

Article

The Long Goodbye: U.S. ILO and Rising Powers

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Abstract

This work applies Giovanni Arrighi's hegemonic cycles and makes the possible links with Rising Powers and, ultimately, concluding about the effects on the present International Liberal Order (ILO). The basic hypothesis is that the world is experiencing a period of systemic chaos (according to Arrighi's theoretical framework) but with many anomalies compared to previous analog events. Despite neoliberal globalization having a direct positive effect on Rising Powers political prominence in the last decades, it also reinforced economic inequalities and divides between the developed countries of the Centre under the U.S. hegemony and the Rising Powers as developing countries of the Periphery in the ILO.

Keywords

Giovanni Arrighi, Rising Powers, Hegemonic Cycles, Systemic Chaos, International Liberal Order

Introduction

Rising Powers has become a widespread concept in International Relations, especially after 2001 Al-Qaeda's attack against Washington and New York, the steady strengthening of China and India, and United States (U.S.) President Donald Trump's (2016-) bias towards distancing themselves from the role of basic public goods provider in the world, as it is expected from the hegemonic power.

Although usually the analytical concept of Rising Powers differentiates these countries from other developing ones and is attached primarily to the growing importance of a country in political terms (security issues included), and conse-

quently to the changes in terms of distribution of the global inter-state power, there's the need also to focus in its economic prowess, a necessary condition to harness its political rise among the powers in the world.

The consolidation of the concept of Rising Powers came after the blossoming of another one, emerging markets. After the Cold War, in a period which could be termed The Interregnum (basically the 1990's) - some point to Kosovo War, but the majority of analysts stresses the aforementioned Al-Qaeda's attack -, there was a general feeling that there was only one superpower, and in a position where it would not be overwhelmed in the future at sight. Throughout that decade, which progressed concerning economic globalization, the buzzword in International Relations was "regional integration", with the formation of big economic blocs, each one trying to gather more power and prestige. In addition to the rapid growth of international trade and transnational corporations investments derived from globally transnationalized economic flows, the deregulation of the financial capital markets and easier transnational movement of currencies added risks to operations in a more volatile global system (Helleiner 2008). The liberal global order sought to remove barriers across-border and propagate an ideology of individuals that sustains the global discourse of human rights (Ikenberry 2011). The process of neoliberal globalization represented a qualitative shift organization of the world economy (Stephen 2014). Therefore, competition would be fought also through economic power.

At the end of the Interregnum, the illusion of economic power obscuring political power vanished, i.e. the diffusion of power did not go away from nation-states to markets, as some analysts previewed. At the same time, regional integration had to face several hurdles, as many crises struck some of the regions during the decade (the Mexican, Asian, Russia, Brazilian and Argentinian Financial Crises). In the beginning of the 2000's, even though the U.S. was still recognized as the biggest superpower, it was already experiencing a clear relative decline, since a variety of non-Western developing states - China the first among of them - were gaining ground and seeking to influence global rules and institutions (Ikenberry & Tang 2018).

Against this background, a new concept started to establish itself as a cornerstone: emerging economies/markets. The biggest kickoff came from the 2001 Goldman Sachs economist's Jim O'Neill article about the BRIC, acronym that refers to Brazil, Russia, India and China, suggesting a transformed economic governance forum but explicitly pointing that some peripheral and semiperipheral countries would outpace the developed ones in terms of economic growth. BRIC's economic performance during the Great Recession (2008-2009), less damaged by the crisis than the developed economies, reinforced its demands for greater international prominence; as other emerging economies, they wanted more influence

and prestige.

In fact, on the one hand, after the 2008-2009 global economic crisis, states as economic agents sought to be resilient in controlling economic flows and policing borders, and developed state-based policies, in some measure protectionist ones, to manage its economic problems. On the other hand, the crisis also reinforced the advantages of large, continentally size or regionally dominant states – such as China, India and Brazil – that were able to depend on large and domestic markets and to engage in effective economic competition (Hurrell 2013). They contested the neoliberal global order and challenge the big normative picture grounded by the U.S., pursuing a novel redistribution of power among states (Mathews 1997) and a compliant approach to global governance.

BRICs countries surfed on that wave. Their first summit happened in 2009 and in 2011 another member (South Africa) was added, which would not exactly fit into O'Neill's framework, but the *rationale* now was another one. This turned the group into also a political entity, besides the economic issue.

Therefore, the link between economic and political aspects of the Rising Powers concept seems rather clear, notwithstanding the scarce role given to its economic side in most of the analysis since. International Political Economy (which emphasizes how States and markets are intertwined, besides global power and wealth distribution) is a useful perspective/tool to analyze the concept of Rising Powers, considering that the world-system is no longer only centered on Western power and wealth as it used to be and where financial expansions cause capital overaccumulation and competition between states (Arrighi 1999).

This work applies Giovanni Arrighi's hegemonic cycles and try to make the possible links with Rising Powers and, ultimately, concluding about the effects on the present International Liberal Order (ILO). It should be considered an important heterodox analytical contribution to International Political Economy and a useful tool to analyse, since it's rooted in economic features, but also encompasses political and military aspects, to analyze:

- a. Which are the role and place of the Rising Powers in the global order?
- b. How is the current global crisis of capitalism and what are its reorganization movements in response to the recent economic turbulences?
- c. What are the challenges posed to the ILO under the U.S. hegemony?

According to Arrighi's theoretical framework, the basic hypothesis is that the world is experiencing a period of systemic chaos with many anomalies compared to previous analog events. It is caused by the contradictions of the capitalist sys-

tem which have reached a point where none of the mechanisms aimed to restoring its normal functioning can work at all breaking with the order. Then, changes in the global balance of power happen and even break away from what the hegemonic cycles approach would affirm, that is, a new and distinguishable hegemonic power over global capitalism.

However, in the case of the terminal crisis of the current hegemonic cycle, which certain conditions pertaining the present hegemon (U.S.), especially its military prowess, could have a significant impact on the transition between this and the next one, characterizing the “long goodbye”. Different from Arrighi’s perspective, which considers that the hegemonic cycle has already gone through its terminal phase, in the beginning of the 21st Century, American decline is not as sharp as many theorize and U.S. hegemony could be longer than in previous transitions. In this systemic chaos, Rising Powers behavior is shaped by structural features of global capitalism that determine the ways of cooperation or rivalries prevalent in the system (Stephen 2014, p. 913), since Arrighi defines the hierarchical categories of systemic polarity by the amount of capital in intensive activities of economy. In other words, the Rising Powers challenge the ILO and what they mean to it should be understood also taking into consideration the broader changes in the material structures (capital accumulation, place in the division of labor, inequalities) of global capitalism from a historical perspective.

Also, even though neoliberal globalization and 2008-2009 economic crisis have a direct positive effect on Rising Powers political prominence in the last decades, it also reinforced economic inequalities and divides between the developed countries of the Centre under the U.S. hegemony in the ILO and the Rising Powers as developing countries of the Periphery.

Whereas most analysis regarding Rising Powers and/or the fall of standing powers address political and military issues are an effort towards taking shortcuts towards diminishing their disadvantage, Arrighi’s approach is clearly systemic, that is, the structure of the capitalist cycles almost determines the results of Rising Powers challenging the hegemonic power. Most analysis about Rising Powers tend to highlight the power factors regarding each agent, and not the structure itself, with the power gap among the main powers probably shrinking and favoring a possible direct challenge.

This work is divided in four parts: an initial part dealing with Arrighi’s theoretical perspective and concepts, especially Hegemonic Cycles, and applying them to the present ILO, based on his works – “The Long Twentieth Century”; “Chaos and Governance in the Modern World System”; “Adam Smith in Beijing” –, as well as an analysis of how he conceptualizes transitions. Then, in the second part, the several issues which characterize this period and why they could extend the

systemic chaos are dealt with. The third part discusses the long system chaos and of the American Hegemony Cycle and what would be the role of the challenging Rising Powers and what would they mean to the ILO changes, while the conclusion ties up all the previous findings and sums up possible outcomes.

The Theoretical Approach: Arrighi's Perspective and the ILO

In the *Long Twentieth Century*, Arrighi (2010) advocates that from the beginning of the world system formation, during the transition from the Middle Ages to the Modern Age, there was a singular fusion between the power of the state and the power of capital, which resulted in the formation of the capitalist interstate system. The author points out that it was in Europe that these two elements found the most favorable conditions to develop. In all four capitalist cycles – the Genovese/Spanish, Dutch, British and American –, volume of international trade multiplied, and the international division of labor was broadened.

In this sense, Arrighi discusses the definition of world hegemony, identifying one in each cycle of capital accumulation. According to him, hegemony represents the capacity of a state to exercise leadership and government functions over a system of sovereign nations, and implies some kind of transformative action, fundamentally altering its functioning, considering that their means, power, as well as domination, is extended to the exercise of “intellectual and moral leadership”. In the first phase of the cycle, hegemony also presupposes cooperation between the units of the system, which work as an engine of expansion.

Over time, there is a reduction of unit costs of production and sale of goods in the face of the increasing in price competition. When there's a downward trend in the production/business profit rate, economic expansions are bound to end in financial expansions. In this sense, financial expansion would be the second and last phase of a cycle of capital accumulation, which occurs through the dominant, once it heralds the “fall” of a hegemonic cycle by pointing to the rise of a new hegemony. In any and every financial expansion, world capitalism would be reorganized even more fundamentally under a new leadership.

Arrighi is emphatic in stating that financial capital is not a special stage of global capitalism, but it is a symptom of the maturity of its development. The American cycle, which is the last of four long cycles and termed the “Long Twentieth Century”, is the result of a process of extensive periods of change with continuity and reorganization of the world capitalist economy, that occur in times of hegemonic transition and which led to a more advanced stage than the others of expanding the spatial borders of it. Arrighi (1999) reinforces such characteristic of the capitalist system: the “endless” quest for capital accumulation takes the space frontiers of the trading system ever farther, as the agents of expansion create more profit-

able conditions to discover opportunities.

From the Arrighian theoretical perspective, whenever the process of accumulation reaches its limits, on the eve of the hegemonic transition, the declining hegemonic state is confronted with the task of containing the competitive forces. Other states seek to control more abundant sources of capital surpluses and tend to acquire organizational capacity to promote and structure a new phase of capitalist expansion, of scope and larger scale than the previous one.

To this end, they pursue to strengthen their military industry, since the capitalist state must be able to afford its protection costs, both in absolute and relative terms (in comparison to its rivals). Hence, the results of the industrialization of war and the socialization of conflicts were gradually larger and more expensive. On the other hand, the need to finance this war machine implies that governments seek to borrow through financial instruments. When the new cycle announces another one, which is endowed with greater potential of growth than the previous one, the phase of financial expansion would also be more volatile.

For example, in the first phase of the U.S. hegemonic cycle¹, after the end of World War II, ILO was really designed and directed by the hegemonic power, even if threatened by a political/military foe with world influence, the USSR. This led to an increase in purchasing power and significant changes in the organization of production and exchange process, carried out by big corporations, which innovated in both productive and organizational terms from the combination of Fordism and Keynesianism.

In the production and consumption sphere, in addition to the size of its internal market, flows of direct investment, trade and finance, all coming from globally transnationalized and increasingly deterritorialized capital, have significantly expanded the comparative potential of their participation in the international economy in the “Long Twentieth Century”. Nevertheless, it should be stressed that during the Cold War (1947-1989/91) the Soviet Bloc (with or without Chinese presence) wasn't really able to pose an alternative to the ILO. In fact, even countries which called themselves non-aligned to the U.S. or to the USSR, in terms of foreign policy, slowly admitted the advantages brought by the ILO and came to be part of an increasing globalized economy.

In a nutshell, the basic features of the U.S. hegemony bases in ILO, according to Arrighi's systemic perspective are the following:

- A multinational approach (as in the Dutch hegemonic cycle);

¹ Arrighi points the end of World War II as marking the real kickoff of the U.S. cycle in full strength.

- A military power which was unrivaled in terms of power projection, due to its Navy and *de facto* control of the seas and to the institutionalization of new means of violence, with the launching of the atomic bomb;
- The U.S. dollar as cornerstone of the international financial system and the veto power in the World Bank and International Monetary Fund (IMF), the basic Bretton Woods instruments in that system's governance;
- The General Agreement on Trade and Tariffs (GATT) as a rather effective framework to lower trade tariffs among the developed countries, through the several rounds of negotiations; at the same time, several strategic loopholes allowed some of the developing countries to benefit from a more open trade system;
- The emphasis in research and development (R&D), especially in the dual-use technology, usually developing military applications but later spinning them off in civil industries development; this reinforced the so-called industrial-military complex, which should really be labeled industrial-military-academic complex, intertwining the various interests and results.
- The United Nations (UN) as a controlled "Resonance Chamber" to any surging revisionism towards the ILO as a whole. The veto power in the Security Council (even while shared with other four members, of which the U.S. had at least two allies since its inception, with even three, while Taiwan represented China) effectively blocked any meaningful erosion in the overall political branches which supported the ILO.

In its first phase U.S. hegemony was deeply entrenched, directly (by force of alliance or acceptance) or indirectly (by use of ILO's governance structure). The U.S. was the provider of public goods, in the world-system, as it would be expected from the hegemonic power. Arrighi demonstrates how the new hegemonic power enjoys the monopoly of global liquidity, strengthened its industry, stimulated technological innovations, and increased its productive capacity, commercial and liquidity balances at unprecedented levels within the framework of the ILO.

The Systemic Chaos

According to Arrighi analysis, the world would be now in what he defines as systemic chaos, a fuzzy phase where the previous hegemonic power has lost much of its grip on the ILO, that is, its influence is increasingly rooted in dominance, not hegemony. That is, there is a systemic disorder once intensified competitive pressures (with militarized interstate competition providing great opportunities for financial expansion) lead both capitalist and territorialist organizations to beyond the regulatory capacity of the existing hegemonic power.

This is why it is possible that new structures emerge, further destabilizing the dominant configuration of power. As systemic chaos increases, the demand for “order” or for governance also widens and tends to become stronger. Thus, any state or group of states that is in a position to restore this systemic order conditions has the opportunity to become a new world-hegemonic state. In order to analyze the present situation and probable outcomes, it’s useful to recall some of the characteristics which molded U.S. hegemony and in what extent they have changed.

As most of the world recovered from the World War II destruction, and especially the developed countries, experienced the so-called “Golden Thirty Years” – a combination of economic and productivity growth, improvement in domestic income and distribution and relative steady internal political climate – U.S. advantage over the developed allies began to decrease. It came first as to production (countries with a lower overall production cost, due to some factors, single or combined, as lower wages, favored foreign exchange ratios and favored access to U.S. market). Although politically effective (in the sense of strengthening its allies and minimizing the danger of Soviet influence), the loss of the productive edge accelerated the stalemate regarding the fixed-exchange rate, dollar convertible in gold standard and overall financial governance. Domestic problems in the U.S., such as inflation basically due to Vietnam War costs and Lyndon Johnson’s Great Society projects, and foreign apprehension about the sustainability of the financial system previously devised in Bretton Woods in fact propelled to a situation of a “non-system”, first by the U.S. denial in keeping the pledge about gold/dollar convertibility (1971), abandoning the fixed-rate exchange system (first semester of 1973) and where there were no generally recognized rules to guide the flexible rates or any other decisions on international monetary affairs. The arrival of the non-system brought along the First Oil Crisis (second semester of 1973), which in fact buried the Golden Thirty Years. Most developed countries came to suffer from slow growth, higher inflation, and lower levels of productivity gains, while many developing countries also experienced the same effects, in many cases amplified.

The year of 1973 marks the second phase in U.S. hegemony, complying with Arrighi’s theoretical approach, that is, a phase in which the hegemon loses its predominance in the production and trading activities and tries to assert its power through finance. It is important to highlight that, according to Arrighi, at the same time the hegemon experiences this new role, other powers start to amass vast economics reserves, due to its competitiveness in terms of production and trading. Slowly, also the hegemon’s predominance in finance would be undercut, bringing along the rise of a new hegemonic power, perhaps after a period of what Arrighi calls “systemic chaos”.

Thus, faster than in all previous phases of material expansion of the world capitalist economy, the exponential growth of investment in production and trade under U.S. hegemony intensified competitive pressures on the major trading agents, precipitating the period of expansionary financial management. They also revealed not only capitalism eclecticism and flexibility but also the evolutionary and dynamic nature of this expanding system as it grew to a globalized scope.

During this adjustment period, new warfare techniques were also developed and the struggle for power nurtured each other from the escalation of protection, war, and ideological strife against the Soviet Union. Arrighi explains that more specifically during the Second Cold War, the U.S. took quick enforcement action to take advantage of the situation by accentuating the *de facto* global monopoly on the legitimate use of violence. War and territorial expansion remained legitimate means to which members of the inter-state system could resort in the pursuit of their goals.

There characteristics of U.S. hegemony in the second phase of the cycle are first, volatility of the exchange-rate system in fact transformed the G-7 in a special locus which should try to minimally harmonize macroeconomic movements of their members, that is, the U.S. maintained, in fact, its control directly or indirectly over most of the world's liquidity. Second, the theoretical insight by Black & Scholes allowed the widespread use of option pricing, amplifying the derivative market by a wide margin². This would make it easier and less-costlier to hedge operations involving flexible-rate exchange as foreign trade and investment, but also to gain from the movements in those same exchange rates, or asset prices in general, even interest rates.

Lastly, no other currency or similar concept in terms of liquidity instrument, as IMF's Special Drawing Rights (SDR) made a real challenge to supplant the U.S. dollar in confidence. Even after almost fifty years since 1971, the U.S. dollar is still the leading currency in foreign reserves, with approximately 62% of the allocated reserves and 58% of the overall reserves. The next one is the euro, which after almost twenty years of its inception comprises respectively 21% and 19%. Chinese renminbi, meanwhile, comprises 1.9% and 1.8%. The data below do confirm that:

² An available formula which makes it easier to options pricing was the real breakthrough to ignite the so-called derivatives boom. The flexible rate foreign exchange market enhanced the use of currency and interest rates swaps by all agents, including governments.

Table 1: World Currency Composition (Foreign Exchange Reserves)

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4
Total Foreign Exchange Reserves	10.898.803,65	11.119.947,89	11.294.188,21	11.444.414,14	11.603.565,39	11.466.630,25	11.399.658,93	11.418.239,70
Allocated Reserves	8.833.315,54	9.256.892,28	9.642.702,44	10.014.049,64	10.402.162,96	10.514.940,28	10.707.440,44	10.727.693,20
Claims in U.S. dollars	5.713.272,77	5.909.031,17	6.125.363,73	6.280.608,85	6.530.874,37	6.560.780,04	6.632.149,87	6.617.844,74
Claims in euro	1.703.131,21	1.847.186,19	1.934.695,37	2.019.248,18	2.117.566,91	2.129.405,55	2.192.428,35	2.219.339,82
Claims in Chinese renminbi	94.888,27	99.449,72	108.155,27	123.473,32	145.667,41	192.750,33	192.384,00	202.790,45
Claims in Japanese yen	400.762,76	428.603,00	436.192,13	491.011,33	477.280,55	511.517,74	532.940,49	538.359,01
Claims in pounds sterling	376.975,69	408.666,94	433.281,71	454.117,84	486.126,27	469.860,24	481.103,60	475.454,04
Claims in Australian dollars	155.980,62	161.871,09	170.762,38	180.009,14	176.960,81	178.610,50	180.911,79	174.211,88
Claims in Canadian dollars	167.491,30	178.769,42	192.885,01	202.798,47	193.294,72	200.215,06	208.743,54	197.763,37
Claims in Swiss francs	14.752,40	16.034,82	16.530,33	18.088,67	17.934,91	17.180,81	17.178,15	15.863,02
Claims in other currencies	206.060,52	207.279,92	224.836,52	244.693,84	256.457,01	254.620,02	269.600,65	266.066,88
Unallocated Reserves	2.065.488,11	1.863.055,61	1.651.485,77	1.430.364,51	1.201.402,43	951.689,97	692.218,50	690.546,50

Source: IMF (2019).

Table 2: Global Over-the-Counter (OTC) derivatives market at year's end (in US\$ trillions)

Year	Notional amounts outstanding
2013	710
2014	630
2015	493
2016	483
2017	532
2018	544

Source: BIS 2019.

Elaborating on Bank of International Settlements (BIS) derivatives' data, it is shown that most of the contracts deal with interest rates fluctuation (more than 80%) and foreign exchange (forex) contracts at around 17%. U.S. dollars comprise almost half of the contracts, with euros at around 30% (renminbi is not mentioned specifically).

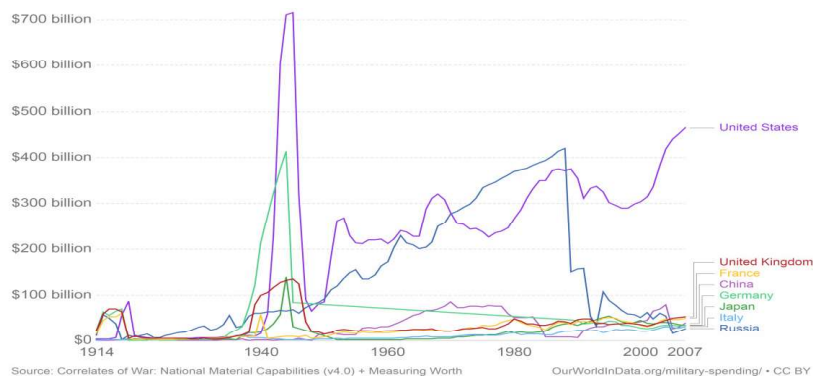
This observation can lead to another point, that is, most of the economic agents hedge themselves (or simply bet on) interest rates fluctuation. But the main foundation of the interest rates world structure is the U.S. Federal Reserve Bank (Fed), with periodical announcements that resemble legendary soothsayers; some of the announcements are so cryptic that require a special breed of financial (and probably linguistic) analysts in order to interpret the possible future trends in U.S. monetary policy. But that diligence in interpreting those announcements seems very reasonable if we put into context the symbolic side of the economy; after all,

a slight percentage variation over almost US\$ 550 trillion makes a real difference.

So, the pivotal role played by U.S. Fed cannot be forgotten, since it affects the “real” side of the world economy (using GDP as a proxy, it would add up to around US\$ 81 trillion in 2017, according to World Bank 2019), indirectly the forex derivative contracts (with the straight connection between interest rates differential and forex levels, with a total of around US\$ 90 trillion) and directly the interest rates derivative contracts (with a total of more than US\$ 430 trillion). As mentioned before, this level of leverage between “real” and “symbolic” economy probably hasn’t been matched before in the other hegemonic cycles.

The previous characteristics surely reinforced the U.S. as a financial hegemon, and this should not be challenged soon. But, “all good things must come to an end”. Even with a firm grasp, hegemony has to comply with certain rules, including political ones. According to Arrighi, a hegemonic power cannot lead by dominance or sheer force, be it in military or economic terms. After 2001, the U.S. embarked in a series of wars, some of them without a solid backing by its allies. As in the 1970’s, in the beginning of the 2000’s the U.S. was the country that spends most on military in absolute terms:

Figure 1: Military Expenditure by Country (in U.S.\$ billions), 1914 - 2007



Source: *Our World in Data*³

At the same time, China was rising and seemed to present a solid counterpart to the vanishing U.S. hegemony. In an interview in 2007⁴, Arrighi was emphatic: “The U.S. is still dominant, either economically, militarily or politically. But it is dominance without hegemony”. At the same time, he stressed that “it doesn’t

³ Roser, M, Nady, M, ‘Military Expenditure by Country’, Our World in Data, retrieved 7 May 2019, <<https://ourworldindata.org/military-spending>>.

⁴ Antunes, C 2007, Interview with Giovanni Arrighi, Folha de São Paulo, 2 September, retrieved 15 May 2019, <<https://www1.folha.uol.com.br/fsp/mundo/ft0209200706.htm>>.

mean that China is close to become hegemonic, or that the next situation will imply in hegemony of some specific country. What we can observe is a situation in which there's a greater parity among the nations". In the same way, Arrighi (2005) highlights China's demographic size, the catch-up with the U.S. as a global trader, its deep regional economic integration in Asia and emergence as one of the most powerful capitalist networks in the region, but also warns about a smooth continuation of the ongoing China-led miracle of income distribution that it is engendering social and political tensions that may jeopardize further growth. Thus, even assuming that the capitalist system undergoes a systemic chaos, Arrighi did not admit tacitly that China would be the next hegemonic power, inaugurating another systemic cycle; he chooses to stress the region as a paragon of a new kind of development, perhaps even less aggressive in military terms and also pursuing an environmental agenda.

Then, we would be experiencing a systemic chaos, a phase in which the previous hegemon tries to maintain his privileges and a new hegemonic power doesn't have enough momentum (yet) to effectively dethrone the former. Towards this scenario, the biggest question is: how long does the systemic chaos long? There's not a single answer, especially in the case of this specific transition, since it presents some anomalies when compared to the previous transitions.

The first anomaly is the incredible military power amassed by the U.S., not only by the total expenditure and strength of the armed forces, but the number of allies and quasi-allies. There has not been, at least yet, any significant movement of any of those countries towards really aligning themselves with China, Russia or Iran, for example. In other historical transitions, a clear path of dwindling military prowess, basically for not showing a sustainable economic cushion to foster it, slowly struck the incumbent hegemonic power. Besides that, usually a major war or several consecutive conflicts accelerated the process of dethroning. If such an outcome happens in this transition, it will surprise most of the analysts, at least by the present assessments of the forces involved. Therefore, in the absence of a big and decisive conflict, the odds point to an extended period of transition.

The second anomaly covers U.S. autonomy. In the previous transitions and/or systemic chaos, all the incumbent powers came to lose autonomy in terms of energy sources, food security, financial services, loosening of the links with essential trade partners, even the military power, as already seen. In the case of the U.S., at least in the present or foreseeable future, this isn't happening. In fact, U.S. autonomy and weight in the world-system is still very significant, which allows its current President to use some "trump cards" in bilateral negotiations, either in trade, technological or military issues. Regarding energy, with the so-called "tight oil revolution", and food sources, its autonomy is piling up, in a striking distance from the declining autonomy in those two aspects of China and India, for example.

A third anomaly deals with the overall technology trends. In the previous transitions, the incumbent hegemonic powers weren't as well prepared as the challengers in order to "surf" the basic new technology wave coming. But a phenomenon like Internet of Things or simply its application on Industry 4.0 will have a striking effect, reducing the weight of labor in the industrial process. At this point, the U.S. seems more prepared to deal with those technological and labor dilemmas than most of its challengers – especially, China and India. An example is the 2019 veto of the U.S. Government, first to the networks, and now to the handsets of the Asian manufacturer, Huawei. The clash in this 5th generation of cell phones is an example of how technologies quickly evolve and how the U.S. still has mechanisms to stem Chinese technology evolution.

A fourth anomaly is linked with climate changes. If some projections are confirmed, the impact of rising temperatures will be significant to most regions of the world, in terms of agriculture, but not to U.S., Canada, Europe and Russia, which basically will be favored, while China and India will be hit hard, according to the UN (2018, 20-27). Then, US autonomy, in terms of food security, will be increasing, whilst two of the main contestants will have their respective autonomy challenged.

A fifth anomaly is related to the financial sector. In previous transitions, the contestant's rise was linked with the decline of the hegemonic power's financial supremacy. First, because the former accumulated increasing reserves with its productive competitiveness and in fact came to increasingly "attract" the international financial system by gravity, since a good part of the financial elite accepted the change, even moving from place to place. This is very clear in all hegemonic cycles' transitions, with new cities assuming the mantle of financial center. Today, reserves are constantly been amassed by China (and Japan, among other countries), and this clearly matches Arrighi's framework.

But, most of the reserves now are in U.S. dollars, including China, even with the diversification enhanced in the last years, not gold. On one hand, it gives China some room in terms of being a major buyer to U.S. public debt. But, on the other hand, it constrains that country in any robust effort in trying to undermine U.S. economy, since it would probably hurt the U.S. dollar, lowering the value of Chinese own reserves. In the previous transitions, the highlight was due to gold, in theory a neutral stance in the financial game. Now, the main reserve is the hegemonic power's currency, which should concede it much more room in order to stabilize its fall. Another hurdle to any contestant is that the financial elite doesn't feel at ease without some degree of predictability in the market discipline and rules, and authoritarian regimes are not prone to bow to what they refer as market "whims".

So, it seems rather clear that we're experiencing a systemic chaos, since U.S. predominance is made without hegemony and no contestant seems able to substitute it, although balance of global power is shifting. At the same time, this transition shows many anomalous issues, considering Arrighi's framework, which point to a much longer period of time, in fact clouding the appearance of another hegemonic power or how it should be. Therefore, we could be facing an unknown breaking with the past, with a fragmented global structure without a hegemonic power. Or, as Arrighi always remarked, a surge of violence would make things clearer, but also dismal. A third possibility, a reversal to a new U.S. hegemonic cycle, although also marking a striking break with the past doesn't seem likely, especially if the Trump administration's trends are not overturned.

The Rising Powers in the Systemic Chaos

Each of Rising Powers aims for larger regional and global role since they individually have important capabilities for influencing global governance (Kahler 2013) and have established themselves as veto-players in the world-system (Narlikar 2013, p. 561). In this framework, current global governance includes the formal intergovernmental organizations of the ILO, as well as an array of non-state actors and informal institutions in addition to global "peak" organization, such as IMF and WTO (Kahler 20103, p. 714).

Before BRICs, IBSA Trilateral Forum of India, Brazil, and South Africa was created in 2003. On climate change, four of the largest and/or fastest growing developing states – Brazil, South Africa, India and China – joined together for the first time as the BASIC group in Copenhagen in 2009. The same countries and other developing countries acquired veto power within the WTO, as well as other political coalitions at that organization. Moreover, as many others to address a particular problem, the establishment of G-20 in 1999 to discuss financial regulation represented an important coalition where Rising Powers were incorporated to the G-7 at the heart of the mechanisms of global financial governance. China joined another G-20 headed by Brazil and India as a developing countries offensive at 2003 WTO Meeting in Cancun against the developed imposition on the South to open markets (Arrighi 2005).

Many studies have been conducted to analyze the role of the Rising Powers in the ILO. A lot of authors have interesting insights, most from the point of view of political power. Unlike Arrighi, they look from *within*, i.e, from the Rising Powers interests. For example, Hurrell (2013 p. 209) points that since the 1990's, a new *raison de système* emerged that altered and ultimately displaced old-fashioned notions of *raison d'état*. It's expected that Rising Powers would pursue entering into these formal and informal groupings of major powers. So, Southern coalitions – the recent forms of Southern multilateralism – led by today's Rising Powers

put the idea of Global South – may persist not because of any meaningful shared identity or even concrete interests but because of bureaucratic inertia within international organizations. They will also denounce attempts by established Western powers to use international norms to further their own interest. Nevertheless, the author warns that one should not exaggerate the extent of power shift that has taken place in global governance, which are far hardly revolutionary, and the developmental policy space remains restricted by the current rules of the global game. As a result, there remain many areas of common interest and concerns amongst a broader range of developing countries which remain rule takers far more than rule-makers.

Narlikar (2013) has a similar conclusion. She states that the rise of new powers is seldom a function of growing economic or military prowess, but it depends on how power is exercised, in relation to whom, the motivations that underpin this exercise, and further how action and reaction are interpreted and misinterpreted. She points that the rise of new powers is thus fundamentally a story of bargaining and negotiation. Considering that there is a power transition in the world-system, she agrees that many Rising Powers have historically been associated with the Global South and have, to varying degrees, used status as southern powers and leaders to claim position of importance in international affairs.

The author also points that some degree of cautious optimism that the absence of revolutionary intentions on the part of the new powers may help preserving systemic stability (Narlikar 2013, p. 570). Many examples show that the Rising Powers refused or were reluctant to take international responsibilities. Additionally, both cooperation and competition underpin attempts of coalition but provide an illustration of both reformist agenda that the new powers share and the disagreement that exists between them on the shape that a reformed global order could and should take. Distributive negotiation strategies feature the repertoire of China, India and Brazil, but there are important differences in how they are used. So, negotiating behavior of the Rising Powers does not reveal a clear alternative of global order, or the desire for a complete overhaul of it.

Ikenberry and Tang (2018) supported the idea that the new Rising Powers emerge to challenge the old order since the position of the leading states weakens. After seventy years at the top of the global political and economic hierarchy, the U.S. is finding its hold on leadership weakening. The global distribution of power is shifting, and the American-led international order forged in the twentieth century is in transition. On their perspective, historically, international relations have been marked by the emergence of powers that seek to organize and dominate their surroundings. Over time, the position of these leading states weakens, and new rising states emerge to challenge the old order.

Following the critical political economists from the neo-marxist stream, Arrighi's theory applied to Rising Powers offers a different perspective of analysis *from outside*, especially because he stresses the broad world-system capitalist dynamics in the long-term: the relationship between global accumulation of power and wealth, imbalances and inequalities between countries and markets, technological innovation related to the markets' specialization in the long run to understand the changes in the world-system. He defines Centre, Periphery and Semiperiphery and argues that the international division of labor and the productive specialization derived from it determine the role of each economy in the global capitalist system, strengthening its position in the division⁵.

Applying Arrighi's theoretical framework, it is noticeable that the present Rising Powers are not homogenous, for sure, especially depending on the highlighted characteristics chosen to typify them. For example, if we choose to privilege geographical area, GDP size and population, China, Russia, Brazil and India would pass the test. On the other hand, if recent GDP growth and capacity to project power were added, clearly Brazil would be excluded from the group (and even Russia due to economic frailty, as compared to China and India). Their performance and power also varied widely, and they also differ substantially in military strength. Thus, there are growing economic inequalities between the Rising Powers and inside them as processes associated with neoliberal globalization, which reproduces inequalities in the world-system, although each one could perform its hierarchical transition to the Centre from the economic and institutional point of view.

Moreover, on the one hand, they are increasingly functionally dependent on the existing functional frameworks of global governance to oversee transnationally integrated global economy. The process of economic structuration – from outside with the global economy – can transform not only the definition of the national interest, but also the social forces which constitute the state-society complex. This implies that some economic sectors and social classes have interests in leaving markets open, a key element of the ILO. On the other, their statist forms of capitalist development put them into tension in the market-making and individualist liberal tenets of global governance (Stephen 2014). For example, China is not a market economy *strictu sensu*. India and Brazil protect many economic sectors and traditionally their government intervenes in the market. Russia also has a nationalist and protectionist capitalism.

But there are common factors among all the present real or prospective Rising Powers. The first one is that all of them strengthened their rise due to sharing the world-system and its rules, that is, none of them grew by aiming direct hits at it,

⁵ The Semiperiphery is defined by Arrighi as States capable of offering cost advantages over the Centre and income advantages over the Periphery.

contrary to what Nazi Germany did before World War II. Russia and China's socialist experiment went astray, so both chose the capitalist way to grow in a sustainable way and both also recognized the legitimacy and of the international rules, as well as the window of opportunity which was open to them. The second common factor is that their rise wasn't shared by an intense war which would ruin the system or even their own growth, if they had taken part in it. The third is that trade growth, in general, supplanted world GDP growth, expanding the rising powers opportunities. A fourth common factor – at least among almost all of them, with exceptions like Brazil and South Africa, but after U.S. hegemonic cycle's terminal crisis – was that they would not experience a real fracture in their internal political project, consolidating the basic goals in terms of economy and foreign policy.

Therefore, Rising Powers in the terminal crisis fared rather well, especially in terms of political prominence although didn't threaten *per se* the system itself, since they were taking advantage of being a successful part of it.

Conclusion

It has been shown Arrighi's systemic approach sheds some light but also open up the possibility that the eventual waning of U.S. hegemony could be longer than in previous transitions. This opens up the debate on the role and place of the challenging Rising Powers in the hierarchical world-system. This conclusion ties up all the previous findings and sums up possible outcomes.

In this situation, Rising Powers' reactions are not homogeneous. Some of them chose a clear path of soft revisionism, deeming the system unfair and forcing themselves in many military situations, while at the same time trying to exert economic influence; the main examples would be China and Russia, which occupied several geographical sites (South China Sea islets, Crimea, etc.) by force, while also offering economic cooperation as OBOR Project and cooperation treaties with previous Soviet Republics as Kazakhstan and Belarus, etc. But the soft revisionism isn't a direct challenge to the system, although tries to gradually erode it. One example is the Chinese "debt trap", with concerns that China would be consolidating geopolitical power through predatory practices. The use of loans to finance unsound projects and the accumulation of unsustainable debt in developing countries remain a significant long-term risk (Taj, 2019)

At least yet, the basic reasons which explain China and Russian imperatives towards challenging the U.S., even if lightly, are that they feel a clear geopolitical menace, in fact encircling them. China feels trapped by the so-called Three Island Chains (U.S. possessions or the set of countries which are U.S. allies or quasi-allies and in fact hinder Chinese naval power projection) and Russia doesn't forgive

the U.S. for extending NATO's presence much further than what was originally decided, just after the end of the Cold War. Besides, some of the several U.S. allies and quasi-allies have by themselves become stronger and regionally challenge any hegemonic intent by China or Russia (India and Japan, with Vietnam in a distant third place, in the case of China; Poland and Turkey, in the case of Russia).

Regarding India and Japan's motivations for some changes, albeit more subtle than in the case of China and Russia, there is a doubt about a continuous U.S. presence to help them in the case of China's rise and challenges in critical border disputes (Aksai Chin, Arunachal Pradesh, Senkaku/Diaoyutai Islands) forces them to choose either bandwagoning (aligning with China) or balancing (aligning with other country which would also feel threatened by China).

In the Middle East, there is the same doubt about U.S. presence, especially as US energy autonomy increases, as mentioned before, and the uncertainty about the growing influence of Iran forces Turkey, Saudi Arabia, Israel to deal with a possible decreasing US presence, but with the same subtlety as India and Japan, not challenging its hegemony in a direct way.

Therefore, there is a common factor among all those rising powers: a rising interstate regional rivalry which prevents most of them from really challenging the hegemon. This gives breathing room to U.S., including the ability to buckpass many of the military efforts which would be costly, if assumed by it. But, as the U.S. abdicates, even in a relative way, from a robust presence and from the command of the coordination effort, it enhances the systemic chaos, instead of containing or reversing it. So, it looks that all the agents' actions point to the prolonging of a transition period, in growing tension, without the dawn of a new hegemonic cycle. It sure looks like a goodbye, but a long one.

One can conclude that the Rising Powers pursue some changes in terms of the global governance. But, since their characteristics and interests are too diverse, those efforts are not so successful in meaningful terms, for example, changes in UN Security Council composition. This, in turn, alleviates U.S. costs in adapting themselves.

The present systemic chaos, barring a profound natural disaster or some similar event, as a war among the Great Powers, tends to be extended in an unusual length, compared to previous transitions. After all, the current ILO situation favors them all, in absolute terms. The U.S. has enjoyed a good level of prosperity since World War II, that is, three quarters of a century. The Rising Powers too, compared to what they were at that same time; therefore, it's not so easy to foresee what a new international structure would be. The complete U.S. withdrawal from Asia seems unlikely, since that region is the world's most dynamic, in economic

terms. Furthermore, today China, India and Japan are simultaneously strong; this hasn't happened before, adding uncertainty to the whole process, due to their geopolitical rivalry.

Within such a "fuzzy" pattern, future research projects might try to minimize in some degrees the mentioned analytical uncertainty. For example, studies about Rising Powers effort in taking shortcuts towards diminishing their disadvantage, or assessing the limits and potential for each of the most influential and dynamic ones. Also, studies about each of the advantages presently shown by the US and the future trends to widen or closing the gap with the Rising Powers.

But one thing is sure: while Rising Powers don't unify their stances, instead of aggravating their own interstate rivalry, the U.S. can prolong their dominance, although it's not rooted anymore in an accepted and unquestionable hegemony, by the others.

Bio

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