

China's Place in Regional and Global Governance: A New World Comes Into View

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Abstract

The 'rise of China' means that – once again – China plays a pivotal role in international affairs. China's economic weight and growing political influence means that its foreign policies and the ideas that shape them have major consequences for established ideas about 'global governance'. Rather than accepting the institutional and ideational status quo, however, Chinese policy makers are actively trying to develop a new international order through the creation of new institutions such as the Asian Infrastructure Investment Bank, and the 'One Belt, One Road' blueprint for international trade and investment centered on China. The paper explains how this process is developing and assesses its implications for the extant international order.

Policy Implications

- Policy makers need to recognize that ideas about 'global governance' are far from universal or simply 'technical' considerations.
- China's rise means it will exert a greater influence in, and on multilateral institutions, a reality that needs to be recognized and accommodated in the West.
- Recognizing the different elements of, and influences on, the construction of China's policies is an essential part of this process.
- Policy makers in China need to understand the negative impact the country's geopolitical ambitions can have on narrower foreign policy goals.
- China's offer to build much-needed infrastructure should be embraced.

While there is a continuing debate about the nature – even the possibility – of 'global governance', one thing has become increasingly clear: nothing approximating global or even regional governance is no longer possible without the participation and cooperation of China. This is a remarkable development and one that is not always acknowledged by either the policy making or even the scholarly communities in the United States and elsewhere. American hegemony has, after all, been the taken-for-granted, seemingly unchallengeable, bedrock of the international order for more than half a century. Contemplating something different is plainly intellectually and ideologically challenging. And yet China's political and diplomatic ascent should come as no surprise: even the more hawkish realist scholars in the US recognize that China's growing material importance is a manifestation of a long-term redistribution of power in the international system that is likely to have ideational and policy making consequences (Mersheimer, 2010). In short, the rise of China poses the greatest challenge to the extant order since the US became the dominant force in international affairs at the end of the Second World War (Schweller and Pu, 2011).

For many observers in the West this is a deeply unsettling prospect (Friedberg, 2011). And yet, a preoccupation with China's material transformation and its possible strategic implications misses a potentially important, but comparatively neglected aspect of its rise to prominence: its growing role as an actor in multilateral institutions. Not only is China seeking to play a larger part in extant organizations, but it has also begun to sponsor its own multilateral initiatives. In part this shift in policy reflects its dissatisfaction with the existing order, but in part it is because such projects may play an important part in China's increasingly ambitious foreign policy agenda. The creation of the Asian Infrastructure Investment Bank (AIIB) is perhaps the most important manifestation of this possibility. Of even greater potential significance, however, and closely connected with the AIIB project, is Xi Jinping's One Belt, One Road scheme, which is designed to consolidate China's place as a pivotal actor in a regional political-economy.

Such initiatives are central parts of China's evolving foreign policy. Rather than trying to directly unpack the notoriously and deliberately opaque policy making process

(Jakobson, 2014), we situate recent initiatives within the context of policy debates and commentary inside and outside China. We begin by briefly considering some of the most influential and prominent discussions of the rise of China in the West, before contrasting them with commentary within China itself. While it may be unsurprising that these debates come to rather different conclusions about the significance of China's rise, it is striking how far apart they are, nevertheless. At the very least, this suggests that the influential expectation – and hope – among many non-Chinese observers that China's elites will be 'socialized' into different ways of thinking and behaving in the context of multilateral organizations looks like wishful thinking (Johnston, 2003).

We argue that not only are there very different ways of characterizing China's role in global and regional governance in China, but many commentators are also pushing for such ideas to be actively promoted in international forums. Socialization, in other words, can be a two-way street, a possibility that makes understanding China's internal policy discourse and the initiatives it has generated all the more important. The final part of the paper provides an analysis of recent policy initiatives in light of the preceding discussion and suggests that the preoccupation with the material and strategic aspects of China's rise underestimates what may – in the absence of war, at least – be the most consequential aspect of China's growing power and influence.

Global governance with Chinese characteristics?

One of the reasons that understanding the implications of China's rise is so difficult is that its sheer scale and rapidity is historically unprecedented. Indeed, those – predominantly American – scholars of a realist bent who focus on the material basis of China's rise frequently point out that as recently as 1980 China's GDP was 10 per cent of America's; now it is greater, at least in purchasing power parity terms (Allison, 2015). There is, according to realists, an increased likelihood – even an inevitability, according to some (Mearsheimer, 2010) – of a direct military conflict as a consequence. The long-standing argument developed by 'hegemonic transition' theorists is that rising powers will become increasingly dissatisfied with the international order created by their relatively declining rival and seek to create their own institutional and ideational order in its place (Chan, 2008). Rising powers will, in short, seek to replace one vision of the international system with another, one that more closely reflects their own interests, values and ideas.

The key question now, of course, is whether this way of thinking about the international system that was created under the auspices of American hegemony in the aftermath of the Second World War is still appropriate. Is China still willing to occupy a subordinate position because the current institutional order actually suits it? Even this question is surprisingly difficult to answer because there is no single actor called 'China' actually making policy. The policy making

process in China is increasingly complex, fragmented, factionalized and at times rather incoherent (ICG, 2012). What we can say is that China's sheer economic weight and importance is giving it greater potential influence over the international system in which it has rapidly become such a consequential part. Quite what it does with this potential is another question, and one that depends in part on the way the domestic policy debate unfolds in China itself.

China's emerging worldview

Chinese policy makers are acutely conscious of the fact that the existing institutional architecture that effectively approximates a form of global governance continues to be dominated by the US and other broadly sympathetic Western states. Not only does this give the US and its policy makers a disproportionate influence over the rules and practices that constitute the international economic order, in the minds of many Chinese observers (Liu, 2012; Pang, 2009), but China is not accorded the significance its economic importance merits. It is for this reason that China has begun to develop its own institutional initiatives: not only will China be a significant actor within the emerging alternative order, but *its* norms and preferences may become more influential, too. Indeed, for observers such as Peking University's Wang Yizhou (2015), China's growing economic weight and regional importance provide the basis for its potential *global* influence.

China's foreign policies may still be distinctive and reflect national priorities, but they are clearly profoundly different from what they were twenty or thirty years ago. China's policy makers recognize how important international institutions can be in this context. Indeed, China's accession to the World Trade Organization consolidated the influence of liberal economic ideas in China and made internal opposition to the new order more difficult. Ironically enough, it also accelerated the pace of economic expansion in China that ultimately underpinned its subsequent challenge to the prevailing status quo (Beeson, 2014).

And yet, it is also plain that many in China remain deeply unhappy about American hegemony, China's own comparatively diminished status, and the inability of China's policy making elites to change significantly the way the existing international order actually operates. Liu and Zhou (2012) capture this sense of injustice when they claim that the 'hegemonic' order associated with the Bretton Woods regime facilitated the exploitation of the developing world by imposing inappropriate free trade policies. In this context the economic rise of China, especially since the 'global' financial crisis of, 2008, offers a chance for China to help construct a more just and fair international economic order. Xia (2007) echoes this sentiment and claims that American 'hegemonism' and power politics have become the main obstacles to the formation of a more equitable international system. China should use its growing power to create new institutions and a different international order.

At this stage China's leaders appear ambivalent about their ability to articulate, much less promote, a coherent

ideology of a sort that distinguished the 'Washington consensus', and which formed the discursive core of American dominance (Beeson and Li, 2015; Shambaugh, 2013). And yet it is also clear that there is a rapidly growing belief within the Chinese leadership, epitomized by the actions of President Xi (2014), that China could and should develop a distinctive form of governance that reflects and advances its interests. Such ideas, especially when combined with more traditional realist beliefs about the importance of material power have led Chinese policy makers to develop alternative strategies for exerting its influence in the international system.

Despite the rather ritualized invocations of 'socialist' principles, such statements do provide a window into the changing ideational context in which Chinese political elites operate. In some ways the *process* of policy formulation, experimentation and articulation is an important part of policy development in China (Heilmann and Perry, 2011). It is potentially significant, therefore, that Xi (2014) has continued the tradition of articulating a distinctively Chinese perspective about the evolving international political and economic order, which he describes as a 'community of common destiny'. The familiar themes of respect for sovereignty and difference are present, but there is an increased emphasis on 'win-win cooperation and joint development' in the economic sphere. Even security ought to be based on a vision of common, comprehensive, cooperative and sustainable security.

Such themes are being given concrete expression in China's evolving foreign policies. Crucially, however, there are clear limits to China's ambitions – at the level of declaratory policy, at least. The key message Chinese officials want to emphasize is that China is ultimately a status quo rather than a revisionist power. In other words, China is seeking to work within the extant structures of international diplomacy and governance, not to overturn them (Zhang, 2014). Indeed, China's new vision for the international order has been assiduously promoted by some of China's leading officials. Chinese foreign minister Wang Yi (2015), for example, claims that

China will not overthrow the international system ... we are willing to work with other countries to keep abreast of the times and advance necessary reforms and improvement of the international system and order, so as to make them fairer and more reasonable and meet the wishes of most developing countries. In this process, we need to strengthen multilateralism instead of unilateralism, promote rule of law instead of the law of the jungle, and facilitate democratization instead of power politics, in international relations.

Although some of the rhetoric emerging from China may be designed to reassure the so-called 'international community', it also contains novel ideas and possible principles that are generally not well understood or taken seriously in the West. Even if some skepticism about the language of

international diplomacy is always warranted, it is also important to consider the content and motivation for some of China's recent foreign policy tropes. In what follows we explore the thinking behind and implications of key economic and strategic initiatives that have come to the fore under Xi Jinping's leadership.

The domestic debate

In a Chinese context the reasons for this interest in developing distinctively Chinese views about the international order are familiar and relatively long-standing. There is a widely-supported consensus in China's policy making and scholarly communities that the US enjoys an unjustifiable influence over the way the international system is organized, its norms and operating principles, and the impact it has on other states that are essentially rule-takers rather than rule-makers. Men (2001) for example, argues that international regimes are a central component of American hegemony and utilized to pursue US national interests. Similarly, Gao (2012) suggests that the US is actually more concerned about China's challenge to its institutional influence than it is about China's military power. The claim here is that with the relative decline of American power its leaders wish to ensure that its authority and influence remains embedded in the international institutional architecture. It is a claim that has been echoed within the US itself (Blackwill and Tellis, 2015). This preoccupation with American 'hegemonism' and the perception that China does not have an ideational influence in keeping with its material importance has had several noteworthy consequences.

First, there has been a growing interest within China about the nature and impact of 'soft power', and the possibility that China might develop the sort of ideational or normative influence that was associated with the US for so long (Beeson and Xu, 2015). China's leaders are increasingly conscious of the fact that the country lacks the sort of positive image and influence that the US has generally enjoyed. Even if such views overstate the impact of American ideas, the fact that so many in China believe that this is important helps to explain changes in foreign policy.

One of the pioneering discussions of global governance from a Chinese perspective was developed by Yu (2002), who argued that while it can be positive in theory and practice, it has limits, even risks. In a familiar pattern, Yu was concerned that the subjects, norms, regimes and even the theories of associated with governance may be dominated by Western countries to achieve their goals. In response to such concerns, Cai (2015), a prominent authority on global studies in China, argues that China needs to develop its own distinctive perspective that pays particular attention to the way global governance is realized at the domestic level, i.e. global governance should be internalized and is an essentially dialectical process. Interestingly, Cai's concern about the possible domestic impact of global norms and practices, especially as they affect labor relations, business practices and even social values, are clearly not without

foundation as some prominent American scholars have pointed out (Steinfeld, 2010).

It is clear that some Chinese scholars are concerned about the long-term impact of a form of governance that is primarily associated with increasingly unfettered market forces. Tang and Zhang (2001), for example, reflect a commonly held concern across much of East Asia about the possible erosion of domestic sovereignty and autonomy. Indeed, they worry that market-led forms of governance undermine the authority of states – a critical concern in China given its recent, largely ineffective, attempts to actually manage the impact of market forces (Pei, 2016). Despite China's recent troubles, there is also a sense that the larger, more enduring structures of global governance associated with American hegemony are primarily to blame, a possibility highlighted by the financial crisis of, 2008, which was essentially a very Western affair (Breslin, 2013).

Such perceptions have led to growing calls for a thoroughly reconstituted international order. Wei (2011) argues that the collective rise of emerging powers is not only changing the distribution of power in the global political economy, but also challenging the very legitimacy of the existing global governance system that has been dominated by the West. Effective global governance necessitates a concomitant shift in the world's institutional architecture that mirrors the material importance of the rising powers generally and China in particular. In a similar vein, Su (2009) argues that the impact of global governance on the domestic sphere ought to be given much greater consideration and a balance struck between domestic and global obligations. These sorts of ideas may strike a non-Chinese audience rather instrumental and uncritical, but they are reflective of an important current of thought in China that is anxious about the impact of greater economic and political integration on extant structures of governance in China. Whatever the intrinsic merits of such ideas, it is evident that they have contributed directly to the development of new patterns of international diplomacy and to specific initiatives that are designed to enhance its position as an international economic, political and strategic actor.

China goes global

Shambaugh (2013, p. 7) is one of the more respected and long-standing observers of China and its foreign policies. In *China Goes Global* he argues that 'China is *in* the community of nations but is in many ways not really *part* of that community; it is formally involved, but it is not normatively integrated'. In other words, while representatives of China's policy making elites are increasing visible parts of the so-called 'international community', they are not genuine participants and their behavior is self-serving, instrumental and still driven overwhelmingly by national interests. Shambaugh may not be wrong about this, but the broader question is whether other states are really so very different. Is the only difference between China and a number of other prominent states the fact that many Western nations find the prevailing normative order reflects

and advances their national interests in a way that makes normative agreement and diffusion relatively unproblematic (Campbell, 2004)?

The possibility that many of the world's rising and/or marginalized powers are dissatisfied with the prevailing institutional and normative order raises two further inter-related questions: first, as China's material importance to the international economy in particular continues to grow is it inevitable that it will seek to play a more prominent role in the major institutions of what passes for global governance? Second, will China want to change the way those institutions are currently configured and the sorts of norms and practices that they promote? This is an especially significant issue in the region of which China has become such a consequential part, as institutions in the Asia-Pacific have a distinctive, if not always effective, logic and operational style (Beeson, 2009).

One clear difference between China – and much of the broader East Asian region, for that matter – and the US in particular revolves around attitudes to economic policy and development. Like many of its regional counterparts, China's astounding economic development owes much to the efforts of a powerful interventionist state that has closely overseen the course of economic development. Whether China precisely fits the 'developmental state' model is less important for our purposes than the possibility that the so-called 'Beijing consensus' represents a very different approach to economic management that is found in the US (Beeson and Li, 2015).

There are, of course, differences of opinion within China about the existence and significance of the so-called 'China model' of development (Xu, 2010; Su, 2009), as there are outside China, too (Breslin, 2011). The key point for some observers such as Su (2009) is that China's model of development is not only potentially more relevant for other would-be developing economies, but is one predicated on a spirit of cooperation. Indeed, the Chinese way of development might even provide the basis of a more 'civilized' ethical and political world order. It is not necessary to accept such views uncritically to recognize that they form an important part of an evolving discourse within China about the nature of global governance and what is seen as an essentially Western international order that is increasingly out of date and inappropriate.

Translating globalization

One of the difficulties in trying to decide the impact of globalization on China is that much depends on what precisely we mean when we talk about 'China'. There is a growing number of actors attempting to shape foreign policy in particular. Even though it is possible to identify actors with formal responsibility for policy, its formulation and the possible influence of 'external' players such as provincial governments, the People's Liberation Army (PLA), powerful state-owned enterprises (SOEs), and think tanks, means that much of the policy making process remains impervious to external scrutiny or accountability (ICG, 2012).

A second difficulty in making sense of the impact of international integration on China is the fact that policy may vary dramatically according to issue areas. China's territorial claims in the South China Sea, for example, clearly have an importance at a number of levels that effectively make them a non-negotiable part of the foreign policy agenda – despite some fairly tangible 'blowback' in the form of damage to China's relationship with Southeast Asia (Fravel, 2011). In the area of economic policy and cooperation, by contrast, China has at times been an active and generally cooperative partner in East Asia's growing array of multilateral institutions. Indeed, Sohn (2008) argues that China's positive 'learning' experiences in this context have reinforced the influence of supporters of multilateralism within China and led to an expansion of its role and ambitions as a consequence.

It is also clear, however, both in the scholarly commentary and in some of the statements from China's leaders that many believe that the best way for China to exert a more tangible influence is by developing its own multilateral institutions, rather than attempting to reform existing international institutions or even regional organizations such as the ASEAN Development Bank, which has long been dominated by Japan (Renard, 2015). Pang and Wang (2013) articulate an increasingly widespread view that China may be better served trying to develop new institutions rather than trying to reform existing ones if they simply perpetuate the old dysfunctional order. Significantly, Pang and Wang argue that China's participation in the old regime may actually help to sustain an anachronistic order that will diminish China's potential role. As a result China may be better off building its own institutions that can serve as a source of new ideas and modes of governance that can help to revitalize extant organizations.

New ideas about China's evolving approach to foreign policy underpin what Zhen Wang (2015) argues is the biggest foreign policy shift in Beijing since 1989:

Xi [Jinping's] strategy is a sophisticated and progressive one. Instead of directly challenging the current existing international institutions, the Chinese are trying to create new platforms that Beijing can control or substantially influence. Through these new initiatives, Beijing aims to create a new international environment that is more favorable to China, one that will limit strategic pressures from the United States ... In creating its own alternatives, China maintains more control, and can make a greater impact ... China's new strategy is to try to establish new institutions and platforms as tools for Beijing to play the kind of role China cannot play in the ADB or IMF.

It is precisely for this reason that China has begun to experiment with new initiatives such as the AIIB. Equally importantly, China has the wherewithal to underwrite its regional and possibly global ambitions. Indeed, China is currently a far more significant source of aid than the World Bank (Rabinovitch, 2012). Seen in this light, therefore, the simultaneous launch of a two-pronged strategy of

institutional innovation coupled with foreign aid and investment assumes a particular significance.

Building regional influence

In October, 2014 China's proposed AIIB initiative came closer to reality when 21 Asian states agreed to become members. Significantly, it was envisaged that China would provide some \$40 billion of the new institution's working capital (Murray, 2015). At the Asia Pacific Economic Cooperation forum Xi Jinping simultaneously announced the creation of a new Silk Road Fund to kick-start the One Belt, One Road (OBOR [*yidai-yilu*]) initiative. The AIIB and the OBOR represent a major and coordinated effort to cement – metaphorically and quite literally in the case of the OBOR initiative – China's place at the center of Asia's institutional and infrastructural architecture. Both initiatives are significant in their own right. Taken together they amount to a sophisticated strategy that capitalizes on China's economic strength in ways that may permanently transform the region and China's place in it. Importantly, they offer a chance for China to utilize and develop its growing economic power to influence the behavior of the states and institutions that constitute the region of which it has rapidly become the leading player (Beeson and Li, 2014).

Multilateralism with Chinese characteristics

The AIIB has proved the most controversial element of China's two-pronged strategy in large part because of the responses it has generated. At one level, the AIIB looks entirely unobjectionable, even commendable. There is, after all, little disagreement that much of Southeast and Central Asia in particular suffers from a chronic shortage of vital infrastructure and this has been a clear, long-running curb on both improving productivity and facilitating regional integration (*The Economist*, 2015). In that context, therefore, one might have expected that China's initiative would have met with universal approval as it puts its vast accumulation of foreign reserves to good use. And yet at another level, the AIIB represents a threat to American influence in the region; or it apparently does in the minds of senior figures in the Obama administration, at least (Branigan, 2015).

Many observers now agree that the US over-reacted to the AIIB proposal and invested far too much political capital and prestige in attempting to stop a project that was potentially praiseworthy and needed (Dollar, 2015). The ham-fisted and ultimately unsuccessful attempts to stop first key European states such as Britain, and then key regional allies such as Australia from joining further undermined America's authority in a region that was already having collective doubts about the impact and durability of the so-called 'pivot' or 'rebalancing' to Asia (Sanger and Landler, 2014).

As far as the debate in China itself was concerned the American reaction to the proposed AIIB reinforced the views of some skeptics who have long believed that US policy is designed to curb, if not contain, China's rise and what they see as its entirely reasonable and appropriate foreign policy

ambitions. Yu (2015) is typical of many disappointed and frustrated commentators in China who believed that the US ought to have participated in AIIB from the outset, especially as Xi Jinping's call for a 'new model of major-country relationship between China and the United States' was widely seen as a constructive effort to develop a form of 'win-win' diplomatic relations between the two great powers.

For some observers in China, the AIIB not only provides financial support for the OBOR, but it helps to alleviate an over-reliance on the US and promote an alternative institutional order. Wang D. (2015), for example, argues that the AIIB supplements the current international development financial system and can accelerate the economic and financial integration of Asian economies. Wang believes that China's growing 'structural power' means that its influence on the international financial architecture can only increase over time, a reality that the rest of the world should recognize and embrace. Likewise, Liu (2015) suggests the AIIB is an entirely appropriate and necessary response to the US's inability or unwillingness to act as a reliable supplier of collective public goods. Wang (2014) goes further and suggests that China's AIIB initiative represents a distinctively *Asian* response to the challenge of financing international development that is potentially more stable than footloose and speculative capital flows from the US and Europe.

Although it is too soon to say quite how the AIIB will operate in practice, a number of points are noteworthy. First, in order to secure the participation of a broad range of countries from Europe and elsewhere, China has had to give up veto power and assure prospective members that the organization will be transparent and subscribe to international perceptions of 'good governance'. This is a key point that some in China feel hasn't been sufficiently acknowledged (Bu, 2015). Ironically enough, therefore, there is a distinct possibility that 'China's bank' will, in fact, operate much like other international financial institutions, even if China exercises a significant influence over its activities and underwrites its overall financial capacity (Pilling, 2015). In this context, those observers who argue that the very fact of having to integrate into a pre-existing international order with its own norms and practices will inevitably exercise a powerful 'socializing' effect, appear to have a point (Babb, 2012). To be credible in the minds of key potential stakeholders, China may have to sacrifice a degree of control and distinctiveness. The great attraction of OBOR, by contrast, is that it is impervious to ideational constraints: if China's builds it, they will come.

The OBOR initiative

The OBOR has two interconnected elements: the 'Silk Road Economic Belt' and the '21st Century Maritime Silk Road', both of which were announced in, 2013. The Silk Road Economic Belt is focused on Central Asia and has the goal of creating a land corridor that will directly connect Asia with Europe. Such an initiative, if successfully realized, would profoundly change the way countries along the corridor are

connected to Europe, meaning that imports from Europe could arrive in days rather than weeks, for example. It would consequently change the long-term role and significance of much of Central Asia and simultaneously reinforce China's already significant influence in this part of the world. One of China's more successful diplomatic initiatives has been the creation of the Shanghai Cooperation Organization (SCO), which includes all of the Central Asian states as well as Russia (Beeson and Li, 2014). The OBOR promises to give a very tangible material component to an organization and a geographical area in which China already plays a dominant role.

The 21st Century Maritime Silk Road was announced in Indonesia and is designed to contribute to infrastructure development in Southeast Asia. As Pitlo (2015) points out, the Maritime Silk Road has the potential to complement and significantly boost the existing ASEAN Master Plan for Connectivity (AMPC), and its ambitious plans to invest in regional ports and link them with high-speed rail networks through Vietnam to Singapore (Arase, 2015). Given the fact that China is the principal player the proposed Regional Comprehensive Economic Partnership (RCEP), which is a potential rival of the US-sponsored Trans Pacific Partnership (Drysdale, 2016), this could be an especially significant set of initiatives. The RCEP offers a potentially important and mutually beneficial way of addressing China's increasingly difficult and acrimonious relations with a number of the Southeast Asian states. The promise of significant aid, investment and infrastructure provision could do much to reestablish formerly cordial relations – that is certainly the way many in China see it, at least (Jiang 2014; Gao 2015).

The long-term goal of the Maritime Silk Road in particular is to promote the idea that China is a central component of – rather than a threat to – regional security. Significantly, when Xi Jinping announced this project he linked it to both the so-called 'China Dream' and to the idea of a 'new security concept', in which regional security would be determined by Asians for Asians (Xi, 2014). The clear inference here, of course, was not simply that China would be a central component of regional security (rather than a threat to it), but that dependence on external powers could be replaced by regional self-reliance. Given that the US has been seen by both American strategic thinkers and by a number of regional governments as an 'indispensable nation' and irreplaceable source of regional security (Brooks et al., 2012), this could be a potentially seismic shift in the way regional security might be organized. Consequently, Zhang (2015) argues that the OBOR should be seen as part of an emerging Chinese 'grand strategy' aimed at transforming the region's underlying and long-established geopolitical relations.

The OBOR initiative plays to all of China's strengths and potentially solves some domestic problems, too. Not only does China have a proven capacity to build major infrastructure projects at home and abroad, but it also has the wherewithal to finance them (Bräutigam and Gallagher, 2014). Indeed, at a time when China's domestic building sector is experiencing significant problems as consequence of major over-supply in the real estate market (Anderlini, 2015), new

sources of external demand are welcome. The OBOR also promises to solve the 'problem' of what to do with its colossal foreign exchange reserves, much of which is currently exported back to the US and invested in American treasury bonds. Investment in the OBOR not only holds out the prospect of productive investment in tangible assets, but such investments will potentially work to China's benefit rather than the US's (Hung, 2013).

Although China's economic development is unprecedented and astounding, the reputation of its economic elites has taken an unaccustomed battering as a consequence of their apparent inability to manage the vicissitudes and impact of global capitalism (Pei, 2016). Although it is too soon to say quite how this will play out, it represents an existential threat the China's current leaders and the model of capitalism that they have overseen with such remarkable success and seeming competence. Given that the legitimacy of China's authoritarian leaders rests primarily on their continued ability to maintain economic development and stability (Holbig and Gilley, 2010), more than just the fate of the 'China model' and its distinctive form of governance is at stake. In the event of a major economic and political crisis in China questions about comparative forms of governance might become second order issues.

Conclusions

'Global governance' is a frequently employed shorthand for a range of activities that are at once transnational and purposive; the fact that they are often unsuccessful, partial or partisan does not necessarily make them any the less significant. On the contrary, the contest to define the norms, rules and operating assumptions that are associated with global governance is significant in its own right; it is also a telling indicator of which actors have power and influence in the contemporary international system. As far as China is concerned, the extent and significance of its challenge to the extant system will depend in large part on the ability of its ruling elite to maintain the economic development and general social stability that has been the hallmark of the Chinese system since the pro-democracy movement that was snuffed out at Tiananmen Square.

If observers of the contemporary international system can agree on nothing else they can probably concur that it is in flux. It is not simply the range of challenges and problems that are subsumed under the rubric of global governance that is noteworthy, but the range of actors that are involved – or trying to be involved – in determining political, economic and even strategic outcomes. Such actors are playing an increasingly prominent role in China's domestic and foreign policies, too. Although the long-term impact of such novel and increasingly influential actors at the domestic level remains a matter of conjecture, it remains the case that states – or powerful states, at least – remain the key authoritative, powerful actors without which little of real consequence can occur (Drezner, 2007).

The continuing primacy of states and 'state capitalism' (Bremmer, 2010) is the principal reason that the re-emergence

of China at the center of regional and even global affairs is a matter of such consequence: it is not simply the fact that China is becoming more powerful across any of the key indicators of state influence one might want to cite, but that it is increasingly willing to utilize this power in pursuit of long-term national goals. Indeed, some well-informed observers outside China consider China's foreign policies to be part of grand strategy that is unfolding over decades, rather than the truncated political horizons that are more familiar in Western democracies (Blackwill and Tellis, 2015). Even in the event of regime change or reformation in China, nationalism has become such a powerful force that it would be surprising if the goal of seeking great power status and the influence that goes with it was abandoned.

Some of China's recent policies assume even greater potential significance when seen in this light. It is not simply that China is playing an increasingly prominent role in the extant institutional architecture we associate with a rudimentary form of global governance that is striking, but that it is simultaneously creating an alternative, possibly complementary, institutional order in which its influence – and money – will play a prominent part. Even more significantly, perhaps, at this stage China has the desire and the wherewithal to underpin the institutional and ideational efforts with very tangible forms of investment and infrastructure development that are likely to make its policy influence and objectives more difficult to resist.

It is important to remember that one of the reasons that the US assumed such a dominant position in places such as Europe and parts of East Asia after the Second World War was not simply because some states feared American dominance less than communist expansion, but because the US was able to provide the sort of aid and infrastructural renewal that made American hegemony altogether more palatable. There may well be lingering suspicions about China's motives and the implications of their more powerful neighbor's rise among a number of states in Central and especially Southeast Asia, but such states may find it increasingly difficult and costly not to be a cooperative part of the evolving regional order. If China's political elites really are working to a 100-year time frame to restore their former glory and power, as some observers claim (Pillsbury, 2015), initiatives such as the AIB and the OBOR may prove to be important steps along the road.

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