Research Article

Rising Powers in Global Economic Governance: Mapping the Flexibility-Empowerment Nexus

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Abstract

Given long-standing criticism of global economic institutions by rising powers, it is puzzling that these same governments supported the transfer of substantial resources and responsibilities to the IMF and the World Bank during recent reform negotiations. We argue rising powers' support for international organization (IO) empowerment is linked to their concerns regarding an IO's flexibility. We introduce two types of flexibility as being most relevant for rising powers. These include governance flexibility – the extent to which rising powers may participate in IO decision-making – and issue flexibility – the extent to which rising power preferences are incorporated into IO policies and programs. We illustrate our argument by examining the preferences of the BIC states (Brazil, India and China) towards IMF and World Bank reforms between 2008 and 2012. Drawing on archival material with over 50 statements from BIC representatives, we find, first, that there were clear links between Bank and Fund governance flexibility and the BICs' support for empowerment of these IOs, but that this was not true for issue flexibility. Second, we find evidence indicating the strategies of individual BIC governments differ within these IOs, suggesting a need to undertake more differentiated studies of rising powers' IO activities.

Policy Implications

- The successful adaptation of multilateralism to the needs of rising powers requires greater governance flexibility and stronger inclusion of the issues of relevance to BICs into an IO's portfolio.
- Governance and issue flexibility are crucial elements of the adaptability process of multilateral institutions across policy areas.
- The more flexible global economic institutions are in integrating rising powers into their governance structure and including issues of more concern to these new actors, the more likely the latter will support transferring more power to IOs.
- Empowerment (transferring more power to IOs) can only work if the demands and needs of rising powers are sufficiently taken into account.

The puzzle of rising powers' support for empowerment

The World Bank (WB or Bank) and the International Monetary Fund (IMF or Fund) have been extensively criticized by civil society, rising power governments and scholars for being inflexible and ill-suited to adapt to shifting global balances of power (Chin, 2010; Stephen, 2012). Rising powers view international organizations (IOs) as extensions of established states' economic, political and normative preferences (Zürn and Stephen, 2010) and therefore consider the benefits of these IOs as primarily accruing to those states (Marcoux and Urpelainen, 2013). Some scholars argue that this may lead rising powers to prioritize alternative fora for cooperation over traditional IOs (Vabulas and Snidal, 2013). Recent developments in global governance – in particular the creation of the New Development Bank in 2014 and the proliferation of informal summits among rising powers – support this view.

What remains puzzling is that Brazil, India and China (the BICs) supported the empowerment of the WB and IMF between 2008 and 2012 in the wake of the global financial crisis (GFC). Rising powers also played a crucial role in enacting these reforms, for example, providing large financial contributions (Woods, 2010) and shaping the content of new rules and procedures (Gallagher, 2015; Lesage et al., 2013). Why should rising powers agree to delegate more power to these Western-dominated global economic institutions?

In this piece, we examine the conditions under which the BICs support IO empowerment (IOE). By empowerment, we mean the transfer of decision-making authority and resources to IOs. This includes the transfer of more tasks, the expansion of IO capital and the creation of new financial instruments and programs (Heldt and Schmidtke, 2017). We argue that governance and issue flexibility are crucial in explaining the BICs' support of IOE. *Governance flexibility* addresses the extent to which rising powers can participate in IO decision-making processes. *Issue flexibility* refers to the inclusion of issues relevant for rising powers in IO programs and policies. When reforms address these two dimensions of flexibility in rising powers' favor, the BICs should support IOE. We illustrate our argument empirically with two comparative case studies examining reform negotiations at the Bank and the Fund between 2008 and 2012. The studies

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draw on 51 statements from BIC government representatives delivered during the biannual meetings of the Bank's Development Committee and the IMF's International Monetary and Financial Committee. This original archival material allows us to trace events in detail and to map BIC preferences on IOE. Our study provides new insights into the role played by rising powers in the multilateral economic system and generates a more nuanced understanding of both rising states' empowerment preferences and their demands regarding IO flexibility.

Our study complements previous research on the role of rising powers in global economic governance (Kahler, 2013; Lavenex et al., 2017; Lesage and Van de Graaf, 2015; Narlikar, 2010) and on the rational design of international institutions (Baccini et al., 2015; Koremenos et al., 2001). Specifically, we identify and disaggregate the close relationship between flexibility and rising powers' IOE preferences. Whereas the BICs directly link their support for IOE to improvements in governance flexibility, we find only limited evidence that the BICs try to bargain for improvements in issue flexibility in exchange for their IOE support. More importantly, the BICs viewed IOE as a means of improving both issue and governance flexibility at the Bank and the Fund. This points to new avenues of research for scholars, whose attention to date has focused on examining the role of alternative institutions as an answer to rising powers' flexibility concerns. In addition, we identify significant behavioral differences across the BICs in these two institutions. This finding expands on existing trade literature (e.g. Hopewell, 2016) by demonstrating strategic differences among the BICs in the fields of finance and development. More intriguingly, the evidence suggests a link between each BIC's national power resources and the way it leverages links between flexibility and empowerment in the Bretton Woods institutions.

Flexibility and empowerment in global economic governance

Much of rising powers' dissatisfaction with existing IOs arises from the lack of flexibility these institutions have shown in adapting to the changing global economic context. Slow and incremental reform has encouraged scholars and rising states alike to look at diverse 'exit' options now available to rising powers in pursuing global economic goals. For instance, a large literature has developed on how rising powers use their growing material resources to create new formal and informal institutions (Chin, 2014; Cooper, 2017; Serrano, 2018) – including the New Development Bank, the Asian Infrastructure Investment Bank and the BRICS grouping. These decisions are at least partly motivated by a desire to pressure existing IOs to speed up ongoing reforms (Lesage et al., 2015). BICs have also learned to use hard and soft strategies of influence – including placing their officials strategically in key operational positions within Bretton Woods Institutions – to shape global economic governance (Conceição-Heldt, 2017). Rising powers may additionally use trust funds (e.g. their growing sovereign wealth funds) to get what they want outside the limitations of the formal governance structure (Graham, 2017; Strand et al., 2016). However, this scholarly emphasis on the BICs' ability to simply use their growing resources to substitute the Bank and the Fund fails to account for the BICs' continued commitment to these IOs (Hopewell, 2016; Mahrenbach, 2016). This is evident in their repeated statements underlining that new institutions are complements, not competitors, to the IMF and the Bank (Serrano, 2018). Against this background, we investigate how rising powers choose to address their concerns about IO flexibility within existing multilateral economic institutions.

Two concepts are central to our thesis, namely, flexibility and empowerment. *Flexibility* is understood as the formal and informal rules or procedures within IOs that allow them to respond to and integrate the preferences of rising powers into an organization's decision-making processes. A central challenge for IOs and member states is to select flexibility mechanisms that are as inclusive as possible but simultaneously avoid gridlock within the organization every time circumstances change. The initial study by Koremenos et al. (2001) on the institutional design of international institutions was followed by a rich literature examining diverse flexibility instruments, for example, membership rules and voting procedures or short and long-term flexibility (Baccini et al., 2015; Koremenos and Nau, 2010). These flexibility instruments represent the variety of formal and informal means available to states to adapt IO rules and procedures in light of changing global power distribution.

Rising powers scholars have explored institutional flexibility as well. Narlikar (2010) argues that flexibility is relevant for rising powers because it affects their ability to influence outcomes and decision-making within IOs. When IO flexibility is high, rising states can take advantage of formal and informal procedures within an IO to enhance their own influence. However, when flexibility is low, there are few opportunities to adapt the institution to address rising power preferences, and reforms are likely to come only via formal negotiations.

We define *empowerment* as the transfer of decision-making authority and material resources including new programs to IOs over time. Although the concept of empowerment has similarities with delegation, the former allows us to assess the process of transferring power and resources from member states to IOs better than the latter. This is because delegation is a static relationship between actors: once a delegation contract has been written between member states and IOs, the IOs' tasks and resources are expected to stay the same until formal changes are made to the original delegation contract. This allows scholars to examine the transfer of power and resources when IOs are created, but makes it difficult to study subsequent transfers within this conceptual framework. In contrast, the concept of empowerment recognizes that relationships between member states and IOs can also change as IOs develop and external circumstances change – with repercussions for IO resources and decision-making authority. An increase in resources and/or expansion of programs over time gives IOs more power. Depending on the degree of discretion conferred on IOs in managing these new programs, this can also increase their flexibility and allow them to better accommodate the demands of rising powers. Thus the concept of empowerment captures a dynamic aspect of the relationship of IOs with member states that delegation does not. In contrast to other studies which have so far used additive indexes to measure different levels of empowerment (Graham, 2017; Heldt and Schmidtke, 2017), this piece examines the nexus empowerment-flexibility to study the conditions under which BICs are more likely to support IOE.[1]

Linking flexibility with BIC support for empowerment

How does IO flexibility affect new powers' willingness to support IOE? We posit that rising powers view IOE as a means of addressing concerns related to two types of IO flexibility: member state representation in IO decision-making procedures (*governance flexibility*) and the inclusion of issues which are relevant for rising powers into IO programs and policies (*issue flexibility*). Each represents a different pathway linking IO flexibility to the BICs' empowerment preferences.

Starting with governance flexibility, one of the rising powers' main sources of dissatisfaction with the Bretton Woods institutions is the way in which voting privileges the United States, Japan, Germany, France and the United Kingdom. As rising states' material wealth has grown, so too has their activism within global economic governance institutions.[2] This is apparent, for example, in the strong impact the rising power-led G20 coalition has exerted on the Doha Round of trade negotiations (Conceição-Heldt, 2011). The BICs' burgeoning confidence has encouraged these states to be more outspoken about the need for the Bretton Woods institutions to reform as well. Specifically for instance, joint statements underline the need for Bank and Fund decision-making to be brought into line with rising powers' 'relative weight in the world economy' (BRIC, 2010). In reform negotiations, the BICs are consequently more likely to support empowerment that enhances governance flexibility and strengthens their voice in IO decision-making.

Issue flexibility should be equally important for rising power preferences towards IOE. This is because the rules and policies of the Bretton Woods institutions were designed to meet the needs of established powers. For example, the Fund's loan conditionality was intended to ensure that borrowing states repaid their loans in full and simultaneously minimized the likelihood that another loan would become necessary in the future – both benefits for developed state creditors (Woods, 2006). Strict adherence to these principles, however, meant that the Fund failed to adapt economic prescriptions to individual countries' needs, even leaving borrowing states in a worse position post-loan than they had previously been (Stuenkel, 2015). These experiences have led rising powers to push IOs to engage more deeply with development-related issues – for example, technological development assistance – and to seek special treatment for developing states *vis-à-vis* IO rules. In other words, rising powers have sought more issue flexibility regarding the incorporation of the policy areas of more concern to them in IO programs and policies. If proposed IOE reforms address these concerns, for example, by expanding an IO's mandate to include issues of relevance to rising powers or by increasing funding for programs relevant to these states, the BICs are more likely to support IOE.

This line of argumentation brings us to the following proposition: *when reforms address governance and issue flexibility in rising powers' favor, rising powers are more likely to support IOE.* Clearly, these two types of flexibility are related: the better the representation of rising powers in IO decision-making is, the more likely their issues will appear in IO policies and programs. To date, however, the BICs remain under-represented in Bank and Fund decision-making relative to developed states (Lesage et al., 2015; Vestergaard and Wade, 2015). Consequently, we operationalize each dimension of flexibility separately in this contribution to gain a more nuanced understanding of how flexibility affects rising power support for IOE. As is evident in Table 1, governance flexibility will be identified as relevant in the case studies when BIC representatives verbalize the need to improve their representation and influence in decision-making processes. Issue flexibility will be identified as relevant when government actors call for greater inclusion of development-related concerns in IO policies and programs, for enhanced flexibilities for developing and emerging states *vis-à-vis* IO rules, and for IOs to pay more attention to the economic challenges of developing states.

Empowerment is measured relative to IOs' decision-making authority and material resources. The transfer of decision-making authority refers to changes in an IO's tasks and programs. The expansion of an IO's mandate to include new tasks, the creation of a new program and the expansion of an existing IO program are all examples of this type of empowerment. Material resource empowerment, in turn, focuses on the financial resources available to an IO to complete delegated tasks. This includes the creation of new financial instruments and the expansion of the capital available to IOs. An agreement between stakeholders to increase finances, and thus expand programs, gives IOs more power. To be sure, agreeing to new programs may still give

Table 1. Indicators of flexibility

Governance flexibility	Issue flexibility
Calls for better representation of rising or developing states in IO decision-making	Support for prioritizing development-related issues in IO policies and programs
Statements maligning the inefficiency of reforms intended to incorporate rising or developing states more deeply into IO decision-making	Support for special treatment for developing countries
	Calls for more attention to economic problems in developed states

borrowers significant influence on the exact procedures for distributing these funds. However, in this piece we examine how the BICs enabled empowerment and flexibility within the Bank and IMF, and we make no assumptions about whether this expansion of programs also gives the IMF and Bank more discretion over how to use them. This remains an important avenue for future research. An overview of the indicators used to identify support for empowerment in the case studies appears in Table 2.

Before proceeding, a brief note on the historical context of our analysis. During the Cold War, the BICs, as major borrowers, were largely dependent on the Bretton Woods institutions for development and crisis relief funding. This situation changed in the early 2000s with the BICs' rising economic power, enabled through the global commodities boom, giving them the status of rising powers. By the time of the GFC, the BICs' new status allowed them to engage in reform proposals to better align IO rules and procedures with their preferences. This changing historical relationship has three implications for this analysis. First, the BICs adopt a pragmatic and strategic position on their identity as developing or developed states. Depending on the institutional context and the issues at stake, BICs alternately represent themselves as developed or developing countries. For example, on health or trade issues, rising powers frequently speak on behalf of developing states when pursuing their own interests or create coalitions with either developing or developed states to obtain greater governance and issue flexibility – at the WTO in developing country coalitions (G-20 and G-33) and at the UN in developed countries coalitions (G-4). Second, the BICs' historical experience identifies power as a contextual variable in the analysis: without the changing relationship between rising states and the Bretton Woods institutions arising from material gains, the links we posit between rising-power support for IOE and flexibility reforms would not be feasible. Third, each BIC possesses different power resources in these institutions, which can lead to different strategies in pursuing collective goals. For example, China's unique position as the world's biggest holder of foreign exchange reserves could encourage it to pursue a less confrontational strategy in linking flexibility with IOE in both institutions. After all, this liquidity makes China less dependent on either IO than its fellow BICs, and research suggests the Chinese government avoids confrontational strategies, which undermine its desire to be viewed as a responsible rather than disruptive power (Narlikar, 2010). Likewise, India's position as the largest recipient of loans from the World Bank over the past 70 years (World Bank 2016) makes it comparatively more dependent on this institution than is true at the Fund and also more likely to support IOE: increasing the Bank's material resources automatically means more resources and programs for its largest borrower.[2] Finally, the Lula government took a very proactive position at the multilateral level as a means of boosting Brazil's influence within old IOs. We thus expect Brazil to leverage flexibility gains for IOE support in both global economic institutions. In other words, while we assert that the BICs will support IOE when doing so addresses their concerns about issue and governance flexibility, these three countries will probably have different positions at the Fund and Bank depending on the issues involved.

Table 2. Indicators of empowerment

Transfer of decision-making authority	Material resources
Support for expanding existing or creating new programs	Support for more funding for existing IO financial instruments, services, or programs
Support for expanding an IO's mandate	Support for creating new financial instruments

Archival material and methods

The next two sections examine the preferences of the BIC governments during reforms at the IMF and the WB. The original archival material comprises all publicly available statements made by BIC representatives (e.g. finance ministers, central bank governors, etc.) before the World Bank Development Committee and the IMF's International Monetary and Financial Committee between 2008 and 2012. This time frame covers reforms made in response to the GFC, many of which addressed governance and issue flexibility. Government statements are a crucial empirical source in understanding rising powers' behavior in IOs, signaling both issues of importance for these states *vis-à-vis* established powers as well as which reform options are considered politically plausible by domestic and government actors (Schirm, 2013).

We performed a directed content analysis (Hsieh and Shannon, 2005) on the dataset to evaluate each government's position towards governance and issue flexibility as well as IOE. The coding scheme was initially deduced from the theoretical literature, identifying crucial variables and establishing indicators for these variables. During coding, we also incorporated factors (e.g. changes in the institutional context) that seemed relevant to the research question but were not anticipated by the initial coding scheme. We subsequently checked all codes against the finalised scheme, ensuring validity across texts and throughout the coding process.[3]

In examining the coded data, we looked for causal evidence connecting flexibility with rising powers' IOE preferences. Causality was identified as present when the BICs seek to leverage their support for IOE in exchange for improvements to IO governance or issue flexibility. For instance, statements suggesting Brazilian support for a new IO program depends on that program addressing the needs of middle-income countries are interpreted as causal evidence linking IOE and issue flexibility. We also look for statements detailing how empowerment can address developing country concerns, for example, how a new financial instrument can minimise the impact of economic shocks. This type of statement, while offering no causal link, provides evidence that politicians view IOE as a means of addressing their flexibility concerns within these IOs and is interpreted as such.

BIC preferences towards IMF empowerment

The IMF undertook a series of reforms intended to improve the Fund's capacity to respond to member needs in the aftermath of the GFC. Several of these reforms represent Fund empowerment. Starting with resources, members boosted the Fund's drawable capital by roughly US$250 billion in 2009 and 2010, agreeing to contribute first via bilateral borrowing arrangements and, later, via an expanded New Arrangements to Borrow (NAB) mechanism (IMF, 2016). Members committed an additional US$430 billion in 2012 on which the Fund could draw once quota and NAB resources were exhausted (IMF, 2012a). To put this in context, while these contributions did not represent a direct transfer of funds to the IMF, the latter, for instance, represented a new line of credit which made ten times more cash available to the Fund post-GFC than was previously the case. In addition to these changes, members agreed to double the Fund's quota resources in 2010 (Lesage et al., 2013). This agreement directly increased the Fund's permanent capital stock as, once quota reforms are implemented, governments must transfer the agreed amount of currency to the IMF within 30 days. Finally, members created new financial mechanisms – such as the Flexible Credit Line (FCL) – and expanded others – for example quadrupling the resources of the Poverty Reduction and Growth Trust.

Transfer of decision-making authority primarily related to the Fund's surveillance mandate, that is, to its activities in monitoring the economic and financial policies of its member states. The adoption of the Integrated Surveillance Decision created a new legal framework for IMF surveillance while the new Financial Surveillance Strategy broadened the scope of that surveillance (IMF, 2016). As institutionalized in the 2011 External Sector Reports, Fund analysis now reached 'beyond exchange rates to detailed examinations of current accounts, reserves, capital flows and external balance sheets' (IMF, 2012c, p. 1). Furthermore, low-income countries could now be subjected to 'pilot studies' to 'focus attention' on how observance of Fund policy advice was crucial to global financial stability, and the Fund was given an agenda-setting role in diagnosing and responding to systemic risk (IMF, 2012d, p. 12). Combined, these reforms represent substantial Fund empowerment, both relative to available resources and to the scope of Fund services.

As Table 3 shows, the BICs demonstrated support for various types of empowerment during IMF reform negotiations. Starting with resource IOE, all three BICs supported a capital increase for the Fund. BIC government representatives argued that the Fund's capital should primarily be enhanced via quota changes (Mantega, 2009a; Subbarao, 2009; Zhou, 2010a). As China's central bank governor stated, 'quotas should be [the Fund's] primary resource' for increasing funds and should 'reflect changes in the relative economic positions of its [the IMF's] members' (Yi, 2009, p. 3). Quota subscriptions represent the maximum amount of money IMF members must provide to the Fund and determine both a member's degree of access to financing as well as its voting share within the Fund. Hence, in focusing on resource IOE via quota increases, the BICs were linking IOE to improvements in governance flexibility.

Brazil and India did so explicitly. Brazil conditioned its support for the 2010 capital increase on future, regular quota reviews, which would ensure that the Fund's rules reflected the new powers' 'continuously growing weight in the world economy' (Mantega, 2011a, p. 3). Likewise, India noted the 'extent of [India's] participation' in increasing bilateral arrangements depended on assurances that bilateral contributions would not substitute for 'a substantial quota increase' (Subbarao, 2009, p. 4). In contrast, the Chinese government neither mentioned its own contributions to the Fund's capital increase nor did it attempt to actively leverage its own contributions for enhanced governance flexibility. This is especially striking given the greater magnitude of China's contributions – for example, US$43 billion in 2012 compared to the US$10 billion pledged by Brazil or India (IMF, 2012b) – which gave China stronger leverage than either Brazil or India.

BIC government support for other types of resource IOE during the IMF negotiations was linked to issue flexibility. For instance, India supported doubling the lending capacity of the Exogenous Shocks Facility to 'better reflect [developing countries'] diverse needs and circumstances' in periods of 'heightened exposure to global volatility' (Subbarao, 2009, p. 3). This mechanism provided quick loans to low-income countries with 'less emphasis on the broad structural adjustment that often characterizes other IMF-supported programs' (IMF, 2018). Thus, in supporting its expansion, India was depicting IOE as a means of addressing one of the rising powers' long-term complaints about the IMF: loan conditionality (Jensen, 2004). Brazil and China, in turn, advocated new financial mechanisms at the Fund. Brazil lent its support to the creation of the FCL, a condition-free loan mechanism that provides 'quick and almost automatic' access to

Table 3. BIC support for IMF empowerment

	Brazil	India	China
Transfer of decision-making authority			
Expanded or new programs	✓	✓	✓
Expanded mandate	✓	✓	✓
Material resources			
More money for IO instruments, institutions or programs	✓	✓	✓
New financial instruments	✓	✓	✓

Note: "✓" indicates the presence of statements supporting IOE, whereas "×" indicates the absence of statements supporting IOE.

IMF funds (Mantega, 2009a, p. 4). Minister Mantega described the FCL as a 'radical departure from past practices', noting widespread interest among developing countries in using the instrument (Mantega, 2009a, p. 4). China also viewed new financial mechanisms as a means of helping 'economies with sound economic fundamentals counter capital account shocks' (Yi, 2008, p. 4). Governor Yi contrasted the lack of institutional support for 'emerging market economies' with the help 'lower income countries' were already receiving. Interestingly, while these statements demonstrate a link between support for empowerment and the Fund's issue flexibility, none of the governments indicated that their support for the former depended on improvements in the latter.

The BICs supported the transfer of decision-making authority at the Fund as well. Rising powers wanted to expand the Fund's surveillance mandate to ensure intensified scrutiny of developed countries. Brazil, for example, saw 'evenhandedness in surveillance' as 'essential for the Fund' lest the IMF's actions confirm the 'widespread perception' that developed countries 'subordinate the Fund to their own national and regional agendas' (Mantega, 2011a, p. 4). Additionally, both Brazil and India asked that such changes be incorporated into the Fund's legal agreements (Mantega, 2008a; Subbarao, 2010). Finally, China asked the Fund's analytical unit to focus on how developed countries' risky behavior affects developing countries (e.g. availability of external financing) and the global economy (e.g. exchange rates and capital flows) rather than focusing on 'exchange rate policy alone' (Zhou, 2010a, p. 4; Zhou, 2010b). These statements demonstrate that the BICs saw the transfer of decision-making authority as a means of enhancing the Fund's issue flexibility. After all, the inconsistency of IMF policy advice had long been a sore point for BICs and the consequences of this inconsistency became starkly apparent via the GFC (Gallagher, 2015). However, we find no evidence that the BICs sought to leverage their support for this reform for improvements in the Fund's issue flexibility.

Notably, the outcome most relevant to BICs' support for IOE at the IMF appears to be formal agreements to address the Fund's governance flexibility, not the actual act of doing so. For instance, quota reforms were agreed in 2010 but could be enacted only when the US Congress passed the necessary legislation 5 years later. In the interim, the BICs collectively pledged US$63 billion to the IMF's bilateral borrowing arrangements, and called for the IMF to work on 'interim steps' which 'deliver equivalent results' to the 2010 reforms (BRICS, 2015). In both situations, the BICs prioritized agreement to reform over realization of reform. This underlines the previous point about the BICs' continued loyalty to these institutions and demonstrates their faith in the credibility of IO commitments.

This section has demonstrated that the BICs linked their support for IOE with the Fund's issue and governance flexibility. While Brazil and India explicitly leveraged their financial and political support for resource empowerment for improvements in the Fund's governance flexibility, China saw a similar link but did not leverage its IOE support to improve governance flexibility. In addition, all three BICs saw the expansion of the Fund's surveillance mandate and mechanisms as a means of addressing rising power concerns about the Fund's issue flexibility. However, none of the BICs explicitly leveraged their support for this form of empowerment for improvements in IMF issue flexibility.

BIC preferences towards World Bank empowerment

Starting in 2008, the World Bank undertook a series of reforms entitled 'New World, New World Bank' to address operational, financial and voting issues within the WB institutions (World Bank, 2010a). These reforms empowered the Bank in several ways. First, WB members agreed to increase the capital allotted to the International Bank for Reconstruction and Development (IBRD) by US$86.2 billion and granted an extra US$200 million to the Bank's International Finance Corporation. Part of the former was a selective capital increase, that is, a Bank tool which offers specific states, whose subscriptions are misaligned with their current relative position in the world economy, the opportunity to increase their contributions and thus their voice in Bank decision-making (World Bank, 1980). The result was an additional US$1.6 billion immediately transferred into the IBRD, US$26.2 billion in additional credit lines for IBRD lending, and a 6.07 per cent voting share transfer to developing and emerging economies (World Bank, 2010c). Members funneled the additional money towards expanded funding for anti-corruption programs and towards increasing the effectiveness of Bank assistance. Finally, members agreed to expand the applicability of existing financial mechanisms (World Bank, 2012, p. 15), to centralize the provision of development data via the new Access to Information Policy and the Open Data Initiative (World Bank, 2010b), and to extend the Bank's mandate to include climate change.

As Table 4 shows, the BICs demonstrated support for Bank empowerment related to decision-making authority and material resources. Starting with resources, BIC officials sought to strengthen the WB by creating new financial instruments. Brazil and India were concerned that the Bank could not provide enough resources quickly enough to developing countries seeking to cope with the fallout from 'vulnerabilities in the most advanced economy' during the GFC (Mantega, 2008c, p. 2; Mukherjee, 2009). They consequently supported the creation of mechanisms like the vulnerability financing facility (Chawla, 2009) or the Haiti reconstruction Fund (Mantega, 2010a) to increase the money available to the Bank's poorest member states. In addition, the BICs sought to enhance funding for programs supporting development. This included additional trade financing (Li, 2009) and an expansion of the climate investment fund (Chidambaram, 2008) – both development-friendly policies that rising powers have long sought to institutionalize in global governance (Efstathopoulos, 2012). As such, they indicate BIC expectations that material resources could enable deeper integration of rising state issues into Bank decision-making and therefore improve issue flexibility.

Table 4. BIC support for Bank empowerment

	Brazil	India	China
Transfer of decision-making authority			
Expanded or new programs	✓	✓	✓
Expanded mandate	✓	✓	×
Material resources			
More money for IO instruments, institutions or programs	✓	✓	✓
New financial instruments	✓	✓	✓

Note: "✓" indicates the presence of statements supporting IOE, whereas "×" indicates the absence of statements supporting IOE.

The BICs also supported expanding the Bank's capital. Statements underlined the WB's lack of capacity to address rising demand for resources post-GFC (e.g. Mukherjee, 2010; Xie, 2009) and supported capital increases for the IBRD and IFC as a result (Chawla, 2010; Mantega, 2010a; Xie, 2010). Brazilian statements noted the urgency of implementing a general capital increase, but also warned that any increase would be 'meaningless' if the WB did not simultaneously undertake 'internal reforms' to improve developing state representation in decision-making (Mantega, 2010b, pp. 1–2). As such, Brazil linked the increase of its financial contributions to voice reform (Mantega, 2009b, p. 2). Indian government statements demonstrate a similar link between IOE and governance flexibility, depicting both enhanced capital and enhanced voice for developing states as means of assisting poor states in achieving development goals (e.g. food crises; Mukherjee, 2010). However, unlike Brazil, Indian government representatives did not made support for IOE conditional upon enhancing governance flexibility at the Bank.

The Chinese government, in turn, linked the proposed capital increase with the Bank's issue flexibility. When discussing the enhancement of International Development Association (IDA) resources, Minister Zhu Guangyao differentiated between developing states, which should fulfil their resource commitments 'according to their own capacity and on a voluntary basis,' and developed states, whose compliance should be monitored and enforced by the Bank (Zhu, 2010, pp. 1–2). China associated itself explicitly with developing states in this statement, agreeing to make contributions 'within its capacity' but also reserving its right to profit from any special treatment accorded to developing countries. This suggests China saw the process of increasing resources as a new pathway for offering developing states special accommodations at the WB, in the process enhancing the Bank's issue flexibility. However, Chinese statements do not leverage China's own contributions to the IDA for such improvements.

The BICs also supported transferring more decision-making authority to the Bank. First, they advocated for new programs to meet developing country needs. For example, both India and Brazil endorsed the establishment of a Global Food Crisis Response program (GFRP) at the Bank to dispense funds and policy advice to countries suffering from the ongoing food crisis. India stated this program would give states more flexibility in terms of choosing 'the type of intervention that they most need' (Chidambaram, 2008, p. 2), while Brazil underlined that such mechanisms would ensure poor states had quick access to resources when facing a crisis (Mantega, 2008b). Such statements link empowerment with the Bank's issue flexibility, calling for programs targeting concerns exclusive to developing states. Nonetheless, BIC statements do not indicate that BIC support for such programs depended on improvements in issue flexibility.

Second, the BICs promoted the expansion of Bank lending programs to assist developing states during and after the GFC (Chawla, 2010; Mukherjee, 2009; Xie, 2011a). China, for example, urged the WB to bolster lending programs to meet members' needs with statements calling for the Bank to improve the diversity and representativeness of its staff (Xie, 2011b). Such declarations clearly link expanded lending to the Bank's lack of governance flexibility. However, they do not leverage Chinese IOE support for flexibility improvements. In contrast, the Brazilian government representative urged the Bank to expand its lending to middle income countries, but also stated this would only be possible with 'progress in the voice and representation reform' (Mantega, 2012, p. 2).

Unlike in the IMF reforms – many of which amended IO Articles of Agreement and therefore required US approval to reach the 85 per cent approval mark – many of the Bank's reforms were easier to implement. For example, the selective capital increases at the IBRD and IFC in 2011 were approved by the Bank's Board of Governors and enacted shortly thereafter. Likewise, the GFRP, proposed by Bank president Robert Zoellick at the Development Committee meeting in April 2008, was approved by members at the same meeting. Since it simply reallocated existing IBRD surplus funds to a new purpose and simultaneously augmented Bank funding with bilateral contributions from other governments, the GFRP had already begun distributing loans by May 2008. Such immediate flexibility successes contrast strongly with the long wait experienced at the IMF, and certainly reinforced the BICs' willingness to use their support for IOE as a bargaining tool in pursuing flexibility gains.

This section shows that all three BICs linked Bank empowerment to flexibility during the reform process. While Brazil leveraged its support for empowerment in exchange for improvements in Bank flexibility, India and China refrained from making their support for empowerment dependent on improved governance flexibility. All of the BICs interpreted IOE as a means of increasing the Bank's issue flexibility, but our analysis of government statements does not indicate that rising powers' support for IOE depended on increased issue flexibility.

Conclusions

This contribution has addressed the puzzle of why rising powers supported empowerment of the Bretton Woods institutions despite long-term and widespread criticism that these IOs primarily benefit established states. We have argued that BIC support for empowerment depends on whether a change of the status quo addressed existing grievances related to an IO's degree of flexibility. We have illustrated this argument by investigating the links between governance and issue flexibility, and BIC support for transferring decision-making authority and material resources to the IMF and the WB between 2008 and 2012.

The findings are twofold. First, rising-power support for empowerment of both IOs was clearly linked to the BICs' concerns about governance flexibility. This result speaks to other studies (e.g. Lesage and Van de Graaf, 2015; Stephen, 2012) that view forum shopping or institutional creation – not empowerment – as the rising powers' main response to the old global economic order. Focusing on the nexus between empowerment and flexibility, we find the BICs not only regarded IOE as a means of addressing their governance flexibility concerns at the IMF and the Bank, but even explicitly leveraged their support for empowerment to enhance rising state participation in IO decision-making. Issue flexibility, by contrast, was not ranked as highly as governance flexibility, as BICs governments did not make empowerment support dependent upon enhancing issue flexibility.

Second, we find clear behavioral differences amongst the BICs at the WB and the IMF. Brazil explicitly leveraged its support for IOE for substantial improvements in governance flexibility, while China did not do so. India, in contrast, leveraged support for IOE and flexibility at the Fund but not at the Bank. These national differences correspond to our expectations based on the different power resources each BIC possesses in the Bretton Woods institutions. This gives credence to our argument that linking rising power support for IOE to gains in governance flexibility is a central concern for rising powers in global economic governance.

What are the implications of this study in terms of generalizability? In the face of the declining power of incumbent states, this piece mapping the nexus between empowerment and flexibility can be used to explore differences across multilateral cooperation in other issue areas, for example, trade or security. Doing so will allow rising powers and IO scholarship to better grasp how and why IOs are changing in today's contested world. In addition, the case of India, with its status as the Bank's largest borrower, shows that countries with strong loan dependence are more likely to favor IOE because increasing and expanding resources is advantageous for them. This finding should also apply to other countries and policy areas, for example, health programs. As such, while certainly the BICs' position in the contemporary global economy is unique, we expect our findings to hold for other emerging states, such as South Africa or Mexico, which seek to advance national goals in multilateral institutions.

With this study, we make a first, modest contribution to the literature on rising powers' preferences towards IOE. Overall, our findings demonstrate the value of considering institutional design elements – in particular flexibility – when explaining the variation in rising power preferences regarding IOE. In addition, the paper highlights some fruitful avenues for future research relating to rising powers, institutional design and empowerment. For example, what explains the different relationships between issue flexibility and IOE on one hand and governance flexibility and IOE on the other? One potential answer could revolve around the strength of IOE support as a bargaining chip for gains in issue versus governance flexibility. Specifically, the threat to withdraw support for IOE due to a failure to address issue flexibility concerns seems less credible than is the case for governance flexibility. This is because rising powers have created alternative institutions which give them issue flexibility (e.g. financing of infrastructure programs with minimal conditionality requirements) that could not be achieved within the Bretton Woods institutions. Future research could also investigate whether empowerment within IOs leads to more discretion for IOs over the use of these resources when it comes to implementation. Likewise, scholars could examine how rising power support for IOE alters informal government contexts. For example, how does rising powers' leveraging of IOE support for flexibility gains at the Fund affect their behavior and goal-setting in the (informal) G20? And are the BICs using bilateral lending and other forms of cooperative monetary agreements to overcome governance and rule-making issues within old IOs? Finally, the use of trust funds by borrowers to get what they want outside the limitations of governance structures needs to be examined more systematically and compared with pursuit of similar goals within recently created multilateral development banks and less formalized institutional structures.

Notes

1. This piece focuses merely on the material dimension of power (authority and resources). Other studies have measured the level of IOE (full, partial, and no empowerment) (Heldt and Schmidtke, 2017; Graham 2017). This way of evaluating the power of an IO excludes, for example, technical expertise as a source of power. This remains an avenue for further research.
2. With the creation of the New Development Bank this dependency on loans from the World Bank is more likely to decrease in the upcoming years.
3. A web appendix providing more details regarding the coding procedures and corpus is available at www.delpowio.eu.

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Supporting Information

Additional supporting information may be found online in the Supporting Information section at the end of the article.

Data S1. Overview of coded documents: rising powers in global economic governance.

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