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Notes for Contributors

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On Diplomatic Strategy of “Keeping a Low Profile and Taking a Proactive Role When Feasible”

ZHU Weilie

Chinese diplomacy has become one of the concerns to the IR theorists and diplomatic circle in that the international system is being transformed and reconstructed in this day and age. Harmony, a concept initiated by Chinese leadership in recent years, is a piece of public goods with which China provides the international community, extraordinarily significant in its own right. China has set up the goal of pushing for building up a harmonious world and harmonious regions and hoisters the banner of peace, development and cooperation, albeit repeatedly stresses the diplomatic strategy of “keeping a low profile and taking a proactive role when feasible”. Little has been publicized about the relevant research of this strategy lest the international community misinterpret or misunderstand the strategy, though it actually aggravates China’s peripheries’ and Western powers’ suspicion about China’s strategic intention, obstructing the building-up of strategic mutual confidence. Therefore, it is in fact a solemn and unavoidable task to reexamine the concept of “keeping a low profile and taking a proactive role when feasible”.

I. The Origin of the Maxim “Keeping a Low Profile and Taking a Proactive Role When Feasible”

The maxim “keeping a low profile and taking a proactive role

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when feasible" was an important diplomatic strategy first put forward by comrade Deng Xiaoping in early 1990 when dramatic change occurred to the international configuration and Western countries imposed economic sanction against China. The maxim has been deemed by the Western countries as the "core" strategy of China. In its Annual Report on the Military Power of China 2002, the U.S. Office of the Secretary of Defense depicted Deng Xiaoping's diplomatic strategy of "keeping a low profile and taking a proactive role when feasible" as strategic deception. Annual Report on the Military Power of China released in 2005 had a complete account on Deng Xiaoping's diplomatic strategy of "keeping a low profile and taking a proactive role when feasible". Annual Report on the Military Power of China released on May 25, 2006 again translated the maxim into "hide capacities and bide time". So to speak, the U.S. military interpretation of the maxim will direct the public opinions to a large extent not only inside the United States, but also within the international society at large. Since the fall of the Soviet Union and up to the Bush junior administration, the mainstream public opinions of the Islam and Arab world, oppositional to the United States, had expected China to substitute for the Soviet Union as another superpower against the United States. In his book on China's foreign policy published in 2005, Mr. Mhd Kheir Al-wadi, the former Syrian ambassador and Arab Ambassadors missions to China, translated the maxim into "to procrastinate and to stay away for the opportunity to counterattack". The counterattack, he explained, does not necessarily contain military color, but is preoccupied with diplomatic means and economic achievement. All in all, the outside world, the West and the East alike, is deeply impacted by the United States, which leads to a basically agreeable understanding of "keeping a low profile and taking a proactive role when feasible", i.e., "to bide time for counterattack" with the ultimate goal of an Armageddon or showdown with the United States.

Controversies emerge in Chinese academics on the definition of the maxim "keeping a low profile and taking a proactive role when feasible" as well. Some argue that despite "hide capacities and not to demonstrate", the real meaning of the maxim, it reminds people of the Chinese history of "sleep on brushwood and

taste gall", meaning to undergo self-imposed hardships or to nurse vengeance, which may lead to misunderstanding and thus should not be used anymore.^① Others argue: the U.S. hegemonic strategy to contain China is an objective and unavoidable reality. The tree prefers calm but the wind blows nevertheless: "keeping a low profile and taking a proactive role when feasible", a strategy to be further pursued, is actually trying to live in a fool's paradise or an ostrich policy. Thus, they advice to make a timely policy adjustment that centers on "taking a proactive role when feasible", and so on.^②

The above-mentioned external misunderstandings and internal controversies do admittedly have much to do with respective political backgrounds, but they have more to do with a lack of understanding of the semantics of the maxim "keeping a low profile", especially with the lack of understanding precisely the connotation of the maxim in terms of Chinese traditional humanities and core values. In fact, "keeping a low profile" as a maxim dated back in Qing dynasty when Zheng Guanying wrote in his book published in 1893, "I am well aware of my oldness, incompetence and preliminary knowledge of *I Ching* (book of changes), hence I am only more earnest of my own moral uplift and keeping a low profile", meaning to hide capacities and not to demonstrate.^③ The maxim thus entails positive and negative explanations. With the positive and participative sense, "keeping a low profile" is like burying jade under earth only to see its day to come one day in the future. With the negative and secluded sense, "keeping a low profile" is to "avoid calamity", "avoid enmity", "seclude" and "wall off fame and wealth". Thus, the maxim implies the value orientation of the Chinese people in their social life, career and academic approaches and prescribes restraint, low profile, and lie low in social life of those that even enjoy remarkable fame and talent.

In the wake of the end of Cold War that followed up by the transformation and rebuilding of the international configuration in 1990s, Comrade Deng Xiaoping put forward diplomatic

^① Ye Zicheng, "On Keeping a Low Profile and Taking a Proactive Role When Feasible--Revisit to China's Great Power Mentality", *Pacific Journal*, 2002, No.1.

^② Wang Yusheng, "Rethinking on Keeping a Low Profile", *Globe*(huan qiu), 2004, No.7.

^③ *Dictionary of Chinese Idioms*, Shanghai Dictionary Press, 1987, p.1235.

thoughts including "keeping a low profile", obviously with the positive sense of the maxim, highlighting that China should not seek a leadership role in the international arena, but take a low profile and concentrate on China's own affairs in the first place while observing and coping with international affairs calmly in the dramatically changing world and making full use of advantages while avoiding disadvantages.

China has yet to make public explanation due mainly to the dubious interpretation of the maxim "keeping a low profile", which to some extent caused suspicion to Western powers. As the most outstanding example, quite a number of scholars, home and abroad, confuse the maxim with the proverb "the king Gou Jian that slept on firewood and ate a gall-bladder". During the Spring and Autumn period (770—476BC), the State of Wu defeated the State of Yue and caught its king Gou Jian. Fu took him to the State of Wu. In order to make himself tougher Gou slept on firewood and ate a gall-bladder before having dinner and going to bed every night. After a few years, Gou seized a favorable opportunity to wipe out the State of Wu. It is irrelevant in terms of time or space to parallel this literary quotation with the maxim "keeping a low profile" now China is promoting, let alone that they are totally different in terms of the mode of conduct and the object of implication. Gou slept on firewood and ate a gall-bladder was aimed at revenging by resort to war and seeking hegemony, whereas China follows the strategy of "keeping a low profile" for the purpose of seeking peace and development, pursuing communication and cooperation in order to realize mutual benefit, win-win outcome and co-development, and pushing for harmonious world and harmonious regions. The two quotations have absolutely nothing to do with one another.

II. Comprehension and Communication: "Keeping a Low Profile" Is a Shared Concept of the World's Mainstream Culture

It is necessary to trace the origins of the maxim "keeping a low profile" in both Chinese and foreign histories and to scrutinize the cultural essence of the maxim before the concept can stand up as a diplomatic strategy, can be acceptable to international

community and can advance strategic confidence between China and other world powers.

To perceive objectively, "taking low profile" is a mode of value and conduct of the Chinese people. The mode regards eclecticism as the criterion of conduct in that the positive aspect of "taking low profile" associates very closely with the eclecticism in the Confucius culture. The Doctrine of Mean, one of the Confucius classics, regards eclecticism as the highest criterion of the ethical conduct, which immediately links to the highest state of human life, i.e., He who possesses sincerity is he who, without an effort, hits what is right, and apprehends, without the exercise of thought; he is the sage who naturally and easily embodies the right way. The master said in his book *the Analects: Yong Ye*, "Perfect is the virtue which is according to the constant mean!" The Doctrine of Mean views even-handedness and mediocre as the highest moral criterion. To the Chinese, mediocre has never been a derogatory term, but rather a virtue, the true historical face of the term mediocre. A great deal of Buddhist ideas have been absorbed to Chinese traditional culture as Buddhism were introduced eastward to China. The middle way (*madhyamapratipad*) denotes the mean between two extremes, particularly between realism and nihilism, eternal substantial existence and annihilation. This doctrine opposes the rigid categories of existence and non-existence in the interest of a middle way. This is the ultimate truth of Buddhism, or the *Prajna Paramita*, which has integrated with the Chinese traditional culture.

In Greek philosophy, the source of Western culture, Aristotle (384 BC--322 BC) believed that every ethical virtue is an intermediate condition between excess and deficiency, which is also the middle way. Qur'an, the classical literature of the Islamic culture, also clearly prefers middle-way to excess and emphasizes that Arabs should be a balanced nation and Islamic culture is a justly balanced culture. "Thus, have We made of you an Ummat justly balanced, that ye might be witnesses over the nations, and the Messenger a witness over yourselves."^① In sum, mediocre, middle way, and justly balanced are commendatory words that lie at the top of ethics and free of rational and ethical denounces.

Since the advent of the 21st century, the negative forces that

^① *Qur'an*, 2:143, China Social Science Press, 1981, p.16.

have challenge democratization of international relations, hampered the construction of a more just and fairer international political and economic new order and interfered with promoting a harmonious world have been the two extremist ideas and forces stemming from both the East and West. One of them is the Islamic extremism that is anxious to change the status quo and resort to rampant terrorism with cross-border inroads not only threatening security and stability of sovereign states and regions, but also inflicting danger to the entire human society. The other is the Bush administration backed up by neoconservative hardliners that publicly defies morality and international criteria while pursues unilateralism, militarism and the Christian fundamentalism. Since recent years, nevertheless, the core Islamic states in the Middle East have been advancing "Islamic moderatism" and turning the moderatism, just and tolerance into policy lines, making a clear distinction from extremism and terrorism. Likewise, the U.S. neoconservative hardliners are forced to retreat from office, while the Obama administration is making remarkable adjustment to the U.S. foreign policy. At least, the unilateral, military extremism is contracted to a large extent and more dialogues and negotiations emerge as a trend in the course of global governance. Therefore, publicizing the policy of "keeping a low profile", which is vindicated by the doctrine of mean and moderate culture, not only agrees with the harmonious world sponsored by Chinese diplomacy and helps to step up China's diplomatic image, but also approximates with the mainstream, rational thoughts of Eastern and Western countries and thus acceptable to international opinions.

Building harmonious world promoted by China in recent years is an ideal goal in the interest of the whole mankind. The concept of harmonious world can be practiced in concrete areas such as: "Politically, all countries should respect each other and conduct consultations on an equal footing in a common endeavor to promote democracy in international relations. Economically, they should cooperate with each other, draw on each other's strengths and work together to advance economic globalization in the direction of balanced development, shared benefits and win-win progress. Culturally, they should learn from each other in the spirit of seeking common ground while shelving differences,

respect the diversity of the world, and make joint efforts to advance human civilization. In the area of security, they should trust each other, strengthen cooperation, settle international disputes by peaceful means rather than by war, and work together to safeguard peace and stability in the world. On environmental issues, they should assist and cooperate with each other in conservation efforts to take good care of the Earth, the only home of human beings."^① "Keeping a low profile and taking a proactive role when feasible" as China's diplomatic strategy or as the mode of conduct of Chinese diplomacy is also based on China's outstanding cultural heritage and ethical criteria, i.e., to bring about a great rejuvenation of the Chinese nation and the lasting peace of the world via self-strengthening, perseverance, mediocre and peaceful means. Therefore, the two concepts of "harmonious world" and "keeping a low profile and taking a proactive role when feasible" not only is consistent to Chinese reality and take on Chinese characteristics, but also share reasonable, innate, logical relations and close causalities with each other.

Moreover, "keeping a low profile" and "taking a proactive role when feasible" are not antithetical with each other, but rather mutually supplement each other. In semantics, "taking a proactive role when feasible" highlights the positive aspect of "keeping a low profile", referring to making accomplishment to prevent negative reading of "keeping a low profile", such as to stay away for sake of concealing talent and to shirk the responsibility of an emerging power. In fact, Zheng Guanying, the vary originator of the maxim "keeping a low profile" himself successively held the posts of chief superintendent or assistant chief superintendent of Shanghai Machine Weaving Bureau, China merchant steamship navigation company, the shanghai Telegraph Office, Hanyang Iron Works, and Canton-Hankow Railway Co. He kept up with current affairs and was enthusiastic about Western ideas. He called for change of despotism and for establishment of a House of Representatives. He put forward the idea of "preferring commercial battle to military battle". He called for

^① Hu Jintao, "Hold High The Great Banner Of Socialism With Chinese Characteristics and Strive For New Victories In Building A Moderately Prosperous Society - In All Respects Report to the Seventeenth National Congress of the Communist Party of China", October 15, 2007, http://www.chinadaily.com.cn/hqzg/2007-10/25/content_6205616.htm.

machinery-building industry, pursuing policy of business protection, tariff protection, no foreign employees in Chinese custom house, abolishing tax (lijin) system, and free investment policy.^① Surely, he is an important figure of Hundred Days of Reform. In his later years, he felt about “keeping a low profile”, which followed the Chinese heritage of “The saints keep a low profile, while the sages take a seclusion”, though he cherishes aspiration in his inner heart, thinks high of himself, and strongly harbors mundane life in spite of “keep a low profile” in public relations. However, “taking a proactive role when feasible” does not amount to taking a proactive role in whatsoever businesses or taking an extraordinary role when feasible. “Taking a proactive role when feasible” means starting from the real conditions and capabilities of China to make contributions, achievement in a fashion of seeking truth from facts rather than doing beyond one’s means. And it means taking a proactive role selectively in light of Chinese national interest and core values.

III. “Keeping a Low Profile and Taking a Proactive Role When Feasible”: China’s Long-term Foreign Policy and Its Internationalization

Whether is “keeping a low profile and taking a proactive role when feasible” a strategic guideline, a diplomatic tactics or a mode of diplomatic conduct exactly? Deng Xiaoping put forward a complete comment of “keep cool-headed to observe, stand firmly, be composed to make reactions, keep a low profile, never try to take the lead, and take a proactive role when feasible”, which was undoubtedly a strategic guideline that directed against the urgent situation at home and abroad in the early post-Cold War years when the West imposed sanctions on China. As Jiang Zemin put it in July 1991, “Following this guideline does not indicate our weakness, nor indicates compromise, let alone discarding principles. Rather, we want at once to take into account the international situation that is too complicated for us to make attacks in all directions and make enemies indiscriminately and we want adhere to our principles and the spirits of independence, self-reliance and work hard for the prosperity of the country. The

^① *Word Ocean*, Shanghai Word Ocean Press, 2001, p.553.

strategic plan of our work of foreign affairs is to create a peaceful international environment in favor of China's modernization effort and the effort of reform and opening-up.^① In talking about carrying out Deng's policy of "taking a low profile" Jiang stressed again in 1995, "We should take a proactive role, China should not do nothing", and "For the work of foreign affairs and international struggles, we should stick to principle at any time though not without some compromise. To make compromise if necessary is to better fulfill and adhere to our principle, hence is allowed by principle"; "The struggle must waged with tactics, with propriety, with timing, on just grounds, to our advantage, with restraint and to the advantage of maintaining our interest and developing our strength. We should be steady, calm and take time in handling problems."^② In this view, "keeping a low profile and taking a proactive role when feasible" is also a tactics, a diplomatic mode with Chinese characteristics. Thus, "keeping a low profile and taking a proactive role when feasible" is by and large rich in connotations and broad in application. It is deeply rooted in Chinese excellent traditional culture as well as adaptable to the Chinese national condition in the primary stage of socialism and in consistent with the identity and capacity of a developing big power and thus it can be applied in tandem with the idea of harmonious world and serve as concept of diplomatic thinking and norms of diplomatic conduct that China must persist in the work of foreign affairs at the present stage and over a considerably long historical period as well.

With 60 years since the founding of the new China, especially with the development over 30 years of reform and opening-up, China has remarkably increased its comprehensive national strength and international status. Yes, China has to make strenuous, patient and painstaking effort and concentrate in development and economic construction to reach the level of the moderately developed countries by the mid-21st century in terms of per capita income, environment and narrowing the gaps between urban and rural areas and between eastern and western

^① Jiang Zemin, *Theory on Socialism with Chinese Characteristics*, Central Documentary Press, 2002, pp.527-528.

^② Jiang Zemin, *Theory on Socialism with Chinese Characteristics*, Central Documentary Press, 2002, pp.529-530.

areas. But as China has built up a considerable economic prowess and a tremendous market potential and as a permanent member state of the UN Security Council and the largest developing countries in the world, China can play an important role and exert an important impact on international affairs. Therefore President Hu Jintao clearly put forward the guideline of "adhere to keeping a low profile and taking a proactive role when feasible" on the Diplomatic Envoy Session in 2009, which further confirmed the principle of "adhere to keeping a low profile" and kept in pace with the time by calling for higher demand and vigor to pursue the strategy "taking a proactive role when feasible", hence highlighted the importance and durability of the strategy that has already become a basic national policy.

Now that China's fate is increasingly closer to the fate of the world today, every decision-making, act and statement of Chinese diplomacy will surely draw great attention to the international community. In fact, "keeping a low profile and taking a proactive role when feasible" can no longer be confined to "de facto implementation" or "to implement silently". It must shift to "to at once implement and speak out" and make public elaboration on the level of policy announcement. This is not only aimed at dissolving the U.S. and European suspicions, but also looking forward to it becoming another public good China provides the international society with.

Along with the deepening globalization and with the rising of both China's dependence on the outside world and the interdependence within the world, we are more concerned with the issue of international public goods in dealing with the global issues and the overall interest of international society. Public goods can be visible, such as lands, e.g., exploitation and protection of Polar Regions, and maritime resources, such as sharing of international waters and seabed resources. They can also be invisible, such as sharing of knowledge, security and information, etc. All the public goods prevalent and popular in the present world, which consist of soft powers and involve no antagonistic and exclusive cultures/values, are unexceptionally provided by the West, such as democracy, freedom, human rights, market entry and so on. With the advent of the new century and as China is unswervingly taking the socialist road, a series of

public goods with Chinese brand emerge, such as "peaceful development road", "people oriented", "scientific outlook on development", "harmonious society", "harmonious Asia" and "harmonious world". Those public goods involve no domination and exclusiveness, thus can be shared by other peoples and countries. Actually, it is not only an incarnation of Chinese characteristics, but also China's new contribution to the international society after the Four Great Inventions of ancient China.

In this respect, "keeping a low profile and taking a proactive role when feasible" and its profound Chinese cultural deposit about the philosophy of middle course are the public goods that can also be shared by other countries. Members of international society vary in terms of capability, wealth and strength. No country, however large, rich and strong, will be not able to monopoly all the international affairs, nor can it call the shots alone. "Keeping a low profile and taking a proactive role when feasible" as a diplomatic concept indicates that China is sober of its own ability and sincere to cooperate with all countries by trying its best and living up to its responsibility without any reservation. China will surely welcome those countries that want to follow the model; because the building of a harmonious world depends on more countries emerge to pursue the middle course instead of extremist concept.

The Gx Global Governance : China Faces G20 Leadership

Alan S. Alexandroff

The Enlarging Gx Leadership

Since the 2005 G7/8 summit at Gleneagles, China's leader and the leaders of the other G5 countries - China, India, Brazil, South Africa and Mexico - have regularly been invited to attend a portion of the annual Gx summit. But none of these rising powers, or their leaders, was invited to attend as permanent members of the original G7/8. It is only with the mounting global financial crisis did the G20 leaders receive the call to attend an enlarged leaders summit - first in Washington in November 2008, then in London in April 2009 and then in Pittsburgh in September 2009. And it was there in Pittsburgh that the G20 leaders summit was declared to be, "the premier forum for our international economic cooperation."

With that China had become one of the global governance leaders. No longer is the club of the rich that had, some argued, arrogated leadership through the G7 and then the G8 summit of the global economy, this new enlarged leader summit represents more than 85 percent of global GDP, 80 percent of international trade and about two-thirds of the planet's population. For China, a milestone had been reached that stretched back to the reform and opening (gaige kaifang).

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China and the Shape of Global Governance Leadership

China's views of global leadership have evolved strikingly since it emerged out of the shadow of the 'Gang of Four.' Though initially suspicious of multilateral relations, focusing instead on bilateral relations and regional relations in Asia, China has become a major multilateral participant - from the United Nations, including a permanent, and veto-holding member of the, Security Council, a member of most UN-Bretton Woods institutions, including the IMF and the World Bank, the World Trade Organization and numerous Asian regional organizations including both economic and security. In addition, it has more clearly signaled that its regional policy is not designed to exclude the United States. And as China has become more familiar with and more comfortable with regional organizations and participation in numerous plurilateral and multilateral organizations, China has built its global face on a number of crucial principles:^①

China recognizes the United States as a 'superpower,' and the dominant power in the international system for the foreseeable future. From China's perspective, as long as the U.S. recognizes and takes into account China's interests, China is unlikely to challenge the U.S. leadership overall;

China will cooperate with the United States in as many areas as it is possible to do for China in international relations; and

China will continue to increase its strength, including military strength, and raise its status and influence both regional and globally.

As Zhang Yunling and I concluded recently in surveying U.S.-China relations:

In the final analysis, the most significant question for China is, how can it balance its support for democracy, domestically and externally, with a defense of sovereignty whether in Taiwan,

^① These principles were articulated in Zhang Yunling and Alan S. Alexandroff, "Cooperation in Governance: The Regional Dimension in a U.S.-China Shared Vision for the Future," in Richard Rosecrance and Gu Guoliang (eds.), *Power and Restraint: A Shared Vision for the U.S.-China Relationship*, New York: Public Affairs, 2009, p.180.

Central Asia or the Asia-Pacific generally?^①

While there is a 'strong running' debate, especially in Washington circles – which continues over the so-called China threat, and the prospect for war between China and the United States the position of Harvard's Alastair Ian Johnson, remains apt: Rather, to the extent that one can identify an international community on major global issues, the PRC [China] has become more integrated into and more cooperative within international institutions than ever before.^②

Thus, China has become a significant player in global governance and that is now increasingly acknowledged for its participation in the G20 leaders summit (obviously before this was China's participation in the G20 finance that was created over 10 years ago involving China's minister of finance and the governor of the People's Bank of China).

But the key question raised by such involvement and participation, is what China should do with this 'seat at the table.' What can China's leadership contribution be? How does China face global governance leadership?

The Landscape of Contemporary International Relations

The starting point for determining China's leadership role in this new global governance environment requires grappling with the shape of the current international relations context. There are a number of aspects that may well condition China's behavior: the role and behavior of U.S. leadership; the contours and character of contemporary international multilateral institutions; and the consequences that arise from the institutions in overcoming the collective action problem in international relations.

With a new American administration in place for just over a year, we are still trying to piece together the consequences of the stated reengagement of the Obama administration after eight-years of rather radical international politics. Multilateralism does appear to be back in Washington. But has the

^① Yunling & Alexandroff, p.181.

^② Alastair Ian Johnson, "Is China a Status Quo Power?" *International Security*, Vol.27, No.4, 2003, p.49.

past just gone away – the unilateralism, à la carte multilateralism, the ‘coalitions of the willing’? Is global leadership assured now that the U.S. appears to have recommitted for the long-term to multilateralism? And if the new Obama administration is committed, what shape is this likely to take. Will U.S. leadership adopt a more reflective and accepting collective leadership or will the U.S. be determined to reestablish the hegemonic position that governed its behavior over the greater part of the Cold War and post-Cold War period?

The evolution in U.S. thinking on global governance is usefully presented by Richard Haass formerly a director of policy planning in the Bush’s State Department and currently the President of the Council on Foreign Relations (CFR). In his earlier governmental position, and shortly after the 9/11 terrorist attack, Haass described the Bush administration’s foreign policy, particularly its selective abandonment of a number of international agreements and its refusal to sign on to new international agreements, as a policy of, “à la carte multilateralism.” In the blossoming of the U.S. ‘unilateralist moment’, the Bush Administration sought avoid those organizations and agreements that appeared to impede progress and to build where necessary transactional coalitions around challenges and specific tasks that that U.S. administration saw required attention. Stewart Patrick, another international relations expert, and now also at the CFR, has chronicled the evolution of U.S. post 9/11 policy:

Unlike large, formal bodies that constrained U.S. options, empowered spoilers, and forced the United States to strive for bland consensus, these selective arrangements would be restricted to capable, like-minded countries, permitting decisive action in the service of U.S.^①

Haass recently has described contemporary multilateralist policy not as, “à la carte multilateralism,” but as, “messy multilateralism.” This new conception of American policy no longer focuses on opting in or out of arrangements as the earlier Bush policy did. Nor is about unilateralism or the creation of ad hoc coalitions of the willing. Rather global governance as Haass

^① Stewart Patrick, “Prix Fixe and a la Carte: Avoiding False Multilateral Choices,” *The Washington Quarterly*, Vol.32, No.4, 2009, p.83.

now sees it consists of a variety of platforms that seek to provide, “the collective effort” that not even the United States can face alone. Thus we see that multilateralism consists of democratic multilateralism (universalist institutions, Copenhagen Conference, United Nations General Assembly), elite multilateralism (G7 Leaders Summit and now G20), functional multilateralism (coalitions of the willing and relevant to the specific policy subject), informal multilateralism (financial and standard setting reforms) and even regionalism (bilateral and regional trade and investment regimes).

In the face of this growing jumble of international organizations what are we likely to see the United States do? The secretary of state Hillary Clinton has suggested that the U.S. will work to create a collaborative environment where states are likely to be incentivized to act together:

So these two facts demand a different global architecture, one in which states have clear incentives to cooperate and live up to their responsibilities, as well as strong disincentives to sit on the sidelines or so discord and division. ... We’ll work through institutions and reform them, but we’ll go further. We’ll use our power to convene, our ability to connect countries around the world, and sound foreign policy strategies to create partnerships aimed at solving problems. ... In short, we will lead by inducing greater cooperation among a greater number of actors and reducing competition, tilting the balance away from a multi-polar world and toward a multi-partner world.^①

An examination then of the contemporary international relations context becomes very valuable. When the Cold War ended in the early 1990s, analysts puzzled over the new structure of international relations with the collapse of one of the two superpowers – the Soviet Union. International relations theorist, Richard Rosecrance, then at the University of California, Los Angeles, was one of the first to examine and compare the international system with the early nineteenth century European concert.^② The fact that conflict between the two superpowers had

^① Hillary Rodham Clinton, “Council on Foreign Relations Address by Secretary of State Hillary Clinton,” July 15, 2009, <http://www.cfr.org/publication/19840/>.

^② Richard Rosecrance, “A New Concert of Powers,” *Foreign Affairs*, Vol.87, No.4, 1992, pp. 64-82.

ended – and so the bipolar world - and in its place a number of powers were left standing where there was no strong division or ideological gulf among them seemed to suggest the aptness of the comparison to a ‘club’ of leadership. Indeed, there appeared to be the prospect of a ‘new concert’ in the face of the end of the Cold War struggle.

Rosecrance warned us, however, that periods of central coalition were few indeed. The classic concert period, for instance, lasted only from 1815 through 1822. Indeed most the nineteenth century and thereafter was built on classic balance of power and competitive relations among states. And it is that dynamic experts looking at global governance today often assume operate notwithstanding that Rosecrance pointed to the failure of most balance of power and deterrence efforts in the nineteenth and twentieth centuries. States balancing one another and building a stable international system were not at the heart of international relations. And it is not today. As secretary of state Clinton suggests in her examination of American foreign policy this is not a balancing of powers but a collective partnership. Rosecrance, further reminded us what is required – what the fundamentals are - for such a collaborative ‘concert-like’ system: (i) involvement of all; (ii) ideological agreement; and (iii) renunciation of war and territorial expansion replacing it with a collective drive for economic growth and the achievement of national prosperity.^①

In a very recent piece - again by Richard Rosecrance, now at Harvard University’s Kennedy School but in addition China international relations expert, Jia Qingguo, Associate Dean of School of International Studies at Peking University, examines closely the landscape of international relations and in particular the path of U.S.-China relations.^②

Among other things these two experts evaluate the likelihood of war between these two great powers and find it lacking. In doing this they describe a world quite distinct from 19th and 20th century international relations. They point to three quite significant changes in the international relations landscape:

^① Rosecrance, p.75.

^② Jia Qingguo & Richard Rosecrance, “Delicately Poised: Are China and the U.S. Heading for Conflict?” *GlobalAsia*, Vol.4, No.4, 2010, pp.72-81.

Nuclear weapons and the deterrence nuclear weapons have generated among the great powers have dampened major power enthusiasm for conflict and its consequences;

Globalization and growing interdependence have allowed, and impelled, major powers to focus on trade and investment in their efforts to insure growth and national prosperity; and

Territorial expansion as a means to enhanced wealth and prestige has little appeal – states and importantly their publics in general do not favor territorial expansion and conflict.^①

In the China-U.S. relationship and indeed for all the major powers, the tight interdependence (both positive and negative) causes states to explore the necessary collaboration even where conflict continues to exist. As the authors suggest, "... after years of interaction, China and the U.S. have developed a shared stake in cooperation."^②

Global leadership is today built on national interest, not surprisingly, but also on interdependence and growing globalization. Such a foundation does not rely on the mechanisms of balancing and great power rivalry, as we have understood those concepts. Today we see the great powers struggling to overcome the problem collective action and to fashion collective decisions in global governance. This is not a focus on the distribution of power of the leading states but on the negotiated agreement of states.

So contemporary global governance is constructed on a foundation of national interest and globalization. The classic elements of balancing and power relations, so evident in the European system of the 19th century, are reconfigured in the light the international relations landscape of the post-Cold War world.

The World of Gx Global Governance

But the structure – meaning the institutions – has been altered as well. Today the Gx process dominates the multilateral system of global governance. While the multilateral system was built after World War II on formal, treaty-made, legally binding institutions

^① *Jia Qingguo & Richard Rosecrance*, p.79.

^② *Jia Qingguo & Richard Rosecrance*, p.80.

- collectively the UN-Bretton Woods system of international organizations - today the most dynamic elements of global governance arise from the Gx process.

The emergence of Gx institutions sends us back to the early 1970s. The creation of the G7, actually the G6 in 1975 with the first summit at Rambouillet included France, the U.S., the UK, Germany, Japan and Italy. By the next meeting this informal leaders gathering in Puerto Rico, hosted by the United States, included a seventh leaders - the Canadian prime minister.^① With that this G7 leader's summit was born and continued uninterrupted annually until the formal enlargement to the G8 in 1998 with the inclusion of Russia at the Birmingham Summit.

This Gx process emerged because of forces driving global affairs. Issues requiring collective action remained unresolved. As the decades past the deadlock over reform and leadership in many of the Bretton Woods and UN institutions became an even clearer impetus for other action at the Gx level.

While the G7 summit became an annual meeting on the calendar of global governance, it remains evident that even today there is no consensus on the purpose or expectations over results of these leaders meetings. The rise of the Gx process - the G5, the G7/8 and the G20^② - is structurally and procedurally at odds with the earlier treaty-based organizations of the post war world. Many officials and commentators have not accepted such an institutional transformation with any degree of equanimity.

For those like John Kirton, the director of the G8 Research Group at the University of Toronto, who champions these informal global governance institutions, these summits provide, "core functions of forging co-operative agreements, inducing

^① For a practical summary of these summit initiatives, see Peter Hajnal, "The G7/G8 as an International Institution," in Peter Hajnal, *The G8 System and the G20: Evolution, Role and Documentation*, Aldershot, UK: Ashgate Publishing Limited, 2007, pp.1-12. In fact the extensive analysis and information on the Gx process history here in this PAB has been provided through two multivolume series from Ashgate Publishing entitled, "Global Finance" and "The G8 and Global Governance". The Global Finance series is currently edited by, John Kirton, University of Toronto, Michele Fratianni, Indiana University and Paolo Savona, LUISS University in Italy. The G8 and Global Governance Series were edited by John Kirton and is now completed.

^② The G20, which is actually consists of the G7/8, U.S., Canada, UK, France, Italy Japan, Germany, Russia and the EU plus the G5, China, India, Brazil, South Africa and Mexico and then additionally Argentina, Australia, Indonesia, Saudi Arabia, the Republic of Korea and Turkey. Unofficial countries include Spain, Holland and Belgium plus the heads of the key multilateral financial institutions and the UN and the OECD.

national compliance with those collective commitments, and responding to regional cries before they endanger systemic stability.”^① A somewhat less favorable review suggests that the summits may provide primarily deliberative functions. In this view the summit performs the core functions of stability maintenance through ongoing communication, consensus formation and crisis response. Leaders are provided frank face-to-face discussions and information on national policy action. The summit becomes much more in the way of information sharing. While the deliberative function may encourage direction setting, possibly a convergence of some national policies and in some instances collective agreements, there may be no agreement.^② Finally, for many observers, those most critical of the Gx process, the summit is really no more than a consultative forum. Leaders come together, get to know each other, understand the challenges faced by leaders and their domestic pressures. The statements issued at the end of such summits are generally aspirational and often hide the differences that represent distinct national positions.

The criticisms of the Gx process are then numerous. Many international relations experts are dismissive of the informal system especially the annual leaders' summits. CFR's Richard Haass believes that all these various informal institutions, which are, as he puts it, "... invariably less inclusive, less comprehensive and less predictable" and also for good measure less legitimate than the, "formal global accords" that are "doable and desirable."^③ For Haass these informal club-like efforts can lead or complement classic multilateralism. While a positive appraisal - if evidently qualified - Haass implies that the multiplicity of institutions - a far cry from the 'neat world' of the UN-Bretton Woods system - is a 'second best' solution to the challenge of global governance in the 21st century.

^① John Kirton, "Explaining G8 Effectiveness," in Michael Hodges, John Kirton and Joseph Daniels (eds.), *The G8's Role in the New Millennium*, Aldershot, UK: Ashgate, 1999, p.53.

^② John Kirton, "Economic Co-operation: Summitry, Institutions, and Structural Change," paper prepared for a conference on "Structural Change and Co-operation in the Global Economy," The Center for International Business Education and the Center for Global Governance, Rutgers University, May 19-20, 1997.

^③ Richard Haass, "The Case for Messy Multilateralism," *Financial Times*, January 5, 2010, <http://www.ft.com/cms/s/0/b68ad6a2-ff1a-11de-a677-00144feab49a.html>, accessed January 22, 2010.

CFR's Stewart Patrick has examined the various informal structures that were created in the Gx process and he expresses the prevailing sense, at least in Washington, that these institutions remain at best, a 'second best' response to global governance:

Regardless of which format emerges [Gx process], the Obama administration should be wary of indulging in unrealistic expectations. It is implausible that any annual summit can morph into a true decision-making (much less decision-implementing) body that could substitute for the authority, legitimacy or capacity of formal institutions like the United Nations, WTO, International Monetary Fund (IMF), or The World Bank. Going forward, a priority for the Obama administration and its counterparts abroad will be to design systematic procedures for linking the initiatives launched and commitments made in these consultative forums with the ongoing work streams and reform agendas within the world's formal organizations.^①

On the membership, or representation front, many have long criticized the self-appointed G7 annual gatherings made up of what critics called the 'club of the rich'. Each of the rising powers – China, India, Brazil criticized the narrow membership of the G7/8 process and expressed deep skepticism about joining leadership organizations as they were traditionally constituted. As Celso Amorim, Brazil's foreign minister, declared just before the 2008 G8 Summit, "you simply can't ignore" the emerging countries such as Brazil, India, and China. He further argued that the G20 leaders' summit was a "better model" than the G8 leadership, adding that the "G-8 is over as a political decision group."^② Chinese commentators and experts also opposed China's membership in an only slightly enlarged G8, but China has warmed, it seems, to the G20 Leaders' Summit, where it has an opportunity, perhaps, to influence the G20 agenda – particularly in support of developing countries – and leverage its own position. For China and the other large emerging market countries, their inclusion – through the G20 enlargement – appropriately acknowledges their status as rising powers and their increasing

^① Stewart Patrick, "Global Governance Reform: An American View of U.S. Leadership," *Stanley Foundation Policy Analysis Brief*, forthcoming, 2010, p.14.

^② Quoted in "Brazil Considers the G-8 Is No Longer a Valid Political Decision Group," *MercoPress*, June 12, 2009.

influence on views of global governance leadership. It also seems to have stilled, if only, criticism of Gx process legitimacy. It is clear, however, that the 'uninvited' remain suspicious. The Nordic countries, for example, following the Pittsburgh summit, expressed disappointment in not being included. Many smaller countries have expressed distaste for the informal summits even if they have been enlarged. It may be that there is ultimately no resolution of the question of 'legitimacy' and critical voices would only be quieted with a UN General Assembly-like institution.

Is all this skepticism warranted and how should China approach these new structures of global governance? Is it indeed, "implausible" that these annual summits can be no more than a consultative forum, with at best aspirational statements and deliberative functions with little or no capacity to engineer and implement collaborative decision-making at the international level?

Critics of the Gx process and the informal institutions the process has generated tend to focus on, or limit their gaze perhaps to, the annual leader's summits. But the Gx process has been about far more than summits and for quite some time. Increasingly a thick institutional support structure and framework surrounds the leader's summits. Anne-Marie Slaughter, the current director of Policy Planning at the U.S. state department, and formerly dean of the Woodrow Wilson School at Princeton University has for some time argued the growing importance of transgovernmental networks in international relations.^① And this is certainly the case for the G7 and now for the G20. At the first summit at Rambouillet in 1975, finance and foreign ministers, as well as personal representatives (later called sherpas) accompanied leaders and joined at the summit gatherings. This collective group continued to gather at the annual G7 summits up until Birmingham 1998. There, on the advice of then Prime Minister Tony Blair, the foreign and finance ministers held separate meetings a few days before the leader's summit and the leaders met separately with their personal representatives sitting behind the leaders but otherwise

^① Anne-Marie Slaughter, *A New World Order*, Princeton, NJ: Princeton University Press, 2004. For a more contemporary focus on transgovernmental networks, Anne-Marie Slaughter and Thomas Hale, "Transgovernmental Networks and Emerging Powers," in Alan S. Alexandroff and Andrew F. Cooper (eds.), *Rising States, Rising Institutions Challenges for Global Governance*, Washington, DC: Brookings Institution Press, forthcoming May 2010.

taking no part in the proceedings. This 'heads-only' format has continued right up to the present and is also the format for G20 leaders meetings.

But, and in addition, finance and foreign ministers met periodically throughout the years of the G7 and the G8. And not only these two sets of ministers but also other ministry officials began to meet. The following details the starting date for separate minister meetings:

Trade –first met in 1978. In 1982 formed the quadrilateral – EU, U.S., Canada and Japan that met 3 to 4 times a year.

Ceased to meet after 1999

Foreign affairs - 1984

Finance ministers - 1986

Environment - 1992

Employment - 1994

Information - 1995

Terrorism - 1995

In the case of finance, not only do the finance ministers meet periodically but deputy ministers also meet periodically. "Indeed the annual gathering of the leaders, as John Kirton has pointed out, is now supplemented by a year-round sequence of *ad hoc* meetings of the leaders and their finance and foreign ministers, regular forums collectively embracing a majority of the ministries of government, and a subterranean web of working groups that even the leaders' personal representatives find it difficult to monitor and control."^① The sherpas and sous sherpas (two for each leader) are key official elements of the Gx process. They gather several times a year and are responsible for preparation of the upcoming yearly summit. These representatives take notes at the leaders meetings and they transmit any decisions that the leaders make. And the sherpas follow up with each other after the summits.

Beyond these ministerial networks regular and ad hoc task forces and working groups have also become part of the Gx process. An Africa Forum, a major venue for the discussion and monitoring of policies, strategies and priorities to support Africa's development was created. The G8 in 2001 at Genoa launched the Global Fund to Fight AIDS, Tuberculosis and Malaria. A

^① John Kirton, *Explaining G8 Effectiveness*, p.46.

counter-Terrorism Action Group was set up as early as 2002.

In the financial area a number of rather prominent task forces were created. The Financial Action Task Force (FATF) was created in 1989 to co-ordinate efforts to fight drug-related money laundering. The FATF is purposed to develop and promote national and international policies to combat money laundering and terrorist financing. The task force has enlarged its membership beyond the original G7 and then G8. In fact as early as 2005 China sent members as observers. An expert group on financial crime was set up by the 1997 Denver summit. Finally, and importantly, the Financial Stability Forum (FSF) was established by the G7 finance ministers and central bankers in 1999. This Forum was designed to improve the functioning of financial markets and to reduce systemic risk. The FSF has grown quite significantly and in the global financial crisis the G20 enlarged it further, gave it a new name, the Financial Stability Board (FSB) and has tasked it with a variety of regulatory proposals that initially were lodged in a number of G20 finance working groups.

And it is worth recalling that the G20 leaders summit was called into existence ten years earlier – at the time of the Asian financial crisis – as the G20 Finance Ministers. This transgovernmental network has continued to meet and, according to John Kirton of the G8 Research Group, “The G20 finance ministers collectively confront complex systemic crises and issues rather than allowing the traditional powers to dictate decisions.^① These are but some of the groups created by the Gx process. The Gx process, in sum then, is then a much more complete system of global governance than is identified if one looks narrowly only at the annual summit process. If all that Gx ministerial and network development is insufficient, then it also the case that there is an additional piece to global governance – the growing relationship between the Gx and UN-Bretton Woods institutions. Frequently proponents and critics have emphasized the possible zero sum nature of the two systems – one formal and one informal. John Kirton and his colleagues, however, have described the global

^① John Kirton, “The G-20 Finance Minister: Network Governance,” in Alan S. Alexandroff and Andrew F. Cooper (eds.), *Rising States, Rising Institutions: Challenges for Global Governance*, Washington, DC: Brookings Institution, 2010, p.197.

governance institutions as two systems, “two great galaxies.” For Kirton and his colleagues the central feature of this two-system global governance environment arises from the fact that the new institution building of the Gx process that has occurred over several decades did not follow on from the destruction of the prior system.^① Rather, following the demise of the Cold War system in 1989, “The institutions and ideals of a new and old order thus had to compete, converge and cooperate with each other as they sought to govern this ever more demanding and globalizing system.”^② The Bretton Woods-UN system had been built on a formal, ‘hard law’, broadly heavily organized bodies. Over the decades this formal system was joined by ‘softer’ organizations with more limited membership, less bureaucracy and more flexible organizations. Included in these institutions is the Organisation for Economic Co-operation and Development (OECD), the International Energy Agency (IEA) and the Bank for International Settlements (BIS). As we have described above, the Gx system is one built on club-like limited membership, informal organizations, and now a widely developed transgovernmental network of institutions.

As with so much of the analysis on the Gx process there is no consensus of the relationship between these two global governance systems. Views range from the two being totally isolated from each other, through the two systems acting as rivals towards each other, to a perspective where the G7/8 and now the G20 act as a kind of ‘inner cabinet’ and the international organizations provide a civil service that can be tasked to implement commitments made at the Gx summit or at the

^① One of the classic examinations of global governance development is chronicled by Princeton University’s, G. John Ikenberry. This much praised work looks at the creation of new international orders following major wars. G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars*, Princeton, NJ: Princeton University Press, 2001. In part, because of the analysis in this book many have come to believe that new international institutions and indeed orders can only be constructed on the debris of the former international system.

^② John Kirton, Marina Larionova and Paolo Savona, “Introduction, Argument and Conclusions,” in John Kirton, Marina Larionova and Paolo Savona (eds.), *Making Global Economic Governance Effective: Hard and Soft Law Institutions in a Crowded World*, Aldershot, UK: Ashgate Publishing Limited, 2010, p.4. For a thorough examination of the emergence of the two systems and the growing interaction between the Bretton Woods-UN system and the Gx process system, see especially John Kirton, “Multilateral Organizations and G8 Governance: A Framework for Analysis,” pp. 23-42.

ministerial level. Certainly in the global financial crisis the G20 leaders summit, especially in the 2008 Washington communiqué, tasked the IMF to carry out a number of leaders' commitments identified at the summit. It is likely that the relationship between the UN-Bretton Woods system and the Gx process system is one where there is a "pulling together" with, "support flowing both ways," as suggested by Kirton. Indeed there is collaboration and support through many of the Gx phases from preparation, commitment and finally implementation. In that continuum the international organizations can provide, among other things, expertise, officialdom, and compliance monitoring. In addition the heads of some of the key institutions such as the UN, the IMF, OECD and the World Bank attend the G20 summits.

China faces global governance leadership

So, how should China look at the system and the role it has acquired through the creation of the G20 leaders summit? As the article points out there are two systems of global governance that have been built since the end of World War II. First there is the Bretton-Woods-UN system of treaty-created legally binding multilateral structures of global governance. Beginning in the 1970s and accelerating from the 1980s there is the informal Gx process institutions - built on leader summits and an ever enlarging web of transgovernmental networks - that today constitute the most dynamic elements of global governance. China has achieved leadership in both systems. China sits atop the security system as one of the five permanent veto-wielding members of the UN Security Council (UNSC). With respect to the Gx system, China has achieved a place at the leaders table with the enlargement of the leaders summit for economic purposes from the G7/8 to the G20.

Though the rising states - China, India, Brazil and possibly South Africa and Mexico - all members of the G20 leaders summit - continue to express support for the institutions of the Bretton Woods - UN system (support in particular for the 'universalism' - one country, one vote - character of these institutions) the evident collaborative decision-making in global governance today appears

to be taking place in informal organizations.

While that Gx dynamic is most evidently present in economic issues (the series of summits to tackle the global financial crisis), it is also present in issues such as climate change and in proliferation. While the climate change issue was most recently addressed in the UN Copenhagen Conference (COP-15) that included the '192' – all leaders of the UN Assembly – and a host of non-governmental organizations, the key leadership – Brazil, India, South Africa, China's Wen Jiabao and U.S. President Barack Obama concluded the Copenhagen Accord at the Conference.^① Though not a legally binding instrument, it appears to be the basis for further elaboration of a global governance accord on climate change. And with respect to critical non-proliferation questions – notably North Korea and Iran – informal organizations – the 6-Party members over North Korea and the EU-3 plus the U.S., Russia and China have sought to restrain Iran's nuclear enrichment program. In both cases the informal group interacts with larger and often formal global governance institutions but the collaborative decision-making effort is tackled at the informal level.

China's global governance leadership will be tested – whether the leadership prefers this it or not – at the Gx and informal level. Experts have generally agreed on the key dimensions of the Gx process, though as we'll see there is little consensus on how to evaluate these dimensions. Still most experts recognize these Gx features:

- Legitimacy;
- Informality;
- Effectiveness
- Equality; and
- Likemindedness

Examining these dimensions is important, as the same dimensions will impact the prospect for collective decision-making.

We have already examined legitimacy and the critics' denunciation over the limited and qualified membership of the Gx process; it has been recently quieted by the enlargement of the G7/8 to the G20.

Informality is a dimension that is largely ignored by experts.

^① <http://unfccc.int/resource/docs/2009/cop15/eng/107.pdf>.

But the same cannot be said of participants. Leaders and others identify this dimension and express support for the value of the small group setting and which they come to know each other personally. Over time leaders come to know each other and the problems they face in their own domestic settings; they can speak directly and often forthrightly. Equalness is likely linked to informality; it is certainly linked to hierarchy, or more precisely, the absence largely of hierarchy in these settings. The Gx process is at least formally built on an equality foundation. The leaders are accorded the same strength of voice. This obviously contrasts with the UN where the conflict resolution setting – the United Nations Security Council (UNSC) distinguishes permanent representatives (the P5) with the no permanent and non-veto holding members of the UNSC.

In many respects there is no more vital dimension than effectiveness in the analysis of global governance. Effectiveness is a complex dimension that includes at least two parts. There is what most refers to as, ‘commitment.’ Commitments are most readily identified in the communiqués of the leaders. Thus, as set out below in the most persistent evaluative program of the Gx process and the leader’s statements – the G8 research group – as described below has the most comprehensive definition of commitment. Thus, to the G8 Research Group at the University of Toronto (G8 Research) a commitment is, “a discrete, specific, publicly expressed, collectively agreed statement of intent, a “promise” or “undertaking” by Summit members that they will take future action to move toward, meet or adjust to an identified welfare target.”

But effectiveness is not limited to commitments. The evaluation of effectiveness must necessarily also encompass implementation or what the G8 Research has identified as compliance. Compliance” is, “national government action towards the domestic implementation of the necessary formal legislative and administrative regulations designed to execute Summit commitments. National governments alter their own behavior and that of their societies and outsiders, in order to attain summit-specific welfare targets.”^① What is evident about

^① The definitions and the operationalization of the G8 compliance assessments can be found at: G8 Research Group, “Analytical Studies,”

implementation or compliance is that the actions take place in the national capital. Though there are commitments that can be implemented at the international level in, say, an international organization, the international commitments must be implemented generally at the national level. Global governance is not global when it comes to implementation. It is local. For a number of the leaders this focus on implementation at the national level underlines the difficulty in not only jointly committing to an effort or a program but to implementing that collective decision. Certainly a focus on domestic politics and the structure and process of governing there highlights the difficulty for a U.S. administration in achieving implementation. But the obstacles presented by domestic politics are not confined to the United States alone. Thus, using the Gx setting with the informality provided to leaders is an important feature of the informal process. Much can be learned and it may well be that leaders may have to publicly and more openly support collective decisions in order to support those leaders who face a tough 'domestic road' to national implementation.

Enlargement may well pose serious challenges to collective decision-making. The increase in size to a G20 leader's summit brings added diversity and raises the challenge to achieving a collective global governance decision. Likemindedness in the Gx leadership appears to have diminished with enlargement. While it is the case that traditional powers of the G7 have often disagreed, their disagreements - Germany, France, the UK, the United States and Japan - have been principally over policy choices and not over differences in norms and values in the international system. The 'values gulf' today between rising and traditional powers threatens to weaken, perhaps fundamentally, Gx global governance institutions just as they have eroded collaboration in the Bretton Woods-UN formal institutions. The most acute aspects of the 'values gulf' among the enlarged leadership, especially China, include a number of aspects in global governance.

In the enlarged leadership of Gx there are strong differences over the character and defense of 'national sovereignty'. This critical value is often expressed as non-interference in the domestic affairs of other states. China has long defended (going

back to Bandung in 1955) the most traditional notions of national sovereignty. But China is not alone. As is evident both India and Brazil support strongly non-interference in such contexts as responsibility to protect and humanitarian intervention. But this defense of the primary value of the Westphalian system of states is not just limited to the new values of humanitarian intervention. Recently we saw the Chinese leadership raise the same defense over the U.S. insistence that international verification of carbon reductions was a requirement of the new climate change regime. Yet the appeal to such values may not reflect China's national interest in climate change. Furthermore, in a small group decision-making setting - not motivated by balancing or a competitive mode - the assertion of values may only 'cloud' China's legitimate interests over a climate change treaty that focuses on mandatory levels of emission, technology transfer and financing, among other policy objectives.

The appeal to the development gap and the attack on traditional states and their policies invoking the defense of the global south (a policy of 'developmentalism') is a policy that various rising states have appealed to at different times. In opposing, for example, trade and development aid policies the rising states emphasize the gulf between north and the global south and demand greater equity and participation for the global south. These states appeal to their own status as developing countries and demand satisfaction for the global south. The creation of this divide in leadership only raises the difficulties of reaching consensus and overcoming the problems to collective action in this informal small group setting. There is, of course, recognition that rising states such as India and China contain large populations and that there remain significantly poor populations in both. But national growth and prosperity are dramatic - historically unparalleled - and these dynamics underline why rising powers - India and China included - have been included in an enlarged leadership. Thus emphasizing the gulf between rising powers and developing countries from those of the traditional states again obscures the national interests that need to be satisfied at least in part in collective decision-making.

Universalism and hierarchy are often the opposite sides of the same value issue. Universalism insists on a one-country-one vote

principle, or implies, if not necessitating consensus as in the World Trade Organization. Hierarchy permits differences of influence whether in the context of universal settings as the UNSC or in smaller clubs where formally or not some states hold greater sway than others. As has pointed out above universalism has retained a strong attraction and China and other rising powers have expressed support for those organizations where universalism governs. The Gx process has been strongly attacked for its exclusions. Yet the universalism has been shown too often - the Doha Round in the WTO or COP-15 - to rob us of collective (though not universal) governance and the resulting commitments.

The Gx system has been both harshly criticized and frequently declared irrelevant. For supporters of traditional multilateralism, the Gx process is a 'second best solution' to the serious effort to forge collective decisions. This analysis casts a different light on the Gx process. While the Gx process is informal it is also an influential world of summits and a system of support structures that have promoted collective decision-making in economics, finance, development and beyond that to institutional reform and even security. The G20 is focused currently on the economic but there are calls to extend its attention beyond questions of the global financial crisis to include climate change, politics, institutional reform and security.

This analysis has examined the contemporary realm of informal global governance institutions and the ability of the Gx system to organize collective decisions and meet the challenges facing the global economic and political system. The Gx process retains the landscape, the structures and the dimensions that can generate successful collaborative decision-making. National interest has not fled. But it has to be both understood and expressed transparently. And the tight interdependence that has raised consequences for societies across the globe from the actions of others, if anything, is even more evident. Paradoxically, it may be that some of the most difficult issues - the existential problems of climate change and non-proliferation - that may be most susceptible to collective decision-making. Here both national interest and the 'bindingness' of interdependence may create the 'playing field' for forging hard-fought collective decision.

China now faces global governance leadership in what still remains a small group environment where: informal leadership encounter is routine; persuasion dominates; and where disingenuous behavior is remembered. It places demands on the collective leadership to determine national interest and provide enough flexibility to enable leaders in these leadership environments to achieve collective commitment. China can face and be part of global governance leadership.

From Crisis to Opportunity: the Rise of a Global Middle Class?

David Miliband

In a live webcast before this month's National People's Congress, Premier Wen predicted that while "last year was the most difficult year for China's economic development...this year will be the most complicated".

Premier Wen's insight is as true for the rest of the world as it is for China. And there is no better place to explain why than Shanghai, a financial hub today for China, and in future perhaps for the whole world.

My speech today is about the responsibilities of politicians, business people and academics around the world to stand up for an inclusive and balanced form of globalization. The need is urgent: if we do not make the case, the result will be destructive nationalism, embodied in protectionism that harms us all. The potential prize is great: for the growth of the middle class in the rising powers of the East to be of benefit around the world.

China's entry into the global economy is one of the greatest success stories of my lifetime. Since 1979, 500 million people in China have been lifted out of poverty. The pace of the transformation from an agrarian, rural economy to an urban, industrial one is unprecedented. And your economic development has raised living standards, not just in China, but across the world, with Chinese producers driving down the cost of manufactured goods for all of us.

The foundation of our mutual prosperity has been the growing interdependence of economies, connected by more open

Rt Hon David Miliband MP is the Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom. This is his speech at Shanghai Institutes for International Studies (SIIS) on March 15, 2010.

markets in goods and services. But in the last two years, the economic crisis has refocused attention on the risks of interdependence rather than its rewards.

The financial crisis was unique in its breadth and depth. It is too early to say that the patient is back on his feet, but he is out of intensive care. China played a critical role, domestically and internationally, in helping to avert a deeper, longer recession, through its strong fiscal and monetary expansion and an extra \$50bn contribution to the IMF.

Today, speaking as a Foreign Minister not a Finance Minister, I do not want to dwell on the immediate economic measures needed to support recovery, important though they are. My focus is instead on the medium-term, and my argument is this. The growth of a new middle class in emerging economies can fuel the next wave of global demand. And the emergence of new low-carbon, technologies can ensure resource scarcity does not act as a brake on growth or a driver of inflation. The demographic and economic drivers create the potential for an Age of Opportunity.

But this future is not fated. It remains fragile, and dependent on leadership from all the major economies. It will require a determination to deepen globalisation, by opening up our economies further to flows of goods, services and capital. It will require long-term commitments to investment in energy efficiency and low-carbon energy supply. And it will require us to thicken our cooperation through international financial institutions.

Each step will pose challenges and difficulties for all of us. But standing still is not an option. If we fail to move forward with this agenda, we will move sharply backwards, with open markets unraveling from the force of protectionism, and resource scarcity leading to a destabilising scramble for finite supplies. So today, I want to talk about how the politics of cooperation and multilateralism on which globalisation is based can win out over the zero-sum politics of protectionism and nationalism.

An Age of Optimism

Global growth in the past two decades has been driven by

consumer demand in industrialised countries. In the next two decades, global demand is likely to be powered by a new source: the growth in the middle class in emerging economies.

Economists at Goldman Sachs estimate that two billion middle-income citizens – those earning between \$6,000 and \$30,000 a year – could emerge within the next twenty years. The UN's own projection, based on a narrower definition of an annual income between \$4,000 and \$16,000, is closer to one billion. Either way, this will be the biggest global economic development since the industrial revolution.

The prize for China – and countries like it, notably India – will be significant. Today, a third of Chinese people are deemed middle-class. Within 20 years it is projected to be over two thirds. The result will be better living standards, reduced poverty and improved welfare. The growth will be concentrated in urban centres. But the dividends of domestic growth could be spread to benefit those who remain in villages, through improved health care and education. Even as the workforce starts to shrink, if sufficient progress has been made, productivity growth could continue to propel China up the global league table.

As the Chinese people get wealthier their demand for goods and services will grow and the type of products they want will change. Existing demand for agricultural goods and infrastructure investment will be accompanied by growing demand for services, from health and education to finance and law. Luxury goods, recreation and leisure are all likely to see sharp growth. Use of energy and transport will also increase dramatically.

This is important for countries like the UK. Britain's expertise in finance, professional services, education, pharmaceuticals, advanced engineering, creative industries and digital technology, means that as Chinese consumers move up the value chain there will be a better fit between our economies than ever before.

For example, McKinsey predicts that by 2012 the Asian market for financial services could be larger than that of the EU or US. This would create huge opportunities for the UK as a global centre for financial services. It would be good for companies like Standard Chartered that have had a presence in China for over 150 years, as well as for firms like Prudential and Standard Life that have a particular expertise that responds to Chinese requirements.

A 100-fold increase in the number of Chinese credit cards between 2003 and 2013 is just one example here.

China's automotive sector is already growing fast. BMW Mini increased its exports by almost 40% last year. Every month Jaguar Land Rover ship 2,000 Land Rovers and more than 200 Jaguars from the UK to China. Even though these companies are no longer British owned, together they employ 21,000 people in the UK. As the middle-class explodes, so will this sector. According to research, it is when incomes hit \$9,000, that people are most likely to buy a car, and China could account for 42% of growth in the global car market in the next decade.

The UK's aerospace industry is the second biggest in the world. A boom in air travel will create significant opportunities for British or British-based companies. Rolls Royce believes that the Chinese market will require up to 6,500 engines worth \$65 billion between now and 2026.

China's education sector is expected to grow tenfold between now and 2025 and the Indian Government wants to create 60 million new university places and provide vocational training for 500 million more Indians over the next ten years. The English language and the global reputation of the British education system means that the UK is well placed to respond to this rising demand. The prospect is not just of more international students coming to the UK, welcome though they are. Nottingham University's Ningbo campus and Liverpool's in Suzhou show how Chinese students can enjoy a British or international education without the major expense of studying abroad. More important than the income from these ventures are the links forged, and the ties built between our two countries, that will serve us both well – culturally, politically and commercially – in the years to come.

Sceptics will point out that less than 4% of total UK trade is with China. But with emerging markets now accounting for 80% of global growth, it is clear that economies like China's offer the greatest promise for future development, as they catch up with ours. Indeed, UK exports of services to China increased 60% in 2008 and the UK is the largest EU investor in China. We need to think, and position ourselves for the future.□□

The Policy Choices

However this future – this age of opportunity – will not emerge by accident, but by design. In part, this will require domestic policy changes. As China's government understands better than anyone, the speed of this country's growth will depend on the policies it pursues in the months and years to come. Pension provisions and government-sponsored healthcare will give people more confidence to spend rather than save. Liberalisation of the financial sector will increase finance available for consumers and companies. Better protection of intellectual property rights – improved patent application systems and stricter copyright laws – would encourage innovation.

Equally, Britain will only maximise its benefits from these new opportunities if it has a strategy to do so. The UK's business-friendly environment, with a clear legal framework, stable interest rates and access to finance has long brought international business to our shores. 430 Chinese businesses have already invested in the UK. But our continuing prosperity means positioning ourselves to respond to new areas of demand in emerging markets. That is why the British government's new policy of industrial activism is about creating a platform for the growth sectors of the next two decades.

But national policies, however deftly devised and implemented, will only ever be as effective as the international economic order allows. An economic order without the harmful, persistent imbalances between countries; a global economy, where services, goods and capital can move more freely across borders, tapping into new sources of demand, and driving up productivity; an economic order governed through rule-based, multilateral institutions that restore the trust on which economic activity is based.

This will be very challenging. Domestic economic pressure makes global engagement hard. But the pillars of a new economic order are clear, and there is a strategic role for Sino-British partnership in driving this forward. There are four key principles for all of us to seek to promote.

Openness

First, openness - to trade, ideas, people and investment. At the beginning of 2009, many predicted that the financial crisis would be compounded by protectionist measures mirroring the 1930s, when the Smoot Hawley Tariff Act turned the Wall Street Crash into a decade long depression.

According to Global Trade Alert there has been an increase in protectionist measures, but levels remain well below those of the 1930s. This in part reflects deeper shared interests in open, connected markets. International supply chains have created a strong corporate constituency in favour of low tariffs. Norms of open trade are reflected in global and regional institutions, such as the WTO. But the biggest reason why the protectionist impulse was neutered was that policymakers found alternative ways of creating jobs and growth, through fiscal and monetary measures. Demand management counteracted domestic pressures for protection.

In Britain the Government is committed both to avoiding premature withdrawal of government support, and to halving the deficit in four years. The danger is that if growth remains sluggish, states will be unable to fall back on fiscal or monetary tools to support industry and may be tempted by protectionism as an alternative.

It is therefore essential that those with an interest in open trade create a bulwark against protectionism. There is a clear case for partnership here between the world's fastest growing economy, China, and its largest single market, the European Union.

A world trade deal could be worth up to \$170bn annually. China and the EU should work together with the US to show that completing the Doha round will provide an aggregate boost to jobs in Tennessee and Texas as much as Chongqing and Guangzhou, or Munich and Manchester.

The G20 meetings in Canada in June and Korea in November will help to focus attention on the protectionist threat. But Regional Trade Agreements, such as the EU-Korea deal signed last year can also play a vital role in building momentum, provoking commercial lobbies in other major economies to lobby for better

market access.

Concrete steps towards a climate change deal will also be critical in heading off the threat from green protectionism, delivering the carbon price necessary to achieve more sustainable growth. So too will welfare programmes if they seek to protect workers through rights to work and re-training, rather than protecting jobs, as the UK's 'job guarantee' scheme seeks to do.

The ability of governments in the West to sustain popular support for open markets depends critically on being able to demonstrate that there is a global trend towards openness from which their own companies can benefit. So it's worrying that we're seeing more reports of foreign investors in emerging economies encountering new barriers to investment. This not only increases protectionist pressures in Europe and the US. It also deprives China and other emerging economies of cutting edge technologies which in turn raises their own competitiveness. Everyone loses.

The cumulative and unintended consequence of small, industry-specific protective measures can result in an unraveling of the economic interconnectedness on which both our countries' prosperity is founded. If markets begin to close, the new jobs we need to create to absorb the millions of people coming into the job markets in Europe, the US, India and China, will not materialize. Our shared interest must be in creating a reverse dynamic towards greater openness.

Low-carbon

Low-carbon energy offers a particular opportunity for this. It is the second principle.

2008 will go down as the year of the credit crunch. But, it also saw a resource crunch, through high energy and food prices that contributed to, and exacerbated the financial crisis. Spiraling commodity prices contributed to global imbalances. For instance, the fall in oil prices from their average 2008 levels, has reduced the current account surplus of oil-exporting nations by 8% of their GDP. Commodity price inflation also delayed the loosening of monetary policy, with central banks facing both falling asset prices

and rising commodity prices.

To prevent rising commodity prices from thwarting the economic recovery, and to stop the resource crunch from pushing us back towards a destabilizing zero-sum scramble for resources, we urgently need to shift to low carbon development. But it is not just that. The dangers of resource crunch and green protectionism are real. There is a further point. The low carbon agenda is not about constraining development space but about expanding it. It is not about limiting growth and dividing up the economic pie in a sustainable way; it is about innovation and change to create a new, more productive development path. As Europe talks of smart grids, smart meters, electric cars, and carbon capture, the size of the new markets are very large. If China does the same they are immense. Low carbon is not just an environmental necessity it is an economic opportunity. This afternoon I will see for myself one of China's largest solar panel factories, in the outskirts of Beijing – a multi-billion dollar business that is exporting to other provinces and the rest of the world.

We made some progress in Copenhagen. But there is much we need to do to build the legally binding international framework we need to keep global warming below the critical 2 degrees; I believe this is an economic opportunity not a threat.

The EU and China have a clear shared interest in working together on energy and resource efficiency. We both want to reduce our dependence on imports of oil and gas. We both recognise not just the economic dangers, but also the commercial opportunities.

Coal will be an important element of our energy security over the coming decade. But if it is not clean coal our efforts to mitigate climate change will fail. China and the EU are already working together to build one of the world's first full scale power plants that captures and stores the carbon it emits, so that we can use coal without driving up carbon emissions. But there is more that we can and must do to accelerate investment in the technologies of the future.

The key to delivering energy and climate security will be to push down the costs of low carbon choices relative to high carbon ones. The best way to do this is to accelerate market growth by integrating markets. That would, for example, reduce the price of

Chinese-made hybrid and electric cars for European customers, encouraging manufacturers to scale up, and further pushing down costs. That's what the EU single market is all about. And that is how we can best use cooperation on energy and climate to keep markets open.

Instead of the climate imperative being a driver of green protectionism, it could be a driver of green free trade. Building on the ground-breaking low carbon economic zones which our two countries have established over the last few years, we should explore the potential for rapid removal of tariffs and harmonisation of standards on low-carbon goods, broadly defined, across the major economies.

Reform of International Financial Governance

The third priority is reform of the international financial architecture. The current arrangements were designed for a world of comparatively isolated national economies. Today, however, no-one can be insulated from instability without international cooperation.

The shift from the G8 to the G20 as the main forum for global economic governance was long overdue. The imperative now is to ensure it continues to deliver as the immediate crisis passes. The new G20 Framework for Strong, Sustainable and Balanced Growth agreed in Pittsburgh in September is critical here. At its core is the recognition that our policy choices are interdependent. As Premier Wen Jiabao commented yesterday, we need more macroeconomic coordination between nations. Without a mechanism for coordinating to ensure a better collective mix there is a risk that spill-over between countries will undermine financial and economic stability. According to the IMF the difference between getting this right and getting it wrong could be worth up to \$6 trillion over five years. So as the British Chancellor, Alistair Darling, has said, this mutual assessment process should now be the central mechanism for international economic coordination.

If we are to forge new forms of global economic cooperation we need to go further and faster in reforming the key International Financial Institutions, strengthening their relevance, legitimacy

and effectiveness. Gordon Brown has put forward proposals on behalf of the UK. Working more closely with a stronger Financial Stability Board, we want the IMF, working on the basis of more equitable representation, to improve surveillance of the global economy, to highlight vulnerabilities and avert crises. We believe that the World Bank, IMF and regional banks need a broader mandate that reflects the critical economic challenges of this century – closer economic and financial linkages between states, instability and poverty but also climate change. As the world's second largest economy, we want to hear China's views on what structures would be most fair, most equitable and most efficient. The scope for an Anglo-Chinese partnership in forging a new economic order is clear.

Markets with Values

A social market economy that treats individuals as citizens not merely as units of production is more flexible and ultimately more prosperous than naked capitalism or state bureaucracy. So my fourth and final point relates to the values which I believe our societies must, over time, respect. Over the last thirty years, China has laid the foundations of what could become the world's greatest economy. It is pouring the concrete and building the infrastructure - from the superhighways to the high-speed rail connections, new schools and gleaming university campuses. Visiting the Shanghai Urban Planning Exhibition Centre, as I did two years ago, you cannot help but be impressed by the speed of this city's modernisation, and inspired by the vision for its future.

But as Premier Wen said yesterday, "social equality and justice form the basis of stability." The next phase will inevitably be to build the social systems, the legal infrastructure and the framework of rights and responsibilities that will make China's economy not just more productive and more efficient, but more just, more stable, more innovative, more entrepreneurial and more attractive to high quality investment.

The spur for this will come from within. Because people want property rights, but they also want choice, and access to information on which to base their decisions. And companies

want to know that they can rely on impartial application of the rule of law, that their ideas and inventions will be protected, that their investment in research and development will drive their profits not someone else's.

Workers want better working conditions, reliable social welfare provisions, and the right to live where they choose. In Europe the development of the social market economy has involved not just government and private business but the voices of civil society, notably in trade unions. In western Europe, trade unions played a vital role in post second world war systems of governance - often inside the decision making process, otherwise as a force in society and industry. The challenge of renewing the collaboration of employees to promote productive business and strong societies remains pressing today, to engage the will power and ideas of the workforce in public, private and voluntary sectors. Chinese systems of law, business, and association are different. But the contribution of your people, in the workplace, in communities, and as you have been discussing in the party, will be a vital contribution to human values that need to be asserted to make a market economy work.

International markets will support this evolution. Foreign investors seek transparency and fair competition so that they can be confident in their investment. International consumers are not just concerned about the price they pay but the social impact of the goods they buy. When Greenpeace called for a boycott of Shell in 1995 because of its plans to dump an oil platform at the bottom of the Atlantic, its sales plummeted. Public concern about how the diamond trade was perpetuating civil wars in Africa in the 1990s led to a complete overhaul of the global diamond market. Globalisation is leading not just to the convergence of our economies, but to the growth of a global social conscience. Companies with global ambitions will have to adjust to that fact.

This raises hard questions about the responsibilities of states to their own citizens, and the extent to which the international system has sway. It goes to the heart of doctrine of responsible sovereignty that I set out in Beijing two years ago. Already we are sharing our own best practice experience with you on intellectual property rights and social security tribunals to resolve disputes on pension and benefit entitlements quickly and fairly. We look

forward to forging many more similar partnerships in the years to come.

Conclusion

As we emerge from 18 months of crisis, we must acknowledge the problems we face and begin to tackle them. But we must also acknowledge the economic and demographic possibilities on the horizon - the Age of Opportunity that is ours to seize.

Shanghai is a remarkable demonstration not just to the rest of China, but to the rest of the world. . After economic reforms in 1992, Shanghai posted fifteen consecutive years of double digit GDP growth; outstripping any other Chinese province. Indeed, though only home to 2% of the country's population, it contributes 16% of its GDP. This city's has flourished - now and throughout its history - when it has been open to the outside world. It reminds us that, just as the world needs China, so China needs the world.

This year the Shanghai Expo has the theme of Better City, Better Life. This encapsulates the benefits that China's unparalleled growth has brought, and can bring, not just to the growing ranks of its middle class, but to its entire people.

I hope the Expo will be an opportunity for cultural exchange as well as commercial engagement. An estimated 70 million Chinese will visit. We hope that those who come to our pavilion or visit our website will learn not just about the economic opportunities of trade with Britain, but about our society, our values and our way of life.

Through our website, Chinese people decided that the British pavilion, which I visited earlier this morning, should be called the dandelion - pugongying. It is a highly appropriate name as it houses 60,000 groups of seeds provided by the Kunming Institute of Botany in partnership with Kew Gardens' important Millennium Seed Bank project. When the Expo ends, these seeds will be sent as gifts to schools all over China. A gift of co-operation, of openness, of sustainability and of shared growth. A symbol of the future that we want to sow together.

Trilateral Relationship of China, EU and U.S. in Transition

Mr. Dominique de Villepin

Thank you very much to receive me among you to present today. I'm very pleased about the opportunity to exchange with you some ideas on global cooperation between China, EU and the US, which is one of the major challenges in the coming years. It won't be easy but is necessary to re-invent positive and constructive relationships. We've been going through important and difficult time. I'd like to start with a few dates to give you a perspective on the kind of changes I would like to talk about.

I would mention three turning points, namely, the year of 1989, 2001 and 2008. First, nothing can compare to the US superpower at the end of the Cold War. But the perspective that the fall of the Soviet Union means "the end of history," or that it means the full success of liberalism and capitalism, is totally wrong if we look back today. Second, when the US suffered from the 9·11 terrorist attack, the world became divided into two camps again, the western world and the Islamic world. Downfall came at a time of US full prime. The Iraq War ended the illusion by the neo-conservatives that the US was able to re-organize the world order by force. Currently, the Middle East, which is one of the most important and strategic regions, is more divided than ever. Third, the financial crisis is a rendezvous for the West and the slow growth may prolong for many years. The West presents a heavy bill which is hardly affordable. On the other hand, the emerging powers such as China are in a different situation. They

H.E. Dominique de Villepin served as Prime Minister of France from 31 May 2005 to 17 May 2007. This is his presentation and Q&A at the Roundtable on Trilateral Relationship of China, EU and U.S. in Transition held at Shanghai Institutes for International Studies (SIIS) on 17 March 2010.

take advantage and make profits from the crisis. Therefore, the new division is not a political one, but a division between the rising and the declining economies.

In the context of transforming power structure, there are three scenarios in front of us, namely, *competition*, *confrontation* and *cooperation*. First is the *competition* scenario. The world follows in the same line of what we have today. We will see China increase its power and try to use it in the next few years in order to fully develop, which means lifting people out of poverty and reducing regional differences within China. China should find a way to make its own model of development acceptable to the Western world. China has also to increase its capacity of solving its own problems. So, the competition stays as it is. But this scenario doesn't take into account the reality that the West can't solve problems by themselves. It means that the scenario of competition only will not answer the problems of the world.

Second is the *confrontation* scenario. The Europe and U.S. won't just stay looking, they want to protect themselves from the consequences of China's development. The rising protectionism is partially a response to China's strong economic advantage in trade surplus and low cost exports. Furthermore, China does not face the same constraints that the West does due to environmental concerns. So this could lead to a strong reaction on the part of the West as the West may accuse the competition of being unfair and demand for a change of the rules.

Third is the cooperation scenario. Cooperation means finding what is in the best interests of both. Cooperation means trying to find what's good for all of us. Cooperation means compromise. Now, China lays emphasis on its status as a country looking for development. But China can't hide the fact of its growing power and strength. Today, nobody in the West sees China as an developed nation, it is perceived as a leading world economy if not the first. We have to find a quick way to go from an announced confrontation to a strong cooperation by reaching a ground of common interests. However, we haven't found a common ground on which we could work together yet.

Not only economy but also politics is important to China and the West in a global world. We need a strong capacity for settling our economic problems in a way that will also enable us to

approach our political issues in a positive and dynamic framework. Obviously, Tibet, Taiwan and Xinjiang are still subjects of tension, and it's clear that we have not yet found a good balance while addressing these issues. But actually, none of these are primary subjects for the West. The problem is that when the economic situation is as difficult as is at the current moment, and since we can't find the right tune of approach, there will be more emphasis on politics and the global relationship between China and the West will become more difficult to both sides, both economically and politically. It's very important that we find common interests in social and economical challenges, because, if not, strong tensions will be nurtured in overall global relations.

We need to make significant progress not only in treating political and economic issues, but also in building a new framework for our relations. This framework has to be multilateralism and global governance. In these respects, Europe is China's strong ally. That's where Europe stands with China and may have difficulties with the US. Many people in the US and some parts of the Anglo Saxon world are not interested in changing anything in the global system, because the existed financial system is in their hands and to their advantage.

The US is fearful of a new political governance, that's why they invented the new concept, which is not multilateralism but "multi-partnership". Someone also raised the idea of G2, which I regard to be completely stupid. It might be in the short-term interest of the US but certainly not in the interest of China. The concept of "multi-partnership" enables US to avoid criticism of unilateralism. But, in fact, the idea is a rejection of multilateralism because it still aims at helping US maintain its global domination by allowing the US to choose its own partner and to create the possibility of dialogues while avoiding global competition and confrontation. However, this might be dangerous for them in the end.

Multi-partnership is just another version of unilateralism, it's not a new system that we need. To create new governance is the real challenge, and to the global player that China is today, it's an absolute necessity. China needs a new governance as much as the EU. History teaches us that, no matter how powerful it is, no country has the capacity to monitor the world alone. You will

have to pay the price alone. You will be responsible for the problems of the entire international community. But at the end of the day, we are going to be responsible altogether.

Since China is going to be a superpower in the coming years, it's in China's interest, cultural spirit and capacity to contribute to global governance. As an ancient country with a very old culture, China has its own history and experience. Some Chinese people might believe that maintaining the status quo, which is the negative version of harmony, can be the best solution. But I argue that we have to look for the positive version of harmony, which means, initiatives.

At the same time, we also want results. We need to monitor the international agenda to alleviate people of the burden of suffering. We need to have a global conscience, to care about what's going on all around the world, and to show that all together we can solve the problems. Global governance is not only about state or personal satisfaction, but is about creating tools and ability to solve the problems in the world as well. I believe this is the real challenge for all of us. We do have the capacity as well as the responsibility.

Today, China is one of the two or three main global players and is going to be very soon the first global player, which means an equal share of responsibility. China cannot escape its responsibility. Even if the governments around the world very often are blind, the people are not. China has to answer to the questions and expectations both of its own people and of other peoples and countries.

Questions and Answers between Mr. de Villepin and the Audience

Mr. Chen Dongxiao, Vice President, Shanghai Institutes for International Studies:

I'm deeply impressed at your enlightening remarks and proactive prescription for global cooperation. It is indeed a major progress for the US to start adopting a multi-partnership approach, yet we must bear in mind that China is still a rising power with a multitude of domestic socioeconomic problems on hand.

Regarding how we can work together, a few points should call our attention: First, whether or not the current crisis really helps us recognize, we've already stepped into a new era and thus it's time to reflect on various models of development. During my visit to Vietnam just a few days ago, I was shocked at the fact that the younger generation tends to regard Westernization as the only passage to prosperity. But the Chinese people have come to realize that there're alternative ways of development. Second, how we can reach a strategic understanding among each other. Although history has demonstrated that China is a peaceful nation, the West is still skeptical of China's intention with its rise of power. And third, what can we do to substantially extend our cooperation while exploring ways to address such global issues as the spreading nationalism and protectionism? With so many challenges confronting us, it's safer to remain cautiously optimistic for now.

Mr. Dominique de Villepin:

I can't agree more with you that one shouldn't copy other countries' model of development. The idea that the Western model is the best is already outdated. It is proven to be a total failure in many parts of the world such as Africa. As to your second point, I must say that the West's fear of China's potential power is mounting with time. If we want to stop that, we'll have to find solutions on the world level—if we fail, we may face problematic reactions on the state level. That's why I believe we must be proactive in economic and political cooperation. A mixed tension of competition and confrontation always exists among countries. If we can't find new fields of cooperation, even benign competition will turn out to be confrontation sooner or later. Thus, we must work hard to accumulate strategic trust through more institutionalized mechanisms such as dialogues on a monthly or even daily basis. You simply can't have a strong relationship with a country by occasional visits between the leaders, neither by such non-institutional groups as G8 and G20. Even the minister-level UN Security Council doesn't help much, as those diplomats can't act beyond the sovereign framework. To solve problems requires taking risks to break through the framework for new perspectives

and actions. Our timetable is tight—if we don't act today, we'll face more problems tomorrow. During the *la-belle* epoch (good times) before World War I, no one could imagine a war was already looming over Europe. Now we're faced with increasing problems as well. Workers in the US and Europe are growing more anxious as they know they're going to lose jobs. China is also troubled by the widening gap between the rich and the poor. In the modern world where people have the real power, populism is what happens when leaders don't listen.

Ms. Yu Xintian, Chair of Academic Committee, Shanghai Institutes for International Studies

I agree with you that a good foreign policy should strike a balance among economy, politics and values. You also touched upon the misunderstanding between China and the West. Some Western people tend to believe that the Chinese hold totally different values from them. But the fact is, China shares many Western values and has been working hard for the common interests of the world. China's eagerness to listen to and learn from the Western wisdom is a ready example. Since France is renowned for its public diplomacy, I'd like to hear your advice on how China can promote a mutual trust with the West and dissolve their misperceptions about China's rise.

Mr. Dominique de Villepin:

You raised a good but difficult question. We must find out the basis of such misunderstanding first. I assume ignorance is certainly a part, but the real problem is fear, which provides a strong incentive to demonize China while simplifying or even ignoring the reality and complexity it has to face. That's why I believe it's urgent for us to identify what common interests China holds with the world. There are global common interests outside our respective interests, and no doubt, China should be in a good position to defend these public goods. Although many people thought it might take China 20 to 30 years to take the leading role in the world, the financial crisis has driven China to the front stage over the past year, which has entirely changed the way you talk

and behave. Now you can't just speak on behalf of China, you must have others in mind as well. You can't just go on saying that "we're poor" or "we have lots of problems," because you're perceived as a strong presence and you have to be ready for more responsibilities. People are looking to China for solutions.

I agree with you that we share many common values. It reminds me of Zhao Wuji, a famous Chinese painter living in France, whose paintings perfectly integrate Western elements into the Chinese vista—a transcendence of the East-West dichotomy. I totally identify with the emotions in art forms and works presenting the lives of other cultures and people, so I believe we can bridge the gap between us. But we must do our homework: first, we have to find ways to renew our own identities. The biggest challenge for China is to reconcile its past and present, no matter how much pain this process might incur. History and modernity can't be kept apart; they have to be mixed and accepted. For instance, it's great for Chinese leaders to emphasize "green economy" in recent years, since urbanization is not a solution but will create even more costly problems in the long run. We also had a debate in France on the French identity, which was a very painful struggle. When we are able to accept our own complexity, we'll be ready to reach out for others. This capability of embracing diversity is going to be immensely useful to China. A key element of a lasting love relationship between two people is not about loving the good parts of each other, but rather about living with the difficult parts. We shouldn't be afraid to confront each other in our views on difficult issues, because in the end, it's not the core values, but economic and political constraints and time frames that separate us. The capability to put on the table our differences will give us ability to imagine new solutions. I'm convinced that China will invent a new political model in the coming years. I don't believe what we're doing now is the best, but it's what we can, and we can do better tomorrow.

Mr. Xu Mingqi, Deputy Director of Institute for World Economy Studies, Shanghai Academy of Social Science:

At the moment, China faces a lot of international pressure, from both the US and EU, for example, to appreciate our currency,

to take up more responsibility, etc. But I feel that the international community has to understand that we need time to get ready for these responsibilities and requests, which, in my view, are not rational and well-meaning demands all the time. How do you suggest that China respond to these mounting pressures?

Mr. Dominique de Villepin:

China needs to listen to these messages from the world. It is an urgent matter that China answers to the needs of the international community. The world expects cooperation from China. It expects China to take initiatives. On what issues or in what scope, that is something to be discussed. We have a wide range of issues to choose from, but, first of all, China needs to establish a positive and proactive image for itself. To communicate effectively with the world, China also needs to be able to explain your goals of development, perspectives and policies in a way that is clear and accessible to the rest of the world. It means you should not just talk to the government; you should also be able to get your views across to a wider global public. For now, you only have a few people who can do that. They are intellectuals and academics whose influence on the public opinion is quite limited. The government and the public are two different things, and public opinions and feelings are, indeed, more difficult to change. If you face a growing fear in the public, this might be very difficult to reverse.

Mr. Dai Bingran, Professor of Fudan University:

I have two questions. My first question is about a recent proposal to create a European version of IMF. You seem to deem the current one an extremely inadequate institution. Then, why another IMF? What's the use of producing a new copy of something that has already failed? My second question is about China-Europe relationship. We're getting the impression that Europe is increasingly convinced of the need to take a tougher stance regarding China. How will that sentiment influence our bilateral relationship?

Mr. Dominique de Villepin:

In Europe, we believe that the first crisis is over but we might fall prey to a second attack of crisis if we are not able to find a structural solution in time. U.S. does not have the incentive to reform the current financial system; they would like to keep the status quo. We are not clear whether the US will recover quickly from the current crisis, but we are pretty sure that, in the long run, the US will be declining in power. Its ability to adapt is at a low point, as it is focused on holding onto its power rather than on trying to create a new financial governance system. But Europe is quite the opposite. We want to restructure the system, that's why we proposed to set up a new currency system which can offer a basket of different currencies rather than being pegged to a single currency. The main vision behind the proposal to set up a European IMF aims at financial independence for Europe. We want to build an independent financial governance institution that can fund and protect European countries in times of crisis.

At the current moment, the tensions between China and Europe are real. With bad economy and high unemployment rate at our doorsteps, Europe is in a sensitive moment. We fear China's competitive edge which we perceive to be quite "unfair" because it is an edge based on low wage, weak social welfare infrastructure, and substandard environmental norms. We are not just picking on China. As a matter of fact, EU nations have also criticized Germany strongly for lifting up export volume by means of keeping low the costs of wage and welfare expenses. Of course, China has a right to full development, we anticipate that, but we also have a right to be let live. That's why China and Europe have to take cooperation seriously; it has to be more than just a few talks. We need cooperation to develop real solutions and to find the right answers. It is essential for us to devote more time, energy, and resources to create a relationship of full engagement. Without cooperation, confrontation will take over soon. And I think, if China makes up its mind about who to cooperate with, it will be a lot easier if China works with Europe first. Europeans are open to many solutions. We are willing to experiment with different approaches in order to find the right tune.

Mr. Chen Dongxiao, Vice President, Shanghai Institutes for International Studies

Europe scholars in China are divided in their views on the impact of the global financial crisis on Europe's power. Some are of the perception that the crisis has set Europe on a downturn, while others think that Europe is simply in the middle of a special transition. What's your assessment of the prospects for Europe in a post-crisis world?

Mr. Dominique de Villepin:

It's important to analyze perceptions so as to understand how they are formed. In coping with the crisis, we, both China and Europe, have more advantage over the Americans, because our civilizations have undergone real revolutions and transformations in our respective histories. Of course, we got anxious and impatient under current circumstances. But an important thing is that, we still have hope, a hope that comes from our ability to reinvent the system, to learn from our past, and to put into place a new world. Talking about Europe, we have the capacity to cope well with crisis. We have geographical and political proximity to many world crises going on today; we have historical references guiding us on the dos and don'ts in times of crisis. The United States has lost ground everywhere, and the instruments of their power are becoming less and less effective. However, the US elites do not seem to be fully aware of their precarious situation.

What's going on with Europe today? The enlargement of EU, for example, demonstrates our effort to increase our strength and to build a more efficient governance system. We also passed the Lisbon Treaty, but I think the Lisbon Treaty is not the answer for EU. Soon, we will find ourselves in need of new treaties. Lisbon Treaty does not give us the tools to solve our problems. For instance, to have a president of the EU Council elected is not the solution. I believe we have to have a new treaty in place to grant people the power to choose who shall become the president of the Council. If that happens, it will be a dramatic boost to our ability to achieve true global governance. We do face a huge challenge in

finding an adequate economic governance model for Europe. The problem today is that, we have as many economic models as the number of EU's member states. The rise of China, in particular, is a stimulus to Europe, as it makes us realize that we have to take new steps and measures, and the actions have to be taken fast. If you keep growing fast, we will feel compelled to catch up.

Mr. Ye Jiang, Director of Institute for Global Governance Studies, Shanghai Institutes for International Studies

Chinese people's hard work is at the back of China's fast economic growth. Do you think that European society might have to revamp your welfare system as well as to learn to adopt China's work ethics? Also, could you talk about technology exportation and cooperation between China and Europe?

Mr. Dominique de Villepin:

In Europe today, we have the world's most refined and sophisticated way of life. The US lifestyle in the 1950s used to be a global dream, the dream of having a house, a car, and a TV. What we know is that you can have all these without having a life. We've come to realize that possessing all these things is not enough, because we've witnessed the outcomes of different lifestyles. We know we also need time to think, to relax, to spend with family, to breathe. We've seen the damages of modernity to our countries. China will one day find itself fighting for good air, pure water, a better environment rather than for material possessions. For modernization, we pay a price. It is not only paid in the quality of life, it's paid in our health, social security, political stability, and mental well-being. It seems that Europeans want a life, the US power, and China the jobs. In terms of our needs, we are on different planets. Of course, Europeans do not want to lose our jobs, but we are neither willing to sacrifice our life. We want to have both. The challenge is how to make both stay? And to accommodate our different needs, we must build an architecture that can deliver to all. Someone has to be in charge and take initiatives, because no one feels that global governance is his responsibility. But someone has to come forward. Global

governance today is the work of the world's big leaders, of which China is one. Global governance is a task that can't be ignored, because no one can arrive at the solution by themselves today.

As to the issue of technology export and cooperation, I admit it's a delicate area. But the situation has changed significantly today. Neither Europe nor U.S. used to believe that China would be able to close the technology gap between us so fast. We used to think that China would continue to focus its advantage in manpower. Today, however, our thought is proven to be wrong. China is not only able to challenge the Western power in technology; it also has the capacity to innovate. Also, when China comes along, you often come along not only with a technology as good as or even better than ours, but oftentimes one with a lower price. What shall we do then? This changes the nature of our relationship significantly. China's growth worries Europe because Europe is, indeed, worried about its own future. If you are able to catch up so fast, where would that leave Europe? But I believe in cooperation. I believe that to find our common interests and common grounds as soon as possible are the key to defining a new kind of partnership between China and Europe.

Mr. Wang Wei, Chair of Department of International Politics, Shanghai University of Political Sciences and Law:

I want to ask about Europe's foreign policy to China. For many Chinese analysts and students alike, we feel that France's foreign policy to China is mysterious, characterized by lots of uncertainties. What's your comment on Sarkozy's foreign policy? If you win the next election, do you have any framework in your mind for foreign policy to China?

Mr. Dominique de Villepin:

The Dalai Lama issue, Tibet issue, and Taiwan issue, are not the real challenge. With what methods to approach these issues, where are the limitations of diplomatic instruments, and what abilities are brought to the problems, are more challenging than the issues themselves? Over the course of time, these issues have been handled differently, depending on the personalities of the

leaders and the context of media opinions. Media likes to make drama. For instance, I said that I don't think Dalai Lama or Tibet is a real issue for the West because everyone in the West admits that Tibet is part of China. However, beyond this international acknowledgement, China has to find out a way to address the problem at the domestic level, in this respect, it is China's own problem and own responsibility. Of course, we need to put into place rules of respect for each other, but we also have to get accustomed to these situations.

I believe that Tibet, Xinjiang or Taiwan will only become hot buttons in the relations between China and Europe or China and the US when we fail to find common grounds and solutions in the economic area. Economy is what demands our priorities and we need to work on building concrete mechanisms that can help us cooperate and find solutions. Of course, we do emphasize different values. Human rights is a fundamental value in the West, however, it is a value we don't respect very well ourselves. The thing is, we not only share values, we also share problems, and the need to solve our problems is more urgent perhaps. Certainly, we have to respect each other's values, but at the same time we also need to make real progress. In the final analysis, we need more cooperation to make that progress happen.

Mr. Dai Bingran, Professor of Fudan University:

China is not just developing for its own good; our development has contributed significantly to world growth. And you talked about Europe's fear about China's competitiveness, but competition is not something to be feared. Economically, it can have a stimulating effect. My comment is that I don't think Europe's fears about China's fast growth is well justified. After all, where China is most competitive, the labor-intensive manufacturing sector is a phase that will inevitably fade out in U.S. and Europe as you move up to more advanced stages of industrialization. Why is Europe so worried then?

Mr. Dominique de Villepin:

It is not how Europe looks at this. Fear is widespread across

many European countries, and we're simply not prepared, because everything just happened so fast, leaving us with little time to respond. Even though labor-intensive industries will eventually fade out in Europe, the process of transition and change is painful and difficult. Of course, we need to do our homework. But still, what will the new economic system look like if all manual jobs are monopolized by China? I think to set up a new European government is necessary and this government has to have a design for Europe. It means we need to find ways for our interests to be able to complement each other. That's why cooperation between us is important, which is needed to help us fight fears, make adjustments, point out the possibilities, and reach a mutual understanding.