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Rebalancing Global Economic Governance

— Opportunities for China and the G20 beyond 2015

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China and the Reform of Global Governance

SU Changhe

Two faces of global governance are emerging in current world. Over the last two decades, scholars and statesmen witnessed that the hegemonic model of governance for the world has been definitely declined or even failed, while the newly multilateral governance seems to be not set up accordingly during the period of systematic transition. It gives rise to a situation of governance gap in the current world. On the other hand, however, China and the other emerging countries are more proactive in advancing new initiatives for regional and global governance. It is really an interesting contrast.

Before I explore China's attitudes to global governance, it is useful for us to understand three thorny problems which bothering us for achieving better global governance.

The first is related to the domestic system and global governance. Since the financial crisis broke out in 2008, more and more countries are inclined to take protectionism policy when they address global issues. Many global governance arrangements which reached in the level of international area are unfortunately vetoed in domestic politics. In some instances, the split of domestic politics, like in the U.S. current domestic mutual veto system, illustrates that global governance will be hard to be improved without the consensus and support of domestic politics. The more mutual veto occurred in domestic politics, the lower efficiency will be accompanied with global governance. One of the typical case is the

IMF governance structure reform arrangement was vetoed by the U.S. congress, and then reduce the efficiency of international financial governance.

The second one is about the relations between the UN system and the regional governance framework. In the area of security issue, for example, on the one hand, partly for the reason of mutual veto among P5, the U.N. Security Council seems to be difficult to reach agreement on the resolution of some security issue, on the other hand, some regional organization began to be involved into particular country's domestic conflicts in the absence of the U.N. Security Council's approval. Does it mean that the regional organization will be likely to replace the role what the U.N. should do over the history and in international security area? It seems to us that there is no answer for it right now, what we saw is the U.N. Security Council was keeping silent in the recent Yemen case. In terms of global economic governance, the G20 must take seriously of its internal coordination, especially among G7 and BRICS 5 countries, and of its external relations with more and more regional organizations, such as the ASEAN, SCO, CELAC, AU, League of Arab States, as well as its membership EU. In the foreseeable future, the trend of regionalization of global governance means that regional economic organization will play decisive role in addressing intra-region development issues.

The last one is whether should the current

governance institutions go, which mostly arranged after the end of the World War Two, and how to deal with the relations between the old and the newly regional and global governance institutions. It doesn't mean that the old international institutions don't matter completely, it suggests that most of them are really facing competition from the newly institutions emerged in global governance. Unfortunately, the dynamics of reform seems to be too slowly to meet the new international situation.

Obviously, another face of global governance is emerging gradually, the attention people pay is that China is really an active player in global governance. It tries to play more responsible role and even wants to provide more public goods for the world. Only in the last two years since the Communist Party's 18th congress in 2012, China has initiated jointly with other countries some institutions for the world, such as Asia Infrastructure Investment Bank (AIIB) and the BRICS Bank, the Asia Connectiveness and the One Belt and One Road initiations are even grander plan for Euro-Asia continent. These recent initiations, as well as the other institutions such as SCO before, have been as China's understanding version of regional governance. How should we observe it?

China is often seen to be as late comer in global governance area. The process of China's approach to global governance brings some inspiring (?) experience for the rest of the world. In the first, there is few conflict situation between China's domestic politics and global governance, the consultative democracy system in China makes it possible that domestic politics is not likely to veto international governance arrangements which

Chinese government has been reached with the other countries. In the other words, the domestic implementation of any particular international governance agreements in domestic China is relative low in terms of bargaining cost. Comparing with the prevailing confrontational democracy system, or mutual veto democracy system, this consultative democracy system in China has more and more advantages in coordinating domestic and international relations together. The suggestive point here is that maybe we need to reflect deeply about this issue that is the confrontational democracy system in domestic area, which in many instances give rise to the mutual veto situation, may not be useful for the better governance of more and more transnational problems. If we want to have better global governance, we must have a cooperative and coordinative framework between domestic and international governance, does the confrontational democracy system is the optimal or suboptimal one for better global governance in an era of globalization?

In the second place, China is really deliberate in dealing with the old and the newly governance institutions relations. Actually, China doesn't want to challenge or overthrow the old global governance institutions, such as the IMF and WB. China is part one of them, why does China want to overthrow them just like some reports criticize? As mentioned before, these old institutions are facing hard reforms, but bureaucratically they act slowly. The BRICS countries in their Summit Declaration in 2014 in Brazil declare their disappointment about the reformation of the IMF and WB. In this case, China is inclined to take another way, which the Fudan Global

Governance Report called as incremental improvement way, to upgrade current global governance structure. Therefore, when we look into the institutions carefully what China set up, most of them have complementary rather than confronting relations with the old ones. This incremental and gradual reform approach make sure that the transition of international system could be likely in a peaceful rather than radical way.

Lastly, in case of regional governance, China seems to strengthen connectiveness rather than integration between China and its neighbour countries. Over the last years, the EU experience in integration process has been widely seen to be as regional governance model for the developing regions. Concerning the Asian area, however, the EU integration governance model maybe not be suitable for Asian regional governance. The major reason for it is that there is nearly no country in Asia who want to be integrated into a super-national institution, like the EU experience, dominated by few big countries in it. Therefore, the feasible way is to improve connectiveness in the area of infrastructure, FDI, policy and administration cooperation among Asian countries. From this angle, China will concentrate more on regional governance, especially with its neighbour countries. As a guiding principle, China will try to develop its own regional governance theory, it is not likely the simple copy of the EU integration to Asia, as an alternative way, China will focuses on it along with the connectiveness rather than integration theory in the future. Perhaps, connectiveness approach has even more implications for strengthening better governance in Africa and other regions. Then what does it mean for the coming 2016 G20 Summit in Hangzhou, China? My personal

brief recommendation points are the followings. Firstly, the G20 should try to list and reduce the veto points step by step between international economic cooperation and domestic politics; secondly, the G20 should encourage institutional innovations in regional or trans-regional governance, such as the AIIB and BRICS Bank, it also needs to consider the possibility of building strongly dialogue partner with ASEAN, SCO, CELAC, AU, League of Arab States. Thirdly, the G20 may concentrate on the new idea of development for a more balancing, inclusive, and sustainable world. I personally think it doesn't matter to discuss over which standard of rules are the highest for the global economic governance, the most important thing for the current world is which standard of rules are suitable for the wealth of the most rather than the least countries and their people. It represents the real democratization of global governance.

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