The Role of China in Global Economic Governance

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China's outstanding achievements after 30-odd years of opening up and reform can be attributed in large part to its integration into the global economic system. The overarching framework of this system was rcreated after the WWII by the western world led by the U.S.; not surprisingly, its organizational structures and functional mechanisms have reflected the U.S.' will and served the U.S.' interests. Was China, as criticized by former U.S. President Obama, a "free rider"[1] in international affairs over the past three decades? How should we evaluate China's role in today's global economic governance from an objective perspective? This could be a starting point for China to engage in and improve global economic governance in the future.

The existing framework for global economic governance mainly consists of three parts: (1) the Post-Bretton Woods System, or Bretton Woods System 2.0, built and led by western developed countries; (2) the G20, which has extended its membership to some developing economies in addition to the developed bloc; and (3) the BRICS, made up entirely by emerging markets from the developing world. The theory of hegemonic stability suggests that, the decline of the U.S. hegemony could undermine its advantages of being a hegemon that supplies international public goods, and could compromise its will and capacity to maintain the Bretton Woods System 2.0. The 2008 Global Financial Crisis could probably be a

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consequence of the systematic chaos, resulting in some major shifts in global economic governance, especially the G20 replacing G7 to be the premier governance mechanism over international economic and financial affairs. Though the BRICS would hopefully assume a governance role in the future, it remains marginalized for the time being, as the Post-Bretton Woods System still dominates the current architecture. This paper will deliberate on these three parts.

I. The Post-Bretton Woods System and China's Part in it

The Post-Bretton Woods System

The Post-Bretton Woods System (PBWS) was derived from the landmark Bretton Woods System (BWS), an effort of the western world under the leadership of the U.S. after the WWII. Despite the collapse of the BWS in 1971, its institutions and mechanisms have not disappeared but survived. In fact, instead of a concomitant demise, the General Agreement on Tariffs and Trade (GATT) and the WTO established in 1995 - the two "Bretton Woods" institutions to handle the trade side of international cooperation - and the World Bank and the International Monetary Fund -two major international financial institutions- are now playing an even stronger role in global economic and financial affairs.

Both the BWS and the PBWS are supported by three pillars. The first is the trade pillar, represented by a multilateral trade system based on GATT. GATT/WTO is the most important multilateral trade framework, aiming to reduce tariffs and non-tariff barriers and facilitate the free flow of trade among member states. Unlike other international organizations, WTO can enforce its rules through arbitration and therefore has more authority.

The second is the financial pillar, namely the U.S. dollar-centered international monetary system in which the International Monetary Fund (IMF) and the G7 function as two major regulatory institutions. IMF assumes duties of stabilizing international exchange rates and global economy, and enabling member states to tackle balance-of-payments problem (BOP) through emergency financing and loans when necessary. Along with the collapse of the BWS had come a corresponding shift in IMF's role from a regulator of exchange rates to a lending institution offering short-term financial supports and a partner of the G7 to govern the global financial system in the post-BWS period. The G7 states, taking up an overwhelming share in the IMF, had largely made IMF an enforcement body of the G7.[2] The harsh conditionality that the IMF often imposed on borrower countries based on the Washington Consensus led to disaffections among crisis-stricken countries. Since the 1980s, more than 100 countries and regions experienced banking system failures which led to over 4% GDP declines. The IMF, though supposed to stabilize the global economy, appeared so clunky and had received much doubt about its functionality and legitimacy.[3] The outbreak of the financial crisis on a global scale finally broke the myth of the "Washington Consensus" and unquestionably weakened the leadership of the IMF and its peers in global economic governance.

The third is the development pillar, which is centered on the World Bank. Its mission has evolved from facilitation of postwar reconstruction to its present-day mandate of poverty reduction and economic development in the poorest and most vulnerable countries. Today, the World Bank focuses most of its efforts on developing countries to help them develop education, agricultural and industrial infrastructure. It offers preferential loans to member states with strings attached, like reducing corruption and establishing democracy. At first, its economic aids were not conditional upon any domestic reform of the recipient countries until the 1970s when the Bank started to become a firm defender of privatization, liberalization and de-regulation policies advocated by the "Washington Consensus".

As a platform to regulate the western economy (and then the global economy and safety issues) and coordinate the policies of major western powers, the G7 (and then G8 upon Russia's return) was also designed to maintain the normal functions of the global economic system. Set up by advanced economies of the West in reaction to the end of the Bretton Woods System, the G7 attempted to build coordinated "soft institutions" in place of the BWS' "hard institutions" to regulate the international economic system after the decline of the U.S. hegemony. However, the rise of emerging countries in the 1990s has stretched the G7 - an isolated club of advanced economies -beyond its capacity in managing global financial affairs. Under the G7's governance, no large financial crises took place on a global scale, but regional ones kept rising, including the Latin American Debt Crisis, Mexican Financial Crisis and Asian Financial Crisis. The G7's role as a global financial stabilizer was reduced. To address its weakness in face of global challenges and expand its issues of concern, several institutional improvements were made after the end of the cold war, striving to push the G7 towards an "effective center of global governance"[4] through "expanded membership, enriched agendas and deepened institutions". However, after all, these very limited changes were of no help to clear the increasing legitimacy doubts looming over the G7.

China's Engagement in the Post-Bretton Woods System

China's role in the Post-Bretton Woods System (PBWS) is examined from the following three aspects.

First, China's influence or voting power over decisions of international organizations within the PBWS.

(1) China's influence over WTO's decisions. If judged only by the decision-making rules and procedures, there seems not much difference between China and other member states concerning their influence over WTO's decisions. The WTO's supreme body for decision making is the ministerial conference, where all member states' ministers, deputy-ministerial-level officials or plenipotentiary representatives in charge of foreign trade and economic cooperation discuss and decide upon any important issues related to WTO's functions and take corresponding actions. Between sessions of the ministerial conference, the WTO's decisions are made through the General Council which, too, represents the entire membership. The WTO Director-General is appointed by the ministerial conference, where personal qualification and citizenship were once the two most important criteria; that was why this position had long been taken by candidates from the developed world. Since April 2013, the candidates are required to be exposed to a series of questions; this time, Roberto Azevêdo from Brazil was elected to become

the new Director-General. It is fair to say that if judged only by the decision-making rules and procedures, there seems not much difference among all member states in their influence over WTO's decisions; but the varying degrees of familiarity with the WTO rules have enabled the members to take advantage of such rules to safeguard their own interests in quite different ways. In July 2008, the Chinese delegation took part in the Doha talks in Geneva; this was the first time that China made its contribution to WTO's core issues since its entry in December 2001 and played a role as a key member of the world's multilateral trade system.

(2) China's influence over IMF's decisions and its voting power. We shall focus on China's voting power and special drawing rights (SDR), which are the two most important power of the IMF, and China's role in the Executive Board.

aFirst, quota and voting power in the IMF. The IMF adopts weighted voting system as its decision-making rules, where a member state's quota share determines its voting power. The bigger the quota is, the more the additional votes are and the greater the weighted voting power becomes. Therefore, a country's economic strength is in direct proportion to its voting power in most cases. As the most important decisions at the IMF require an 85 percent majority of the 187 members' votes, the U.S. alone with a share of 16.75% has actually a veto power. Also, holding a total share of 31%, the 27 EU members can also exercise the veto power if they could vote as a unified entity. Despite expressed disaffections from the developing countries, no change has been made on this voting system to date.

It was not until April 1980 that China regained its legal seat at the IMF, with a 2.28% voting power. China thereby had the right to constitute a single constituency and to elect its own executive director. In February 2006, the IMF Board of Governors agreed to increase China's quota and move it up from the 11^{th} to the 8^{th} rank. During the 2010 Seoul G20 Summit, the Meeting of Finance Ministers and Central Bank Governors approved a shift of over 6% of the IMF quota shares from the developed countries (especially the EU) to emerging economies and dynamic developing countries. Once implemented, China's quota would grow from 3.81% to

6.19%, and China will jump to the third biggest IMF shareholder, next only to the U.S. and Japan.[5] After repeated delays and rejections by the U.S. Congress, the long-awaited quota reform was finally ratified on December 18, 2015. Despite all efforts, however, the U.S remains the only country that can exercise a veto power with one single vote. It is still extremely difficult to compete with the U.S. at the IMF where the emerging markets and developing countries are unable to punch its weight.

Second, the Special Drawing Rights (SDRs) based on quotas. The SDRs are allocated by the IMF to its member countries in exchange for usable currencies. Each member country is eligible to use its quota and borrow up to certain times of its quota from the IMF in case of BOP difficulties. Similar to the IMF quotas, the SDRs tilt heavily towards developed countries and can be easily manipulated by the developed bloc represented by the U.S. As approved by the IMF Executive Board on November 30, 2015, the RMB was included in the SDR basket starting on October 1, 2016 with a 10.92% initial weighting, ranking third in the basket. The RMB became the first emerging market currency in the SDR basket. This has proved China's increasing importance in global economic and financial markets and helped promote China's financial reform, accelerate RMB internationalization, and facilitate broader use of RMB in international investment & financing, bilateral and multilateral trade settlement, cross-border asset allocation, foreign-exchange reserves, etc. Though in theory the IMF shall lend to countries whose technical conditions are consistent with the stipulations of its Agreement, Strom C. Thacker pointed out that the lending records had given clear evidence to the priority and interests of the U.S. in the IMF.[6]

Third, the Executive Board. The Board of Governors, the highest decision-making body of the IMF, consists of one governor and one alternate governor for each member country. The Executive Board is responsible for IMF's day-to-day business and exercises all powers delegated by the Board of Governors. As the organ to initiate the selection process for the managing director, the Executive Board is considered highly important. It now has 24 executive directors, of which 8 are nominated by the five largest quota holders (USA, Japan, Germany, France and the U.K.) and three other countries (China, Russia and Saudi Arabia). The remaining 16 directors are elected by the rest of the membership organized into 16 multi-country constituencies; China constitutes a single constituency and elects its own executive director. Among all former and current IMF executive directors, one-third came from the EU; that was why the IMF managing directors never came from outside Europe before. In 2011, Mr. Zhu Min assumed the position of Deputy Managing Director. This certainly proved an increasingly higher visibility of China within the IMF, but that by no means meant that China had graduated from its status outside the power center.

(3) China's influence over the Bank's decisions or its voting power in the Bank. The shift of voting power towards China is not sufficient to weaken the U.S.' dominance in the World Bank Group. Each member shall subscribe shares of the capital stock of the Bank with an amount agreed with the Bank and approved by the Bank's Board of Directors. In most cases, the shares subscribed by a country are in direct proportion to its economic strength and IMF quota. Similar to the IMF, the Bank makes important decisions based on weighted voting rules. The voting power of each country is proportional to its subscription. Holding the lion's share, the U.S. once had 17.37% of the votes over the Bank's policies. China had originally subscribed USD 4.22 billion worth of shares and had 2.71% voting power. The shift of voting power from the developed countries to their developing counterparts, as approved in April 2010, increased China's share from 2.77% to 4.42%, making it the third largest shareholder of the Bank, next only to the U.S. and Japan. As all votes on substantive issues need at least 85% approval, the U.S. is granted an effective veto power over any major decisions. In February 2008, Mr. Justin Yifu Lin was appointed the Chief Economist and Senior Vice President of Development Economics at the World Bank Group; but this responsibility entails no voting power. Therefore, while the share shift and Lin's nomination indicate a greater voice of China in the Bank and a major step towards the fair distribution of voting power between the developed bloc and the developing bloc, these changes are not

enough to alter the existing power dynamics.

Second, the extent to which China is taking advantage of the rules within the systems.

(1) Taking advantage of the WTO rules. First, China has become one of the most open markets in the world through opening up. By 2010 China has fulfilled all the commitments it made when entering the WTO. The tariffs, in general, fell to 9.8 percent from 15.3 percent, far lower than the average of the developing nations. It has also opened up 100 out of the 160 service sectors categorized by the WTO, a figure close to the level for developed nations. Indeed, China has become one of the most open markets in the world.[7] Second, China has streamlined government approvals and encouraged competitions. By July 1, 2004, China had fulfilled its promise of giving businesses the power to engage in foreign trade, half a year ahead of schedule. The registration and filing system displaced the examination and approval system for engagement in foreign trade which had been in place for 50 years. By December 11, 2006, China had removed all restrictions on foreign-funded banks in their provision of RMB services by giving them national treatment. In 2008, the country adopted a uniform tax system for domestic and foreign enterprises, bringing an end to the over-20-year-long practice of tax differentiation. Since November 1, 2002 when the State Council decided to cancel and delegate some administrative power to lower levels, altogether 1,992 items have been eliminated, and 588 have been delegated to lower levels. Moreover, the State Council has cancelled a large number of items subject to departmental administrative license, non-administrative license examination and approval, vocational qualification license and accreditation or administrative examination and approval of local governments designated by the central government, and has reviewed and regulated some intermediary services for administrative approval by the departments of the State Council.[8] Third, China has aligned its laws and regulations with the international ones. As yet, the Chinese government has revised more than 2,300 national laws and regulations and departmental rules to adapt to the WTO commitments. Administrative licensing procedures were reduced and regulated, and a legal system of trade

promotion and remedy was established and improved. A legal framework related to intellectual property rights that conforms to international practices has basically taken shape. Fourth, China has taken advantage of the WTO's dispute settlement functions to resolve trade conflicts, fight against international trade protectionism, and safeguard its legitimate rights and interests. As of July 2015, China had engaged in 13 cases as the prosecutor, 33 cases as the prosecuted and 121 dispute settlement cases as a third party on the WTO platform.[9] In short, China, upon its accession to the WTO, has enjoyed an enormous growth of foreign trade and triggered a new round of global prosperity.

There are two aspects in taking advantage of the rules within the international monetary system: One is to "bring in". China is actively adapting to the prevailing rules of the IMF. China's participation in the IMF's "General Data Dissemination System" (GDDS) in April 2002 marked one of its significant moves in enhancing the transparency of macroeconomic statistics and converging towards international norms. Another step was taken in 2008 when China became part of the IMF's Financial Sector Assessment Program (FSAP) under which China's financial governance practices are overseen and monitored through annual consultations with the IMF. In October 2015, China subscribed to the IMF's Special Data Dissemination Standards (SDDS) as the benchmark for related statistics reporting. China has benefited greatly from the IMF's experience in, among others, economic institutional reform and macroeconomic management as well as its useful recommendations. Nearly all macroeconomic sectors of China have accepted the IMF's technical assistance, especially in software development to support national statistics, customs statistics and balance-of-payments, etc. Besides, China had borrowed USD 450 million and 730 million from the IMF in 1981 and 1986, respectively, which contributed considerably to addressing China's imbalance of payments and economic reconstructing.

The other aspect is to "go out". China has contributed to the IMF in that: (1) China's unique development and reform experiences have added to IMF's theories and practices, and offered a reference for IMF to guide and assist other developing countries; (2) China's generous financing has helped IMF maintain a sound daily operation; and (3) China has injected over USD 4 billion into IMF for the relief of crises, especially the Asian Financial Crisis, which played a vital role in stabilizing the Asian economy and the world as a whole.

(2) Taking advantage of the WB rules. Let's take a look at how China has "brought in". First, with loans provided by the World Bank, China has lifted about 400 million people out of poverty. By the end of June 2007, the WB has extended a total of USD 42.2 billion committed loans to China, supporting 284 development projects. Second, the WB has assisted China in building on the experience of other countries to develop projects ranging from transportation, urban development, rural development to energy and human development. Third, the Bank has helped China provide iodized salt to more than 90% of households, resulting in significant reductions in miscarriages, stillbirths and disabilities caused by iodine deficiency. Fourth, the World Bank reports have constituted a resource pool from which China can draw policy advices and opinions and advanced practices of other countries. A great deal of experience introduced by the World Bank has become standard practices of China's domestic industries. For example, the bidding and procurement procedures introduced in 1984 constituted a basis for China's *Government Procurement Law* stipulated in 1998, as well as *ng*the *Bidding Law* and pollution charge that followed. The Bank's future efforts in China will focus on environmental protection, water pollution control and water resource management.[10]

In terms of "going out", China has made outstanding performance in implementing the loan programs supported by the World Bank. The Bank can draw upon the experience in China to facilitate its efforts in other countries. Second, China has shifted from a recipient to a donor. With no strings attached, its financial aids to Africa and other needy regions and technical supports for their infrastructure development have not only helped boost local economy and reduce poverty, but also forced the World Bank to review its past practices.

Third, China's ability to establish rules and regulations within the system.

(1) The ability to advance WTO rules and regulations on global trade. The failure of the Doha Round of global trade talks has put the multilateral trade system on the verge of bankruptcy. Though having risen as the world's second largest economy, China has no capacity to save the Doha talks nor push forward the multilateral negotiations, let alone create a new multilateral trade system to edge out the WTO. In contrast, despite its declining strength, the U.S. still holds an unparalleled power to dominate the multilateral trade talk agenda and process. As the U.S. believes the system of multilateral trade no longer offered the advantages it had used to[11], the country then moves on to consider obtaining market access through bilateral or regional trading arrangements, and strives to dominate future multilateral trade talks by setting up "high-standard" free trade zones. That was among the major drivers for the Obama Administration to promote the *Trans-Pacific Strategic Economic Partnership Agreement* (TPP) and the *Transatlantic Trade and Investment Partnership (*TTIP). However, on his first day in office, President Trump signed an executive order, pulling the U.S. out of the Trans-Pacific Partnership. On March 1, 2017, the Office of the U.S. Trade Representative (USTR) submitted to the U.S. Congress the *2017 Trade Policy Agenda and 2016 Annual Report*, claiming that the U.S. would never adopt the WTO dispute settlement procedures as they were, and would insist on the "national laws prevail" principle.[12] This move will certainly weaken the multilateral trade system and implies a new watershed in global trade development. In comparison, China has remained defensive and passive for too long, whether in the contexts of negotiation agenda setting or the conclusion of bilateral and regional trade protocols. The birth of the Asian Infrastructure Investment Bank (AIIB) and the implementation of the Belt and Road initiative have strengthened the strategic initiative and role of China in rule setting.

(2) China's ability to establish rules and regulations within the international financial system

First, the IMF reform itself. Developing economies, especially China, are taking a significantly larger share of the global economy, even outracing the developed part of the world. This change in relative economic strength, however, has not led naturally to any transformations of the original governance structure. Minor adjustments may be possible, but we can't expect the developed countries to give up a governance framework where they predominate - that would be crying for the moon, as evidenced by the protracted reform on the IMF quota shares and SDRs as discussed above. With an intense interest in renovating the current international governance system, the emerging markets, including China, created the BRIC(S), but it still faces numerous challenges before it can play an effective role.

Second, the RMB internationalization. Still in its infancy, the internationalization of the RMB has mainly concentrated in border trade, and has limited power to trigger off profound impact in the international monetary system. However, with the sustained and rapid development of China, especially its growing role as the engine of the Asia-Pacific economy, it is foreseeable that the market will give more welcome and supports to RMB as an international currency and the RMB will certainly exert greater regional influences. In terms of actionable policies, the expedited RMB internationalization will offer a powerhouse for the reform of the international monetary and financial system.[13] Meanwhile, the RMB sometimes may face considerable depreciation pressure as a result of the rising U.S. dollar which will drag down the pace of RMB internationalization.

Third, the *Chiang Mai Initiative (CMI)* - a new attempt of China and other Asian countries to establish rules and regulations within the international monetary system. After the outbreak of the Asian Financial Crisis, many East Asian countries came to realize that enhancing financial cooperation at a regional level is an effective way to ensure financial market stability and prevent future financial crises. In May 2000, the "ASEAN+3" finance ministers announced the *Chiang Mai Initiative*, a regional currency swap arrangement to expand the size of ASA and form a network of bilateral swap facilities among China, Japan, South Korea and ASEAN countries. The initial target was to raise USD 50 billion from the Asian economies for currency swaps, and to launch the Asian Monetary

Fund and establish a complete set of crisis warning systems, including macro-prudential indicators and functional steering mechanisms. The CMI's bilateral rules on currency swaps were revised on May 4, 2006, on the margins of the ASEAN+3 finance ministers' meeting, requiring all countries to adopt a collective decision-making procedure for bilateral swap activation.

In May 2008, the finance ministers decided that at least USD 80 billion should be injected into a planned foreign reserves pool to prevent regional currencies against any possible hecrises. The ASEAN+3 finance ministers made progress in their *Action Plan to Restore Economic and Financial Stability of the Asian Region*, which was announced in February 2009, by expanding the total size of the pool to USD 120 billion and reducing the proportion of the pool linked with the IMF loan conditions from the original level of 80%. On May 3, 2012, the ASEAN+3 Finance Ministers and Central Bank Governors' Meeting agreed to double the total size of the pool to USD 240 billion, increase the IMF-delinked portion from 20% to 30% and extend the term of the bailout fund. This crisis resolution mechanism is referred to as "the Chiang Mai Initiative Multilateralization (CMIM)", with a new function of regional crisis prevention called "CMIM Precautionary Line". It is fair to say that the CMI is the most important institutional outcome of the monetary and financial cooperation across Asia and has a far-reaching significance on preventing financial crises and promoting further regional monetary cooperation.

It is clear that the IMF, WTO, WB and the G7 that followed all shared one thing in common that, the international economic policies were actually decided by the U.S. and a few other advanced countries. The rise of emerging powers and economic multilateralism, however, brought unprecedented pressures onto the old system. And the outbreak of the Global Financial Crisis further engulfed the PBWS and highlighted the growing importance of emerging countries.

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II. The G20 and China's Role in it

In view of its origin and development course, the G20 was a natural result of the global complexity arising from the 1997-1998 Asian Financial Crisis and the 2008 U.S. Subprime Mortgage Crisis. In June 1999, the G7 finance ministers met in Cologne of Germany, proposing regular talks with more countries over international policies in the interest of stabilizing the global financial and monetary system to avoid any repetition of the Asian Financial Crisis. To that end, a more representative global economic forum was proposed, and the first G20 communiqué released. On September 25, 1999, the G8 finance ministers declared the birth of the G20 Forum in Washington. Three months later, the G20 was inaugurated in Berlin and held annually thereafter.

The G20, a bloc of 10 developed countries and organizations in addition to 10 developing nations, represents nearly two thirds of the world's population and 85% of the global GDP. In the G20, however, the developed countries still enjoy economic superiority, but have come to realize that the rise of emerging countries is changing the global economic and political landscape and a new mechanism is needed to include them before any current global challenges could be addressed effectively.

From 1999 to the 2008 Washington Summit, the Finance Ministers and Central Bank Governors' Meeting (The G20 Deputies' Meeting) had been a major annual event of the G20. Issues addressed at the Meeting included the official establishment of the G20 conference mechanism as well as the way to enhance international cooperation and jointly prevent financial crises.

What differentiates the G20 is that, it allows the developing bloc to become an indispensable part of the global economic governance architecture. The developing countries can propose solutions to the current global challenges in a way they deem appropriate for their own interests, and expect to have a louder voice and a greater influence through cooperation. Indeed, the G20 offers a more pertinent, inclusive and transparent platform for countries at different stages of economic development to consult and discuss official matters.

Since the G20's inauguration in 1999, China has been an active part in all its meetings and assumed the G20 presidency in 2005 and 2016. As said by Dai Xianglong, former Governor of the People's Bank of China, "As one of the founding members of the G20, China has not only witnessed the development of the G20, but also participated in the discussion of various issues, with a view to promoting the realization of its mission".[14] With a rising international importance and national strength, China can no longer be pushed aside in addressing any global issues. The *Communiqué of the 5th Plenary Session of the 17th CPC Central Committee* released in 2010 suggested for the first time that China shall actively participate in global economic governance while pursuing aa mutually beneficial strategy of opening-up. This is largely because China is operating on an economic base solid enough to contribute to the global economic governance, and has a profound interest in this regard. In addition, China's growing economic strength has led to an indispensable presence of this country in many international issues; the world is also holding higher expectations towards China's role in global economic governance.

With a rising strength, China has delivered a stronger voice to the world in economic governance. After several setbacks and delays, the IMF's 2010 Quota and Governance Reform finally became effective on January 27, 2016, pushing China from the sixth to the third largest member country in quota shares and voting power. On October 1, 2016, the RMB was officially added to the IMF's Special Drawing Rights (SDR) basket of reserve currencies. The "Chinese Wisdom" had been a guiding star of the previous G20 Summits where "reform", "inclusion", "opening-up", "sustainability" and other concepts advocated by China were mentioned most frequently.[15] The eleventh G20 Summit, held in Hangzhou in September 2016, once again accentuated the positive contributions of "Chinese Elements" and "Chinese Wisdom" to global economic governance.

Meanwhile, the G20 Hangzhou Summit marked a shift in China's role from a traditional passive participant to an active leader. Themed "Towards an Innovative, Invigorated, Interconnected and Inclusive World Economy", the Hangzhou Summit made some major breakthroughs. First, great prominence was given to the issue of development for the first time in the global macro-policy framework. Promoting economic growth had always been a core of the G20 Summit agenda, but the Hangzhou Summit focused on innovative institutional building, and set up a taskforce to push forward the G20 agenda on innovation, new industrial revolution and digital economy, in hope of unleashing the medium- and long-term economic potentials of the world. Second, for the first time, plans of action were drawn up to implement the UN's 2030 Agenda for Sustainable Development, depicting a clear and time-bound roadmap for the world's development in the next 15 years. Also for the first time, collective supports were given to the industrialization efforts of Africa and other least developed countries to move forward their industrialization process and address the inequities that had long restricted the world's economic development. Third, the world's first framework of multi-lateral investment rules -– *the G20 Guiding Principles for Global Investment Policymaking*- was established. It reaffirmed the importance of promoting the investment of infrastructure facilities, with dual emphasis on quantity and quality, and approved the "Global Infrastructure Connectivity Alliance Initiative" which was later launched in 2016 to intensify any coordinative and cooperative efforts over infrastructure connectivity projects. The aim was to fuel the global economy through increased infrastructure investment and financing. Fourth, trade investment was given a high priority on international agendas, also for the first time, giving birth to the Meeting of Trade Ministers, Trade and Investment Working Group, and some other institutionalized platforms.

The Global Financial Crisis offered a chance for reforming the global economic governance architecture. The G20 was established at first as a new mechanism of unofficial dialogue under the Bretton Woods System. It was not until the outburst of the crisis that the U.S., EU and other advanced economies came to realize that, only an innovative economic governance mechanism reform that encourages the engagement of the developing world, especially emerging economies, could help tide over the current difficulties. To that end, the G20 established a mechanism of unofficial summit meeting, as advocated by the U.S., to promote international economic cooperation and governance. Furthermore, the founding of the Financial Stability Board (FSB) marked a new height in overseeing and managing the international financial order.[16] To date, there have been 11 summits between heads of the G20 economies, which have contributed significantly to international financial stability, world market opening-up, economic rejuvenation and international financial system reform, etc.

How should we look at the G20? Leaders attending the Pittsburgh Summit reached a consensus that the G20 should become the premier platform for international economic cooperation between advanced industrial countries and emerging economies. Britain's former Prime Minister Gordon Brown called the G20 the world's main "Economic Governing Council", while Robert Zoellick, former World Bank Group President, pointed out that "the G20 should operate as a 'Steering Group' across a network of countries and international institutions".[17] Hu Jintao, former Chinese President, suggested at the G20 Toronto Summit that, we should (1) turn the G20 from an effective mechanism to counter the international financial crisis to a premier platform for advancing international economic cooperation; (2) accelerate the establishment of a new international financial order that is fair, equitable, inclusive and well-managed; and (3) advance the building of an open and free global trading regime.[18] As the world's most representative emerging economy, China fully acknowledges the role of the G20 in building a more democratic international economy. Now, the G20 has been reputed as the most representative platform for coordinating international economic policies and the most representative mechanism for global economic governance.[19]

The previous G20 Summits all developed in three directions: coordinating the macroeconomic policies, re-engineering the financial systems and reforming the international financial institutions. Undoubtedly, prior to the Pittsburgh Summit, the G20 had responded properly to the crises and contributed to the economic recovery, especially in terms of stabilizing the financial markets, coordinating the financial regulatory reforms and launching an extensive economic stimulus program at the global level, thereby effectively reducing the scope of influence of the global crises.[20] However, after the Pittsburgh Summit when the G20 had to change its functionality from crisis management to economic governance, only poor performances were recorded. As we walked out the darkest days of the financial crisis, more policy options of greater flexibility become available to each country for the sake of economic recovery, and it seems almost impossible for anyone to step back in case of unconformity.[21] Therefore, though the G20 has replaced G8 to be the center of economic cooperation and policy coordination, its effectiveness remains a question of general concern.

Currently, the G20 assumes two main functions: crisis management and global economic governance. The achievements in crisis management are quite tangible and visible, and will not be repeated here. However, the global economic governance has yielded only mixed results. According to Mr. Dai Xianglong, former Governor of the People's Bank of China, one of the major achievements of the G20 in its early days was its work in facilitating internationally accepted standards and guidelines in order to improve economic and financial transparency and to strengthen the financial system. Now, the G20 has become an important platform for discussing the IMF's shares and representation reform, and is playing an important role in supporting globalization and ensuring that all countries including the poorest developing countries share the benefits of globalization.[22]

Speaking of the international finance which is the G20's specialty, some progress has been made, especially in the IMF and WB voting reforms, but still falls far short of what China and other emerging economies expect. To be specific, the G20 took firm actions against uncooperative "tax havens" and China successfully removed Hong Kong from the blacklist. The Joint Communiqué of the G20 London Summit made clear that all financial institutions, markets and instruments shall be subject to oversight and regulation to, however, a moderate degree decided by individual sovereign states. It was also agreed that leading global banks shall come under increased scrutiny. Created by the G20 as an enlarged version of the Financial Stability Forum, the Financial Stability Board (FSB) supports the world's pursuit of unified management. However, countries like the UK which are heavily dependent on the financial sector still hold hard feelings towards intensified global financial regulation. Moreover, to address the global economic and financial imbalances, China made a major concession for the G20 to reach a deal on economic imbalance indicators, where current account balances, exchange rates, financial and monetary policies, among others, can be used to measure external imbalance, while public debt, private debt, fiscal deficits and private savings are among the main tools to measure internal imbalance.[23]

Nevertheless, the G20 has made no progress in advancing multilateral trade agenda and promoting the reform of the international monetary system, which are exactly what China expects. On the latter point, the G20 has concentrated most of its efforts on a patchwork of revisions, and remains widely divided on how to stabilize the exchange rates and rectify the economic imbalances and on whether systemic risk tax on financial institutions shall be collected, etc. There is also a fundamental conflict of interests in mapping out the direction of the reform of the IMF, WB and other international institutions and in balancing the voting rights between the developing and developed countries. Likewise, if the G20 expansion is discussed in the future, "whether, where and how to expand" will certainly become subjects of many disputes among the G20 members.

In terms of the G20 institutional development, the current progress has been no more than a biannual meeting and annual summit system between finance ministers and central bank governors and aa rotating presidency system among the member states. All declarations, announcements and decisions are made based on "unanimous consents" and are not legally binding on the member states. Not a dedicated institution has been set up for monitoring and evaluation purposes; nor is there an explicit mechanism to punish any "violations" or "non-conformities". Also, the G20 hasn't designed a clear way forward; a model based on "self-consciousness", "voluntariness" and "expediency" could easily lead to a speculative mindset among the member states.

The approach adopted by the U.S. and other member states is decisive in the G20's future. The stance of the U.S. is contingent upon whether the country is satisfied with the outcomes of the G20 and whether the G20 can address its hegemonic intentions. Still, the U.S. chooses to wait and see how everything unfolds. On one hand, the evolving international economic landscape and the attempt to restore the crisis-stricken global economy have pushed the U.S. to act through the instrumentality of the G20. On the other, having heard divergent voices at the G20 Toronto Summit, the U.S. has realized that the G20 is not a place where it can pitch ideas as it wishes. If the G20 loses its efficiency or turns into a stage for other countries to speak out or protest against the U.S. hegemony, it is highly possible for the U.S. to ignore the G20 or left it in limbo. The U.S. has given its assent to the reform of the international fiscal and monetary system, but "desirable though it may be in principle to create some kind of supranational financial regulator, for example, this is not going to happen. The U.S. policymaking will remain national for the foreseeable future."[24]

As we look at other G20 economies, there also exists a wide divergence of views about the new regulator, between the developing and developed camps and within each camp. While the two camps fight for greater voice and leadership in international affairs and institutions, the western members become increasingly divided on such issues as the replacement of the G8 with the G20, international financial regulatory model, agricultural subsidies and IMF reform. The developing camp, either, is not always a solid whole. For example, Brazil and India joined the U.S. in putting pressure on China to let its currency appreciate at a faster pace during the meetings of finance ministers and central bankers from the G20 economies.[25]

The G20 is expediting its transition from an effective mechanism that addresses the international financial crisis to a premier platform for advancing international economic cooperation. To turn the G20 into a permanent economic coordination system, the leaders of the member states have agreed on a "peer review" framework for economic policy coordination, before a global economic calendar can be fixed on. To that end, the G20 economies have to report their respective economic policies for mutual assessment under IMF's oversight and technical support. "It guides and oversees the macroeconomic policies of all member states to facilitate a balanced development of the global economy. However, it is after all an early-warning system and has no compulsory forces."[26] In fact, with informality embedded in its genes, the current G20 operation mechanism has not been identified as a standing agency. For instance, the policy papers of the Toronto Summit were drafted by the IMF and some other institutions. According to Jean Pisani-Ferry, the G20 is a summit attended by heads of State and government to chart out the general direction for macro-policies. "As for specific enforcement, there are specialized organizations in different areas, such as the IMF, World Bank and WTO, which should operate in alignment with the overall direction".[27] In summary, the G20 is, for the time being, an unofficial, flexible, inclusive, non-binding and broadly representative global economic forum. As Evenett put it, "It is far too soon to write the obituary of the G20, though formal accords on serious matters are most unlikely on the G20 platform. While neither China nor India wants to be bound by formal rules that may limit or even modulate their ascent, the U.S. Congress again proves to be reluctant to take on binding international obligations." Then, what can be expected of the G20? "For one, the G20 leaders can provide an impetus behind technical negotiations in specific areas of regulation (like the Basel III accords). Second, the G20 could become the forum where senior ministers and heads of government develop evolving, informal accommodations on substantial matters of mutual interest."[28]

In the post-crisis era, it remains a challenging task for the G20 to maximize the advantage of accommodating more emerging powers while avoiding the disadvantage of "discussing issues without reaching a decision" caused by an excessive membership.

In fact, the deepening doubts about legitimacy and efficiency are looming over the much-awaited G20, which was once expected to play a crucial role in the post-crisis era. "The regular sessions indeed marked the first step towards the institutionalization of the G20 Summit. However, it is after all a forum, which aims only to reach consensuses and doesn't have any binding force on how those consensuses are implemented."[29] That was why most issues were discussed without reaching a decision.[30] The differences between the U.S., Europe and developing countries have somewhat justified the need for a new approach to the G20 cooperation. While the G20 is often dubbed as a place to "shout slogans but never take action" or "reach agreements but wait for actions", much of the blame shall be put on the weak foundation on which the multilateral consultation mechanism was built. The inherent conflicts between the ambition of global markets and the pursuit of national interests were made even sharper by the huge disparities in natural resource endowments, development level and development path between different nations.[31] In the post-crisis era, it remains a challenging task for the G20 to maximize the advantage of accommodating more emerging powers while avoiding the disadvantage of "discussing issues without reaching a decision" caused by an excessive membership.

III. The BRIC/BRICS[32]

Imperceptibly, the acronym BRICS has nurtured a shared identity among its member states, as they are neither advanced economies represented by the G7 nor an average part of the developing world. This identify also encourages non-institutional political engagements among its members. The month of September 2006 marked the first formal meeting between the BRIC foreign ministers on the UN General Assembly, before the BRIC leaders met on the margins of the G8 Summit in Japan in July 2008. However, the outbreak of the Global Financial Crisis drove those emerging economies even closer for the sake of common interests rather than just a shared identity, for fear that the U.S. might shift the burden of the crisis onto the rest of the world. The European Sovereign Debt Crisis erupted in the end of 2010 further rammed home the need for emerging countries to stand together against external financial risks in a spirit of solidarity and mutual assistance.

It was in such a context that the BRIC finance ministers met on the eve of two G20 Summits in November 2008 and March 2009, respectively, holding consultations on reforming the international financial system and giving voice and representation to emerging and developing economies. On June 16, 2009, as a result of the deepened financial crisis and the G20 institutionalization progress, the first BRIC Summit attended by heads of the four countries took place in Yekaterinburg, Russia, marking the debut of the BRIC cooperative mechanism and the success of the BRIC countries in acquiring an international dimension. The BRIC policy consultation system started to expand since then, from the Summits of the State heads, ministerial talks, taskforce meetings and diplomatic coordination activities over international multilateral issues to networks built by think tanks, entrepreneurs and public opinion leaders, among other forms.

After the first Summit, the four countries began embarking on the BRIC institutional development, including the mechanism for meetings between ministers and central bank governors, between senior officials of security matters, and between UNGA foreign ministers, as well as for informal meetings between permanent envoys to multilateral agencies, among others, to guarantee intensive communication over international issues.

At the core of this collaborative system lies the BRICS Summit which has made constant progress over the past years. During the 2nd Summit in Brasília, the development banks of the four countries agreed to expand their partnership on infrastructure development and business investment. For the first time, they published statistical data together, marking an initial step towards statistical information sharing. The 3rd Summit featured the admission of South Africa, thus extending "BRIC" to "BRICS". In 2012 when the 4th BRICS Summit was held in New Delhi, the idea of setting up a BRICS Development Bank was proposed. In 2013, the BRICS leaders agreed to inject an initial USD 50 billion into the new bank and establish a USD 100 billion currency reserve pool at the 5th BRICS Summit in Durban, South Africa. These achievements well illustrate the efforts of the BRICS countries in setting up official institutions to support an expanded partnership, and marks a substantial step in their financial cooperation.

Established in 2009, the BRICS soon made its voice heard in the international arena and took solid measures to put pressure on the reform of international system. The previous Summits and communiqués demonstrated the keen interests of the BRICS in an extensive array of global issues in, for example, political, economic, safety, environmental and energy dimensions, but international financial reform has always been their focal point.

First, the BRICS countries have showed a collective resolve to firmly support the G20 as the core global economic governance platform. It had even become a routine of the previous BRICS Summits to urge the international community to accelerate the implementation of any accords reached at the G20 Summits and coordinate policies related to the G20 discussions. Second, the BRICS countries had put forth the suggestion, in all the previous joint statements, that a more diverse international monetary system shall be established to reduce the dependence on the U.S. dollar. To that end, the four BRIC countries proposed, for the first time at the Brasilia Summit, to "look into the regional monetary arrangements" and "discuss about trade settlement based on local currencies". At the Sanya Summit, the member states expressed for the first time that they "welcomed the discussion about the role of the SDR in the existing international monetary system, including the composition of SDR's basket of currencies." In fact, the BRICS countries have adopted a series of policies to reduce the use of the U.S. dollar and give greater importance to their own currencies. For instance, China has actively promoted the RMB-based cross-border trade settlement, and made several meaningful attempts with Russia, Brazil and other allies in strengthening the pilot practice of RMB settlement in cross-border trade. Mr. Dmitry Medvedev, former President of Russia, even proposed the idea of "a common currency" for all BRICS members.

Third, the BRICS countries have embarked on the reform of the existing international financial institutions to enhance the voice and voting power of emerging economies especially in the IMF and WB. In addition to quota shares, the personnel institutional system and, in particular, the selection and appointment of the senior leadership has also been a common concern among the BRICS countries. At the G20 Mexico Meeting held in February. 2012, the BRICS countries agreed to call upon the World Bank to select its president out of candidates from all over the world, not just the U.S., based on qualification rather than citizenship. This was the first time that the BRICS countries questioned the appointment mechanism of the WB President. The *New Delhi Declaration* put this even more straightforwardly - "We welcome the candidatures from developing world for the position of the President of the World Bank".

Fourth, the BRICS countries have improved the global financial governance system, nailed down specific duties and responsibilities across an expanded scope of governance, and formulated a set of widely accepted standards and norms in this regard. They have also called for governance efforts over macroeconomic policy-making and sovereignty credit rating agencies from major reserve-issuing countries.

Though the BRICS has been symbolizing a multi-polar world since its naissance, it hasn't delivered a sufficiently strong weight in maintaining the global economic order. The specificity of the BRICS countries may probably hamper the effect of future cooperation.

First, the BRIC/BRICS members have only limited strengths and are put at an inherent disadvantage when compared with the advanced counterparts in offering financial services, due to the less developed financial regimes, smaller financial markets and financial talent shortage. They all have their own pitfalls in economic development, such as the "Resource Curse" of Russia and the "shrinking internal demands" of China, etc.

Second, there are great disparities within the BRICS. To be specific, while Brazil, Russia and South Africa are considered major resource exporters, China and India are large importers; border tensions between China and India have long flared; China and Russia fight for a greater control over the Central Asia. Such variations may not necessarily impede cooperation, but will lead to a weakened BRICS identify. Also, as policy preferences differ across the member countries, a deepened partnership may be hard to expect.

Third, conflicts of interests exist within the BRICS, as evidenced by (1) the trade disputes in the area of manufactured goods, (2) intense competitions over pricing power of iron ores, petroleum and other bulk commodities, and (3) the recent strong pressures on RMB appreciation from Brazil and India.

These challenges are likely to undermine the internal cohesion of the BRICS Summit. For the BRICS to grow into an international mechanism that embarks on concrete deeds rather than unfulfilled words, a clear institutional positioning that aligns with the strengths and interests of all BRICS countries is a must.

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Conclusion

This paper was intended to evaluate the structure of the current global economic governance system, which consists mainly of the Post-Bretton Woods System (PBWS), G20 and BRICS, and to review China's role in it. Badly hit by the Global Financial Crisis though, the PBWS still dominates the organizational and institutional architecture of the global economic governance system. This paper analyzed China's engagement in global economic governance in the following three aspects. The first was China's influence or voting power over decisions of related international organizations. China has risen to be a core member and defender of the world's multilateral trade system against the backdrop of the falling globalization and rising populism. Despite China's growing importance in IMF, as evidenced by an increasing quota and voting power which is now the third largest, and the official inclusion of RMB into the SDR basket, the U.S. dominance remains. In addition, the fact that Mr. Justin Yifu Lin was appointed as Senior

Vice President of the World Bank Group and China jumped to be the third largest WB shareholder does indicate a greater voice of China in the Bank, but these changes can hardly alter the existing power structure.

Second, this paper assesses how China has taken advantage of the related international rules within the PBWS. Upon its accession to the WTO, China has opened up to the outside world, streamlined government approval procedures, revised trade-related laws and regulations and adopted WTO's dispute settlement mechanism; all these efforts have contributed significantly to the development of China's foreign trade. In addition, China has actively adapted to the existing IMF rules, enhanced macroeconomic transparency, joined the IMF's Financial Sector Assessment Program (FSAP) and accepted IMF's technical aids and loans. In return, the country's unique development and reform experience, coupled with generous financial supports to the IMF, have spurred economic growth of the world. Likewise, the World Bank has also offered considerable financial, policy and project supports to China which has made remarkable achievements in implementing the Bank's loan programs. In a word, China has achieved remarkable results in making use of the related international rules.

Third, China's ability to establish rules and regulations within the PBWS has been analyzed. In the area of global trade, China had long been accepting the rules, lacking the ability to establish them. The birth of the Asian Infrastructure Investment Bank (AIIB) and the implementation of the Belt and Road initiative, however, have empowered China as a rule maker. To be sure, the IMF quota and SDR reform proved a rising visibility of China within the international financial system, but the RMB internationalization progress remained unstable. The *Chiang Mai Initiative* (CMI) once again demonstrated the ability of China and other Asian countries to establish rules and regulations for the sake of preventing financial crises and promoting a further level of regional monetary cooperation. However, none of these efforts has changed the landscape where advanced countries dominate the governance and rule-setting of the international financial system.

After the 2008 Financial Crisis, the G20 became a premier platform for global economic governance, with a membership extending to both developed and developing parts of the world. While the "Chinese Wisdom" had been a guiding star of the previous G20 Summits, the success of the Hangzhou Summit marked a further shift in China's role from a traditional passive participant to an active leader. Despite its growing importance and role in global financial governance, the unofficial and non-binding G20 with only limited legal effect lacks internal cohesion and is mistrusted by the U.S., leading to a compromised efficiency.

The BRICS, composed of five emerging economies, has been symbolizing a multi-polar world right since day one. This identity not only encourages joint efforts from the developing countries across all areas, but also gives the developing bloc a louder voice in the global governance system over international financial institution reform, climate change and other major issues. The establishment of the AIIB and BRICS Development Bank has opened up alternative investment and financing channels for the developing world and brought along improvements in financing service and governance approach of the old multilateral financial institutions. The limited strength of the member countries as a whole has resulted in a limited role of the BRICS in the global economic governance system and put the BRICS in large part under the PBWS governance. The inherent differences and conflicting interests among the member states, too, have discouraged greater things out of the BRICS.

In a nutshell, China has transformed from a passive participant to an active player and then an energetic leader in limited areas of the global economic governance, and this change will be a long and ongoing process. What's more, China has only improved and fixed the existing global economic governance mechanism, without any intention of overturning it.

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