P&P

Populism & Politics

P&P Article #3 MARCH 2021

Populism and the rise of hybrid governance models: Saving the multilateral cooperation

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As compared to the existing top-down and rigid hierarchical governance models, the hybrid governance models (HGMs), which allow loose and minimal institutional structure are in continuous flux, more flexible and adaptable to the external shocks. However, an inherent weakness in that "hybridity" approaches is their equalization of the irregularity, arbitrariness, and uncertainty with "high adaptability," which invites populism into the discussion.

The limited capacity of the current liberal multilateral order (MLO) to properly address challenges such as successive financial crises, worsening income distribution, increasing migration, climate change, environmental degradation, pandemic, and unbalanced trade structure between different countries and regions have stimulated debates that neo-liberal globalization has reached its limits (Mearsheimer, 2019; Rodrik, 2020). These problems have put the existing multilateral organizations, such as the World Trade/Health Organizations, the IMF/WB, the UN, and the EU, which possess the global public good (GPG) characteristics for collaborative solutions, under immense stress.

On the one hand, excesses of unmanaged globalization have limited nations' sovereignty, independence, and autonomy. However, global companies have remained immune to proper regulation. Existing mechanisms are not sufficient to motivate them to behave in the benefit of stakeholders. Therefore, mentioned failures have triggered a process of "governance crisis," populist waves, and the search for alternative governance in the periphery as well as in the centre (Acheria, 2017 & 2018, Subacchi 2020). Increasing number of alternative regional or national cooperation models are emerging with both potentially positive and negative ramifications (Johnston, 2018). As taken together, populism and hybridity increasingly motivate new approaches to the state-economy-market-company relations at the international, regional, national, and even corporate levels (Aiginger, 2020). For instance, different varieties of the "parastatals" are rising recently in the field of state-owned enterprises, sovereign wealth funds (SWFs), and special economic zones (SEZs) (Khanna, 2012).[1]

Under the observation that populist hybrid regimes offer individual, or at best, regional solutions, rather than providing more comprehensive and participatory solutions to existing prob-

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lems, this article proposes that the MLO should be reformed to make it more participatory, fair and transparent. The view defended here is that the rising hybrid regimes should be effectively amalgamated into the existing MLO to address the underlying reasons that motivated their rise. However, in the absence of a decisive and a benevolent hegemonic leader that requires a "collective leadership" to manage the mentioned "creative destruction" for the upgrading of the rule-based, multilateral liberal statuesque. The recently ratified such comprehensive agreements between Japan and the EU to fill the leadership gap that arose after the withdrawal of the US in the field of global cooperation and even damaging it under Trump's rule may evolve into a new stage with the return of the Biden government to international cooperation mechanisms after the US elections.

After discussing the nature of emerging populist-hybrid regimes as well as the characteristics of the needed hybrid governance (HGMs), recent attempt of Japan and the EU will be very briefly mentioned to highlight the importance of collective leadership in strengthening the existing MLO and open the door for their reformation finally.

On Hybrid Regimes and Populism

After the hyper-globalization era of the 1990s, when unfettered free markets dominated, the so-called post-Washington consensus came during the 2000s, this time with more emphasizes on macroprudential regulatory institutions (mainly) in the financial, social, and distributional sectors. Finally, a new phase of global (dis)order is emerging, called the age of hybrid norms and fragmented governance. By describing it as "multiplex world", Acharya (2017: p.7) goes on to identify it as follows:

"… [It refers] broadly to formal and informal interactions among states and other actors, at global and regional levels, based on common principles and institutions that are not dominated by a single power or group of powers. Instead, leadership is diffuse and shared among actors that are not bound into a hierarchical relationship linked to differential material capabilities."

Given these approaches, hybridity represents the absence of a dominant and coherent paradigm advocated by a coherent core. Rather the contrary, competing norms coexist and challenge one another. As Jessop (2013: p.8) underlines, "governance models and structures are characterized by different and changing degrees of hegemony and hierarchy, overlapping spheres of influence, national components and transnational influences, interdependences and pockets of self-containment, embryonic and dying regions, marginal spheres and areas of confrontation." In such a conjuncture, the rise of pluralistic and diversified governance structures is necessary and unavoidable. As viewed from this perspective, the clash of norms opens up new opportunities for more pluralistic patterns of globalization such as hybrid governance models (HGMs) and carves out precious space for emerging countries (Menard, 2004, 2010).

EU Commission President Ursula von der Leyen and EU Council President Charles Michel hold a news conference after a summit with China's President Xi Jinping, in Brussels, Belgium on September 14, 2020. Photo: Alexandros Michailidis

However, this outlook calls for different institutional responses to cooperation strategies to reflect the proliferation of transnational challenges, the diffusion of new ideas, and the expansion of actors and processes envision. As compared to the existing top-down and rigid hierarchical governance models (i.e., the EU or former Soviet models), the HGMs, which allow loose and minimal institutional structure are in continuous flux, more flexible and adaptable to the external shocks. However, an inherent weakness in that "hybridity" approaches is their equalization of the irregularity, arbitrariness, and uncertainty with "high adaptability," which invites populism into the discussion. In the given context, it might be fair to define HGMs as populist regimes because of their divisive rhetoric of "we" and "others" and the way they criticise the global order. Both of them strongly express their emphasis on independence, autonomy and national interests. The HGMs seek to legitimize their underlying ideology through "the West versus the rest" rhetoric, and accordingly, they criticize the global establishment as serving predominantly in the interests of developed countries.

Notwithstanding, such legitimate criticisms of the MLO give a pseudo message that both HGMs and their populist ideologies can serve as a "democratic corrective" to the statuesque. On the contrary, again on a pretty legitimate ground, populist rhetoric of the HGMs can be seen as demagogy in a post-truth world towards consolidating the power of the "one-man rule" inside and authoritarian regimes outside through appealing to and claiming to embody the will of the people, nations, and therefore sustaining several authoritarian tendencies (Weyland, 2021). The gist of the point is that in the context of governance, the long-term issue concerns its sustainability. In contrast to the predictable, transparent, accountable, and rule-based institutionalized governance, the so-called HGMs open the door to a heavy populism, which generally attributes domestic problems to the "external enemies" or "imperialists" for the sake of self-legitimation (Öniş & Kutlay, 2020). Conditional upon the political needs and priorities, that antagonism can be easily and pragmatically extended other areas of international fragmentation, such as trade wars and economic protectionism.

A brief reference to China's state capitalism and its implications on the dissemination of the Belt and Road Initiative (BRI) can help to understand the inherent populism tendencies involved in HGMs. China has so far adopted a more selective approach to globalization in line with its underlying model of authoritarian capitalism. Overall, reflecting the opportunism and pragmatism of China, three dimensions of its political economy can be linked to the HGMs, as argued in this paper.

First, outside, China demands and requests for a greater say in the existing international institutions through modestly reforming the basic institutions of the MLO, such as World Bank, the International Monetary Fund (IMF) and the Asian Development Bank (ADB) to better reflect China's increased economic power and status had encountered rejection and resistance by the US since 2010 until the related reform package passed in 2015. While the vested interest was hindering the long overdue reforms, China's push for a regional institutions such and the BRI and The Asian Infrastructure Investment Bank (AIIB), within which it would be dominant or at least have considerable impact was a reflection of Beijing's frustration over the Western, especially American, dominance of the existing international multilateral bodies. In that context, reflecting both the emerging global conjuncture and his personality, Xi Jinping's thought or doctrine has shaped China's development and global engagement for decades to come, and perhaps longer.

Second, inside, China builds an authoritarian regime under rigid control of the Communist Party, which is facilitated by increasing digitalization of the governance processes. Among other things, it legitimizes several unfair trade practices, which are inconsistent with free and fair trade, including tariffs, quotas, currency manipulation, forced technology transfer, intellectual property theft, and distortionary industrial subsidies to the SEEs. Both the US and the EU have declared that these policies have built Beijing's manufacturing base, at the expense of its competitors.

Third, the BRI, which evolves at the interface of China's state capitalism and the liberal world economy, represents a modern form of old-historical tributary realm of influence, with the ultimate objective of expanding China's influence. In other words, China invents the BRI as a "Chinese way of rule breaking, second stage towards hegemony before the final stage. President Xi states that: "We should not be a bystander or a follower, but an active participant and leader. We need to let more of China's voices be heard and more Chinese elements to be noted in the process of making international rules, to maintain and expand China's interests in pursuing development...in the future, the Chinese nation will forge ahead like a gigantic ship breaking through strong winds and heavy waves."[3]

Notwithstanding, as compared to what other great powers (the UK, the US) did throughout the 19th and the early 20th centuries, when they were hegemonic powers, Chinese way might be more peaceful way of expanding her realm of influence by providing some kind of regional public goods such as infrastructures, security alliances, financial networks and so forth. Since 1980s, when Deng Xiaoping initiated China's gradual reform and opening era, state economic enterprises' (SEZ) governance model has been closely supervised and gradually evolved through a "trial-error" and "learning by doing" process. That experience has partly shaped China's state capitalism both inside and outside. Reflecting all these experiences, through the BRI, China's expands its foreign economic policies and external reach. It is disseminated by the Chinese leadership as a model Chinese way of cooperation in doing business (Grimmel & Li, 2018).

Recent observations on the functioning of the BRI in infrastructure development across Eurasia and Africa since 2014 show that China's insistence on an institution-less and contingency model of governance has created many problems. As BRI's fragmented, multi-centric, multi-layered, and multi-pivotal sub-networks of interconnected and interwoven regional and international contact and diplomacy have not allowed the third parties' participation with the credibility and experience of international best practices to oblige and engage Chinese companies in a rule-based, win-win game. Therefore, it has failed to fulfil a needed GPG for practical cooperation in bringing solutions to the global infrastructure gap. It neither performs an ex-ante rule-based contracting, for instance, at the stages of tendering, funding, construction, and operation nor an ex-post performance based-analysis to accurately measure the cost-benefits of the services it provides.

It seems that the current harsh competition between the Western paradigm of governance, which supports rule-based, structured, and centralized cooperation, and the Asian (and increasingly Chinese) models that promote flexible and non-structured contingency models would determine the future course of the expected forms of governance.

Japan's Prime minister Shinzo Abe is welcomed by former EU Council President Donald Tusk and former EU Commission President Jean-Claude Juncker at the EU Japan leader's summit meeting in Brussels on July 6, 2017. Photo: Alexandros Michailidis

The EU-Japan's Cooperation: Balancing Hybrid Governance

China's efforts to export its systemic aspects through BRI with the mentioned institutional loopholes and implementations have triggered dangerous retaliatory acts from the US, increasing requests from the EU for further reciprocity wide range of economic activities and opposing waves in many developing countries. The BRI case shows that recently evolving HGMs need some transferable institutional lessons from the Western experience of public good provision.

In an environment of fragility created by the US's withdrawal from multilateral cooperation mechanisms in the Trump administration and China's efforts to expand its disproportionate and unilateral sphere of influence to fill this gap, cooperation between countries with a shared vision, such as Japan and the EU, is critical in providing the leadership required for the production of Global Public Goods (GPGs). After long years of passive position, both Japan and the EU have taken a more active initiative through several comprehensive agreements to create new opportunities and somehow balance China in the Asia-Pacific region and other critical geographies.

A recent EU-China policy paper clarifies the position of the EU visa-a-vis China as follows: "In different policy areas, China is simultaneously a cooperation partner, with whom the EU has closely aligned objectives. A negotiating partner with whom the EU needs to find a balance of interests. An economic competitor in the pursuit of technological leadership. Finally, a systemic rival promoting alternative models of governance," (EU-Commission, 2019).

Under mounting lobbying from the industrialists, Germany also pronounced its "strategic industrial policy" to create "national winners," and Brussel adopted measures to force China for reciprocity and fair competition. It can be argued that eventually, China reacted positively. After almost eight years, the EU and China have finalized the Comprehensive Agreement on Investment by the end of 2020, which was first proposed in 2012 and have arrived at a common language acceptable to European approaches, norms, and values. That shows, if the EU acts as a unified actor, similar to the US, it has an opportunity to exploit international pressure on China (Berkofsky, 2019).

On the other hand, after the highly ineffective "Silk Road Strategy" announced by the Hashimoto government in Japan in the mid-1990s to fill the gaps that emerged after the collapse of the Soviet Empire (Öztürk, 2006), Japan has recently taken a similar position with the EU. Through the partnership for quality infrastructure, Japan offers collaborative opportunities, fair distribution, and a level playing field for all (Pascha, 2020a, 2020b). These similarities motivated two like-minded soft powers to take joint and decisive steps. To that end, Japan and the EU have signed strategic, economic, and digital agreements with the potential of protecting and promoting free trade, multilateralism, and the rules-based order. They want to develop multilateral international cooperation mechanisms in geographies where China has been quite active through its BRI, not only in Asia but also in the Europe-Balkan region and Africa.

Ongoing efforts for inclusive partnership between the like-minded actors, such as Japan, EU and multilateral organizations (i.e., the World Banka, multinational companies, civil society organizations) would create the required synergy for the needed public goods for cooperation with hybrid characteristics provided they fulfil the following properties (Berkowsky, 2020; Söderbaum, 2015).As Evenett and Baldwin (2020) correctly note, there is an obvious need for alternative 'interface mechanisms' (i.e., the BRI) that allows different forms of capitalism to co-prosper. Second, global and regional problems require international consensual compliance between different coalitions in creating alternative and more efficient public goods (Kaul, 2013). Third, as they are still needed with their proved performance after World War II, the MLO should be amended through viable reforms rather than thrown aside.

To synthesize these three factors, HGMs with GPG characteristics should be more open, transparent, accountable, and inclusive; on the one hand, and also reflect the facts, figures, norms, and civilizational values emerging in the new geo-strategic geographies, on the other. Having possessed these properties, the new HGMs conserve the West's contributions while allowing the East's indigenous contributions.

In that context, by considering the risks, uncertainties, complications, and fragilities of the current global power shift from the West to the East (Allison, 2017), the opportunities and threats in creating alternative HGMs through a comparative institutional approach should be sought. In that context, the EU-Japan cooperation mentioned above might offer a "buffer mechanism" to refrain from a dangerous East-West divide by proposing a more balanced and integrated approach to the needed and desired global governance reform (EU Parliament, 2020; Berkowsky, 2020). The rise of that synergy, however, depends on several factors, ranging from the harmony of cultural texture between Asia and Europe to the ongoing regionalization experiences in Europe, which is passing through new challenges, and in Asia, that has reached a new height with the ratification of recent free trade agreements, such as the Regional Comprehensive Economic Partnership (RCEP, 2020; EU Parliament, 2021).

Conclusion

This article argues that neither the current MLO nor the new populist and ideological approaches that reflect some aspects of "arbitrariness" and "contingency" under the so-called HGMs that are emerging in many countries is capable of solving participation constraints for international cooperation by addressing main principle-agent problems amongst the major stakeholders. The article believes that the creation of alternative GPGs for effective, inclusive, equitable, and sustainable cooperation through relevant HGMs is possible and needed. Provided that they combine the norms, values, and principles of both the West and the East in cooperation, they can more easily address existing challenges in development-related sustainable infrastructure projects such as transportation, communication, cybersecurity, data flow, energy, and industrial locations.

Similar to the transformation of the European Coal and Steel Community (ECSC, 1951) into the current EU over time, it can be expected that a new multilateral cooperation mechanism that starts in a relatively narrow area of infrastructure would eventually reach a tipping point to transform into the expected GPG. Considering the lack of required leadership that has resulted in the current global "reform fatigue," a comprehensive economic, strategic, and cyber agreement between Japan and the EU, two "like-minded" entities, would help to supply some of the needed and expected GPGs in the manner mentioned above.

[1] Parastatals are wholly or partially publicly owned but often privately managed; they include wealth funds, extractive companies, utilities, administrative and judicial centres, export-processing zones, and urban-development authorities that run—with little or no democratic scrutiny—some of the most significant pools of money and sites of growth.

[2] Known as "Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era." In Chinese.

[3] On the other hand, despite such an "over-determination" to lead the new stage of global power shift, BRI has not a well-thought and well-prepared architecture. Such developments as global economic crisis, American containment policies, and several domestic economic challenges forced China to announce BRI to stimulate domestic demand and find external export markets in developing countries, mainly, through large-scale overseas (infrastructure) investment. See Jinping, Xi. (2014). A speech at the Collective Learning Session of the Politburo of CPC Central Committee, Dec. 5. The Governance of China. http://english.scio.gov.cn/featured/xigovernance/2018-11/28/content_74217442.html (accessed on March 12, 2021).

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