The Transnational State and the Infrastructure Push

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**Abstract**

In 2010 the G20 in cooperation with major international organizations launched a comprehensive effort - here labelled the infrastructure push – to promote infrastructure investments around the world. Using selected transnationalised elements from historical materialism, this is explained as a transnational state initiative to secure general material conditions for capitalist growth in a manner that is profoundly shaped by power relations. The infrastructure problem was allowed to grow during neoliberalism because of the hegemony of finance; the push is a result of and reflects a weakening of finance and strengthening of industrial interests in the transnational power bloc, as well as a strengthening of the emerging economies. This potential hegemonic project has gained the support of the global labour movement, while also been subject to serious criticism from civil society organizations, speaking for the most vulnerable subaltern social forces. The empirical analysis also shows that the transnational state in this policy area works as a flexible, networked cooperation of G20 states and leading international organizations in ongoing dialogue with non-state actors, especially transnational business. In this cooperation, the international organizations have a relatively autonomous role in line with a historical materialist understanding of state apparatuses.

**Keywords**

G20, global governance, historical materialism, state theory, transnationalism, international organizations, infrastructure, power.
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Introduction

Infrastructure has risen considerably on global political agendas in recent years. China’s launch of the Asian Infrastructure Investment Bank (AIIB) in April 2014 (GBTimes, 2014) caught much attention, but this initiative is not the only element in infrastructure’s rising salience. Thus the BRICS countries’ (Brazil, Russia, India, China, and South Africa) had already agreed to create the ‘New Development Bank’ (BRICS, 2013) with an intended focus on infrastructure projects. But even before that, in 2010 at the Seoul Summit, the Heads of State and Governments (Leaders for short) of the G20 countries had launched a comprehensive project on infrastructure. This has, inter alia, led to the announcement of a Global Infrastructure Initiative (G20 Brisbane, 2014a) as well as the World Bank’s New Global Infrastructure Facility (World Bank, 2014), seconded by the IMF which devoted a full chapter of the World Economic Outlook to the question “Is It Time for an Infrastructure Push?” (IMF, 2014: 75).

This G20 track, henceforth also referred to as the infrastructure push, is in essence an effort to fill a large gap in expected investments in infrastructure, a gap that is considered a major impediment to global economic growth. The significance of this push is given by the fact that the G20 countries, accounting for roughly 85% of gross world product and two-thirds of world population, in 2009 had ‘designated the G20 to be the premier forum for our international economic cooperation’ (G20 Pittsburgh, 2009). Infrastructure is high on the agenda of

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global economic policymaking, in stark contrast to the situation before the financial crisis as will be shown later. Something new is afoot and the purpose of this paper is to analyse this.

The analysis draws on elements of transnational historical materialism (THM), specifically on elements of state theory transferred to the global level, including the concept of the transnational state. This concept, however, requires some elaboration which is given in the first section below, along with a presentation of additional elements from THM that are relevant for the topic. The next section gives a brief history of the infrastructure gap before the financial crisis, followed by a discussion of the power relations under neoliberalism that allowed the infrastructure gap to rise. After this I analyse the post-crisis rise of the infrastructure push, focussing first on the process which sheds useful light on the transnational state’s modus operandi, and then on the policy content, along with a brief comment on the impact of the push. The fourth section then analyses the push in terms of the implied power relations. The concluding section summarizes the key findings and discusses their implications for the evolution of the post-crisis hegemonic project and growth model, along with some comments on the theoretical implications of the analysis.

**Theorizing the transnational state and infrastructure**

Strictly speaking there is no transnational state holding a global monopoly on the legitimate use of violence or other defining state features. There is however, a multi-scalar and polycentred system of governance (Scholte, 2005: 185 - 213), a system of networked interactions of states and international organisations that lead to policy outcomes with some international or global authority (see also Cox, 1987: 253 on 'internationalizing of the state'; Ruggie, 2004 on the 'global public domain'; and Slaughter, 2004 on 'government networks'). This system has state-like features and therefore it is important that in THM ‘the state’ is an umbrella concept that covers state functions, state power, state apparatuses, and political arenas (Ougaard, 2004: 63 - 64, referring to; Poulantzas, 1973). Thus there are several aspects of statehood and the notion of the ‘transnational state’ in this paper refers to the unevenly and partially globalized aspects of statehood (Ougaard, 2004: 66; see also Shaw, 2000: 213 for the somewhat parallel notion of 'the global layer of state').
One partially globalized state function is, in William Robinson’s words, ‘to create and maintain the preconditions for the valorization and accumulation of capital in the global economy’ (Robinson, 2004: 101). Infrastructure belongs in the category of general material preconditions for this (Altvater, 1972), defined as physical facilities that are essential for the on-going operation of large segments of the economy so that their failure would impede the expanded reproduction of capitalism (Hirsch, 1974: 65; Hirsch, 2005: 45). Obvious examples are transportation and communication networks and energy supply. State theory further argues that if such preconditions cannot be provided by private capital the state will tendentially intervene to secure their provision. This applies for instance if the initial capital outlay is too large or the time horizon too long for any individual capital, and more generally if for some reason the expected rate of profit is too low compared to the prevailing average rate of profit (Altvater, 1972: 18-19).

It follows that it is historically contingent whether certain infrastructures are provided by the state or not, depending both on the capacity of private capital to provide them and on the needs of total capital for their provision. It further follows that if conditions change, for instance because of increases in company size or because of technological developments, material preconditions that hitherto have been provided by the state can be privatized and conversely, privately provided infrastructures can be taken over by the state if they no longer can generate a sufficient rate of profit. Logically this also opens a space for mixed forms of intervention where state and capital combine to provide infrastructure through various forms of public-private partnerships.

These are arguments at a high level of aggregation and they have some analytical traction. But they are very general and do have a flavour of economic determinism. State theory, however, combines this with explicit attention to political agency and relations of power, thereby providing additional entry points to the analysis. At a high level of abstraction, the state is conceived as a condensation of power relations between social forces which therefore profoundly shape economic state interventions (Altvater, 1972; Hirsch, 1974; Poulantzas, 1978; Poulantzas, 2000 (1978)). This pertains both to nation states and to the transnational state (Brand et al., 2011; Murphy, 1994; Ougaard, 2004; Robinson, 2002).

In the analysis of these relations, a distinction is made between on one hand relations between the power bloc and dominated and subaltern forces, and on the other hand relations within the
power bloc. Both sets of relations are important and they are not independent of each other, but it is useful to treat them separately, as shown by Poulantzas and Hirsch in empirical analyses (Hirsch, 2005; Poulantzas, 1975; Poulantzas, 1978).

The state is also defined by its overall function as the factor of cohesion and persistence for the social formation (Ougaard, 2004: 95-114; Poulantzas, 1973: 44-50). This lends a duality to the state’s functions, namely both to reproduce power relations and to secure the persistence and reproduction of society as a whole and this dual state function involves more than securing the economic interests of capital. It also includes functions of law and order, and can also, for example, include concerns with environmental sustainability as well as well as obtaining a working level of legitimacy and acceptance of the social order.

Furthermore, the state is institutionalized in state apparatuses imbued with relative autonomy. Although situated in the context of societal power relations, the bureaucracies that staff state apparatuses have an agency of their own, shaped by the dual determination of state functions and the state personnel’s interpretation of their role. This Weberian element in state theory was especially developed by Hirsch and Poulantzas (Poulantzas, 1973: 351-359; Poulantzas, 2000 (1978): 131-137; Hirsch, 2005: 30), and it resonates with more recent scholarship on international organizations (Barnett and Finnemore, 2004; Seabrooke, 2012; Grabel, 2014).

Finally, temporality is important. Capitalist society is in constant development and change, and power relations change over time. So do the ideas and discourses that shape state bureaucracies’ interpretations of their tasks and duties. Regulation theory and similar strands have developed the idea that capitalist societies develop in distinct stages, each marked by a specific configuration of the power bloc around a hegemonic project and an associated growth model (Key contributions are Poulantzas, 1973; Lipietz, 1987; Gill, 1995; Aglietta, 2000; Boyer and Saillard, 2002; Jessop, 2002; Overbeek, 2004; McDonough, 2010; Atzmüller et al., 2013; See also Ougaard, 2016 for a brief summarizing discussion). Therefore, the present push for infrastructure should be analysed in the context of the trajectory of the neoliberal hegemonic project, the crisis it led to, and the ensuing struggles over the post-crisis growth model.
In sum, the infrastructure push is to be analysed as a globalized state function, profoundly shaped by prevailing power relations, and with attention to IOs’ potential for playing a relatively autonomous role. But first a brief history of the infrastructure gap is called for.

**A brief history of the infrastructure gap**

The World Bank has long history of engagement with infrastructure projects, generally accounting for more than two thirds of its commitments in the 1950s and 1960s. But from a peak in the mid-sixties infrastructure declined relatively (Besant-Jones et al., 1994: Table A3 p. 149) and from 1993 also absolutely (discerned from World Bank, 2003 table p. 2). At the same time, however, a policy shift took place. Having realized the insufficiency of public funds, the Bank turned to market oriented approaches (Besant-Jones et al., 1994: 7-8), using bank lending to leverage private flows (World Bank, 2003: 2). This seemed to work for some years (Torres de Mästle and Izaguirre, 2008: Figure 1), but then a new decline set in, mainly due to a fall in private contributions. This led the Bank to step up its efforts at least from 2002 (World Bank, 2002: 70) leading to a new *Infrastructure Action Plan in 2003* (World Bank, 2003: 2) and in ensuing years commitments grew again. But private participation, although also growing, was disappointing so that ‘the public sector – together with the international financial institutions – remains the main source of investment funding’ (Torres de Mästle and Izaguirre, 2008: 1). Having observed that in its ‘investment climate surveys’ a significant number of companies identified infrastructure deficiencies as ‘major’ or ‘severe’ constraints (World Bank, 2004: 1, 5, 124), the WB prepared a ‘strategy update’ leading to the *2008 Sustainable Infrastructure Action Plan* (World Bank Group, 2008). At this point, however, events were overtaken by the financial crisis and post-crisis developments are discussed below.

In a parallel development the OECD in 2003 began a ‘Futures project on Global Infrastructure Needs’ because ‘The world’s infrastructure needs are huge, and growing’ (OECD, 2004). This led to the 2006 publication of an in-depth study of infrastructure needs in four sectors (road and rail transport, telecoms, electricity transmission and distribution and water), concluding that if electricity generation and related infrastructures also were included, total needs for the period through 2030 would amount to USD 71 trillion (tn), corresponding to around 3.5% of global GDP annually (Stevens et al., 2006: 29). A ‘gap is opening up’ the organization
warned, ‘between the infrastructure investments required for the future, and the capacity of
the public sector to meet those requirements from traditional sources’ (OECD, 2007:20).

This assessment of the severity of the problem and its order of magnitude was echoed else-
where. In 2007 the Asian Development Bank wrote that ‘Across developing Asia, complaints
about poor infrastructure are heard time and again’ (Asian Development Bank, 2007: 7) and
an UNCTAD publication observed that ‘There are huge unmet investment needs for infra-
structure in developing countries’ (UNCTAD, 2008: 13). Private organizations also joined the
chorus, for example the World Economic Forum (World Economic Forum, 2010: 5) and the

An Infrastructure Task Force created by Business20 (B20) – the international business com-
community’s dialogue partner with the G20 process (on B20 see B20 Coalition, 2016) - estimated
the infrastructure investment shortfall, i.e. the difference between estimated needs and the
total of expected public and private investments if current trends continued. The estimate was
based on the ‘consensus of BCG, McKinsey, and WEF forecasts to 2030 (which are in turn
based on more detailed estimates at the sectoral level by the OECD, IEA, ITF [sic†], GWI and
others)’ (B20 Australia, 2014: 21 n 23). In a 2015 revision, the shortfall was estimated to be
in the 15 – 20 tn range (B20 Turkey, 2015a). Closing the investment gap would by this esti-
mate require on average an additional annual investment of 1 to 1.3 tn USD.

On this basis, there is no reason to question neither the existence of the infrastructure gap and
its estimated order of magnitude, nor its importance as a severe impediment to global growth.
But whereas the leading IOs had seen and addressed the gap, the WB from the mid-1990s and
the OECD from 2003, it received very little high level political attention before the financial
crisis as indicated by the content of summit declarations.

A search in the Leaders’ declarations from the G7/8 summits, until the financial crisis the
premier forum for international economic cooperation (available at University of Toronto G7
and G8 Research Group, 2016) revealed that from 1980 to 1989 there was no mention of in-

† ITF is probably a typo. The ITF is the International Transport Workers’ Federation (or the International Tennis
Federation). The more likely source is IRF: the International Road Federation, an industry organization.
Infrastructure; infrastructure in Eastern Europe was discussed in 1990; there was some discussion of infrastructure in 1991 and 1992 and none in 1993 and 1994. It was referred to almost in passing in 1995, 1996, 1997, but not in 1998, 1999 or 2000. There was short mention in 2001 and none in 2002, 2003 and 2004. In 2005 there were supporting documents about infrastructure in Africa but nothing in the Chair’s summary, and there was nothing in the 2006 Summit. At the June 2007 Summit the Leaders did not mention infrastructure and they noted - a statement worth remembering given the proximity to the global financial crisis - “that the world economy is in good condition” (G8 Heiligendamm Summit, 2007: 1). The G8 meeting in July 2008, too, had no mention of infrastructure. This pattern contrasts sharply with the post-crisis rise of the G20 infrastructure track.

Theoretical implications

Relating now this account of the history of the infrastructure gap to the THM framework, several observations can be made. Firstly, the account fits the general proposition that the transnational state tendentially intervenes to secure the provision of general material conditions for the expanded reproduction of capitalism on a global scale. It is, after all, quite plausible that a future historian will summarize this episode as one where the global political system responded to a rising impediment to global growth.

Secondly the account also shows the relevance of the notion of the relatively autonomous role of the transnational state apparatuses by showing the role the IOs had in identifying the issue, analysing it, and calling attention to it. But thirdly, the disjunction between the IO response and the level of high-level attention at global summits calls for more discussion. If adequate infrastructure is in the interest of global capitalism and the transnational state works in the interests of transnational capital, why was the gap allowed to develop in the first place, and why did it take so long before it achieved high level political attention?

We can point to several reasons for this. One is that to some extent such a delay is not surprising. It takes time for new issues to enter the political agenda, and problems have to reach a certain level of criticality before they receive serious attention. This certainly is part of the explanation, but still, the problem was registered as a serious one at the latest in 2004 by the OECD, and it took about six years before the Leaders’ level even began to mention it in pub-
lic statements. The answer to this puzzle can arguably be found in the nature of the problem combined with the prevailing power relations under neoliberalism.

The problem is that infrastructure investments are a special category. They are often large scale with long time horizons, some are public goods such as roads where it is difficult to charge for the benefits they create, they often are ‘complex and involve a large number of parties’ and therefore require complex legal arrangements (Ehlers, 2014). In addition, infrastructure investments in developing countries can be fraught with legal uncertainties and political risks. For such reasons infrastructure investment ‘in many cases cannot be realized without some form of public support’ (Ehlers, 2014: 4). In other words, some level of state intervention is required for private capital to increase its contribution to closing the infrastructure gap.

For this reason, the lacking high-level attention to infrastructure was in line with dominant ideology and policy orientations under neoliberalism. Firstly because, as is evident from the large literature on neoliberalism (e.g. Harvey, 2005; McNally, 2009; Peck, 2010; Duménil and Lévy, 2011; Demirovic and Sablowski, 2013), policy emphasis was on liberalization, deregulation, privatization, and generally leaving as much as possible to ‘the magic of the marketplace,’ as US President Ronald Reagan put it when ushering in the neoliberal agenda in global institutions (Reagan, 1981).

Secondly, physical infrastructure is a precondition for the expansion of productive capital and power relations during neoliberalism were marked by the rise of finance in the power bloc; to the extent that this fraction became hegemonic (Duménil and Lévy, 2011; Demirovic and Sablowski, 2013; Ougaard, 2016). In other words, the leading force in the global business community had little material interest in addressing the issue, none the least because plenty of money could be made in financial transactions, enabled by lax regulation and innovative creation of new financial instruments. And while the sector eagerly pursued this kind of innovation, it had little or no interest in the kind of policy innovation required to steer capital into physical infrastructure investments.

Power relations within the transnational power bloc were, in other words, a key reason for the relative neglect of the infrastructure gap. But relations between the power bloc and popular forces also played a role. This had to do with the impact of a people and poverty oriented coa-
lition of Northern NGOs and Southern popular movements (rural populations, small scale farmers, and indigenous people) which had led to what Lawrence Summers later called ‘pervasive restrictions on infrastructure projects financed through existing development banks’ (Summers, 2015). Fox and Brown gave a more positive view of these restrictions:

‘For more than a decade, nongovernmental environmental and development organizations (NGOs) have formed diverse transnational advocacy coalitions, both within the Northern industrial countries and across the developing South, including varying degrees of participation by grassroots movements of people directly affected by internationally funded projects. These campaigns have had an impact, most notably by pressuring donor governments to encourage the WB to adopt more rigorous environmental and social policies’ (Fox and Brown, 1998: 1-2).

A similar assessment is that ‘civil society organisations have achieved some notable successes in improving the accountability of the WB to those who are affected by its operations’ (Ebrahim and Herz, 2011: 76). This sustained and fairly successful campaign thus made large scale infrastructure projects politically costly and difficult to pursue. Relations between the power bloc and dominated social forces are in other words a factor contributing to the relative neglect of the infrastructure gap under neoliberalism.

The post-crisis infrastructure push

In this section I will examine first the process through which the infrastructure push was developed, and then the content of the initiatives. The process is worth examining in some detail because it sheds useful light on the transnational state’s mode of operation. It shows that the G20 is much more than annual summits; it is an ongoing networked policy-making process involving decision-makers, bureaucrats, and experts from the G20 states and major IOs, and it includes dialogue with non-state actors, none the least business.

The Process

After the June 2010 summit in Toronto, Korea assumed the G20 chairmanship and began preparing for the November Seoul summit, also in 2010. The chair ‘invited the Korean business
community to host a gathering of top business executives from around the world’ to ‘enable G20 leaders to exchange views with the private sector on the state of the global economy.’ In response ‘12 business leaders have convened working groups involving over 100 global chairmen and CEOs’ and each of these groups ‘prepared a memorandum highlighting their key findings and recommendations.’ These were presented as a Joint Statement by Participating Companies to the Leaders (Seoul G20 Business Summit, 2010a), who in turn welcomed the effort, looking forward to a continued dialogue ‘in upcoming Summits’ (G20 Seoul, 2010a: 4).

Working Group VI on ‘Closing the gap in infrastructure and natural resource funding’ was chaired by Marcus Wallenberg of Svenska Enskilda Banken. The other nine members were CEOs or chairmen from TNCs in the financial, transport, construction, energy, and water and waste management industries, headquartered in Japan, Korea, Taiwan, France, Italy, Spain, UK/Netherlands and the US (Seoul G20 Business Summit, 2010b: 89). The group’s key message was to call for ‘steps to be taken to overcome an estimated annual shortfall in infrastructure and natural resource (energy, water) investment of up to $600 billion’ (Seoul G20 Business Summit, 2010a: 3-4).

The Leaders got the message. They listed infrastructure as the first of ‘nine areas […] where action and reform are most critical to ensure inclusive and sustainable economic growth’ and they committed to ‘facilitate increased investment from public, semi-public and private sources’ (G20 Seoul, 2010b: 12). They further decided to seek more input by establishing ‘a High-Level Panel (HLP) to recommend measures to mobilize infrastructure financing and review MDBs’ policy frameworks’ (G20 Seoul, 2010b: 12).

The composition of the HLP was announced in February 2011. Tidjane Thiam, Group Chief Executive of Prudential plc – a life insurance and financial services company – became chairman. A few of the other 16 members were from the construction and physical asset management industries, the majority from private and public financial institutions. Eight were from emerging and developing countries (HLP, 2011: Appendix 1). Following its mandate, the HLP developed its Recommendations to G20 in close consultation with the MDB Working Group’s work on the Infrastructure Action Plan and both documents were submitted to the G20 Cannes Summit in November 2011.
About the same time, at the behest of the G20, the OECD launched a project on ‘Institutional Investors and Long Term Investment.’ This project involved several OECD bodies, G20 member countries, FSB, APEC, the IMF, and the World Bank and led to the so-called High Level Principles of Long-Term Investment by Institutional Investors (not to be confused with the High Level Panel) that was submitted to the St. Petersburg Summit in 2013 (OECD Task Force on Institutional Investors and Long-Term Financing, 2013).

The 2012 Summit decided to implement the HLP’s recommendations but apparently more input was needed, because the G20 Finance Ministers and Central Bank Governors (FMCBG) in November 2012 asked ‘that the World Bank, IMF, OECD, FSB, UN and relevant IOs undertake further diagnostic work to assess factors affecting long-term investment financing’ (G20 FMCBG, 2012). At their next meeting in February 2013 the FMCBG welcomed the ‘Diagnostic Umbrella Report from IOs’ and decided to create a G20 Study Group on Infrastructure (G20 FMCBG, 2013). This group submitted its Workplan to the St. Petersburg Summit in 2013 where it was endorsed along with the G20/OECD High Level Principles.

The Workplan (G20 Study Group on Financing for Investment, 2013) shows the complexity of the endeavor – a package of upwards of 30 separate tasks and work streams - and the transnational state’s networked way of working, involving both country submissions and multiple contributions from IOs, in most cases cooperating with each other. The pattern is for instance described as ‘IMF (lead) with input from WBG, OECD, FSB’ or ‘OECD (lead) with input from WBG, FSB, and UN DESA [United Nations Department of Economic and Social Affairs]’. Of the various taskforces listed, the OECD had the lead in 11, the World Bank in eight, the IMF in three, and UNCTAD and the Financial Stability Board in two each.

From 2014, these efforts began to result in concrete policy measure such as the World Bank’s Global Infrastructure Facility and the G20’s Global Infrastructure Initiative, a part of the Brisbane Action Plan. The September 2015 FMCBG meeting in Ankara received more than a dozen documents from IOs relating to infrastructure (G20 FMCBG, 2015: Annex) and at the Leaders’ summit in Antalya in November 2015 the emphasis began to shift towards implementation, as summarized in the Antalya Action Plan (G20 Antalya, 2015a).
Policy Content

The purpose of these efforts is to promote investment in infrastructure along the lines first suggested by Working Group VI at the Seoul Business Summit and the HLP. They can be summarized in four main complementary streams. The first is, in the words of the HLP, to develop a ‘pipeline of bankable projects’ (HLP, 2011: i); the second is to mobilize additional sources of funding, thirdly to ‘help match potential investors with projects’ (G20 Brisbane, 2014b: 4); and fourthly, to promote implementation of the first three.

There are two elements in the effort to develop the pipeline. The first is to create and agree upon a set of standards for ‘bankable projects’. As a first step towards this end, the HLP asked the MDBs ‘to collectively identify exemplary regional projects, illustrating the bottlenecks and challenges raised in their Action Plan’ (HLP, 2011: iv) and the resulting list was attached to the HLP report (HLP, 2011: Appendix 2) – and became a target for criticism from NGOs as discussed below.

On the basis of this list, much additional analytical work, and extensive consultations with member states and other IOs, the above mentioned G20/OECD High-Level Principles were produced and endorsed. They are designed to ‘assist OECD, G20 and any other interested countries to facilitate and promote long-term investment by institutional investors’ (OECD Task Force on Institutional Investors and Long-Term Financing, 2013: 3). Later work has further specified the standards, for instance in the WBG/OECD Project Checklist for Public-Private Partnerships which is a list of close to 140 boxes to be ticked when preparing an infrastructure project, under the headings of Politics, Law and Institutions, Economics and Finance, and Execution. For example, one should check whether there has been ‘a credible social and environmental impact assessment of the project’, whether there is ‘a clear articulation and substantiation of the need for the project’, whether ‘the major sources of debt (commercial bank debt, capital markets, other), including domestic and external borrowing, provide the required tenors for financing the project’, and whether there are ‘restrictions on repatriation of profits which might affect financing of the project’ (World Bank Group and the OECD, 2015: p. 5, 8, 10).

The second element in developing the pipeline is to encourage member states to develop ‘long-term investment plans’ and initiate ‘quality infrastructure projects’, i.e. projects that meet the standards, and to attract funding for these including from foreign investors (OECD
Task Force on Institutional Investors and Long-Term Financing, 2013: 6). The suggestion to develop long-term investment plans deserves emphasis because in reality it is a renunciation of the belief in the market efficiency idea, so powerful in the neoliberal stage. The private sector needs investment guidance from governments in order to achieve long-term growth.

Developing the pipeline should by itself, presumably, mobilize additional funding by making infrastructure more attractive for investors, especially institutional investors. As the Principles explain, ‘the exemplary case are pension funds’, but life insurers, sovereign wealth funds, and state-owned investment funds are also considered key groups of investors (OECD Task Force on Institutional Investors and Long-Term Financing, 2013: p. 4). To grow this source of financing further, governments are encouraged to ‘promote the development of long-term savings and of institutional investors’ (OECD Task Force on Institutional Investors and Long-Term Financing, 2013: 7), in other words to mobilize national savings for infrastructure investments. This suggestion probably mainly targets countries where such financial institutions are little developed or absent.

Additional funding is also provided by increased lending from the MDBs. In 2010 the WB ‘positioned support for infrastructure as a strategic Priority’ (World Bank Group 2011b: 1) and WB lending to key infrastructure sectors grew from an average of 12.4 billion USD annually in the 2006-2010 period, to an average of 15.4 in the 2011 to 2015 five year period (Calculated from World Bank, 2011 Table 1; and World Bank, 2015 Table 20). The Chinese announcement of the plans for the AIIB added impetus to this. The Asian Development Bank (ADB), faced with the new competition, began ‘boosting its own firepower’ (Addison, 2015), receiving support from Japan’s government which pledged $110 billion for Asian Infrastructure, thus topping the expected $ 100 billion dollar capitalization of the AIIB (Kihara and Sieg, 2015).

To facilitate matchmaking between investors and projects, one step is to admonish governments to publish their long-term investment plans in a transparent manner (OECD Task Force on Institutional Investors and Long-Term Financing, 2013: 6), and another one is to make the MDBs more active in the pursuit of private co-investors. To achieve this, the banks should introduce ‘incentives for staff to focus also on mobilizing and leveraging additional resources,
rather than only on preparing and committing the institution’s lending resources’ (MDB Working Group on Infrastructure, 2011: 6). Furthermore, the World Bank created the new Global Infrastructure Facility which became fully operational in April 2015 (Global Infrastructure Facility, nd: 8). This entity works ‘with client governments from emerging markets and developing economies to support infrastructure projects or programs that will be structured to attract substantial private capital’ (World Bank, 2016). Finally, the Brisbane Summit pointed to the need to ‘address data gaps and improve information on project pipelines’ and decided to establish a Global Infrastructure Hub to help solve this problem (G20 Brisbane, 2014b: 4). One element in the Hub’s four year mandate is ‘to ensure that there is a comprehensive, open source project pipeline database’ (Global Infrastructure Hub, 2015: p. 9).

Much of the implementation of these efforts is done by the G20 member states. In a context of formally non-binding commitments, mutual surveillance and peer review is a key compliance mechanism and the G20 has adopted a systematic approach to this, providing a basis for the ongoing application of peer pressure among members. The first Accountability Assessment Report was submitted to the 2015 Summit, and the exercise is to be repeated (G20 Framework Working Group, 2015: 1). On infrastructure the report noted that ‘Members have made reasonable progress on the implementation of investment commitments over the past year, with about one-third of the key commitments in this area now fully implemented.’ It goes on to specify how individual countries have lived up to their commitments, for instance that China, Italy, Korea, Mexico, Spain, and the UK have ‘completed commitments that promote private sector investment,’ listing a score of implemented commitments as well as areas where implementation ‘remains in progress’ (G20 Framework Working Group, 2015: 5). Thus there is evidence of both peer pressure and of some compliance, an assessment that resonates with recent more general discussions of the G20 Process (Butler, 2012; Derviş and Drysdale, 2014; Drezner, 2014). To quote Creon Butler, ‘The glass is half full rather than half empty’ (Butler, 2012: 492).

Impact
This, however, does not tell us anything about impact, i.e. whether the GII has been or is successful in lifting the level of infrastructure investments. So far (to the end of 2015) this seems not to have been the case. IJGlobal, an organisation that tracks contracts on infrastructure pro-
jects globally, reported that compared to previous years the number of transactions grew in 2015, but the trend in volume remained rather flat around 300 billion USD (IJGlobal, 2016: 2). This must, however, be seen in the context of the newness of the infrastructure initiative. Referring to the standard sequencing of policy cycles, the issue has been identified and framed, overall policy has been formulated and adopted, key instruments have been designed, and implementation has begun, but only barely. It is simply too soon to expect a major impact.

This is not to say that the intended impact is a certain thing. On the contrary. Whether it eventually materializes will depend on the ability of the forces behind the policy to maintain momentum and remain in a position of strength. As Ehlers concluded a BIS Working Paper: ‘All these issues deserve the sustained attention of policymakers’ (Ehlers, 2014: 21), and it is not a certain thing that policymakers will live up to this. Therefore I now turn to a discussion of the power implications of these first steps in the policy cycle: which constellation of transnational power relations is signaled by these completed first stages of the policy cycle?

The infrastructure push and transnational power relations

Industrial hegemony

As mentioned in the theory section, when discussing power relations a useful distinction can be made between relations within the power bloc and relations between this bloc and subaltern or dominated social forces. Focusing first on relations within the transnational power bloc, an important line of conflict is the one between industrial and financial interests.

Concerning this, there are strong arguments to suggest that the infrastructure push signals a strengthening of the industrial fraction of capital. Most important is the very nature of the push. Physical infrastructure is a precondition for production and transportation of physical goods and the push is essentially about paving the way literally and figuratively for the expansion of industry and mechanized agriculture. Another argument is the business support for the push. This is for obvious reasons particularly strong from businesses that build and/or operate physical infrastructure, and this sector was, as already shown, represented in the B20 at the Seoul Summit, and in the HLP. In the B20 format an Infrastructure and Investment Task-force provided input to the Brisbane Summit in 2014 (B20 Australia, 2014) and again to the
Antalya Summit in 2015 where it reiterated its dedication to ‘the study and promotion of policies beneficial to the advancement of infrastructure as an asset class’. Six of the eight chairs and co-chairs of the taskforce were from infrastructure related industries (B20 Turkey, 2015a: 1-2).

But infrastructure also received broader business support. The International Chambers of Commerce (ICC), which claims to be ‘the largest, most representative business organization in the world’ with a network comprising 6 million companies in more than 130 countries.’ (ICC G20, 2014) had created the ICC G20 CEO Advisory Group consisting of ca 35 CEOs as ‘a platform for global business to provide input to the work of the G20 on an ongoing basis’ (ICC G20, 2014). To support this work, the ICC conducted a Global Survey of Business Policy Priorities for G20 Leaders which elicited 2000 responses from 103 countries, including all G20 countries. It found that ‘Among the policy priorities, multilateral trade, as well as investment and infrastructure, are the most important issues for businesses worldwide, small and large’ (ICC G20, 2014).

Together these are compelling arguments to conclude that the infrastructure push is catering to the long term interest of productive industrial capital. As such it represents a clear shift from the pre-crisis situation where finance was hegemonic. This argument is amplified by the fact that in parallel with the infrastructure push, there is continued political momentum behind the drive to regulate finance. Thus an OECD study has concluded that ‘reform to make finance sounder is likely to boost long-term economic growth and reduce income inequality’ (OECD, 2015: 4) and the G20 Leaders emphasize the need to carry on with financial reform. The G20 Turkey Leaders’ Communiqué re-affirmed that ‘enhancing stability of the financial system are crucial to sustaining growth and development’ and they affirmed their commitment ‘to full and consistent implementation of the global financial regulatory framework in line with agreed timelines’ (G20 Antalya, 2015b: 3).

Old and new powers

Another major line of conflict in the transnational power bloc is the one between the rising business communities of the emerging economies and those from the old industrialised countries. The creation of the G20 and its designation as the ‘premier forum’ for international eco-
conomic cooperation among members clearly testifies to the increased standing of the former group in global economic politics (see also Stephen, 2014). So does the fact that the infrastructure push is very much concerned with infrastructure in emerging and developing countries, although infrastructure deficiencies in the old powers also is seen as part of the problem. But importantly, there is both an aspect of rivalry and of shared interests in this and both need to be addressed.

The initiation of the New Development Bank by the BRICS countries and even more so China’s creation of the AIIB show that these countries found existing institutions insufficient, wanted a greater say in lending policies, and had the will and capacity to take action on their own. The fact that Japan promptly countered the AIIB with a large dose of new capital to the ADB, keeping its lending capacity superior to the AIIB, also testifies to this element of rivalry. Furthermore, there is an element of direct commercial rivalry because Southern companies have become a major competitor for infrastructure projects in Africa and elsewhere in the global South. If Southern companies’ infrastructure investments in their own countries are added to their investments in other developing countries, they surpassed infrastructure investments from the developed world in the middle of the first decade of the century (Schur et al., 2008: 2). Indeed, it is not farfetched to see the insistence on ‘quality infrastructure’, i.e. projects that meet technical, environmental and social standards, as partly reflecting a Northern effort to limit Southern competition, considering the often voiced criticism of Chinese projects for inferior quality. Project quality is likely to be one place where the North-South rivalry will play out in the infrastructure push.

This rivalry, however, is set in the context of a more fundamental shared interest, namely the interest in a growing world economy and especially in growth in the global South which also will benefit Northern capital. This is clearly articulated in the G20 discourse in the Seoul Development Consensus for Shared Growth which explains ‘Why Growth Must be Shared’: ‘for the world to enjoy continuing levels of prosperity it must find new drivers of aggregate demand and more enduring sources of global growth.’ And, ‘because the rest of the global economy, in its quest for diversifying the sources of global demand and destinations for investing surpluses, needs the developing countries and LICs to become new poles of global growth – just as fast growing emerging markets have become in the recent past’ (G20 Seoul, 2010c: 1).
On balance, the G20’s infrastructure initiative reflects the strengthening of the Southern section of the transnational power bloc, but also the strength and growing importance of an underlying shared interest between North and South. In this composite picture, nothing suggests that the Southern section is not still in a secondary position.

**Sustainability**

Thirdly, a comment on sustainability is warranted because the conflict between green and black capital is also a major line of conflict in the transnational power bloc (Newell and Paterson, 2011; Ougaard, 2016). On this the best to say is that the infrastructure initiative is neutral. Infrastructure per se is colour blind since transportation networks and energy production can be built in more or less green or black ways. Sustainability is mentioned in several policy documents but they do not go much beyond for instance stating that whether there has been ‘a credible social and environmental impact assessment’ can be ‘potential deal breaker’ (World Bank Group and the OECD, 2015: 5, 8). Furthermore, environmental concerns are absent in the B20 input (B20 Turkey, 2015a; B20 Turkey, 2015b) and members of the taskforce include both companies that have a green and clean profile, and companies from the oil and gas industries. The green agenda is pursued elsewhere, especially in global climate talks, so the GII is better seen as a field where the struggle between green and black is played out.

**Support from Labour**

Turning to relations between the power bloc and dominated social forces it is important that these, like the power bloc, are not a homogenous group. This is evident from the fact that labour and civil society organizations have taken different positions towards the infrastructure push.

Labour is in this context represented by Labour 20 (L20) which is ‘convened by the International Trade Union Confederation (ITUC) and the Trade Union Advisory Committee to the OECD (TUAC)’ and works to represent ‘the voice of workers through their trade unions to the G20’ (L20, 2015). L20 has formally been recognized in the G20 process since 2011 (G20 Turkey, 2015). Among L20’s ‘Priority Recommendations’ to the G20 in 2015 were these:
‘Raise and set targets for public, social and physical infrastructure investment by at least 1% of GDP across the G20 as the primary route to growth and employment recovery. Link investment plans to the creation of clean energy and green jobs. Ensure that institutional investors are long-term driven and observe responsible investment standards’ (L20, 2015: 3).

Labour, in other words, supports the infrastructure push, albeit with an emphasis on green growth absent in the input from business. Furthermore L20 made common cause with business in supporting the infrastructure push. Thus in the business-labour statement on ‘Jobs, Growth and Decent Work,’ ‘the B20 and L20 reinforce our joint messages of recent years and stress particularly the urgent need for governments to reinvigorate infrastructure investment and private investment in the real economy through their national investment plans’ (B20 L20 Turkey 2015, 2015).

Decline of NGO influence

The civil society coalition that had gained some influence on the WB in the pre-crisis years was in a different position because there is strong evidence that it’s influence was weakened in the turn to infrastructure. At decisive moments in the policy shift, the CSOs seem to have been cut out of the loop. Thus a coalition of 73 NGOs protested ‘the lack of transparency and consultation in the HLP’s process of formulating the report’ (AIPP et al., 2011) and the Bretton Woods Project complained that the World Bank’s strategy update was created ‘with minimal involvement by the governments and stakeholders of affected low-income countries much less any democratic debate or process’ (Bretton Woods Project, 2012).

CSOs were also critical of the policy content. The just mentioned coalition explained that ‘Undertaken correctly, infrastructure projects can promote the well-being of current and future generations of people while protecting the environment. Undertaken incorrectly, large infrastructure projects can benefit primarily the elites in developing and developed countries’ (AIPP et al., 2011). Another NGO wrote that ‘the focus is very much on infrastructure investment as key to economic growth rather than to poverty reduction’, and that ‘an emphasis on PPPs implies a danger of “the privatization of financial gains”’ (Bretton Woods Project,
2012), and similar opinions were voiced by other NGOs (Ballesteros and Leung, 2012; Bond for International Development, 2011; International Rivers, 2012).

This critique was repeated at the 2015 Summit. Here the C20 – Civil Society 20, representing close to 500 civil society organizations from 91 countries – in the Communiqué ‘A World Economy that Includes All’ insisted that ‘Growth must target poverty and inequality and benefit the whole of society including the most-excluded groups’ (C20 Turkey 2015, 2015: p. 3) and that ‘Investment in megaprojects is counterproductive and unsustainable when economic gains are privatised, and social and environmental costs and damages are socialized’. Therefore the C20 urged the G20 to ‘Shift investments from unsustainable mega projects to decentralized, local infrastructure projects’ (C20 Turkey 2015, 2015: p. 8). In addition to criticizing the policy content, the NGO also expressed their sense of diminished access by appealing to the G20 that it should ‘Strengthen the opportunity for civil society to contribute to G20 processes by providing a permanent seat for C20 at G20 Working Groups’ (C20 Turkey 2015, 2015: p. 3).

Concluding comments

To summarize the conclusions to the preceding analysis, the infrastructure push reflects a transnational power bloc in which industrial interests are leading and the emerging Southern sections of this fraction in a stronger position than before but still secondary to those from the old industrialized economies. The power bloc has gained the support of organized labour, interested in ‘jobs and decent work’, whereas those speaking for the poorest and most vulnerable, the coalition of NGOs and Southern popular movements, have been weakened. The content of the push is an effort by the transnational state to mobilize capital for a massive surge in infrastructure investments, potentially, according to Nancy Alexander, ‘the biggest investment boom in human history’ (Alexander, 2015).

The infrastructure push, in other words, suggests a hegemonic project and associated growth model centred on the global expansion of industrial capital and modern agriculture, which can entail a long period of growth and transformation of the world economy. Inherent in such a transformation will be the expansion of employment and wage labour in the growing capitalist economy, and possibly also raising material living standards. But as always capitalist de-
Development will come with human costs, especially for the already weak groups who are threatened by mega-projects and large scale industrialization. In this sense, the push is about accelerating what David Harvey called accumulation by dispossession (Harvey, 2005 (2003): 145-152).

But on a (perhaps overly) optimistic note, popular forces, both labour and those being disposessed can to some extent influence the growth model. To the extent that they are able to pressure it towards a sustainable and socially inclusive pattern, it is a possibility that we will see on a global scale a replication, mutatis mutandis, the post-World War Two Fordist/Keynesian Welfare State growth model of the old capitalist powers of Europe and North America. This model was, after all, also based on industrial hegemony and labour support, it engendered massive transformations of these societies, and it was highly successful on many accounts until, that is, it met its limits in the crisis of the 1970s.

At this point it is important to recall the caveats to these conclusions. The analysis is based on the initial stages of the policy cycle; implementation in still in the beginning stages and impact cannot yet be observed. The success of the infrastructure push depends on the durability of the power relations behind these first stages in the process. Furthermore, the conflicts within the power bloc between black and green capital, and between the Northern and Southern sections are also important, and much will depend on how these conflicts play out.

Going back to the theory expounded in the first section, this paper has analysed the infrastructure push as the transnational state’s catering to a globalized state function in a manner that is profoundly shaped by power relations. Thereby the analysis has shown the relevance and explanatory power of transnational historical materialism. In addition, by analysing the process of developing the push it has also shed light on the workings of the transnational state. It was shown as a flexible networked cooperation of national state apparatuses and international organizations in an ongoing engagement with non-state actors, especially business. In this G20 process overall policy directions can be set at the global level, but implementation in many respects relies on nation states, subjected to a soft compliance mechanism. The analysis also suggested that the IOs have some relatively autonomous agency, perhaps especially in issue identification and framing, but also that political leaders can mobilize and orchestrate essential and extensive support from the IOs and that decisive actions requires this kind of leadership.
A final comment is that important questions have not been touched upon in this analysis. For instance there has been no attention to disagreements, conflicts, bargaining and compromising between Leaders and FMCBGs in the process. This observation merely underscores the need for more empirical research into the workings of the transnational state, especially research that transcends both state-centred perspectives and the tendency to focus on single IOs in isolation from the broader networks of which they are parts.
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