ASIA AND THE REFORM OF GLOBAL GOVERNANCE

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In addition to its scale, the current Great Recession has been unusual for several reasons. It began at the core of the global economy—the United States and the European Union—and only in late 2008 spread rapidly to other regions, including Asia. The economic performance of the Asian economies displayed wide variation, with the Newly Industrializing Economies (NIEs) more seriously affected, and the larger emerging economies (China, India, Indonesia) experiencing sharp drops in growth but not entering recession. Overall, the emerging economies in the region began their recovery in advance of and more robustly than other developing regions. (Goldstein and Xie 2009)

The Great Recession has also exposed weaknesses in global governance, even though its has not brought (to date) the widespread questioning of or defection from the existing global "rules of the game" that occurred during the Great Depression of the 1930s. In the years before the financial crisis, and despite the advance of globalization—whether measured by the continuing integration of markets or the expansion of cross-border flows—global governance in many domains had actually contracted. (Dobson 2009)

This combination—superior performance on the part of emerging economies in Asia and a renewed sense of the inadequacies of global governance—has produced claims that power in the international economic order is shifting inexorably toward Asia

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and that any reconstructed global institutions will necessarily bear the stamp of that region, a stamp that will differ measurably from that of the current incumbents, the United States and the European Union.

These claims are questioned in the analysis that follows. Global governance is a broad and poorly defined term. Here, it is taken to mean a set of authority relations within a particular issue-area of the global political economy.[1] In particular, the key global economic multilaterals in the issue-areas of monetary and financial relations on the one hand, and trade, on the other will be examined: the World Bank, the International Monetary Fund (IMF), and the World Trade Organization (WTO). These institutions offer a reasonable set of proxies for Asia's current and prospective influence in global governance, since the growing weight of Asia in the world economy is likely to have perceptible effects first in these issue-areas. As proxies for the role of Asia, the influence of Japan and China, the two largest economies in the region, are examined most closely: Japan's rise in the 1980s and its role in global institutions has, in certain respects, served as an indicator of China's likely role in global governance. ASEAN and India are also included in Asia for the purposes of this analysis, but their specific policy preferences and differential strategies cannot be considered in detail.

Japan's role in global governance also points to a necessary caution at the outset. Asia's continuing economic rise is too often projected to continue on a relatively straight line based on past performance. The projection of Japan as Number One in the 1980s and the subsequent sharp decline in its economic performance suggests that

[1] For a discussion of alternative definitions of governance, Kahler and Lake 2003: 7-11.

predictions of this kind should be handled with care. Although most of emerging Asia has done relatively well during the recent recession, the economic downturn also demonstrated that talk of "decoupling" from the other centers of global economic influence was premature. In addition to their vulnerability to external shocks, the largest economies of Asia face numerous challenges that could set back their economic progress: rapid aging of populations, lack of political and legal reform, economic and social inequities. Even if emerging Asia's economic performance is relatively uninterrupted, Agarwal (2008) points out that there is still a great deal of catching up before the larger emerging economies reach American or European levels of income. Other, more radical projections of China's rise suggest that Europe may be overtaken much sooner.[2] The rankings of countries by economic size (GDP) have changed relatively little since 1960, although two Asian economies, Japan and South Korea, are the principal exceptions. Even today, South Korea's economy is less than half the size of the French economy, and Belgium's economic scale surpasses that of Indonesia.[3]

In order to project Asia's influence on global economic governance, I will assume that growth rates in emerging Asia, whatever the turns of the business cycle, will continue to surpass those in Europe and the United States: catching up will continue. Under those conditions, what will determine the influence of Asia on global governance? First, Asia's influence over global institutions and governance of these issue-areas must be estimated. The region's influence will be based in part on the influence of the key national governments within governance structures and

[2] Compare Agarwal 2008 to Fogel 2010.
[3] 2007 World Bank figures. On rankings, Agarwal 2008.

institutions. Eventual outcomes will be related to both their capabilities and their strategies of influence, but also on the responses of the incumbent dominant powers, the United States and the European Union. The influence of Asia will be magnified if the region is able to coordinate its national aims and strategies, through coalition building with countries outside the region and regional collaboration within. The success of regional institution building is a third determinant of Asia's influence over global economic governance: a credible regional option increases Asia's bargaining leverage vis-à-vis other regions, so long as that regional option does not also undermine global governance regimes.

Asian influence over global governance reform is also determined by a second variable: the preferences of Asian governments. If the key Asian governments have preferences that diverge only slightly from the status quo (measured by both their preferred design of institutions and the policies pursued by those institutions) then the degree of change in global governance will be slight, even if capabilities shift and institutional weight changes to reflect those shifts. This dimension of change is the most difficult to estimate, since preferences may change as capabilities change: a more powerful state may raise its ambitions or it may become even more invested in the existing order that produced its rise. These questions are particularly central in estimating the future influence of China, and, over a longer time horizon, India. The relationship between preferences and governance outcomes may also be diluted by the degree to which governments invest their capabilities in changing the institutions of governance: governments may choose to invest little (if they are essentially satisfied with the outlines of global governance) and free ride on the contributions of others. A stance of free riding would have its own effects on the future shape of global governance.

A careful investigation of the capabilities and preferences of Asian governments suggests that changes in global governance backed by the region will not fundamentally challenge the current configuration of institutions and norms. Whether authoritarian or democratic, governments throughout the region base their legitimacy on economic performance, and their performance has been closely linked to the existing global economic order. Capabilities in each issue-area will continue to expand, but translating those capabilities into change will remain difficult for the key Asian governments. Constructing regional coalitions in favor of change will remain daunting in this very heterogeneous region, and credible outside options based in the region will only slowly emerge. Preferences will diverge from the status quo most sharply when Asia is unified in its aim to reduce the effects of external shocks (including the policy shocks of extra-regional governments) on regional prosperity, a key driver in current advances in financial cooperation. Neither the positioning of Asian economies nor their domestic politics, however, is likely to present a coherent alternative to the market-friendly and liberalizing norms that govern the global economy. More likely, given the tug of domestic concerns, will be a tendency to free ride within existing institutions, a strategy that will produce conflict with the incumbent powers, but not conflict over the principles or architecture of the global economic order.

Sources of influence over global governance

Three principal determinants of influence over global economic governance are national capabilities, the ability to expand national influence through coalition-building, and the existence of regional options that enhance bargaining power at the global level. Simple increases in economic scale may not translate directly into greater power within a particular issue-area and even less within particular global institutions. Asian governments have expanded their capacity to influence global governance through rapid economic growth and increases in economic scale; they have not yet fully exploited the second and third sources of influence over global institutions.

National influence in trade and monetary affairs

Market size is related more closely to national commercial power than it is to monetary and financial influence. "The capacity to open or close a market" is a reasonable estimate of a bargaining power in the trade regime. (Barton et al. 2006: 10-11) Opportunity costs of closure are likely to be less for large, less open economies that are highly diversified. Within the existing trading system, the United States and the European Union, as the largest industrialized single markets, exert the greatest influence.

In the General Agreement on Tariffs and Trade (GATT) and now the WTO, power is shaped by institutional rules, notably the rule of one nation, one vote and the prevalence of consensus decision-making. The consensus rule, which had become standard practice under the GATT, has hardened into the preferred decision rule under the WTO. Consensus decision-making under a one nation, one vote system protects the influence of the economically powerful states, which embraced that rule when developing countries joined the GATT in large numbers in the 1960s. (Barton et al., 2006: 14, 49) Decision rules are of limited value in predicting outcomes at the WTO however, since key decisions are taken, not by the general membership, but in small caucuses, that are more or less open to interested governments. The "invisible weighting" that continues to award predominant influence to the United States and the European Union is built on the foundation of their bargaining power—the world's largest markets, to which they can credibly control future access. (Barton et al. 2006: 62-63)

The sources of influence in financial and monetary affairs are more complex. Andrews (2006) has distinguished between macro-level power, related to the distribution of the burden of adjustment to a balance-of-payments disequilibrium, and micro-level power, which operates through individual actor interests. The ability to deflect or delay adjustment costs—which translate into political costs for elites—is related to reserves (or the ability to borrow), and the openness and adaptability of the national economy. (Cohen 2006) Influence over adjustment costs can also be seen as enhanced policy autonomy. The resources that grant greater ability to delay adjustment costs in the short run also insure a higher level of policymaking autonomy: creditors are less able to impose policy conditions or to extract other concessions from the borrowing country. Those resources do not always produce an equivalent ability to influence other governments, particularly larger borrowers. The international role of a currency also adds to the ability of a government to delay adjustment. The willingness of economic actors to hold one currency rather than another—an effective vote in favor of international monetary leadership—depends in turn on a credible and conservative monetary policy as well as highly developed and liquid financial markets. (Walter 2006)

As in the case of the WTO, the institutional rules of the Bretton Woods institutions-the World Bank and the IMF—have reflected these sources of monetary and financial influence only indirectly. Unlike the WTO, however, a system of weighted voting based on quotas in both the World Bank and the IMF gave direct institutional expression to economic power on several dimensions. A system of supermajorities, when combined with weighted voting, gives the United States and the European Union (and the developing world, if it acts collectively) a veto over key policy decisions in these institutions. Since changes in quotas are one of those decisions, the incumbent powers, Europe and the United States once again, are able to delay any relative increase in formal voting power for rapidly growing economies, notably those in Asia.

The power to influence international regulatory standards for financial firms resembles bargaining power in the trade regime. A key resource is once again market access: a threat to deny access to a key international financial market serves to induce regulatory harmonization by those who require that access. (Simmons 2000) Because of this crucial bargaining advantage, the international regulatory hierarchy pre-crisis placed the United States (New York) and the United Kingdom (London) at the top. These two financial powers were able to use access to their financial markets to tighten some financial standards (for example, capital adequacy requirements) and assert leadership in new issue-areas such as money laundering. The current crisis inverts the hierarchy, however, since both the United States and the United Kingdom are viewed by much of the world as lax regulators who exerted too little regulatory surveillance of their large, internationally connected financial institutions. Given their power within the international regulatory domain, however, inducing either of these key financial players to accept greater international regulatory oversight will be difficult.

The influence of Asian governments in global economic governance

On several measures of economic influence, Asian governments should be expected to exercise growing influence over global governance in the trade and monetary issue-areas. The record of Japan offers evidence of both the success and limitations of efforts to influence key global economic institutions on the part of a large, export-oriented Asian economy—a precursor of other rapid industrializers from the region. Despite Japan's rapid rise as a major trading power during the 1960s and 1970s, its relatively early entry into the GATT (1955) did not automatically transform the dynamic trader into an influential member of the central global trade organization. Access to the United States market as well as GATT membership (obtained through the sponsorship of the United States) were based on its trans-Pacific security relationship, and bilateralism remained a hallmark of Japan's commercial policy.

Despite its eventual membership in the GATT's Quad (major trading powers), Japan did not fully engage with or embrace the multilateral trade regime until the late 1980s. A series of GATT panel decisions at that time convinced the Japanese government that a strengthened multilateral trade organization could serve as a bulwark against "aggressive unilateralism" on the part of the United States. (Araki 2007) Despite the benefits of a liberalized trading system for Japan, one of the world's largest exporters, "Japan has not played the role of protagonist in global governance of the world trading system." (Araki 2007: 179) In part, Japan's apparent bargaining power within the trade regime has been reduced by its inability to commit credibly to domestic market opening. For many foreign exporters, the reduction of explicit government-imposed barriers to trade has only exposed a dense network of behind-the-border barriers to exports and investment. Although the WTO has addressed some of these barriers effectively (health and safety standards), in other cases, such as competition policy, the global trade regime has lagged. Also dogging Japan's commercial power is exclusion of the agricultural sector from its trade concessions. With its domestic market viewed as difficult to penetrate and a key sector excluded from bargaining, Japan's commercial power does not match the size of Japan's domestic market.

More important, growing capabilities do not always produce increasing engagement and willingness to accept the costs of leadership in a given international issue-area. Because of their rapid economic growth, Japan and China maintained self-perceptions as relatively insignificant players in the world economy, long after economic development had made them major economic powers. (In China's case, this lag in self-perception was exaggerated by its self-designation as a developing economy.) In other words, only in the 1980s did Japan begin to act as an economic power that might change the existing system by its behavior, a "price maker" rather than a "price taker." Until this shift occurs, the other major powers can argue that a newly rising power is a self-interested free rider benefiting from an economic order maintained by others.

Japan's claims to leadership were more apparent at an earlier date in the international monetary and financial domains. As a large contributor of overseas development assistance (ODA), successive Japanese governments aimed to increase their influence in multilateral development organizations, particularly the World Bank and the Asian Development Bank, where Japan has claimed the presidency since its foundation. As would later be the case with China, Japan's exchange rate policies in the 1970s and early 1980s produced trade conflict with the United States and demands for revaluation (satisfied in part by the Plaza Accord in 1985). At the same time, those same policies resulted in the accumulation of substantial reserves that provided one basis for Japan's claims for greater influence within the World Bank and the IMF. The World Bank proved to be an easier target, and Japan's efforts to secure greater representation moved more rapidly there.[4] Japan was also able to mobilize financial resources in order to obtain ad hoc increases in its subscriptions to the World Bank. Incumbent resistance was greater at the IMF.

Japan achieved its formal role as second to the United States in the global financial institutions (measured by quota shares) just as the economic basis for its influence began to falter in the 1990s. It achieved less success in one of its other goals:

[4] Lipscy 2010 documents that Japan's aim to achieve the second rank in quota share at both institutions was effected by 1985 at the World Bank and only in 1998 at the IMF.

increasing the number and stature of Japanese staff members at the two organizations.[5] Although its international reserves remained large, its fiscal situation gradually curbed Japan's influence within development institutions, as the Japanese public questioned expenditures on aid programs, and its stance on debt relief and social infrastructure lagged an emerging international development consensus. (Shirai 2007: 150-151)

China's economic rise and its influence over global governance resembles the earlier trajectory of Japan, but its status as a developing country and a socialist economy in transition has slowed the growth in its influence within the institutions of global economic governance. China's transformation from an ideologically hostile opponent of existing global economic governance under Mao to an economy with a large stake in that same structure of governance is one of the most remarkable in recent history. China moved, in the course of the 1980s and 1990s, to engage with a large number of global organizations across a wide range of issue-areas.[6] At the same time, China has defined itself as a developing country, and, given persistent poverty and low per capita incomes, has often been reluctant to embrace a larger, and possibly costly, role in global governance.

China did not have the sponsorship of the United States for an early entry into the GATT after its initiation of economic reforms. On the contrary, the incumbent

[5] Japan did obtain the appointment of one of Deputy Managing Directors at the International Monetary Fund. The numbers of Japanese staff at the World Bank, for example, were outnumbered, not only by those from Europe and United States, but also by those from the Philippines and India, despite Japan's much larger financial contribution to the Bank's operations (Shirai 2007)

[6] By the 1990s, China had achieved rates of participation in international organizations that approached those of industrialized countries. From participating less than other countries at its level of income, it moved to participating substantially more. (Johnston 2008: 34.

powers in the trade regime, the United States and the European Union, insisted on lengthy negotiations to achieve very demanding terms for China's accession. Given China's embrace of a development strategy based on manufactured exports, guaranteed access to the largest markets for such exports was essential. Membership in the GATT/WTO would also remove the political leverage exercised by the United States in granting Most Favored Nation status. Membership in the GATT/WTO became a priority for China's leadership in the 1980s. The Chinese government ultimately accepted a Protocol of Accession to the WTO that imposed liberalization commitments well beyond those undertaken by other similar emerging economies, such as India and Brazil. (Pearson 2001)

Although China had stationed a delegation at Geneva during the accession negotiations, Chinese representatives at the WTO spent much of their time in the first years of membership learning the arcana of WTO negotiations and procedures. (Pearson 2006) In contrast to Japan, which joined the GATT before it reached the status of a major trading power, China arrived at the WTO already a major trading power on the criterion described earlier: a large and rapidly growing internal market, and one, given the terms of WTO accession, that would become much more open than most large emerging or Asian economies. In part because of this ready-made status and in part because of its need to develop experience in the organization, China did not devote much of its attention to governance issues at the WTO, although on two issues—chairmanship of the Trade Negotiations Committee (TNC) and the discretionary powers of the TNC sub-committee chairs—China sided with the developing countries in an effort to undermine the hold of the developed countries over the negotiations process. Overall, however, China made no effort to change either formal rules or informal negotiating processes at the WTO. (Pearson 2006: 253, 265)

China's membership in the key IFIs preceded its accession to the WTO. As a developing economy, China constructed close ties to the World Bank, and World Bank lending figured prominently in the first decade of China's reforms. Those loans, largely dedicated to economic infrastructure, provided one source of China's influence at the Bank. China and other middle-income developing countries, as the Bank's largest clients, influenced the Bank to re-emphasize such lending at a time when social infrastructure had become a centerpiece of Bank programs. (Mallaby 2004) Like Japan, China transitioned quickly to become a provider of aid, particularly to Africa, another asset in building its larger influence within international financial governance. A recent World Bank report has documented China's growing role in infrastructure investment in Africa: roughly comparable to that financed by all of the OECD countries during the period 2001-2007. (Foster 2008)

More prominent as a source of China's financial power during the past decade has been the explosion in its international reserves, to a level in 2008 that was more than twice the level of reserves held by Japan and four times the holdings of Russia or Saudi Arabia. (Drezner 2009: 12-13) China's reserves, over the past decade and during the current economic crisis, have been used to advance its position in international financial and monetary governance. China has been able to fend off scrutiny of its exchange rate policies within the International Monetary Fund. During the crisis, it has agreed to contribute to IMF lending through the purchase of IMF bonds, denominated in Special Drawing Rights. (In 2009, Japan lent the IMF $100 billion—double the Chinese amount—as a direct increase in the Fund's lending capacity.) China's influence also grew at the senior staff level: the IMF recently announced the appointment of Zhu Min, former deputy governor of the People's Bank of China, as special adviser to the Managing Director. Despite this growing role in global governance based on its financial resources, China has been less successful in influencing other financial powers, most notably the United States. Although it is the principal official creditor of the United States government, "China's efforts at financial statecraft have not appreciably affected U. S. foreign and economic policies." (Drezner 2009: 41) China's use of its financial resources are also constrained by domestic political pressures: each announcement of a financial contribution to global governance launches a new domestic debate over the wisdom of China's expanded role, in light of its status as a poor country with pressing needs to reduce poverty, improve environmental quality, and build social programs.

Coalitions and regional options: expanding national economic influence

The history of efforts by Japan and China to expand their influence over global governance suggests that power resources are relatively weak predictors of actual influence. Two additional variables have shaped outcomes of interest to these two economic powers: their own engagement (the priority that each assigns to global governance issues) and the response of the incumbent powers, the United States and

Europe.[7] Equally important in expanding national influence are a final set of strategies: opportunities to build coalitions with other, like-minded countries and to construct regional options that could increase bargaining power at the global level.

Since Japan had expanded its economic influence originally with support from the United States—also its partner in an alliance—and had then joined most of the industrialized country clubs (G5, G7), additional efforts at coalition building, apart from the regional option, were unlikely. China, on the other hand, might hope to use its economic success and its claim to developing country status, to forge a coalition with other developing countries in order to challenge the existing institutions of global governance. To date, China has not chosen the role of coalition leader of the developing world. As Pearson's careful account (2006) documents, China chose at the WTO to portray itself as a "bridge" between the developing and developed world. The WTO is not an arena of fixed coalitions: countries may align differently on different issues, and China's fluid behavior in this regard has not been exceptional. Strategically, China has chosen to act alone or with existing coalitions. Substantively, its ability to align consistently with developing countries is undermined by its diverse commercial interests, which resemble those of the incumbent trading powers (in particular, the United States and the European Union). China's status as a highly competitive exporter also separates it from other developing countries, since it seeks further opening of export markets, including those in the developing world. (Pearson 2006: 146-147)

[7] For an initial effort to measure engagement in global governance on the part of a sample of emerging economies, see Leipziger and Boyle 2009.

A more plausible coalitional strategy for Japan and China lies in Asia. Leadership of such an economically potent region would award a substantial increment of additional influence over the direction of global governance. Not only would a coherent Asian coalition lend political weight to its leading economies, a regional option would also create bargaining power vis-à-vis the United State and Europe, two economic powers that have effectively deployed their own regional economic alternatives, the North American Free Trade Agreement (NAFTA) and the EU. Asia has witnessed a proliferation of regional initiatives and institutions in the past decade. In 2000, only two major regional economic institutions existed--Asia Pacific Economic Cooperation (APEC) and the Free Trade Area of the Association of Southeast Asian Nations (ASEAN). Ten years later, the population of regional organizations has grown to include a profusion of preferential trade agreements as well as ASEAN Plus Three (APT), linking Northeast with Southeast Asia, and the East Asian Summit (ASEAN Plus Six). Despite this heightened level of activity, the Asian region is unlikely in the near term to provide an additional, base of support for either Japan or China in their efforts to gain influence over global governance. The reasons are both structural and institutional.

On two key dimensions, Asia is a very heterogeneous region when compared to the Americas or Europe: wide income disparities and divergence in political regime type. The gap between rich and poor in Asia remains the widest among these three regions, despite the economic advances of the past three decades. The region is neither uniformly democratic (Europe, the Americas) nor largely authoritarian (the Middle East); its political regimes range from an unreconstructed one-party dictatorship (North Korea) to competitive democracies (South Korea and Japan). This diversity is a reasonable proxy for national preferences which, on any given issue or institutional choice, are likely to diverge.

A further structural impediment to a coherent Asian coalition is the distribution of power in the region. Asia has no clear leader, and the two largest economies have acted over the past decade as rivals for that leadership. (Munakata 2006) That rivalry was evident as early as the Asian Financial Crisis in 1997, when Japan advanced its proposal for an Asian Monetary Fund (AMF). Although American opposition has received the most attention, both China and South Korea also opposed the initiative. In part the opposition was owed to China's unwillingness to defer to Japanese leadership; in part to the reluctance of two key creditors in any AMF to accept conditionality weaker than that provided by the IMF.

The negotiation of FTAs in the region has also been driven by rivalry between Japan and China. Until 2000, Japan and South Korea were resolute in their opposition to regional or bilateral trade agreements, preferring to concentrate on the global trade regime and the new WTO. China's bid for an FTA with ASEAN, however, touched off a spate of FTA negotiations that resulted in 139 such initiatives by February 2009.[8] The recent multilateralization of the Chiang Mai Initiative (CMIM) indicates that Japan and China can collaborate in a regional governance structure; that achievement, however, is one of the few examples of such shared leadership in regional institutions.

[8] 54 concluded; 44 under negotiation; 41 proposed. China had a total of 23; Japan, 19. (ADB 2009, Table 3.4: 87)

A final structural impediment to building an Asian coalition for the reform of global governance is the external dependence of the region. As noted earlier, any hopes for decoupling the region from the global economy were dashed with the onset of the Great Recession. The web of production networks that created “Factory Asia” remain highly dependent on final export markets in the EU and the United States.[9] That external dependence was reflected in the pattern of FTAs: of the 139 FTA initiatives, 109 were with partners outside of Asia. Regionalism in Asia would necessarily be open regionalism—a positive feature for global governance—but that openness could make it difficult to construct a coherent Asian stance for the reform of global governance

These structural impediments to the creation of an Asian coalition for global governance change have been reinforced by institutional shortcomings. Most major Asian regional institutions share a particular profile: a reluctance to delegate authority to permanent regional organizations; an exclusively intergovernmental character (no enfranchisement of private actors); few precise and binding obligations; inclusive memberships with few clear membership criteria; and decision rules that emphasize consensus-building rather than decisiveness. This package of traits is often labeled the “ASEAN Way,” but ASEAN itself has recently embarked on institutional changes that point toward the more legalized and formal structure of an ASEAN Economic Community. This dominant, “Asian Way” institutional design suits governments intent on protecting their sovereignty, defined as freedom from external monitoring or enforcement. The same design, however, renders it difficult to construct an Asian

[9] ADB 2009, Figure 3.5: 72.

viewpoint that can be injected into debates over global governance, or to mobilize Asian governments in support of that view. The incoherence of Asia's response to the current economic crisis was testimony to the weaknesses of regional institutions: responses were uniformly national. Even in key forums with substantial Asian representation, such as the Group of 20, there was little evidence of regional coordination.[10]

The absence of a credible regional economic option may weaken Asian bargaining power over the future direction of global governance. On the other hand, the absence of such an option propels the largest Asian economies into the global arena as the favored site for creating and reforming new institutions of economic governance. If those reforms do not accommodate their demands for growing influence, however, a return to regional projects could be likely, with possible negative consequences for global regimes.

Asia's preferences over global governance: Institutions and policies

The translation of Asia's growing weight in the world economy into influence over global governance has occurred imperfectly and with a substantial lag. The engagement of Asian governments and the coalitional support that they can mobilize will also influence global governance outcomes. Whether growing influence produces change—modest reforms or radical overhauls—or simply a reinforcement of the status quo will also depend on Asia's preferences over global institutions and policies. One could easily read two structural features as pointing in very different directions. On the

[10] Dobson 2009. Nearly one-third of the G20 are Asian: Australia, China, India, Indonesia, Japan, and South Korea.

one hand, Asia's economic position, as a principal beneficiary of the existing global economic order, suggests that its growing influence will reinforce the broad outlines of existing global economic governance. On the other hand, particularly in estimating the future role of China, skeptics warn that a substantially different domestic order, when coupled with increasing economic power, will result in efforts to reorder the global economic regimes in a fashion that undermines existing rules and norms.

The current debate over reform

The preferences of Asian governments over global governance reform have taken on particular significance with the onset of the Great Recession. That crisis produced renewed calls for longer run changes in global governance and modest commitments to institutional innovation. The reform process has only begun, however.

Perhaps the greatest shift has occurred in the role awarded the IMF. Only a few years ago, the IMF appeared on the brink of obsolescence in a world of expanding private capital flows. Resistance to IMF prescriptions after the Asian financial crisis and under-representation of large emerging economies in IMF governance led to widespread questioning of the organization's legitimacy. This downturn in the IMF's role in global governance has quickly reversed during the current economic crisis. The IMF resumed its traditional role of providing financial assistance to countries excluded from the troubled financial markets. In addition, the IMF instituted a new lending facility meant to be attractive to large, credit-worthy economies beset by global financial turmoil, the Flexible Credit Line (FCL). Steps were taken for an overdue revision of IMF quotas to reflect the growing importance of developing economies, including the emerging Asian economies, a commitment reinforced at the Pittsburgh Summit of the Group of 20 in September 2009. (A similar, though smaller, shift in voting power and quotas was agreed for the World Bank.) Governments of the largest emerging economies found additional leverage in a commitment to increase the resources of the IMF. This prospective shift in the balance of influence within the IMF was predicted to strengthen its representative character and its global legitimacy. The IMF was also awarded a new role by the G-20: as the provider of "candid, even-handed, and balanced analysis" for the new Framework for Strong, Sustainable, and Balanced Growth agreed at the Pittsburgh Summit.

The G-20—nineteen large industrialized and developing economies plus the European Union—had not assumed a central place in global economic governance before the current economic crisis. Its new, expanded role was confirmed at the Pittsburgh Summit in September 2009, in which the G-20 was proclaimed the new locus for discussions of global economic policy.

A "fourth pillar" of the international economic order was also created with the elevation of the Financial Stability Forum to become the Financial Stability Board (FSB). Its previous membership was enlarged to include the most prominent developing economies; most of the standard-setting bodies that were part of the Board followed suit. The FSB's role was simultaneously enlarged to match the heightened importance of regulatory reform on the global agenda.

In other areas of global economic governance, notably trade, the crisis produced less institutional change and more concerns over backsliding in national policies.

Predictably, the economic downturn produced increased protectionism; those measures were largely directed against China, the powerhouse of manufactured exports in the new global economy. The current round of trade negotiations under WTO auspices, the Doha Round, were suspended again in July 2008, with little prospect of moving forward during the crisis.[11] Given the disappointments of Doha, calls were made for a new, enlarged and updated agenda to replace the current trade round.[12]

These moves toward global governance reform reflected the growing influence of the largest developing economies, including China and India, during the economic crisis. Across the spectrum of institutions, their formal role was enlarged, with the prospect of further shifts that would enhance their influence. The G20, in particular, tilted global economic governance toward the largest Asian economies. Given greater influence, what additional changes in global governance would Asian governments promote?

Preferences over institutional design

Given the consistent institutional design of Asian regional institutions (with the partial exception of the "new" ASEAN), one plausible outcome from greater Asian influence over global governance would be a migration of the "Asian way" of institutions to the global level. This might result in a weakening of the legalized and formal character of global economic institutions, particularly those "under construction."

Asian institutional preferences as revealed within the region, however, do not appear to coincide with Asian preferences at the global level. Perhaps the most striking

[11] In mid-2009, both the G-8 Summit and APEC pledged to complete the Doha Round in 2010.
[12] Mattoo and Subramanian (2009).

example of this apparent inconsistency is Japan. The Japanese government had backed the informal structure of APEC when it was created in 1989, and, like most other Asian members, had resisted pressure from the United States to move the regional organization toward greater legalization (reliance on precise, binding and enforceable liberalization commitments) during the 1990s.

Simultaneously, however, Japan moved toward "aggressive legalism" in the Uruguay Round negotiations, playing a key role in creating a strengthened dispute settlement mechanism in the new WTO and working, with less success, to impose tighter limits on anti-dumping measures. Japan's turn to legalism was a strategic choice of institutions aimed at U. S. unilateralism (Pekkanen 2001) In similar fashion, China, despite its adamant defense of non-interference in domestic affairs, accepted stringent requirements, under its WTO Protocol of Accession, to change its domestic legal and regulatory systems. By and large, the Chinese government has complied with those commitments. (He and Sappideen 2009) Both Japan and China have both made use of the WTO's dispute settlement mechanism; after a decade of operation, Japan ranked seventh as a complainant and fifth as a respondent.[13] The record of Asian participation in the WTO does not suggest any discomfort with the legalized institutional format of global governance institutions. On the contrary, the existing model of Asian regional institutions also appears to be a strategic choice as well, rather than an institutional preference driven by culture or domestic politics. (Kahler 2001)

[13] Araki 2006; Brown and McCulloch 2009.

Preferences over policies: a revolt against the "Washington Consensus"?

The Asian financial crisis marked a turning point in Asia's relations with the international financial institutions (IFIs). The region had historically enjoyed good relations with both the World Bank and the IMF; given economic strategies based on linkage to the world economy and macroeconomic stability, the region had little cause to turn to the Fund during the debt crisis of the early 1980s.[14] The response of the IMF and the United States to the Asian financial crisis produced widespread criticism throughout the region, however. The crisis was identified as a liquidity crisis that had been met with badly designed and intrusive conditionality from the IMF. The crisis produced a turn away from the IMF in the region and prompted a search for new regional solutions that would serve Asia better during the next financial crisis, a search that produced the Chiang Mai Initiative and its web of bilateral swap arrangements linking ASEAN and the large international reserves held by the "3" of Northeast Asia.

Disillusionment with the IMF followed an earlier disenchantment with the market-oriented reforms prescribed by both the World Bank and the IMF during the 1980s. As its influence at the World Bank grew in the 1980s, the Japanese government insisted that its own development experience, which awarded a greater role to state direction and managed opening to the international economy, should be reflected in the Bank's development advice. This campaign resulted in *The East Asian Miracle* (1993), a Bank publication that gave greater emphasis to the institutional environment and the positive role of government guidance in economic development. This study was widely

[14] Only South Korea and the Philippines were directly involved in the earlier debt crisis, and South Korea recovered rapidly.

seen as a Japanese and Asian response to the often-caricatured Washington Consensus, an approach emphasizing market orthodoxy at the expense of policies based on a pragmatic reading of local conditions.[15]

Japan's model of economic development lost much of its appeal as the economic stagnation of the 1990s arrived. The critique of Anglo-American "neo-liberalism," however, gained popularity once again following the Asian financial crisis. Since China's variant of capitalism (or socialism) is even more distinct from market orthodoxy, China's own preferences over the policies promoted by global governance institutions may also create a challenge to the prevailing consensus at the World Bank and the IMF.

Before considering China's stance toward the policy regimes of the IFIs and the WTO, however, it should be noted that the international policy consensus itself has moved a considerable distance over the past two decades. Most of that movement has been in the "Asian" direction. First, the central role of institutions and good governance in development, a major theme of *The East Asian Miracle*, is now squarely in the mainstream of development economics, particularly at the World Bank. The IMF has moved to streamline conditionality, limiting the number of (often unenforceable) demands placed on borrowing governments. During the current crisis, the IMF Managing Director, Dominique Strauss-Kahn, has been a cheerleader for fiscal stimulus, and the IMF's current advice to many leading economies is to maintain that stimulus, together with an accommodating monetary policy, until recovery is well underway. Its crisis recommendations represent a distinct break with its more orthodox line during

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[15] John Williamson, who coined the term "Washington Consensus," claims that the original, narrow definition of the consensus has been expanded and distorted. (Williamson 2004)

the Asian financial crisis. Even a centerpiece of the IMF agenda during the 1990s—capital account liberalization—has been set aside in favor of a pragmatic acceptance of capital controls under certain conditions.

China's policy preferences, as revealed during the crisis, have hardly deviated from this revised consensus. Even before the crisis, a leading Chinese economist labeled China a "strong supporter of the IMF" and argued for a strengthening of the Fund. (Yu 2006) During the crisis, China took a more assertive line, openly criticizing the United States and the policies that had produced the crisis. A series of articles published on the PBOC website in early 2009 attracted the most attention. Over the name of Zhou Xiaochuan, president of the PBOC, they argued for a new valuation of the SDR, based on an expanded basked of currencies; a new SDR allocation, a recommendation of interest to developing countries; a revival of the idea of a substitution account, which had been considered in the 1970s; and finally (and most controversially), an effort to make the SDR a more attractive reserve asset. The PBOC agenda was hardly an assault on the role of the dollar that some alleged; it represented many ideas that were familiar (and welcome) from previous discussions of reform of the international monetary system. (Helleiner 2009)

In many respects, the complaints and recommendations of China, operating under Bretton Woods II, paralleled European criticisms and recommendations from the era of Bretton Woods I: discontent with American privileges under the existing monetary order; concern over the externalities imposed by misguided American policies; and cautions that the United States may undermine confidence in its reserve assets. Chinese representatives did not raise these issues forcefully at subsequent G-20 summits, nor did China or other emerging economies appear to aim at a new global monetary architecture. (Xue 2009: 14)

China's role in the global trade regime was questioned following the latest breakdown in the Doha Round of trade negotiations in July 2008. China's critics saw its rejection of the most recent compromise proposal, coupled with China's maintenance of an undervalued national currency, as short-sighted moves by a country that was more heavily invested in the success of the open trading system than any other. Even these critics, however, did not claim that China's challenges "derive from any cohesive, let alone comprehensive, strategy concocted by the political or even intellectual leadership of the country." (Bergsten et al. 2009: 12) Certainly China's major demand during the economic crisis, together with South Korea and other large emerging economies, has been a halt to protectionism in its major export markets, a goal that can only be met under a strengthened trade regime and a robust WTO.

Despite this behavioral evidence, the possibility that China might attempt to export its domestic political and economic order, in the form of a "Beijing consensus," has resurfaced with China's assertiveness during the crisis.[16] As it has elsewhere, the crisis reinforced a state-led model of recovery in China, strengthening the role of state-owned enterprises (SOEs) and highlighting China's techno-nationalism. Even at the time of China's WTO accession, China's political economy presented challenges to the existing global governance regimes. Its sheer size was combined with domestic

[16] Ramo (1998) coined the label "Beijing consensus."

institutional arrangements that were fundamentally different from any of the variants of capitalism then represented in global economic institutions. The persistence of a large role for SOEs, lack of transparency in much domestic legislation, an absence of rules governing competition, and a frail legal system—all placed China outside the domestic systems that had been accommodated in the WTO. (Barton et al.: 156)

Although China's distinctive domestic model might well pose challenges for global governance, a Beijing consensus would be an even greater threat, promoted as an alternative to the liberalizing and market-oriented norms of the existing global economic order. That threat dissolves under closer examination, however. A "Beijing consensus" promoted by the Chinese government in opposition to the existing liberal order does not exist in any coherent form; even if it did exist, it would be an unlikely candidate for export. China's model of development may best be described as a non-model. Chinese development has followed a "gradual, trial-and-error, market-oriented path rather than a well-designed comprehensive reform strategy." (Pang 2009: 129, Zhao 2009). Its borrowing from the much-maligned Washington Consensus are prominent: trade liberalization, openness to foreign direct investment, and administrative decentralization. Its pragmatic and experimental approach to development fits well with the emerging development consensus (one that has formed in response to the rigid template identified with the Washington Consensus).

Even If a coherent counter to prevailing norms could be constructed from the Chinese experience, China is an unlikely candidate for exporting such a model. A key part of China's reigning ideology (and one that poses problems for global economic governance) is precisely that each country should be free from the imposition of such models through political conditionality. China's embrace of non-interference in domestic affairs may cause it to undercut norms promoted by other aid donors, such as human rights or good governance. It is unlikely, however, to substitute another model that would be leveraged through aid or investment. Even its approach to Africa, which has drawn both attention and criticism, is marked by support for such pro-market initiatives as the New Partnership for African Development (NEPAD). (Pang 2009: 131, 134)

Asian governments have worked since the 1980s to expand their influence in global governance and key global economic institutions. At times, they have challenged prevailing economic orthodoxies, but those challenges have been incorporated in a constantly evolving policy consensus rather than overturning that consensus. As major stakeholders in the existing international economic order, Asian governments, including China, are unlikely candidates for revolutionary change. Like a shrewd Italian aristocrat, their motto might well be, "If we want things to stay as they are, things will have to change."[17]

Conclusion: Asia and the reform of global governance

The rise of new powers can destabilize existing orders. Certainly, the economic rise of Japan and now of China have posed challenges of integration and accommodation for the global economic order. Despite the rapid economic

[17] Prince Tancredi Falconieri in the novel, *The Leopard*, by Giuseppe di Lampedusa.

development and export expansion that have accompanied the rise of Japan, the NIEs, China, and now India, several stabilizing elements have preserved the key institutions of global economic governance. First, increased economic weight is not translated immediately into influence within global governance: not only do the incumbent powers impose a price for admission (consider China's WTO accession); institutions are by their nature slow to change. Nevertheless, accommodation does occur, as IMF quotas shift and negotiating clubs at the WTO are opened to new members. The slow pace of change may produce discontent among the economically dynamic, but their own limited level of engagement and, most important, unwillingness to bear the costs of leadership, often create a series of satisfactory equilibriums as their economic rise continues. Their substantive complaints about the system, such as criticisms of the Washington Consensus, filter into the evolving policy consensus as their influence within global institutions increases.

This optimistic portrait of the role of Asia in global governance, a region with large stakes in the existing international economy and a broad consensus on the value of links to that economy, may be threatened, however, as the reform of global governance proceeds. First, the latest economic crisis has demonstrated that a more integrated global economy demands closer and more intrusive international surveillance of national policies in order to prevent policy missteps that have costly international consequences. The Pittsburgh Summit of the G-20 in 2009 endorsed an important role for both the IMF and peer pressure in the new Framework for Strong, Sustainable, and Balanced Growth. The frontier for many global economic regimes lies in behind-the-border barriers to international exchange. None of the major national governments is likely to welcome scrutiny of such politically sensitive areas, but China, India, and the other large emerging economies are likely to be the most resistant. Second, global governance must confront an inevitable tradeoff between inclusiveness and greater legitimacy on the one hand, and institutional effectiveness on the other. This tradeoff will be played out in the G20 and other institutions with expanded membership. Finally, consistency between regional projects and global governance will become even more pressing if Asia succeeds in moving toward greater regional integration accompanied by stronger institutions. Regional organization offers Asia both the prospect of greater global influence and the risk of undermining global economic regimes that remain at the core of regional prosperity.

Given the heterogeneity and economic scale of Asia, its economic success may force global governance to confront questions of subsidiarity squarely: which issues should be dealt with at the global, regional, and national levels? how much harmonization of national systems is required for the expansion of international economic exchange? In its size and diversity, Asia may produce new answers to these perennial questions, while contributing to the maintenance of global economic institutions that have sustained its remarkable economic trajectory.

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