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A partial conversion: how the ‘unholy trinity’ of global economic governance adapts to state capitalism

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Abstract

To what extent is neoliberal global economic governance transforming in a world where states play greater roles as promoters, supervisors and owners of capital? Do these transformations signal a potential paradigm shift? To answer these questions, we focus on global financial governance and the trade and investment regime. We analyse recent policy documents from the IMF, World Bank and WTO – the ‘Unholy Trinity’ of neoliberal global governance. Our analysis reveals a growing acceptance of state interventionism within and across these organizations. Although this accommodation is significant, we argue that it constitutes a limited transformation. We observe attempts to incorporate emerging state interventionist practices and state-owned entities into established governance arrangements in order to discipline, curtail and control them. We argue that this does not signify a shift towards post-neoliberal plurality within Western-dominated global economic governance, but rather a defensive, ‘mutating neoliberalism’ which seeks to incorporate depoliticized and commercially oriented state ownership into its mainframe.

Keywords

State capitalism, global governance, IMF, the World Bank, world trade organization, neo-liberalism

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Introduction

How does Western-dominated global economic governance respond to policy practices that challenge prevailing neoliberal orthodoxy? In the past decade, extensive government intervention – in areas such as trade, investment, finance, production and technology – has revived previously taboo policy tools, potentially signalling a ‘state capitalist’ era (Alami and Dixon, 2023; Wright et al., 2021). Historically, when faced with divergent practices, Western-dominated global governance institutions (GGIs) have remained steadfast to the core of neoliberal dogma, emphasizing privatization, engendering a competitive market order and capital account liberalization. Wade (1996) documented this in his influential work on the ‘East Asian Miracle’ and the World Bank’s efforts towards ‘paradigm maintenance’, despite Japan’s efforts to encourage greater recognition of the market-guiding role of the state. Although Best (2014: 105) documents a more ‘provisional’ style of governance following the erosion of expert authority after the Asian financial crisis and the ‘failures’ of structural adjustment across Sub-Saharan Africa, these institutions nevertheless remained true to the ‘stock-in-trade’ of neoliberal principles described earlier. Today, however, there are indications that Western-dominated GGIs are becoming *more accepting* of an active state role in the economy, signalling a potential departure from this traditional response.

The International Monetary Fund (IMF, 2022b), for instance, has softened its position on capital controls and acknowledged the resurgence of industrial policy (Cherif and Hasanov, 2019), while the World Bank and bilateral development agencies are embracing an enhanced state role to leverage additional finance (Alami et al., 2021; Schindler et al., 2023). Some scholars interpret these developments as indicative of a shift towards a more pluralistic order and the resurgence of both neo-mercantile alongside market-dominant approaches (Belesky and Lawrence, 2019; Johnstone and Lincoln, 2022). Hence, for Sandbu (2021) of the *Financial Times*, ‘the conversion by the IMF and World Bank to support the activist state would put Saul of Tarsus to shame’. This article critically examines these claims, exploring the extent of transformation in governance rules, institutions, discourses, practices and norms to accommodate the expanding role of states, and whether this signals a broader paradigm shift in global economic governance.

We specifically analyse the response of the IMF, World Bank and World Trade Organization (WTO) – the so-called ‘Unholy Trinity’ of neoliberal global governance (Peet et al., 2003) – to the rise of state capitalism. For critical scholars, these institutions have traditionally promoted an aggressive form of neoliberal capitalism, emphasizing market rule, corporate dominance and private sector self-regulation (Gill, 2019). We investigate their adaptation to the increasing state role in the global economy and whether these shifts challenge or reinforce the dominant neoliberal discourse.

Grounded in critical IPE and Gramscian scholarship, our empirical contribution explores the ‘internal relationship’ between ideas and shifts in material relations (Bieler and Morton, 2004). We view GGIs not as neutral sites of problem-solving and rule-making, but as constitutive – albeit quasi-autonomous – components that reflect and perpetuate global capitalist social relations (Cox, 1981). Drawing on recent studies, we examine GGIs’ adaptive roles as ‘collective organic intellectuals’ of the transnational

capitalist class, that establish norms and agendas on what constitutes 'good' economic governance worldwide (e.g. Foster, 2022; Shields, 2019). In doing so, these actors have hitherto reinforced the capitalist status quo by legitimating ruling institutions and power distribution (Gill, 2015). Our focus is, therefore, on the ability of such actors towards 'develop[ing] the "gastric juices" to digest competing visions of world order in conformity with a hegemonic project' (Morton and Bieler, 2018: 71–72); in this case, neoliberal global economic governance.

This approach allows us to examine the following: (1) the *empirical manifestations* of state capitalist practices and entities, (2) their perception by Western-dominated GGIs as posing *systemic risks* – namely, macropolitical and macroeconomic risks to the smooth functioning of the global capitalist economy as a whole, (3) the *institutional risks* to GGI's expertise and epistemic authority as hegemonic actors and (4) the various *strategies of adaptation* by these GGIs to maintain influence in the face of these risks. We focus on the following two interrelated issue areas: (1) Global Trade and Investment Governance, treated as a cohesive field owing to their interconnected institutional structures. In this domain, we investigate emerging entities and policies, such as state-capital hybrids and trade and investment restrictions, which challenge established norms; and (2) Global Financial Governance, where we focus on capital controls and state-owned banking. We selected these specific sub-issues due to their prevalence and apparent contradiction with traditional orthodoxy, enabling us to assess the degree of transformation in core neoliberal prescriptions and tenets.

We conducted an in-depth analysis of official policy documents related to state-capital hybrids and practices, issued by the IMF, World Bank and WTO over the last decade (c. 2012–2023). These documents, including policy reports, case studies, guidelines and 'soft law' instruments, were sourced from official websites. To enhance our understanding, we consulted secondary literature revealing the underlying power dynamics of these shifts and, in the case of soon to be released documents, incorporated clarifications from previous correspondence with World Bank officials. Our approach also involves a longitudinal comparison between this recent literature and policy materials released in the late-20th and early-21st centuries, as this allows us to identify shifts in governance paradigms. Primarily, our focus is on three 'focal organizations' in global economic governance: the IMF and World Bank, both responsible for various aspects of global financial, trade and investment governance, and the WTO, which primarily deals with trade and investment issues. Yet, in acknowledging the diversity and 'institutional complexity' of global economic governance (Eilstrup-Sangiovanni and Westerwinter, 2022), we also considered the stances of other key Western-dominated institutions, such as the Organisation for Economic Co-operation and Development (OECD) and the European Bank for Reconstruction and Development (EBRD), to allow our analysis to encompass broader yet related developments across global economic governance.

Our findings indicate that the 'Unholy Trinity' is primarily concerned with the proliferation of state capitalist policy instruments, rather than their incompatibility with liberal norms, posing two main challenges. First, the unchecked growth of state-capital hybrids (e.g. SWFs, SOEs, policy banks) and heightened trade restrictions and capital controls risk triggering a retaliatory spiral, potentially leading to geoeconomic fragmentation and undermining the rules-based liberal order. Second, the IMF, World Bank and WTO

encounter substantial challenges stemming from widespread experimentation with state capitalist tools, as these deviate from their historical roles in privatizing state ownership and eliminating capital controls and trade protections. We explore the adaptive strategies deployed by these GGIs to address these significant macropolitical and institutional challenges. It is therefore crucial to note that our findings are specific to Western-dominated global economic governance institutions, and are not universally applicable to all international institutions or those from emerging economies.

We argue that the 'Unholy Trinity' adapts neoliberal norms by modifying policy advice, developing specific management prescriptions for state ownership, and introducing legal exceptions and updated reform agendas to allow for increased state intervention within the rules-based liberal order. Yet, we observe no fundamental departure from core neoliberal principles, such as commitments to 'deep marketization', sustained trade and capital account liberalization, and the primacy of private sector self-regulation. This accommodation of a larger state role is, thus, significant but limited, aiming to integrate, regulate, discipline and control emerging state capitalist practices and entities within the existing governance frame. The success of these efforts, however, remains to be seen.

The article proceeds in three parts. First, we critique extant explanations in Varieties of Capitalism scholarship that allude towards the shifts we describe. Second, we provide an empirical analysis of ongoing shifts in global economic governance. Finally, we explore the extent and implications of these shifts, and whether they challenge long-standing assumptions on the neoliberal tendencies of global economic governance.

State capitalism, global governance and 'varieties of capitalism': towards post-neoliberal plurality?

Scholars in the 'varieties of capitalism' tradition suggest potential explanations for these observed shifts in global governance, and these mutations are situated within a Gramscian 'interregnum' – a transitional phase between successive world orders (Babic, 2020; Stahl, 2019; Taggart, 2022). This phase is characterized by a multipolarity of power and economic activity, reshuffling geoeconomic dynamics and intensifying struggles between emerging and established capitalist factions. The prevailing argument posits that the evolution of global governance stems from the relative decline of Western influence and efforts of non-Western contenders' attempts to secure representation in a largely Western-centred system (Kurlantzick, 2016; Nölke, 2017; Stephen, 2014).

These rising actors present distinct 'state capitalism' models, marked by substantial state participation in the economy, through large state-owned sectors and/or tight state-business relations. Yet, these models supposedly clash with global governance systems based on liberal market economies. For instance, Kurlantzick (2016) suggests that the rise of 'state capitalism' is a 'real potential alternative to the free market model'. Jang et al. (2016: 3) likewise argue that Western ideas of privatization, autonomous markets and open capital accounts are challenged by state-controlled approaches in the Global South. Stephen (2014) suggests that Brazil, Russia, India and China's (BRICs) 'state capitalist' (p. 914) model serves as a persistent barrier to their integration into the West's liberal governance mechanisms, evidenced by their exclusion from

established transnational capitalist networks. Öniş and Kutlay (2020) further assert that global governance is transitioning into an 'age of hybridity' characterized by the coexistence of diverse norms and values, with the international order being moulded by competition among various forms of capitalism, including authoritarian state-led capitalism among non-Western countries. Consequently, these state capitalist models engender 'institutional incompatibilities' with the liberal foundations of prevailing global economic institutions, undermining liberal hegemony and giving rise to a less liberal and more 'mercantilist' or neo-Listian global order (Nölke et al., 2015: 561).

Recent developments, such as the growing acceptance of state activism by established GGIs, seem to support these predictions, potentially indicating a shift towards a post-neoliberal world order marked by increased hybridity, especially concerning the suitable role and extent of state intervention. However, a more detailed examination reveals at least three points of contention, suggesting a need to further complicate, if not necessarily refute, these arguments.

First, the adoption of state capitalist policies is no longer limited to emerging and semi-peripheral states. Governments worldwide, including in so-called neoliberal heartlands, are increasingly exploring various political, organizational and institutional forms. These include sovereign wealth funds, state enterprises, policy banks, techno-industrial policies, state aids to corporate champions, national development strategies, trade and investment restrictions and other interventions (cf. Alami and Dixon, 2023; Wright et al., 2021). Consequently, the 'new state capitalist turn' is a diverse, variegated and growing *global* phenomenon, suggesting the narrative of state-led economies rising from outside the liberal core and challenging global governance norms is, at best, partial.[1]

Second, and related, the presumed institutional incompatibility of state-led economies with liberal global governance norms is less straightforward than it appears. While the increased transnational operations of state enterprises and sovereign wealth funds create tensions in global trade and investment governance, many state-controlled entities resort to international investment arbitral tribunals (a core liberal governance mechanism) to settle disputes (Chaisse, 2018). In addition, recent challenges to global governance in trade, investment and finance have come from nominally neoliberal economies. For example, the United States has been blocking new appointments to the WTO's Appellate Body, effectively paralysing its dispute settlement mechanism (Hopewell, 2021). The European Union (EU), another self-proclaimed beacon of market liberalization, has moved 'toward bilateral trade deals and a policy of setting tighter conditions on other powers' access to European markets to tailor trade policy to its immediate commercial interests', notably in the context of its turn towards 'strategic autonomy' (Ülgen and Youngs, 2022: 52). Thus, the narrative of a clash between state-led and neoliberal varieties of capitalism as a driver of global governance transformations is limited. Revealing the impacts of the 'new state capitalist turn', thus, requires a detailed examination of how liberal governance rules, institutions, practices and norms across multiple policy domains are adapting to a world where states assume greater roles as promoters, supervisors and owners of capital.

Third, there exists an unresolved tension between the notion that we are entering a post-neoliberal age characterized by hybridity and 'less liberalism' and recent literature on global governance, which underscores its continued association with neoliberal norms

and institutions that promote market extension, corporate dominance and private sector (self-)regulation. Notably, recent global governance studies reveal the ongoing growth of private influence within established institutions. Carroll and Jarvis (2022), for instance, argue that global governance aggressively advances 'deep marketization', while Buxton (2019) suggests that 'the push for greater democratization vis-à-vis multi-stakeholder partnerships has [recently] opened the door for the rapid privatization of global governance'. Critical scholars contend that contemporary global governance is a product of neoliberal paradigm shifts in international political and economic relations of the post-Cold War era (Jang et al., 2016: 1). Furthermore, critical scholarship details how neoliberal global governance ultimately serves to expand, legitimize and further capitalist social relations, through discursive and legal efforts to separate economic rule from politics, such as through mechanisms that 'lock in' neoliberal prescriptions through 'New Constitutionalism' and 'disciplinary neoliberalism' (Gill, 2019). Cammack (2022) likewise contends that global economic governance continues to subordinate rival states, competing capital factions and subaltern forces to competition dynamics through market pressures, thereby securing the reproduction of global capitalism.

We are, therefore, faced with a contradiction: on one hand, there is a claim of an emerging post-neoliberal hybridity and 'less liberalism' in global governance; on the other hand, arguments persist about its continuing neoliberal and disciplinary character. How can we understand the increased embrace of state activism by Western-dominated GGIs? Is this indicative of a notable a shift *within*, or *beyond*, neoliberal trajectories? Discerning and evaluating the character of ongoing shifts and their connection to neoliberalism is challenging. We recognize that neoliberalism is a multifaceted and adaptable project, exhibiting significant adaptability over time (Peck, 2010). Biebricher (2019: 26–27, 34) thus argues that the 'thin common denominator' of these varieties of neoliberalism is the endeavour to depoliticize market rule and establish a competitive market order, upheld and enforced by an authoritative 'strong state'. Consequently, neoliberalism seeks both to empower and limit state action, fundamentally focusing on maintaining the integrity of the price system. Given this, neoliberalism can exhibit considerable diversity in thought and practice, complicating the task of distinguishing between changes that reinforce neoliberalism and those that might undermine it. This complexity implies that increasing institutional diversity and apparent deviations from established orthodoxies do not *necessarily* signify a departure from neoliberalism.

To assess the nature and significance of these changes, we introduce the following two concepts: 'post-neoliberalism' and 'mutant neoliberalism'. Post-neoliberalism, as Davies and Gane (2021: 4) contend, does not signify a phase that comes exclusively after neoliberalism. Instead, it refers to emerging rationalities, critiques, movements and reforms that originate within neoliberal societies and start to alter or weaken neoliberal principles and politics. Conversely, 'mutant neoliberalism' encapsulates the emergence of distinct yet related variants within the neoliberal 'species' (Callison and Manfredi, 2020: 3–4). In essence, while post-neoliberalism implies a weakening of core principles, 'mutant neoliberalism' indicates a continuation or even reinforcement of established trajectories and tendencies, albeit in altered forms. The distinction between *post-* and *mutant* neoliberalism might not always be clear, and both forms of change can occur concurrently, but these concepts nevertheless provide valuable heuristics. Our primary

focus is not on precise categorizations, but on understanding the motivations, nature and consequences of the ongoing transformations in global economic governance.

Global governance and the new state capitalist turn

To address these questions and gain insight into how global governance adapts to the 'emergence of a new state capitalist normal' (Alami et al., 2022), we provide a detailed analysis of shifts and continuities in the 'Unholy Trinity's' discourses and practices across (1) Global Trade and Investment Governance and (2) Global Financial Governance. We are particularly concerned with how the 'Unholy Trinity' have responded and adapted to the rise of state capitalism. We first outline *empirical manifestations of state capitalism* within these policy domains. This enables us to examine how GGIs perceive these manifestations as posing *systemic risks*; macroeconomic and macropolitical risks purportedly threatening the free flow of capital across territorial borders within a competitive, rules-based order. Yet, GGIs are not merely concerned with the reproduction of a smoothly functioning world capitalist economy, but also – as Best (2014) and others have observed – with their own survival and relevance as centres of expertise and authority in an increasingly complex and contested global economic context (see Morse and Keohane, 2014; Nicolas, 2016). Hence, our third section for each policy area examines the *institutional risks* that these manifestations pose to their influence and authority. These sections collectively enable us to assess the *institutional responses and adaptation strategies* employed by the 'Unholy Trinity' and related institutions in the face of these perceived risks. This comprehensive approach informs our subsequent analysis on whether such shifts have fundamentally altered their commitment to long-standing neoliberal orthodoxy.

Global trade and investment governance

Empirical manifestations of state capitalism. Global trade and investment governance arrangements have been unsettled by several trends linked to the rise of state capitalism. First, state-capital hybrids, including sovereign funds, state enterprises and other forms of state-owned or controlled entities, have seen rapid expansion. In 2023, 176 sovereign funds controlled assets worth over US$11.8 trillion (up from less than US$1 trillion in 2000; SWFI, 2023). State enterprises controlled assets valued at US$45 trillion (equivalent to half of global GDP and up from US$13 trillion in 2000; IMF, 2020b). These hybrids have integrated into global production networks and capital circuits, engaging in foreign listing, international portfolio investment, overseas mergers and acquisitions, and foreign direct investment (Alami and Dixon, 2022; Babic et al., 2020).

Partly in response to these transnational operations and amid a general turn towards economic nationalism and neo-mercantilism, trade and investment restrictions have multiplied (Bauerle Danzman and Meunier, 2023). Recent UNCTAD (2020: 56) reports document that 42% of national investment policies adopted in 2021 introduced restrictive measures on foreign investment, the highest proportion ever recorded. This increased the number of countries conducting investment screening for 'national security' to 37, including nations like the United States, Canada, France, Japan, Germany and Australia,

among others. Since 2015, trade defence measures have risen in every world region except Africa, primarily initiated by large advanced and emerging economies (UNCTAD, 2022). UNCTAD (2020: x–xi, xiii) forecasts the continuation of these trends towards ‘growing economic nationalism’, ‘increased interventionism’ and ‘rising protectionism’ in the face of ‘geopolitical and financial risks and ongoing trade tensions’ for the upcoming decade.

Perceived systemic risks. Western-dominated GGIs have closely monitored the proliferation of state-capital hybrids, a diverse group with varying missions, mandates and objectives. Some are market-conforming, while others perform more overtly political functions for their governments, potentially distorting markets through low-cost capital, direct subsidies, preferential access to key inputs or bailouts. These GGIs express concerns that the unregulated growth of state-capital hybrids, particularly the less market-conforming ones, could not only ‘increase the risk of inappropriate interventions’, as stated by a World Bank (2013: 4) report, but also that SOE-induced ‘competitive distortions in the home market may be spilling over to the global market’ (IMF 2020b: 50). The risk is that the uncontrolled expansion of such hybrids could elevate the likelihood of inappropriate interventions and generate competitive imbalances in global markets.

This risk is exacerbated by the fact that the internationalization of state-capital hybrids may not always be based on commercial objectives but rather home country goals, such as control of natural resources, acquisition of technology, or political objectives (IMF, 2020b: 65). Furthermore, the emergence of unique structures of ownership, control, and management obscures the line between state-owned and privately owned entities, complicating the assessment of government influence on business decisions (IMF, 2020b: 50). This uncertainty may also lead trade partners and investment recipient states to adopt protectionist measures (IMF, 2020b: 65). The surge in trade and investment disputes and recent proliferation of tariffs and investment screening mechanisms (often implemented as defensive measures against foreign state-owned entities) are therefore perceived as serious risks.

Western-dominated GGIs caution that globally active state-capital hybrids could incite a protectionist backlash and retaliatory measures, potentially resulting in a protectionist spiral. This scenario, termed ‘self-inflicted wounds’ by former IMF managing director Christine Lagarde, could hinder global economic growth, escalate geopolitical and geoeconomic tensions, and foster global instability (Euractiv, 2017). In addition, it could inject arbitrariness, unpredictability and incoherence into trade and investment governance, thereby unsettling the rules-based liberal order and market liberalization.

Hence, Western-dominated GGIs identify macroeconomic and macropolitical risks arising from the global proliferation of state-capital hybrids and heightened scepticism from host governments and trade partners regarding the hybrids’ intentions, competitive benefits and possible counteractions. As IMF (2023) managing director, Kristalina Georgieva, warned ahead of the 2023 World Economic Forum summit in Davos, this could ‘be a dangerous slippery slope towards runaway geoeconomic fragmentation’.

Institutional risks. The second set of perceived risks pertains to the political relevance and influence of Western-dominated GGIs, especially regarding their status as sources of

expert authority. The World Bank and the IMF found themselves ill-equipped to account for the rise in state ownership since the early 2000s, having advocated for privatization, liberalization, marketization and public sector reform in developing countries for the preceding two decades. State-capital hybrids were deemed economically inefficient, susceptible to low productivity, corruption, rent-seeking and were generally viewed as incompatible with a modern capitalist economy (Nellis and Shirley, 1992).

This position left the IMF and the World Bank unprepared to comprehend the rising significance of state-capital hybrids as competitive economic entities and essential components of new development strategies globally. Many developing countries, seeking to avoid IMF conditionalities, used state-owned banks (see below) and sovereign funds for counter-cyclical purposes. Governments experimented with various state-capital hybrids without the approval of the IMF and World Bank, challenging their expertise and potentially eroding their authority.

The multilateral trade and investment system also faces challenges accommodating extensive state ownership, creating enforcement issues. In international investment governance, both international law of foreign investment and transnational arbitration 'were both historically designed to regulate foreign *private* investments' and 'was not thought to be designed to allow [state-capital hybrids] to act as a claimant before an international tribunal', insofar as it 'was intended to serve the interest of private investors seen as the main driver of the global economy' (Chaisse, 2018: 339, 344, 371). The legal standing of state-owned entities is unclear, leading to questions about the appropriate dispute settlement mechanisms and the treatment of investor and state rights. This ambiguity could compromise the international adjudication system's ability to depoliticize investment disputes, one of its core functions (Bernasconi-Osterwalder, 2014).

State-capital hybrids also pose challenges for international trade law. The GATT/WTO defines rules and obligations for governments as regulators of economic activities. For example, the Agreement on Subsidies and Countervailing Measures provides a framework for regulating potentially trade-distorting government subsidies and ensures countervailing duties are not imposed arbitrarily. However, GATT/WTO rules do not address the role of states as capital owners or the potential trade distortions resulting from state ownership (Wu, 2016).[2]

The OECD considers this to be one of the main sources of tensions building in the international trading system. Its website (OECD, 2023) states that there are

> . . . growing concerns about rising government support across a range of industrial sectors, and that current trade rules on industrial subsidies are not able to effectively tackle this support and that new rules are needed to ensure a level playing field. Part of this concern is related to rapid internationalisation of state-owned enterprises.

The global trade and investment regime faces considerable legal difficulties in regulating the transnational activities of state-capital hybrids. Host states increasingly invoke market distortion and national security clauses in trade and investment agreements to protect themselves from real or perceived risks (Chaisse, 2018; Lang, 2019; Meyer, 2021). These provisions in international economic law allow states an exemption from their regular, non-discriminatory trade and investment obligations. While these

exceptions act as crucial safety valves, preventing the collapse of the trade and investment regime, their escalating use carries risks.

Increased reliance on exceptions may undermine the regime's predictability and equitable functioning, as well as the centrality of its institutions (e.g. WTO, international investment tribunals). The ambiguous nature of these exceptions is susceptible to abuse (i.e. expanding what is considered a national security threat), potentially undermining the governance system as a negotiation and dispute settlement forum (Lang, 2019; Meyer, 2021). The system is therefore faced with both facilitating trade and investment among diverse economies while promoting liberal market principles (Lang, 2019). Howse and Langille (2023) suggest that the WTO has favoured the latter, potentially at the former's expense, but its legal framework can technically accommodate diverse governance models and regulatory experimentation. However, as we will explore, significant political obstacles exist.

The WTO faces additional crises, including the Doha round impasse, the rise of preferential bilateral and mega-regional trade agreements, and new issues stemming from the digital economy. The rise of more assertive economic nationalism and neo-mercantilism further complicates its role, especially with the United States blocking appointments to its Appellate Body (see above; Hopewell, 2021). While the EU aims to maintain the WTO's functionality, it has initiated numerous preferential trade negotiations and exhibited varying degrees of trade and investment protectionism. Ülgen and Youngs (2022: 52), note that the EU is increasingly focusing on 'instrumentalized globalization through political negotiation' rather than 'rules-based market liberalization'. The EU advocates for stricter measures against trade-distorting subsidies and state-owned enterprises within the WTO, fewer exemptions for developing states and more opportunities for plurilateral deals to advance its interests (Ülgen and Youngs, 2022: 53). Consequently, the WTO faces the intricate task of balancing power politics, gaining support from emerging powers for the multilateral rules-based system while preserving liberal market principles.

Institutional response and strategies of adaptation. In reaction to these perceived *systemic* and *institutional* risks, transformations are underway in global trade and investment governance. Notably, state ownership has gained prominence in the World Bank and IMF's intellectual output since the mid 2010s, indicating its rising importance on the reform agenda. This is reflected in various policy reports, case studies, guidelines, standards, best practices and other initiatives released by these institutions. Notably, the IMF (2020b) dedicated a whole chapter to state ownership in its high-profile Fiscal Monitor 2020 report, entitled *State-owned enterprises: the other government*. In 2014, the World Bank (2014) released a key document *Corporate Governance of State-Owned Enterprises: A Toolkit*, to help policymakers design and implement corporate governance reforms for state-owned enterprises. Currently, the World Bank is set to release its *Integrated State-Owned Enterprises Framework* (iSOEF), which provides a comprehensive methodology to assess state enterprises' significance, evaluate their market dynamics, relationships with other firms, potential adverse market effects and guide reform efforts. In addition, the World Bank has conducted numerous case study analyses on state

ownership in specific countries, with some already applying the iSOEF (cf. technical notes released in 2021–2022 on Croatia, Bulgaria, Kirgizstan, Niger and Gambia).[3]

This policy material is important for three reasons. First, they demonstrate the IMF and World Bank's acknowledgement of the new state-capitalist landscape, adjusting policy priorities and refining their institutional positions accordingly. They also underline that the 2008 global financial crisis and COVID-19 have boosted support for increased state ownership (see IFC and World Bank, 2021; IMF, 2020b; WBIEG, 2020). Consequently, state-capital hybrids are anticipated to persist, necessitating a shift in policy stance. This shift involves moving away from the expectation of eventual privatization of state-capital hybrids and recognizing their potential benefits in economic development. Both institutions now consistently underscore the role of state-capital hybrids in delivering essential services, crisis mitigation and climate policy implementation (IFC and World Bank, 2021; IMF, 2020b; World Bank, 2014). However, they are quick to emphasize that to harness these benefits – while avoiding risks like inefficiency, transparency and accountability issues, governance weaknesses and private sector crowding out – it is crucial for state-capital hybrids to be 'well governed' and 'modernized'. This perspective on state ownership, while incorporating new elements, also maintains significant continuity with past policies, viewing state ownership as a potential source of economic and political challenges that requires modernization.

Second, to reassert their authority, the IMF and World Bank are positioning themselves as hubs of technical expertise, aiding in the reform, modernization and governance of state-capital hybrids. They are generating new insights on state ownership, developing resources, enhancing institutional capabilities and coordinating efforts, all epitomized by the WB's comprehensive iSOEF approach. Email correspondence with a senior World Bank economist confirmed that the iSOEF is a response to the growing global prominence of state-owned entities in recent years, necessitating a more systematic approach from the World Bank to advise on policy reform in client countries.[4]

The development of institutional capabilities on the matter by GGIs aims to 'empower their staff' (WBIEG, 2020: vii), but also to refine and extend the suite of products and services they offer to client countries. This includes 'frameworks, concepts, case examples, checklists, and model documents that together aim to help government officials make the appropriate choices for their circumstances' (World Bank, 2014), and 'financial, technical, analytic, and advisory support for both policy and institutional reforms (upstream) and enterprise-level activities (downstream)' (WBIEG, 2020: viii), and training and capacity building solutions. For instance, the World Bank's *Leadership Training Toolkit for State-Owned Enterprises* (IFC and World Bank, 2021: viii) primarily targets boards and senior management of state enterprises and government officials, offering a specific curriculum, teaching methodology and certification programme, grounded in the Bank's 'perspectives, resources, and experience in working with the State-Owned Enterprise (SOE) sector and the state as an owner'.

Third, these transformations aim not only to rebuild expert authority but also to do the work of governing by managing systemic risks associated with state-capital hybrids, ensuring competitive neutrality and mitigating reputational risks. We thus observe a clear effort to regulate the proliferation of state-capital hybrids and govern their conduct. The World Bank and IMF are focused on minimizing market and competitive distortions,

especially in transnational trade and investment relations. The stated goals are to maintain 'competitive neutrality' (ensuring a level playing field), reduce negative market effects and foster private sector growth. There is also an effort to manage the 'reputational risks' of state-capital hybrids and 'the risk regarding related-party transactions' (IFC and World Bank, 2021: 198; IMF, 2020b), that is, addressing how these hybrids are perceived by trade partners and host states to reduce suspicion, 'build mutual trust' (IMF, 2020b: 66) and minimize risks of protectionist countermeasures.

The IMF and World Bank's championing of state ownership reform reflects this double objective of competitive neutrality and low reputational risk. The reform agenda consists of the following three main elements: (1) transforming the regulatory and competition environment that state-capital hybrids operate within; (2) introducing financial discipline, oversight and effective governance frameworks (e.g. independent boards of directors, strict auditing, injection of private ownership, transparent mandates and capital costs on par with private sector competitors); and (3) strengthening commercial orientation (e.g. pricing reforms, performance reports, separation of commercial from non-commercial activities and ensuring that the former achieve market-consistent return rates; see inter alia IMF, 2020b; WBIEG, 2020). This shift in the management and governance of state-capital hybrids is explicitly designed to ensure their subordination to market pressures and/or market-like mechanisms, their operation akin to comparable private sector entities and their recognition as 'good global citizens' (IMF, 2020b: 65) by state and market actors.

The reform agenda, therefore, aims to make state-capital hybrids compatible with (neo)liberal economic principles through a depoliticization strategy. While the agenda involves distinguishing between 'good' and 'bad' state ownership and regulating state-capital hybrids' use – an eminently political act – it is framed in terms of 'economic efficiency', 'productivity gains', 'improved citizen services', 'professionalization', 'standardization' and 'good governance'. Importantly, the depoliticization strategy heavily relies on private sector practices, discourses, technologies and standards, reinforcing private sector authority in the global governance of state ownership. The World Bank's training toolkit, developed with input from PricewaterhouseCoopers, exemplifies this (see IFC and World Bank, 2021). In addition, the 'Santiago Principles', a non-binding self-regulation framework for Sovereign Wealth Funds (SWFs) emphasizing private finance-inspired best practices, has received the IMF's endorsement.[5] Overall, the IMF and World Bank's institutional response to the rise of state capitalism significantly strengthens and potentially 'locks in' private sector authority and power in the global governance of state capitalism.

Other elements of trade and investment governance are undergoing significant transformations, showcasing their resilience and adaptability, but also profound difficulties in accommodating the new state capitalism. For instance, international investment tribunals and investor-state dispute settlement systems are often deemed quintessentially neoliberal for institutionalizing private corporate power at the expense of public interests (see Ciocchini and Khoury, 2018). Indeed, state-capital hybrids have increasingly filed claims against allegedly discriminatory recipient states, actively leveraging the neoliberal investment protection structure. Many state-capital hybrids are, thus, not only willing to participate in the neoliberal structure of investment protection, they are actively trying to

leverage and carve up space within it. As the system adapts to accommodate these new actors, tribunals have slightly stretched the International Centre for Settlement of Investment Disputes convention to grant state-controlled entities access to international arbitration when acting commercially: thus, '. . . the whole global investment regime has adjusted to the reality of new actors that are state controlled entities' (Chaisse, 2018: 404). However, this shift may trigger a generalized legitimacy crisis, as the system was initially designed to protect private investors' property rights from state expropriation.

Yet, the WTO struggles to adapt to changing circumstances due to political conflicts, with key members' strategies diverging and hindering effective institutional response. Although the WTO Appellate Body exhibits increased flexibility in applying legal exceptions (Meyer, 2021: 1309), US efforts to block the dispute settlement mechanism in December 2019 stalled progress: an example of power politics preventing gradual adjustment. The more sophisticated 'system-preserving initiative' (Hopewell, 2021) has been the EU-led proposal of a multi-party interim appeal arbitration arrangement as a temporary rules-based solution. The EU has secured support from most of the world's major trading economies, including China. Furthermore, some large economies, like Turkey, have agreed with the EU on a similar arrangement.[6] There is, therefore, evidence of continued and widespread support for rules-based international trade regulation and WTO-based dispute settlement procedures. Yet, by effectively creating an 'Appellate Body minus the United States' (Hopewell, 2021: 1027), the multi-party interim appeal arbitration does not address the legal and governance problems posed by the rise of the new state capitalism. Besides, 3 years after the beginning of the Appellate crisis, it seems that many countries 'have become more and more sympathetic to the US position' (Gao, 2021: 550).

While the increased attention to state ownership in IMF and World Bank policies might suggest a shift towards 'post-neoliberal' hybridity, the core objectives of these policies still align with neoliberal principles of market efficiency and depoliticization. Similarly, evidence from the WTO underscores the continued influence of liberal governance norms, a persistence partly attributable to systemic inertia and power politics.

Global financial governance

Empirical manifestations of state capitalism. The normalization of state capitalist practices, notably surrounding capital controls and the proliferation of state-owned banks (SOBs), also disrupts global financial governance. These directly challenge the economic orthodoxy of major International Financial Institutions (IFIs) and generate perceived systemic and institutional risks, prompting various responses and adaptation strategies.

The global financial crisis led to widespread use of capital controls as tools of financial statecraft. The IMF (2022a) reports that around 90% of all IMF member countries impose some degree of capital controls, with 21 having extensive restrictions.[7] Diverse countries, including Brazil, South Korea, Indonesia, India, China, Costa Rica and others, have experimented with various capital control measures (Alami, 2019a, 2019b; Grabel, 2015). Furthermore, new analysis suggests that emerging countries use capital controls more extensively than previously thought (Kitano and Takaku, 2022). This trend extends beyond Southern countries. Controls were applied in Greece and Cyprus

during crises, Canada in 2017–2019 to curb house price inflation, and Iceland in response to the 2007/2008 financial crisis and as subsequent stabilization measures (Sigurgeirsdóttir and Wade, 2015). The post-COVID context has also seen a growing normalization of capital controls as a valid method to manage risks associated with 'hot money' flows.

Regarding SOBs,[8] many countries across the Global South established public ownership of commercial banks post-1945 and have retained elements of this despite IMF pressure. Interestingly, however, SOBs have (re-)emerged within core neoliberal economies. Over the past two decades, states globally have significantly expanded SOBs' loan portfolios and financial capacities for various objectives, such as maintaining financial stability, offsetting private credit crunches, funding infrastructure and providing 'patient capital' for development projects or key domestic firms (Griffith-Jones and Ocampo, 2018). Currently, over 900 SOBs control assets worth US$49 trillion worldwide (Marois, 2022), and the EBRD (2020) considers them as 'serious competitors' to private lenders.

As of 2016, SOBs held over half of all banking assets in former Soviet Union economies, over 40% in large Latin American countries like Brazil and Argentina, and 40% in South Asian economies (see EBRD, 2020). Among core economies, Iceland and Germany have significant SOB assets, and the Netherlands, Portugal and Switzerland have also seen increases (Iskender, 2022). The pandemic further boosted interest in state-owned banking, as policy makers expanded financial support measures, such as equity injections, guarantees and loan programmes (Battersby et al., 2022: 3). Examples include the United Kingdom's Coronavirus Business Interruption Scheme – backed by the state-owned British Business Bank – France's Banque publique d'investisement's (Bpifrance) €300 billion guarantees, and the European Investment Bank's proposed €25 billion pan-European credit guarantee (see Medas and Ture, 2020).

Perceived systemic risks. Although IMF country teams occasionally recommended capital controls to specific countries during crises, the IMF has virulently opposed them since the 1980s, despite its Articles of Agreement granting countries wide latitude in their use. Neoliberal orthodoxy and the Washington Consensus promote capital account liberalization, asserting that unrestricted cross-border capital flows benefit capital-starved countries. Inversely, capital controls increase the cost of capital, hinder finance allocation, reduce financial market discipline on policymaking, hamper investors' property rights and obstruct various financial activities (IMF, 2020a, 2022b). The IMF also contends that simultaneous deployment of capital controls by multiple countries can deepen market distortions, undermine free capital mobility and impair multilateral efforts towards global financial stability.

Furthermore, IFIs assert that SOBs pose risks to national economies and global financial stability. This stance has limited SOBs' asset ownership in Sub-Saharan Africa to 10%, due to IMF-led policies requiring public banking system privatization; thus, from 1981 to 2003, over 250 banks were forcibly privatized (Levy-Yeyati et al., 2004: 5; Richmond et al., 2019: 31). Many perceived shortcomings of SOBs are similar to those for SOEs, particularly regarding the 'un-evening of the playing field' through unfair competitive advantages offered to state and public firms (see the section 'Global Trade

and Investment Governance'; Andrews, 2005: 6). Specifically, IFIs critique SOBs on three main grounds (see IMF staffer Iskender, 2022: 6).

First, the socioeconomic mandates of SOBs often conflict with financial viability, leading to funding potentially unprofitable projects and groups. This weakens fiscal discipline by enabling public sector financing that should be inaccessible under strict market logic (Gonzalez-Garcia and Grigoli, 2013: 1). Second, SOBs' involvement in large, long-term projects compounds market and credit risks (IMF, 2020b). Continuous recapitalization of SOBs can pose a recurrent risk to government budgets, causing broader financial instability and potential debt crises (Iskender, 2022: v). Third, state ownership structures invite political interference, making SOBs susceptible to political capture in countries with 'weak' governance. Short-termism and resource misallocation can undermine banks' profitability and negatively affect 'the productivity of firms and the economy as a whole' (EBRD, 2020: 70). IFIs like the IMF and World Bank therefore view the rise of capital controls and SOBs as posing systemic risks, potentially undermining financial capital circulation and the central role of financial markets in credit allocation, price determination, and in disciplining firms and states.

Institutional risks. The resurgence of both capital controls and SOBs also challenges the authority and relevance of global financial organizations in an increasingly contested global economic governance context. The IMF has long promoted capital account liberalization as a core tenet of the Washington Consensus, and there were attempts to make it a condition of IMF membership in 1997 (Williamson, 2004).[9] Countries undergo annual monitoring by the IMF and are expected to abide by international norms including those against capital controls (Korinek et al., 2022). The recent use of these measures has challenged the IMF's authority and expertise in at least two ways. First, developing economies have experimented with controls against IMF guidance, often to avoid IMF intrusive conditionality (Alami, 2019b; Gallagher, 2015). This includes large economies like the BRICS and smaller economies aware of the failures of the Washington Consensus. Second, contrary to IMF claims, these deviations did not lead to growth shortfalls or sustained capital market exclusion, undermining the IMF's epistemic authority and legitimacy in managing cross-border finance.

In addition, external pressure against the IMF arises from China's role as a financier and the more permissive stances on controls of governance arrangements like the G20. China, serving as an alternative 'lender of last resort', does not require lifting capital controls, challenging the IMF's role (Kynge and Wheatley, 2022). China's provision of emergency loans without demanding 'painful reform' positions it as a significant IMF competitor.[10] For example, Ecuador secured US$1.4 billion in emergency lending from China in September 2022, meeting the Ecuadorian 'demand for a more active state role and spending' (Daniels, 2022).

The G20, advocating for country-specific approaches to managing capital flows, challenges the IMF's liberalization stance (Gallagher, 2015: 193). Serving as a forum for states that support controls, the G20 counterbalances the IMF's stringent stance. Moreover, other IFIs like the Bank for International Settlements endorse active state policies, such as foreign exchange controls, to address vulnerabilities from external financial conditions (Greenville, 2022). These pressures from large states and major IFIs

undermine the IMF's once monopolistic authority and relevance in macroeconomic policy and cross-border finance management (Grabel, 2015: 17).

The IMF and World Bank's scepticism towards SOBs left them unprepared for their global rise. The World Bank, for instance, once argued that '. . . whatever its original objectives, state ownership of banks tends to stunt financial sector development, thereby contributing to slower growth' (Caprio and Honohan, 2001: 123). IMF guidance has also suggested that the 'optimal policy for governments that own financial institutions . . . is to privatise them' (Litan et al., 2004). As many states confidently adopt SOBs, these stances become less tenable. Although the IMF/WB failed to link SOBs to financial crises (Andrews, 2005: see also Barth et al., 2000), they associated them with poor governance and advocated for reduced state ownership as part of 'good governance' reforms (Andrews, 2005: 10). Removing SOBs was then part of a broader structure of 'good governance' reform, wherein 'harmful' SOB practices would wither away alongside broader regulatory financial changes in the target economy. However, the success of recent SOB initiatives challenges these assumptions, also questioning the World Bank's expertise – as a 'knowledge bank' – in development finance. Ultimately, the rise of SOBs and capital controls has weakened IFIs' influence on global financial practices and governance since the early 2010s.

Institutional response and strategies of adaptation. In response to the challenges and risks posed by capital controls and SOBs, both to the global economy and their own authority, IFIs have adapted. Over the past decade, the IMF has significantly changed its stance on capital controls, seemingly embracing the 'activist state' (Korinek, 2022: 2; Johnston, 2019). The IMF (2022) recently revised its 'Institutional View' (IV) on capital controls, asserting that countries should have expanded options to implement controls in specific circumstances, provided they are market-friendly, transparent, targeted, tax-based, temporary and non-discriminatory against foreign investors. First, the IV now states that countries should be able to *pre-emptively* curb inflows against vulnerabilities and crises resulting from 'hot money' inflows and currency mismatches. Second, certain controls, such as those for national security reasons, following internationally agreed prudential frameworks, or aiding international cooperation against tax evasion and avoidance, should not be subject to IMF 'appropriateness assessments' (IMF, 2022: 5). However, the IMF still maintains that cross-border capital flows are beneficial, and controls should not replace macroeconomic adjustments towards liberalization (IMF, 2022: 2).

The recent shift in the IMF's stance on capital controls follows incremental changes over the past decade, emerging after a series of market crises and the 2007/2008 global financial crisis (Montiel, 2022: 3). In 2012, the IMF codified its position, acknowledging the risks of liberalization and deeming controls warranted as a last resort (IMF, 2012). The IMF recognized capital controls as a legitimate macroprudential tool, euphemistically rebranding them as 'capital flow management [CFM] techniques' for a more technical and less politicised impression (Grabel, 2015). The IMF also officially charged itself 'with making recommendations regarding the management of capital flows under its surveillance functions' (Gallagher, 2015: 125).

Critics suggest the IMF's evolving stance on capital controls seeks to domesticate policy experimentation, maintain authority and reposition itself as the expert in

managing cross-border finance (Gallagher, 2015; Grabel, 2015; Montiel, 2022). This change also represents a compromise between states advocating for fully liberalized capital movements and those, including the BRICS, seeking legitimization of controls (Stiglitz and Ostry, 2022). Moschella (2015: 444), thus, contends that these incremental changes allow for a gradual release of pressure, preventing an impending explosion. The 2022 shift can be seen as an intensification of these adaptation dynamics, with the IMF selectively endorsing specific forms of capital controls to safeguard financial stability, while maintaining a commitment to capital account liberalization. In addition to the growing de facto influence (as opposed to de jure decision-making power) of large, Southern emerging nations like China within the IMF, Gallagher (2015) highlights internal divisions within the organization. Specifically, the Research Department is more lenient on controls, while the Monetary and Capital Markets group strongly advocates for capital account liberalization. This gradual shift towards a new approach is partly due to internal power dynamics within the IMF, as well as external pressures from entities like the G20 and other GGIs that have a more permissive stance on controls (see above on *Institutional Risks*).

In response to the re-emergence of SOBs, the IMF, World Bank and other IFIs have employed two strategies. First, they resisted demands for more extensive state involvement in banking. For example, the World Bank reportedly blocked a G20 report advocating increased lending by regional development banks, which could have provided up to US$1 trillion to address credit challenges linked to high inflation and boost spending by wealthy nations overseas (Shalal and Sulaiman, 2022). The World Bank suppressed this report, allegedly to preserve its credit ratings and standing in global markets (Mackenzie et al., 2022). This illustrates established organizations' ongoing efforts to marginalize or limit the SOB industry and highlights inter-organizational disputes over the expanded role of the state.

We also observe a similar adaptation response to that in trade and investment, and capital control governance: marginal adjustments to accommodate recent policy shifts while safeguarding the core of long-standing policy prescriptions. Today, SOBs are now recognized by the World Bank, IMF, and related institutions as legitimate policy tools and appropriate options during economic crises. For instance, the EBRD (2020) and the IMF (2020b) argue that SOBs can help firms and households navigate economic downturns as counter-cyclical lenders, while providing credit to marginalized groups or sectors underserved by private financial institutions. This more permissive embrace of SOBs in the post-pandemic context builds on earlier shifts following the global financial crisis, acknowledging that SOBs can fill gaps in credit allocation to strategic sectors, address climate change challenges and 'de-risk' infrastructure projects for private investors, though still carrying fiscal risks and costs (Medas and Ture, 2020; World Bank, 2018). A World Bank (2018: 6) report surveys 64 development banks, noting a quarter have been created over the past 25 years; the report not only asserts that SOBs must be considered 'relevant actors in the global development agenda' but also demonstrates the World Bank's growing interest in the ownership structures, business operations and management practices of contemporary SOBs, with the stated objective of governing their conduct.

This partial embrace of SOBs by major IFIs comes with a crucial caveat: such SOBs should conform to 'fiscally correct standards' and 'best practices' of corporate governance. To mitigate the shortcomings of SOBs, the IMF (Iskender, 2022), EBRD (2020) and Basel Committee on Banking Supervision (BCBS) (2015) aim to apply the same principles guiding private or corporate banking to SOBs. For example, the EBRD emphasizes the need to eliminate political interference in state bank management and credit allocation, ensure state banks apply corporate transparency and accountability standards, adhere to 'sound banking' practices, and guarantee the operational independence of state banking by appointing 'independent board members' and 'senior managers primarily on the basis of commercial [private sector] criteria' (EBRD, 2020: 81). Initial IMF guidance also insists on ensuring the political 'independence' of banks, eliminating political 'interference', subjecting SOBs to impartial or third-party supervision and embedding corporate expertise in managerial boards and governance structures (see Iskender, 2022).

Euphemistically, these recommendations advocate for 'arm's length' reforms, creating sufficient distance between the government as the owner and the management of the bank, allowing it to operate on a commercial basis (Iskender, 2022: vi). Besides ensuring SOBs function like commercial banks, some guidance also indicates that given SOBs engage in 'riskier' socioeconomic projects, that 'systemically important public banks should be subject to enhanced prudential requirements, more intensive supervision, and effective crises management arrangements' (Iskender, 2022: 4). IFIs thus seek to depoliticize SOBs and encourage them to behave like private entities; encouraging their reform so that they behave like private commercial banks and, in some cases, imposing enhanced regulatory and prudential standards to ensure they conform to market imperatives and gain credibility among other state or private actors.

While the IMF and World Bank have shown greater accommodation towards capital controls and SOBs, their adherence to core neoliberal principles remains. The IMF's revised 'IV' allows for capital controls in specific situations but maintains a long-term commitment to unfettered capital mobility. Similarly, the limited acceptance of SOBs is conditioned by corporate governance 'best practices', effectively pushing these entities to mimic private commercial banks. This, akin to global trade and investment governance, reflects institutional resistance to a wholesale shift towards 'post-neoliberalism', signalling instead incremental adjustments to preserve neoliberalism's fundamental principles while accommodating new policy realities.

Conclusion: global governance as neoliberalism adjusted?

We can draw four lessons from our analysis. First, revisiting the International Relations (IR) scholarship discussed in the section 'State Capitalism, Global Governance, and 'Varieties of Capitalism': Towards postneoliberal plurality?' there is substantial evidence confirming changes in Western-dominated global economic governance, including a heightened recognition of the state's role in economic development. The literature accurately identifies growing diversity in state-market relations across the global economy, affecting global governance in trade, investment, and finance. However, this diversity is not solely attributable to the rise of state-led 'varieties of capitalism' from large, often illiberal, emerging economies, which are thought to have different political-economic

structures, values and normative priorities than those predominant in the West. The literature tends to exaggerate the institutional incompatibility of these models with prevailing neoliberal norms of capitalist organization and state-market relations. However, the existing legal architecture of global economic governance can technically accommodate much of this diversity (although specific legal interpretations and opposition from more established powers have significantly constrained this, as evidenced by the WTO case). Indeed 'layering' studies in global governance reveal how the WTO allows states to incorporate new rules into the system through preferential trade agreements, facilitating continued liberalization (Faude, 2020).

However, arguments about the presumed institutional incompatibility of emerging state-led capitalist models exaggerate the rigidity of neoliberal norms. Our analysis indicates that these norms can and do evolve over time, displaying remarkable resilience. In recent years, we have witnessed significant shifts in practices, priorities, discourses and norms within global governance related to trade, investment and finance. These shifts result from clear adaptation strategies pursued by the 'Unholy Trinity' and other established institutions in response to various perceived systemic and institutional risks and challenges. Our examination of how the IMF, WTO and World Bank frame these risks in their recent policy documents reveals that their concerns extend beyond the state-led character of capitalism in emerging economies. Instead, they focus on a broader process: the uneven and combined rearticulation of state-capital relations and state interventionism across the world economy, where governments increasingly act as promoters, supervisors and owners of capital.

The issue is not that some policy instruments deployed in this context (from trade restrictions to capital controls and state-capital hybrids) deviate from the neoliberal toolkit or introduce localized market distortions. The broader risk lies in the unchecked proliferation of these measures through policy emulation or competitive retaliation between states, potentially leading to further politicization and fragmentation of the global economy. This could effectively halt or reverse the project of global economic integration. By conditionally embracing (and providing a framework for) more direct forms of state interventionism than before, the 'Unholy Trinity' aims to prevent this risk from materializing. Furthermore, these institutions seek to renew sources of expert authority, maintaining relevance and shaping global rules in an age of proliferating state capitalism.

Our second lesson is that there are valid reasons to question whether this adaptation process is giving global governance a post-neoliberal quality. While the new landscapes of state capitalism involve substantial policy experimentation (or what Grabel (2015) calls 'productive incoherence'), prompting Western-dominated GGIs to re-evaluate the so-called neoliberal playbook (e.g. the Washington Consensus), the extent of deviation from flagship neoliberal prescriptions such as privatization, trade liberalization and capital account opening (cf. Williamson, 2004) must be qualified. On the surface, there appears to be a nuanced shift in attitudes towards state ownership and some forms of direct state involvement in capital flows, suggesting a departure from neoliberal prescriptions. However, our analysis shows that despite changes in norms and practices, there is *significant* continuity with past policies in global trade, investment and financial governance. State ownership is still regarded as a potential source of economic and

political problems that requires ‘modernization’, and there remains a long-term commitment to capital account liberalization and free capital mobility. We do not, therefore, observe repudiation or rupture with past programmes of institutional reform; rather, they evolve to endure.

The crucial point is that, based on our analysis, the acceptance of greater state ownership and interventionism in trade, investment and finance governance is driven less by a desire to accommodate a plurality of voices and more by a firm commitment to defining and policing the boundaries of the appropriate role and scope of state action. State ownership and intervention are considered ‘good’ and efficient *if* they ensure the smooth functioning of markets and integrity of the price system, which we regard as a quintessentially neoliberal objective. Thus, the accommodation of greater state sovereignty over capital flows is not only highly circumscribed but also firmly embedded within neoliberal normative reason. Thus, returning to the heuristic distinction introduced earlier between ‘post-neoliberalism’ and ‘mutant neoliberalism’, we argue that the ongoing transformations in global economic governance institutions align more closely with the latter. This is neither to minimize the significance of these changes, nor to preclude the possibility that they could, over time and in combination with other transformations, contribute to eroding the ‘thin common denominator’ of neoliberalism. But for now, the evidence firmly suggests that the rationalities, nature and extent of ongoing adaptive transformations remain rooted in, and committed to, core neoliberal tenets.

Our third lesson is that we are witnessing neoliberalism mutate to adapt to, and simultaneously contain, a world of multipolar realities and state capitalism, where state power is mobilized more aggressively towards competitors and potential challengers, and where multifaceted crises demand sustained state action. Neoliberalism is, thus, absorbing emergent practices of state intervention to keep them in check and govern their conduct. This dialectic of absorption and discipline is most visible in the case of state ownership: established global governance institutions are working hard to promote depoliticized, entrepreneurial and commercially efficient versions of state-capital hybrids that are fully integrated into (and non-disruptive of) private markets. In short, *corporate state capitalism is becoming part of the neoliberal mainframe*. Such experimental adaptation strategies resemble what Gramsci called ‘trasformismo’ attempts under passive revolutionary conditions (Gramsci, 2005; Morton, 2018). Ideas and practices that could potentially challenge the hegemony of a particular order (in this case, neoliberal hegemony) are diluted, deflected and made ‘complementary to and supportive of hegemonic goals for the world economy’ by collective organic intellectuals in the form of established institutions of global economic governance (Cox, 1981: 139; Shields, 2019).

Our final lesson highlights that the story is not solely about unequivocal and unproblematic neoliberal adaptation. To be sure, there is plenty of resilience, whether in the form of established institutions re-inventing themselves as governance experts, or in the form of state-capital hybrids resorting to international arbitration tribunals to settle their trade and investment disputes. But there are also formidable obstacles to transformation. Global governance institutions are arenas for power struggles among states and capital factions, potentially leading to tensions and conflicts. Future research may investigate how these tensions, contradictions and conflicts may hasten or hamper trajectories of change, as shown with the example of the WTO, and also examine whether our findings

hold in other sub-policy areas such as banking and financial market regulation, or accounting standards. With the new state capitalism likely here to stay (considering the acceleration of climate crises and the exacerbation of the Second Cold War), the 'Unholy Trinity' may face increasing pressure to adapt, challenging its capacity for reinvention.

As opposed to the uncompromising stance documented by Wade (1996) in the face of contrary evidence and practices, today's neoliberal GGIs have shifted towards embracing (and attempting to mitigate the impact of) would-be contradictory statist practices. We can, therefore, conclude with the following hypothesis: if the 'Unholy Trinity' acted as a revolutionary force from the 1980s to the early 2000s, radically transforming the world economy and pushing for the completion of the world market, the late 2010s onward may see it taking a more defensive and conservative stance, striving to safeguard existing 'gains' in global economic integration rather than pushing further liberalization in a fragmented world. This 'defensive neoliberalism' at the level of global economic governance may well be the corollary of the development of mutating variants of neoliberalism at national and subnational scales, which simultaneously portray the state as the defender of 'the nation' and aggressively mobilize coercive state power to harm competitors and nurture competitive and powerful firms and territories, creating considerable tensions within the rules-based liberal order (e.g. Davies and Gane, 2021). The success of these defensive efforts, however, remains to be seen.

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Notes

1. The term 'global' does not imply a uniform rise of state capitalism or equal impact on every country or region. The changes in state action have occurred unevenly across territories, influenced by each state's position in the global division of labour and within a world market characterized by significant geopolitical inequalities.
2. It is worth noting that the World Trade Organization (WTO) carefully considers state ownership in accession protocols (Lang, 2019). Through this and other channels, it has arguably encouraged privatization and public sector reform, albeit indirectly.
3. The Organisation for Economic Co-operation and Development (OECD) has increasingly focused on state ownership, producing influential documents like the 2015 OECD *Guidelines on Corporate Governance of State-Owned Enterprises* and numerous case studies. The 2020 European Bank of Reconstruction and Development report also devotes an entire chapter to state ownership.

4. Email correspondence (20–22 October 2022).
5. This is partly because the sovereign funds themselves, notably those belonging to a group of Middle Eastern countries, argued that the IMF lacked the expertise and legitimacy to develop the standards of best practices by itself (see Bismuth, 2017).
6. https://www.lexology.com/library/detail.aspx?g=cf69c667-c790-4eee-b6aa-e7e42f8a3e73
7. They come in various forms, such as direct controls, like prohibitions on inflows or outflows, maturity requirements, or approval procedures, or indirect controls, like taxes and additional costs (El-Shagi and Yamarik, 2021).
8. State-owned banks denote to both commercial banks (which provide competitive banking services alongside private banks) and development banks that provide credit for projects in line with socioeconomic objectives, either at subsidized rates or directly from the government budget (IMF, 2020b: 69).
9. The East Asian Financial crisis prevented this discussion from moving forward.
10. See Alami et al. (2021) on the cognate impacts that state capitalism is exerting upon the Global Development Regime.

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