

China and the G8

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China's membership of the G8 could be the emerging superpower's next step, but will it be enough to save the body from irrelevance? Seema Desai of London's Foreign Policy Centre reports.

The People's Republic of China has been edging closer to becoming a member of the Group of Eight (G8) ever since Germany's chancellor, Gerhard Schröder, first raised the prospect in 1999. Since then, senior Chinese finance officials as well as President Hu Jintao have been involved in increasing international dialogue at state level. At the Gleneagles summit on 6-8 July, Tony Blair called for the enlargement of G8 to include India and China, although he acknowledged that there would be opposition from within the club.

But if China is eventually absorbed, would an expanded G9 or G10 (if India is also included, as is likely) gain in legitimacy and representation which it sorely lacks for its critics, or with expansion will it simply lose its *raison d'être*?

At first, the Chinese leadership was lukewarm about the prospect of joining the G8, believing that joining it would not serve their national interests. It viewed the United Nations as the only international organisation with legitimacy. But recently, under the presidency of Hu Jintao, there has been a perceptible change towards the G8. The Chinese leadership has been responding positively to invitations to G8 meetings, even privately expressing disappointment that it was not invited by the United States in 2004. Joining such

an exclusive forum would give China global status, signalling that it has "arrived" on the world stage.

Japan's ministry of foreign affairs and some G8 members have objected to the inclusion of China given its lack of democratic credentials. If Condoleezza Rice's description of the G8 in April 2005 as "a group of democracies ... fully committed to free market principles, free trade, rule of law" encapsulates its basic tenets, then China barely scores on one of the points. China's entry to the G8 would present a much greater challenge to the club even than Russia (which became a fully participating member in 2002): it has not yet made the transition to democracy, and the development of the rule of law is still in its early stages.

Three steps to entry

Yet as with Russia, it is most likely that G8 will override these objections, for three reasons.

First, even though the results with Russia have not been good, westerners imagine that engaging China will open up closed minds and eventually the political system.

Second, there is no sign of democracy in sight in China, or at least the model of liberal democracy that the west has come to expect. Instead, party reform has become

a hot topic, as the Chinese leadership has come to acknowledge the existence of a rising middle class and look for ways to incorporate it into the political system.

Indeed, a delegation of senior party officials visited London recently to meet New Labour advisers to see what lessons if any they could take from Britain's "third way" philosophy of governance and party modernisation. The political model that China seems to be moving towards is a form of societal co-optation or corporatism, akin to political systems in other "soft" authoritarian states in east Asia.

Third, and most important, China represents the historical anomaly of a communist state that has combined fundamental economic transformation with a glacial pace of political reform, belying conventional wisdom that Marxist-Leninist political systems need be dismantled before the economy is put in order.

The outcome of these reforms has been an astonishing economic performance, catapulting China into the ranks of the world's largest economies and making it difficult to exclude it from any meaningful global forum. This performance has also made it a central element in the major imbalances plaguing the world today, causing dire warnings from the International Monetary Fund. Thanks to its cheap currency policy China has been a key purchaser of US debt in recent years, enabling Washington to recklessly run up budget deficits without raising interest rates. The result, according to some economists, is the biggest bubble in human history.

In earlier years when such imbalances built up, the countries involved – especially Japan and the United States – were able to reach agreements such as the Plaza (1985) and Louvre (1987) accords signed by leading finance ministers of the then G5 and G6 respectively.

The G8 has historically been most successful and effective in dealing with major imbalances in the world economy; indeed it was founded soon after the Bretton Woods crisis and the first oil shock of the early 1970s to deal with global dislocations. Without China at the table, there is no forum for averting danger and managing the new risks and situations that have emerged.

But having the middle kingdom at the table is no guarantee of success. For one thing, sensitivities and rigid stances can make it harder to achieve consensus or even openly discuss issues. It is, for instance, believed that China's attendance at Gleneagles was made easier by assurances from the British that the currency issue would not be raised.

An even bigger challenge is that China's interests are diametrically opposed to those of the G8 in many key respects. Although it is the new growth locomotive, in terms of international history it is probably more appropriate to compare it with the Meiji period in Japan in the 19th century or Britain in the 18th and 19th centuries. China sits uncomfortably between the developed and developing worlds; for the purposes of its own development its officials believe it should be given leeway to have an undervalued currency, weak intellectual property rules, or relatively lax environmental standards.

Reform or die?

The purpose of G8 is to float new initiatives to improve global governance and address problems in the world economy. If China joins, it will have to play a decisive leadership role. But its views on the reform of international financial architecture are well known – it prefers regional to global solutions. The risk of enlargement is that the focus will increasingly steer away from difficult but necessary compromises to issues where it is easier to reach agreement: international terrorism, trafficking or debt relief for the poorest.

In all likelihood, as the G8 expands it will (paradoxically) decline in importance and be supplemented by other groups and forums. Already attention is being diverted to the G20 and other issue-specific groups. The rise of new economic powers in an increasingly interconnected world has left the institutions of global economic governance in tatters. The best thing the G8 could do at the 2006 meeting in St Petersburg would be to put G8 reform itself at the top of the agenda.

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