance. Even NGOs that are not fully internationalized are often networked to their peers in other countries and can exert substantial political influence. Their liabilities are also considerable: questionable legitimacy because of their concentration in the industrialized world; doubtful autonomy because of their reliance on government funding; and an increasing wariness of their international linkages on the part of national governments from Russia to China to Israel. Given the vibrant domestic NGO sectors in such emerging economies as Brazil, China, and India, the international aspirations and strategies of this sector will play a critical role in the resilience or retreat of complex governance.

MNCs have been most active in setting the international economic agenda. They have typically favored the guarantees afforded by intergovernmental agreements (whether preferential trade agreements or bilateral investment treaties), agreements that often award them a controversial additional layer of security in the form of dispute settlement mechanisms. Their involvement in complex governance has been prompted by reputational concerns and by concern for their bottom line (in

the case of climate change). In a world of government retreat, MNCs are less likely to turn to formats of complex governance, although private governance (e.g., arbitration) is easily accommodated. More likely, they will adapt, as international corporations have always adapted, pursuing strategies of influence domestically and, if that fails, accommodating to a new, less open world economy if it emerges.

Finally, the emerging economies have sent mixed signals regarding their willingness to lend additional support to global governance in the absence of active US participation. Their initial response to the US withdrawal from the Paris Agreement was encouraging: they joined other members of the G20 in agreeing to carry out their commitments. In other issue areas, such as human rights, authoritarian powers, such as China, will have freer rein to resist international obligations and pressure. The temptation to resist new obligations and to free ride on old ones may dominate if a narrow definition of national interests—one that can be defended before domestic audiences—drives their orientation toward global governance.

Shaping Alternative Futures: Building Political Support for Global Governance

The shock of the Brexit and Trump victories lay in their demonstration that a substantial portion of the electorate views globalization as a source of economic inequality and declining fortunes. Globalization—and global governance—were seen by many voters as an elite project that had produced few benefits and much pain. Many of those voters—whether supporters of Trump, the UK Independence Party (UKIP), or other emerging populist groups such as the National Front in France—will be difficult to win over to a redesigned case for international collaboration.

Nevertheless, recent political shocks may serve to force supporters of internationalism to make more convincing arguments in favor of global governance. Such an internationalist coalition could bring together warring MNCs and NGOs in the face of a future international disorder based on nationalism and unilateralism, dominated by unconstrained great powers. Forging such a coalition, already visible in climate change, will be a long-term enterprise. Despite recent events, there are bases for optimism. The global order rests on multiple supports, even in the face of a skeptical or disruptive US government. And one of those supports is growing: nearly all public opinion surveys suggest that citizens of the future—the young—lean strongly in favor of global openness and collaboration.⁴

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⁴ In the US, the young are much more likely to say that free trade benefits them and that free trade agreements have benefited the US (Pew Research 2017a). In the UK, the young were less likely to believe that Brexit would be a good thing for the UK (Pew Research 2017b). In China, a recent survey concluded that young Chinese were less nationalist than older citizens (Johnston 2016/17).

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