CHAPTER 12

Challenges Facing the Global Governance Mechanism and China’s Counter-Measures

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Abstract

The current global governance mechanism, which originated in the United States-dominated hegemonic system, has been facing multiple global challenges since the comparative decline of U.S. strength, the rise of emerging countries, and the outbreak of the global financial crisis. In the coming five to ten years, there will be an unprecedented strong demand for global governance reforms in countries across the world. Despite the dilemma that the world’s second largest power has often encountered in the power games of international politics, China is still enjoying an important period of strategic opportunities for full participation in global governance. To offer a better analysis of global governance, this paper breaks down the international rules that pertain to China into three categories: first, the system and rules of current global governance; second, the system and rules of global governance that are facing or may face major reforms; third, the new system and rules of global governance that will be of systematic significance in the future. Targeting various mechanisms of global governance, the authors propose some principles that China should heed, including those of rights matching responsibility, inclusive interest, and differentiated common responsibilities.

Keywords

Global governance – emerging powers – inclusive interest – differentiated common responsibilities

I Introduction

Global governance has entered a fragmented stage. The onset of this stage can be dated back to the outbreak of the 1997–1998 Asian financial crisis, while its final formation came after the U.S. subprime crisis broke out in 2007. The eruption of the Asian financial crisis sparked extensive suspicion of the manner
of governance adopted by the International Monetary Fund (IMF) and the “Washington Consensus” behind it and expedited an awakening of awareness of regional governance across Asia. The outbreak of the 2007 subprime crisis in the U.S. as well as the 2010 sovereign debt crisis in Europe changed the long-established belief that emerging economies are always the source of crises that shake up concepts of governance developed by U.S.-led Western countries and questioned the legitimacy of global governance mechanisms dominated by the IMF, the World Bank, and other institutions overseen by the West. The old manner of governance based on neo-classical economic theory has become increasingly incapable of reflecting changes in the distribution of international governance capabilities, but a new manner has not yet fully emerged. This has been the chief obstacle preventing improvement of efficient global governance. Within this context, some regional or cross-regional attempts at governance, such as the broad efforts to establish an Asian economic circle, a cooperative mechanism among BRICS countries, the Trans-Pacific Partnership (TPP), and such long-established international mechanisms as the newly revitalized Organization of Economic Cooperation and Development (OECD), have resulted in the fragmentation of global governance.

Fragmented global governance is characterized by the following three situations: 1) Developed countries still dominate the international economic order and global governance, but emerging economies of developing countries have begun to participate in top-level global governance design and thus play an increasingly important role in certain important global institutions. This situation is reflected above all in the rise of the Group of Twenty developing and foremost emerging economies (G20), which acts as a major platform for international economic cooperation, and in the ever-growing respect for developing countries and their expanding voice in the reform of the IMF, World Bank, World Trade Organization (WTO) and other international institutions; 2) The world economic governance framework set up by developed countries since the establishment of the Bretton Woods system has become increasingly incapable of dealing with the detection, prevention and treatment of crises caused by the wave of globalization, while regional or cross-regional economic governance platforms are playing an ever more important role. This development can be seen in the multilateralization of the Chiang Mai Initiative, the strengthening of BRICS mechanism, and the construction of the TPP, spearheaded by the U.S. during its implementation of the economic strategy “pivot to Asia-Pacific”; 3) Untraditional topics as well as currency, finance, trade, and other traditional topics have been receiving ever more attention. Certain global topics, such as climate change, with its growing influences on the economic