

# Creating a Conducive International Environment for Africa's Development

## China's role in Global Governance Reform!

By *Fantu Cheru*

The world is at a critical juncture: there is the opportunity to come together to pursue a common agenda, or it can break into opposing groups based on differences in income, interests, religion or race. Globalisation exacerbates this tension between opportunity and threats. The most keenly felt tension is the sense that globalisation creates greater inequality in an already unequal world. If the world is unequal, then it must be undemocratic as well. As a result, globalisation and democracy come together as simultaneous challenges. As far as Africa is concerned, the challenge is how to gain voice in global governance.

### Present Situation

Much of the formal institutional architecture of global problem-solving was formed during the generation following the Second World War. These structures naturally reflected the particular conditions and challenges of the era. Today, however, there are new problems, which are many and cross national borders. Insofar as global problems slice through national borders, collective responses are increasingly important. The issues of pandemic, climate change, criminal networks, recession and poverty, the availability of food and water and unemployment are ever more acute. Yet the international community is demonstrably failing to marshal the necessary processes and resources to meet its stated aspirations.

In essence, the current international setup for resolving inherently global issues is not up to the task. These tools include treaties and conventions (too slow for burning issues); intergovernmental conferences (too short on follow-up); G7/G8 type mechanisms (inadequate methodology; exclusiveness; knowledge limitations; distance from the people).

All three processes suffer from four deficits:

- Compliance deficit: lack of implementation and enforcement of existing treaties and agreements;
- Democracy deficit: lack of accountability and equality in decision-making (representation v. participation);
- Coherence deficit: inconsistency in policies and in implementation. (e.g., give aid on one hand and retrieve it on the other); and
- Legitimacy deficit: lack of transparency and communication (distant from the people).

The case for the reform of international institutions became a renewed source of contention in the waning days of the Cold War. In its study launched in 1988, the South Commission called for reform of the Security Council and the Bretton Woods institutions to better reflect the concerns of developing countries. The Commission on Global Governance, whose report was issued in 1995, set out the general case for significant reform of international institutions to take account of the changing political and economic dynamics of the international sys-

tem. A number of commissions within the UN have been convened to consider the need for institutional reform, some focused on policy and administrative matters, others emerging out of the General Assembly and interested in specific structural concerns. But as we all know, there has been little progress to date.

As far as Africa is concerned, the challenge is how to gain voice in global governance. The continent's 53 countries are represented by only one member state, South Africa, in Group of 20 (G20) forums. The G20 agenda deals with issues such as recapitalising banks and executive bonuses, but these are not the chief concerns of vulnerable populations in Africa. More critical for Africa are development challenges such as debt sustainability, conditionality, fair trade and social protection. These must be addressed not just through global summitry but in multiple other arenas. Ultimately, Africa must determine how to gain access to global governance.

- How can Africa play a greater role in setting the agenda?
- How to generate the resources so that developed countries' pledges are not left unfulfilled?
- Could enforcement procedures be adopted?
- Finally, how to reduce the risks of globalisation and reorient it so as to spur development?

Thus, global policy leadership is required to urge the priority of the intersectoral nature of the new global agenda and provide guidance on the inter-institutional relationship most conducive to implementing that agenda.

### China and Global governance in the post-financial crisis world

The global financial crisis may have helped advance the debate on the architecture of future global governance. The crisis that originated in the United States ended up by engulfing the developing countries that had no role in triggering it. On the other hand, countries such as China, Brazil, India and a few emerging countries were able to recover from the crisis and have remained islands of stability. Not only did China put in place a stimulus package of \$586 billion for infrastructure projects, it also contributed \$40 billion to reinforce the IMF in 2009.

China has thus become a key player in stabilising the world economy, but it has also played a vital role in advancing the reform of global financial architecture and the need to include more developing countries in key global decision-making in the context of the G20. It has been able to do so in close coordination with other emerging Southern powers such as India, Brazil and South Africa.

### China's role in global governance

Recent policy discussions among Chinese analysts and policy initiatives by the government provide some clues as to the role China is considering for itself in global governance. Two approaches are discernable.

#### (a) *Constructive engagement*

With the onset of radical economic reforms in the early 1980s, China's view of the international order began to change. What emerged was a policy of "constructive engagement" with the existing institutions of the world system in order to promote and protect China's national interest. According to a 2006 Chinese Academy of Social Sciences (CASS) study, China had become a member of 298 international organisations and Chinese organisations have memberships in 2,600 transnational organisations.

Constructive engagement means that China does not aspire to create an alternative global governance system, but rather to engage with existing arrangements constructively in order to advance its own national interest as well as the interests of developing countries. Since 2003, China has been invited to the pre-meetings of the G8 as part of the outreach group of five (India, Brazil, Mexico, South Africa) and to engage with G8 leaders on global issues such as climate change and reform of Bretton Woods institutions.

Despite its new-found wealth and power, China is still not strong enough to present a counter-hegemonic project at this point. Since the 2001 Cancun WTO ministerial meeting, China has been trying to offer viable alternatives to improve the current system. This was also the case in the most recent Copenhagen climate conference. It has taken these steps in concert with other emerging Southern powers, such as Brazil, India and regional organisations such as the African Union and Latin American and Caribbean groupings.

A good illustration of this is China's approach to the global financial structure, since it has now become a net international creditor. With a \$200 billion sovereign wealth fund, the Chinese government has significantly increased its intergovernmental loans to other countries as well as foreign aid. These developments have greatly elevated China's potential influence in the international financial system. Yet, it has used this power carefully and responsibly to influence the content and direction of reforms.

1. In October 2008, China threw its support behind Europe's push for new rules for financial markets on the assumption that poor regulation had led to the financial crisis.
2. The Chinese government has actively promoted international coordination involving the developing countries, such as through the G20, which includes some developing countries, plus the G8.
3. China has reiterated its desire to see the IMF, the World Bank and the Financial Stability Board increase the representation of developing countries, with the goal of shaping a new international financial order.
4. With increasing confidence and economic power, China has not been shy to criticise the dollar-denominated monetary system and proposed an expanded role for Special Drawing Rights (SDR), including the Renminbi. This is a major departure from China's traditional approach to global governance.

Thus, on one hand, China acts as a “responsible” stakeholder in the current system, while on the other, it seeks the role of reformer, as manifested by its proposals for greater inclusiveness of developing countries in reshaping the global financial architecture, for changes in financial regulation and for a gradual shift from a dollar-dominated international financial system.

#### *(b) Diversified South-South multilateralism*

I believe that China's development, in the context of South-South cooperation, will have enormous implications for the future of global governance. Over the past decade, we have witnessed an increasing proliferation of the “regionalisation” of new forms of multilateralism (or trilateralism). The emergence of China and India as important world actors; the birth of new trilateral formations such as BRIC and the IBSA dialogue forum; and a profoundly transformed G20 forum in the aftermath of the global financial crisis, present both challenges to and opportunities for the African continent and other developing regions.

As its economy and its political ambitions continue to grow, China is also actively engaged in South-South cooperation (membership in Association of Southeast Asian Nations, Asia-Pacific Economic Cooperation, Forum for China-Africa Cooperation, etc.). China sees regionalism and South-South cooperation as a governance framework highly compatible with globalisation. It also sees them as a viable strategy for balancing its own relationship with existing Northern-dominated institutional structures.

Renewed Chinese interest in a South-South strategic alliance also coincides with Africa's growing interest in expanding South-South cooperation and in joint strategising among developing countries (African Union Group, the Latin American and Caribbean Group, etc.) in many international negotiations, such as the WTO and the recent UN climate conference in Copenhagen. Indeed, in the last few years Africa's relationship with Asia and Latin America has expanded. This is evident in the frequent summits between Africa countries and China (November 2006 FO-CAC meeting), India (April 2008 India-Africa Forum), Korea, Turkey, etc. Last October, the third Latin-America-Africa summit was held in Venezuela. And very recently, the Iran-Africa summit took place in Tehran.

It is now abundantly clear that, collectively, the emerging Southern powers (i.e., BRIC) have equal or arguably greater system-shaping power in the world today than the United States, Britain, France, Germany, Italy, Canada and Japan. Taken together, the BRIC countries account for a substantial share of world growth and output, not to mention overwhelming dominance in terms of land mass and population. And yet, when it comes to working out the future rules of the global game, it is the G8 that sets the agenda and priorities.

This is not to say that the G7 will not remain dynamic, influential powers. But in terms of the evolving global system, the decisions, choices and associations the BRIC countries make are more likely to be decisive. This is not

just an objective fact, driven by economics, but a global “good” in normative terms, since these countries represent a much bigger share of the world's population than the powers of the last century. But are the BRIC countries ready to ramp up their interaction on the global stage? In which direction would China want to move the members of the BRIC when it comes to global governance? It is too early to tell.

#### **Global Governance for whom, and by whom?**

Global governance, which is essentially a product of liberal thinking, concerns so-called global values, norms and standards. Most of the values that are considered global are Western, so global governance basically facilitates and reflects Western hegemony. Here hegemony refers to the dominance of Western institutions, interests and standards. In global governance, non-Western states and NGOs have had to redefine their interests and identities in relation to Western norms and power. The political deadlock between developed and developing countries on how best to construct a new global governance institutional arrangement is an outcome of this Western and non-Western divide and the determination by the West not to surrender the basic architecture for maintaining a Western hegemonic order. Rule-making (multilateral or not) thus becomes an instrument for constructing a particular world order.

First, much of the current discourse on “global governance” tends to be state-centric (or intergovernmental-centric). An important element in the current transformative agenda has been the need to reform the decision-making system in key international institutions (the IMF, World Bank, UN Security Council) so that developing countries have a fair say in these institutions' policies and processes that so determine the fates of their economies and societies. Though real and tangible progress has yet to materialise, in the post-global financial crisis world the need to democratise the global governance system is regularly exhorted by key leaders of the G7, a grouping that for decades successfully scuttled meaningful reform.

Second, the current debate on new architecture omits important non-state actors (i.e., the private sector and civil society) that could contribute to the construction of an alternative world order and of institutions to address the myriad global problems. Transformational change that pushes societies to a different level and quality of life requires simultaneous, significant participation by the three major elements of society, the private sector, the development state and civil society. Without full engagement of these engines of change, the result over the next decade will be an extrapolation of existing conditions and the failure to give global society a new sense of itself as just, open and fair.

Realistically, the possibility of radical global governance reform anytime soon is virtually nil. The world will continue to muddle through with half-baked ideas aimed at preserving the current structure of power, rather than changing it. On the other hand, one can foresee an expansion of the G7 to the G13, the P5 of the Security Council to P13, but the dismantling of the collective influence of

the G7 as we know it is a remote possibility. Disarming rebellious countries in the South through selective inclusion of a few into the club of the powerful is preferred to outright surrender of a system that has successfully advanced the interests of developed countries. The most powerful states in the UN Security Council or the key multilateral bodies create and shape these institutions so that they can maintain their share of world power, or even increase it while adhering to a new language of inclusion.

### The future of the G20: what next?

Is the G20 the right forum for addressing these intersectoral issues? I am not sure that the G20 is the silver bullet for solving the world's ills. What we can hope for is incremental change, and that will happen only if China, along with India, Brazil and other second-tier emerging powers, exert considerable pressure on G7 governments. In that respect, the current global financial crisis opens up considerable space for China and other emerging powers to reshape the reform agenda on global governance.

It would be a mistake to pin all our hopes on the current G20 leadership to solve global problems. The G20, like the G7/G8, is a self-appointed group without a constitution, clear standards of admission or recorded statutes for procedure. Why is it that the group includes only 19 big countries plus the EU, but not the Africa Union and the Organisation of American States? Finally, can we reasonably expect agreement on all issues among the new Southern powers?

What else is missing in the G20 architecture? G20-type global strategic guidance requires follow-through and follow-up. Beyond global political leadership, there need to be three components in the ongoing process of global governance: a policy coherence component involving OECD member governments; a monitoring and evalua-

tion component for tracking progress by both industrial and developing countries; and a consultation component involving diverse organisations from civil society, the private sector and parliaments. These components are needed to complement the summit process involving political leadership to create movement towards the mobilisation of policies, resources and efforts to transform globalisation for the benefit of all.

Policy coherence must happen at two levels: within the OECD and between UN agencies and Bretton Woods institutions. The current division of labour that assigns "hard" issues of finance and economics to the Washington institutions and "soft" issues of social development to the UN system is no longer tenable, because it is incompatible with current insights into how development actually works.

What will break the deadlock on meaningful global governance reform? I tend to agree with the "dual" strategy of the Chinese government. First, there should be "constructive engagement" with existing processes through well-coordinated South-South strategic and tactical alliances and the presentation of a "Southern Consensus" in international forums (e.g., WTO, climate change conferences). Second, expand and strengthen South-South cooperation and new forms of South-South multilateralism. The more the leverage of the South increases through strategic and tactical alliances, the greater the chances for honest and meaningful dialogue with the current power holders who have designed and dominate the present unequal world order. To borrow a line from Brazilian educator Paulo Freire, "the oppressors will never make change; it is up to the oppressed to write their own history!" South-South tactical alliance is both an economic and political imperative. The intensity and frequency of this tactical alliance is likely to grow and China will certainly be among the emerging powers that continues to play a critical and leading role.

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