

Title	Existing and emerging powers in the G20: the case of East Asia
Authors	Duggan, Niall;Tiberghien, Yves
Publication date	2013-07
Original Citation	Duggan, N. and Tiberghien, Y. (2013) 'Existing and emerging powers in the G20: the case of East Asia', <i>Asien</i> , 128, pp. 28-44.
Type of publication	Article (peer-reviewed)
Link to publisher's version	<a href="http://asienforschung.de/wp-content/uploads/2014/05/DGA_MV_2013_Konferenzbericht.pdf">http://asienforschung.de/wp-content/uploads/2014/05/DGA_MV_2013_Konferenzbericht.pdf</a>
Rights	© 2013, German Association for Asian Studies.
Download date	2024-03-02 16:18:27
Item downloaded from	<a href="https://hdl.handle.net/10468/3567">https://hdl.handle.net/10468/3567</a>



# UCC

**University College Cork, Ireland**  
 Coláiste na hOllscoile Corcaigh

## Existing and Emerging Powers in the G20: The Case of East Asia

Yves Tiberghien and Niall Duggan

### Abstract

Over the last twenty years, global financial integration and global financial volatility have greatly increased. The 2008 crisis represented a peak in the vulnerability of all countries around the world with regard to global financial volatility. In response to this volatility and as the first line of defense, states have used a growing array of domestic tools: monetary policy, fiscal policy, financial regulatory reforms, domestic security market reforms, occasional capital controls, or the accumulation of financial reserves. Although the G20 was formed in 1999, it did not begin to take center stage in global economic governance until the global financial crisis that started in 2008. Since 2008, systemically important states — both established and aspiring powers — have taken the further steps of committing to increased global financial governance and becoming more integrated into the G20. East Asia is a region which contains a number of systemically important states, both existing economies and emerging ones. East Asian state actors' involvement in the G20 is used as a case study to analyze the relevance of the unfolding G20 process. Does this G20 process matter? If so, what explains key states' willingness to engage in it and accept new institutional constraints? What exactly drives the commitment process under the G20?

Manuscript received on 2013-05-27, accepted on 2013-08-21

**Keywords:** G20, East Asia, emerging power, China, Japan, South Korea, economic governance

### Introduction

What makes the G20 important is that it is the first body since Bretton Woods in 1944 to deal both with global governance to frame global markets and with the distributional consequences of globalization. It is both a process about managing global risks or solving major economic problems and about managing the rise of emerging powers in a non-destabilizing way. With concurrent crises in the areas of finance, food security, energy supply, and climate, the global economic and environment systems now stand at a critical juncture. Since the acceleration of globalization in the 1980s, global markets have developed faster than the institutions and rules necessary for their long-term stability and legitimacy. *Systemic risk*, whereby the decisions of a few endanger the entire global economic or ecological system, often without *ex ante* public consent, has become prevalent, as exemplified by the cases of the 2008 global financial crisis (GFC), the 2011 Fukushima nuclear crisis, the global food crisis, or the challenge of global climate change.

Since the 2008 GFC, three major changes have come to challenge our existing understanding of global economic governance. First, self-regulation and network governance have clearly failed to handle systemic risk. The lack of effective governance was suddenly exposed. Second, the entire context of a stable global structure under US leadership suddenly needs to be questioned. Third, the rebalancing between governance and global economic and environmental forces now requires unprecedented cooperation between existing powers in the system (Europe, Japan, and the US) and new emerging powers (China, Brazil, and India). These developments can be understood as reorientation of global economic interaction, where the survival of the global economic system requires a novel and more effective form of governance, one negotiated between old and emerging powers (Spence 2011), and a restructuring of the leader and follower relations among systemically important states (Schirm 2010, 2011). Pre-crisis methods of network governance and hierarchy (Kahler and Lake 2009) may now be less useful, forcing the impetus to come from negotiated supranational coordination instead. This new situation is unprecedented, and the stakes are high. Rapid institutional innovation is necessary in such a situation. This paper focuses on one key question and two related ones: Have the systemically important states of East Asia invested in the G20? If so, why is this the case, and what exactly have they chosen to invest in? This discussion will hopefully help to answer the larger question of when systemically important states choose to invest in effective global governance, such as the G20, as a response to systemic risk.

The paper adopts the following hypotheses: The G20 is a key example of the fact that significant progress in global governance — even the development of a sense of justice and fairness — is a by-product of intense socialization and trust-building (Johnston 2008; Kent 2002). The process is also more likely to move from a zero-sum game to a cooperative process in the name of public good creation when there is a loop-back effect of legitimation for governing elites on the domestic level (Schirm 2010, 2011). Institutional setups that offer incentives for mutual credible commitments and enable negotiating elites to achieve domestic goals as a by-product of global governance are more likely to be successful. As a result, progress is more likely in smaller settings, such as the G20, than in larger settings, such as the UN framework. Institutional design matters, in addition to process (Postel-Vinay 2011). As Japan is a member of the G8 and China is a Permanent Member of the United Nations Security Council, the G20 is also one of the few international bodies in which intense socialization and trust-building can occur among East Asia nations as equal actors.

Within the G20 process, commitments that are traceable through repeated interactions are more likely to show signs of progress than more diffuse commitments. This may help to explain why the G20 is making most progress on elements such as the ratification of Basel III. It may also explain why in other areas, such as agriculture and energy where commitments are diffused, progress has been

slower and harder to measure despite the fact that systemically important states such as China and South Korea see these areas as key parts of the G20 process (Tiberghien 2013).

The remaining part of this paper covers three main aspects: the theoretical context, a review of the context, and the question of whether East Asia — a region that contains both existing and emerging states that are systemically important — has invested in the G20.

### **Theoretical discussion**

Given the dramatic ongoing changes in the nature of the global economy and in power relations, traditional systemic approaches in international political economy (IPE) are not very useful in explaining advances in global governance. For example, reliance on hegemonic models or hierarchy is not a feasible option any longer under most circumstances (Ikenberry 2002; Kahler and Lake 2009). Ikenberry correctly theorized that we have entered a period of renegotiation of the post-war liberal order (Ikenberry 2011), even though this may still include a major lingering role for the US by default.

Traditional realism and its recent G-zero variant do have answers to give as to why cooperation is unlikely with respect to global public goods in a rapidly changing power environment (Roubini 2011; Shambaugh 2005). Not only does this approach offer few answers to the resolution of systemic risk, but it also fails to explain the few institutional advances that have taken place. On the other hand, the model presented by Drezner on the creation of global financial standards by powerful states acting in concert in a “club” setting is less likely to be applicable in the post-2008 world (Drezner 2007).

Rather, Grande and Pauly (2005) were correct when advancing the concept of “complex sovereignty,” which they define as “a complicated system of multiple and overlapping hierarchies” (Grande and Pauly 2005: 5), where the political levers are not entirely clear (Grande and Pauly 2005). The task before us is the apparent need to understand a rapidly changing system in which power is shifting and where multiple layers and actors interact. Hierarchy is less clear — and in those policy areas where hierarchy remains (with US leadership in the monetary system), it is currently not matched by effective leadership.

More fruitful recent avenues toward a good understanding of advances in financial governance have focused on the interplay between multiple levels and actors. In their careful review of the recent literature on global financial regulations, Helleiner and Pagliari identify several advances (Helleiner and Pagliari 2011). In contrast to pure inter-state approaches, one recent stream of research focuses on the domestic political level, such as the interplay between regulators seeking autonomy and legislators (Singer 2007), or on broader sets of domestic actors (Walter 2008). Another stream looks at trans-governmental epistemic networks of regulators and

non-state actors (Mattli and Woods 2009). There has also been much recent work on network governance or private regulation through delegation, co-optation, information provision, or co-regulation (Kahler and Lake 2009). Yet while private networks continue to be involved, the post-2008 world of global governance is one in which they are less likely to dominate and self-regulate than before the crisis.

Helleiner and Pagliari are therefore right to point out that the process of financial regulation is now a more open one with new possible outcomes, including “regulatory fragmentation,” “informal regulatory convergence,” or “cooperative regulatory decentralization.” The pre-crisis condominium of the US–EU that led the process of financial harmonization (Posner 2009), often together with an active Japan (Dobson 2004; Hook and Dobson 2007; Tiberghien 2013), has had to pass the keys to the bigger and less predictable G20. G7 networks have to operate together with new actors from China and other emerging powers (Chin 2010; Tiberghien 2012). Finally, the previous regulatory and bureaucratic interaction has now been politicized at a higher level, with the G20 claiming leadership and directing lower-level regulatory processes.

Another fruitful approach to our understanding of global governance in transition may be found in the insights of the constructivist school (Abdelal 2007; Chwieroth 2009). This approach tends to see preferences and interests as a function of social interactions. It is a more fluid approach, with room for learning; it may be well suited to the analysis of the interplay of new players (such as China, Brazil, and India) within the G20 and through other forms of global governance.

What is still missing in the IPE field, however, is not just an understanding of the complexity of possible outcomes and of the new players, but rather the shift from an ordinary optimization process at the margins under conditions of systemic stability to a systemic-level process for the setting of new rules of interaction. The new emerging states that are engaging with traditional powers in the search for new global governance are not just seeking to harmonize standards. They are also seeking bargains that increase their voice in global institutions and to rebalance overall relations. Financial regulations, negotiations over the international monetary system and currencies, climate change, and trade are now connected in this larger process. What is also missing, as correctly pointed out by Clapp and Helleiner amongst others, is a stricter and better understanding of the interplay between areas such as global finance, energy, and food (Clapp and Helleiner 2012a). A greater understanding between these areas of global economic governance is needed to explain why the existing and emerging states invest in the G20 in a post-2008 crisis system. The above-mentioned factors converge in East Asia. Thus it can serve as a valuable case study. East Asia is a region which contains both highly developed and developing financial systems and whose food security is increasingly threatened by climate change (FAO 2013). It is also the world’s leading consumer and importer of energy at the moment (Enerdata 2013).

### The context of post-2008 global economic governance

The post-2008 global environment is one characterized by greater uncertainty regarding global markets, a stronger need for global coordination, and a changing global balance of power. The global governance system urgently needs new regulatory infrastructures. Yet as the pecking order of national economies is changing, can leading powers mutually agree to a new set of rules?

Global governance refers here to effective types of global coordination that are able to generate more global stability, alleviate systemic risks, or address global public good requirements. A rough evaluation of post-2008 advances in global economic and environmental governance in terms of process and outcome is presented in Table 1. This assessment points to a diversity of outcomes, with different types of failures (fragmentation and lack of institutional progress) and progress (decentralized and institutionalized). Despite its limitations, the bulk of the advances have taken place within the G20 process.

**Table 1: Evaluation of post-2008 global governance outcomes and processes**

Process	Outcomes	Stalemate	Progress
Competitive		<b>1. Fragmentation</b> Energy; global food system (including GMOs); international monetary system (foreign-currency management)	<b>2. Decentralized coordination</b> Development norms (evolution of Washington Consensus in dialogue with Chinese model)
Institutionalized		<b>3. Paralysis</b> WTO, climate change, global investment regulations (including SOE investments)	<b>4. Institutionalized cooperation</b> Mutual Assessment Program (MAP) within G20; Financial Stability Board (FSB, especially derivatives regulation, regulation of systemically advanced institutions); IMF monitoring; new code for capital controls; Nagoya Treaty on Biodiversity

Source: compilation by Yves Tiberghien

The post-2008 context is a volatile, uncertain, and novel environment. Key economists have come to acknowledge the failure of self-regulation and the urgent need for rebalancing between markets and governance (Spence 2011; Stiglitz 2010). These scholars worry about governance gaps, because they could endanger the entire project of an open global economic system. In the field of IPE, scholars have noted the huge impact of the 2008 GFC on international relations (Helleiner 2011). The international monetary system has also come into play, both as a contributing cause to the crisis and as an object of post-2008 political negotiations (Helleiner and Malkin 2012; Strauss-Kahn 2011).

A second stream of functional requirements for more global governance comes from the arena of environment, food, and energy. The global climate crisis requires more global coordination to avoid free-riding mechanisms and the issue of unattended commons (Brown 2011; Smith 2010). The global energy and commodity systems are entering more competitive waters, where the stability provided by US hegemony and oligopolistic mechanisms are challenged by emerging powers. Scarcity is likely to return for at least several commodity markets (Smith 2010; Xu 2012; ). Without global coordination and monitoring and without evolution of the post-war institutions dominated by traditional powers (such as the International Energy Agency), the global system could see the return of 1930s-like competition for energy and raw materials. Finally, the global food system has also entered a period of volatility, uncertainty, and crisis, a situation that is likely to worsen without further institutionalization, given the continued increase in the size of the world's population and the convergence between emerging powers and existing ones (Clapp and Helleiner 2012b; Oosterveer 2007).

Systemic risk, such as the 2008 GFC, the 2011 Fukushima nuclear crisis, the global food crisis, or global climate change, shows that in a post-2008 world an effective global governance system needs to have a strong level of interconnectivity between different areas of global governance, such as food and energy security and the monetary system. Each risk will affect countries in a different way, depending on their level of development and their particular geographical context. By acting as a steering committee, the G20 offers this level of interconnectivity. It can pursue policies across different areas of risk, and it can coordinate responses to problems. Yet it needs to accommodate new constellations of emerging and existing powers in doing so. Due to the fact that the G20 can act in such a fashion, systemically important states — both existing and emerging ones — should invest in the G20 as a response to systemic risk. This can be clearly seen in East Asia, a region with G20 member states that are well established (Japan), recently established (South Korea), and emerging (the PRC).

### **Is East Asia investing in the G20?**

Although the G20 was formed in 1999, it did not begin to take center stage in global economic governance until the GFC. An evolution of the G8, the G20 arguably marks a global power rebalancing process with power shifting away from existing countries toward the emerging countries of Asia, Latin America, and most notably the BRIC nations (Brazil, Russia, India, and China) (Kirton 2004). The involvement of emerging economies in what is considered to become one of the central structures of the global governance architecture brings with it new agendas that would not have been included under the Western-dominated G8 (Vestergaard and Wade 2012; Kirton 2010). The G20 Leaders Summit has emerged as the prime forum for the negotiation of changes in global economic governance (Kirton 2013; Cooper and

Thakur 2013). In particular, the G20 represents a relatively stable equilibrium, due to its near equal balancing between developed OECD countries and emerging economies (nearly 10 to 10, depending how one codes Mexico and South Korea). East Asia contains both the emerging powers that are benefiting from this rebalance of power within the global governance process and existing powers which previously had the majority of power within that system. By examining the actions of East Asian states in the G20 in areas such as finance, energy, and food, it may be possible to see why both the winners and losers of this rebalancing of power choose to invest in the G20 as an effective response to systemic risks.

Not only does East Asia contain a cross section of both developed and emerging economies, but it has also become a driving force behind global economic growth. In 2010, Northeast Asia accounted for 21 percent of world exports and 19 percent of world imports (SYAP 2012). Economic growth in China, Japan, and South Korea was the key factor in this development. UNESCAP claims that “China (including Hong Kong and Macao) contributed over 60 percent of East and Northeast Asia’s exports and imports, with Japan and the Republic of Korea representing more than 99 percent of [that] trade” (SYAP 2012). In a wider understanding of global economic governance, East Asia is also a key region in terms of food and energy security (Enerdata 2013). In 2012, all three East Asian states also ranked among the top ten consumers of energy as well as among the top five importers of energy. In 2011, Japan and China were in the top ten in terms of total CO<sub>2</sub> emissions, with South Korea ranking 11th (Enerdata 2013). In terms of food security, all three East Asian states have a stable supply and production of food, but face threats from increased pollution, urbanization of farmland, climate change, and overfishing (FAO 2013). Despite their economic power and their exposure to non-traditional security threats, the systemically important states of East Asia have not made the region a key player in the core area of global economic governance; Japan is the only Asian member of the G8, and the voting rights of the region in the World Trade Organization (WTO), International Monetary Fund (IMF), and World Bank do not reflect its significance (see Chan’s contribution to this issue). In terms of a wider understanding of global economic governance, the region keeps a relatively low profile in international organizations dealing with food and energy security (Duggan 2012, 2013). How relevant is the G20 to the systemically important states of East Asia as a framework for response to systemic risk compared to more established forms of global governance such as the IMF or World Bank?

Many analysts and scholars have been quick to discount the G20 process as meaningless summitry among too many countries focused on widely divergent domestic agendas (Bradford and Lim 2011; Heinbecker 2011). Likewise, many voices in Japan, especially in the Ministry of Foreign Affairs, are very skeptical about the G20’s potential, and Japan has not accepted the G20 as the central process



of global governance yet, preferring the well-established G8 instead (also see Dobson's contribution to this special issue).<sup>1</sup> Others such as Kalinowski (2011: 4) label East Asia as a bystander and reluctant supporter of G20 initiatives such as Basel III. Yet, as pointed out by Sakong Il in South Korea, the "G0" or G8 or "G193" are not functional options. This deficiency is a point often emphasized by Chinese policy advisers. China always refused the concept of an expanded G8, finding it too narrow and dominated by G8 countries. While the G20 thus suffers somewhat from its large size, it at least enjoys support from most of its members due to its numerous opportunities for coalition-building and issue-specific balancing (Schirm 2010, 2011). They represent default realities without the ability to solve any of the pertinent global problems. Only the G20 is considered to be able to deliver the necessary political leadership to initiate the upgrading of global governance. For this reason, the majority of key countries see the G20 as the core process of global governance and the best option for the enhancement of global cooperation and the restructuring of global institutions (Tiberghien 2012).

**Table 2: Chronology of G20 Leaders' Summits since 2008**

SUMMIT	Host	Record
<b>Washington, 11/2008</b>	USA (with France)	Initiation, saving trading system, coordinating fiscal response to crisis, action plan
<b>London, 4/2009</b>	UK	Trade, IMF build-up (resources and voice reforms), FSB creation, fiscal stimulus, financial regulations, environment
<b>Pittsburgh, 9/2009</b>	USA	G20 as premier global forum, some financial reforms, environment
<b>Toronto, 6/2010</b>	Canada (with South Korea)	Stabilization, consolidation of fiscal deficits and debt
<b>Seoul, 11/2010</b>	South Korea	IMF governance reform finalized, Basel banking reforms, financial safety net, new development norms (and difficult arbitrage on global current-account imbalances)
<b>Cannes, 11/2011</b>	France	International monetary system, G20 institutionalization, capital-flow volatility, raw-material markets, Tobin tax, FSB institutionalization, and financial regulations
<b>Los Cabos, 06/2012</b>	Mexico	Larger bargain on the euro crisis and increased IMF resources; commitment against trade protectionism, progress on FSB and financial regulations, OTC derivatives regulations, development and infrastructure, clean growth

Source: compilation by Yves Tiberghien

<sup>1</sup> Source: interview with former Administrative Vice Minister for Foreign Affairs and current President of the Japan Institute of International Affairs (JIIA) Nogami Yoshiji, Tokyo, July 11, 2011.

### **East Asia, the G20, and Responses to Systemic Risk**

The 2008 GFC required cooperation between in-debt existing states and emerging states with large currency reserves. The main outcomes of the Leaders Summits indicate that the GFC has dominated the G20 (see Table 2), and in turn the G20 has become the framework within which this cooperation takes place and where the redesign of the global governance architecture is being negotiated.

As an emerging power, China has been active in attempting to reform global financial governance through the G20 (see Bersick and Gottwald's paper in this issue). China has called for reforms of the key institutions that govern global financial trade — the IMF, the World Bank, and the Financial Stability Board (FSB) attempting to reshape the IMF to reflect the contemporary structure of the global economy (see Chan's contribution to this special issue). In the run-up to the G20 Summit in London 2009, China's vice premier, Wang Qishan, called for a reform of the IMF. These reforms included increasing IMF resources on the basis of ensuring safety and reasonable returns. He further called for the scale of the increase to be determined in light of the vast difference among countries and their respective stage of development (British Embassy 2009). Through the G20, China has attempted to reform the voting structure of the World Bank in order to increase the voting power of developing countries. At the third G20 Summit in Pittsburgh in 2009, China called for developing nations to be given a greater percentage of the voting quota (Xinhua 2010a). World Bank member states subsequently reached an agreement in 2012 on a 3.13 percent shift in voting power to give emerging and developing nations greater influence in the global institution (Xinhua 2010b). Established after the 2009 G20 London Summit, the FSB has a number of functions, including strengthening prudential oversight of capital, liquidity, and risk management; enhancing transparency and valuation; and changing the role and uses of credit ratings. The FSB had very little success in promoting global rules and codes of conduct in financial services prior to the crisis, but it played a central role in identifying and addressing the key factors that led to the GFC of 2008 (Carrasco 2010: 205). Although it supported the creation of the FSB together with the EU (Gov.cn 2012), China has not been a driving force in strengthening the body so far (Kawai and Pomerleano 2009). The PRC benefitted from the comparatively weak institutional setup of the FSB, allowing Chinese financial-service actors greater freedom in their actions globally (see Bersick and Gottwald in this issue).

While a major global power, Japan suffered from stagflation throughout the 1990s and from the emergence of its main regional rival, China. This has reduced Japan's influence within the core of global economic governance. Nevertheless, Japan still has a strong ambition to play an active role in global economic governance and, particularly, to shape its redesign in response to the GFC. Prime Minister Aso's firm views signaled that the Japanese government intends to occupy a prominent position regarding the task of tackling the GFC (Aso 2008). The pledge to disburse US\$21

billion of overseas development aid (ODA) to Asian economies during the London G20 Summit (2009) reaffirmed Japan's commitment to aiding regional economic development (MOFA 2009). The prime minister's views on upgrading the status and expanding role of the FSB (Asō 2008) were reflected in the G20's decision to create the FSB. Overall, the performance of the Japanese government during the Washington and London G20 Summits arguably overshadowed Chinese responses (Dobson 2010). Furthermore, the promise made by the Japanese government under the leadership of Noda Yoshihiko to provide an additional US\$60 billion to boost IMF resources in April 2012 confirmed the country's leading position in furnishing the organization with means to buttress the stability of the global economy (IMF 2012). For Japan, the G20 offers an opportunity to maintain its position at the core of the global economic governance decision-making process and to have an influence on the role which emerging powers will play within that process.

A self-described "middle power" (Kim 2013), South Korea has invested in the G20, accepting its function as the new steering committee for the global economy (Kim 2013). South Korea faces many of the problems of an emerging power, e.g., a lack of power within the current structure of global economic governance. However, it is far more integrated into the current system of global economic governance and has developed far more interlinks with the established powers who dominate the system than emerging powers such as China. In 2013, Kim Sung-han, Vice Minister of Foreign Affairs and Trade, expressed his country's growing concern "that even with the recent limited economic recovery, the momentum of G20 cooperation is weakening. This is partly attributable to the divergent positions of developed and developing countries on specific G20 issues such as climate change, trade, and reform of the International Monetary Fund (IMF)" (Kim 2013). As a middle power, South Korea has often been exposed to crises suffered by existing and emerging powers. The country thus does not have the influence of an existing power to reshape global governance structures to help solve domestic issues. Yet it is heavily integrated into the global governance architecture and has been exposed to high levels of risk due to the potential failure of this structure.

This experience provided South Korea with the opportunity to take on the position of a mediator within the G20, although its close links with the US do prevent it from being an effective mediator (see Andreosso-O'Callaghan's paper in this special issue). During the GFC, South Korea has often acted as a negotiator between existing and emerging powers, helping them to find common ground on which both parties can work. This has helped prevent the G20 from becoming a zero-sum game; it helps its members adopt more cooperative behavior by preventing confrontation between existing and emerging powers and increasing socialization and trust-building between members.

There seems to be some ground to suggest that within the G20 process, commitments that are traceable through repeated interactions (through the IMF, the FSB,

and regular G20 Finance Ministers and Central Bank Governor Meetings) are more likely to show signs of progress than more diffuse commitments (Tiberghien 2013). This may help to explain why the G20 is making most progress on elements such as the ratification of Basel III, the regulation of globally systemically important financial institutions (G-SIFI), over-the-counter (OTC) derivatives regulation, and the Mutual Assessment Process (MAP) (Tiberghien 2013). South Korea has played a key role in attempting to make G20 commitments more traceable. Since 2010, Senior South Korean officials appear to have been thinking carefully about strengthening the G20's ability to follow through on whatever commitments are made. Sakong II, the chairman of the presidential committee for the G20 summit in 2010, even endorsed the idea that the G20 should become a permanent institution with a fixed secretariat (MacDonald 2010). South Korea invested in the G20, as it helps it to gain influence over the shape of the developing global governance architecture and helps it prevent its voice from being drowned out by those of the emerging economies. Throughout the G20 process, South Korea has positioned itself as a middle-level power and has often championed development issues. Although efforts to place development policy on the G20 agenda began during the Toronto Summit in 2010, it was South Korea's co-chairing of the G20 Development Policy Working Group (DPWG) that drove the agenda. The following summit in Seoul in 2010 had a strong focus on development. It expanded the G20's agenda to encompass the challenges of global development including food, water, and energy development as well as a more effective donor system (MacDonald 2010). South Korea has pushed a number of development initiatives through the DPWG.

South Korea's involvement in development issues helped to push for global action in areas in which the Asian nation is still exposed to risk. These areas include energy and food security. Development policy, which helps to increase global energy and food security, is a key factor in South Korea's further growth. Therefore, South Korea has used the G20 as an attempt to resolve these issues. South Korea's then President Lee Myung-bak explained: "Today we face another risk of surging global food prices, which is hindering the global economic recovery [...] Of course, a food crisis could lead to consequences more dire than that of an oil and energy crisis, threatening the survival of the poor and vulnerable of developing countries, particularly low-income countries" (G20civil 2012). Lee then called on the G20 members to "redouble efforts" to increase agricultural production and productivity (G20civil 2012). Naturally, South Korea's role in the G20 and global governance is primarily one of a catalyst or middle power, in contrast to systemic players such as India and China.

As a developing country, China is more open to non-traditional security threats, such as climate change and food insecurity, than developed nations (Duggan and Naarajärvi 2012). Within the G20, China has attempted to link development issues to the wider global economic system. Like South Korea, it has been a driving force in pushing the development policy agenda in the G20. In the area of food security,

it is increasingly exposed to systemic risks (Duggan and Naarajärvi 2012). China has begun to push for reforms and a greater link between food security and the overall reform of global economic governance. Hui Liangyu, then Vice Premier of China, outlined the importance of food security to China in 2009: “Food security is the basis for economic development and social stability. It is also an important prerequisite for national independence and world peace” (MFA 2009a). By doing this, China put food security on the G20’s agenda. The PRC is also pushing for food security to be linked to the overall creation of a more sustainable economic system. At the Los Cabos Summit in 2012, Hu Jintao outlined that food security was one of the key factors in the development of poorer countries and was a necessary part of the rebuilding of the global economic system after the 2009 financial crisis (MFA 2012). President Hu Jintao stated:

The function of international financial institutions in promoting development and reducing poverty should be enhanced, support to developing countries in conducting external trade should be strengthened, and investment in [...] development issues should be increased (Xinhua 2012a).

The concept of connecting food security to the overall economic development of poorer nations as well as to food security’s role as a core part of the creation of a stable global economic system that is promoted by China within the G20 is a marked departure from the G8-inspired Washington Consensus approach to development (Duggan and Naarajärvi 2012). China has also emphasized within the G20 that the principle of common but differentiated responsibilities should be the basic line for reform of global food security governance and that developed states still hold the greatest power within the current system and should, therefore, hold the greatest responsibility to create a more effective system to ensure global food security (Xinhua 2012a).

As an existing power, Japan has placed some emphasis within the G20 on the global development agenda and affective responses to systemic risk resulting from non-traditional security threats such as food and energy security. During the G20 Summit in Cannes, Prime Minister Noda explained Japan’s support for the ASEAN Food Security Information System and financial support for Thailand contributed through the ASEAN+3 Emergency Rice Reserve (MOFA 2011). Additionally, in 2012, responding to the call for additional funding for the Global Agriculture and Food Security Program, Japan (alongside South Korea) promptly pledged to contribute an additional US\$30 million. The GAFSP was launched by the World Bank in 2010 at the request of the G20 and is responsible for providing aid in low-income countries for projects that enhance agricultural output and contribute to the alleviation of hunger and poverty (World Bank 2012).

The generosity of the Japanese government is only one side of the story. Domestic expectations and pressures concerning the agricultural sector in Japan clash with an important aspect of the food security problem, namely the fight against protectionism and commitment to promote global trade (Duggan and Szczepanska 2012).

In the areas of climate change and energy security, Japan has been more involved in the push of pro-development reforms at the G20 than with regard to food security. The issue of energy security and renewable and green growth was addressed in detail by G20 leaders for the first time during the London and Pittsburgh G20 Summits (2009), where pledges concerning the reduction of fossil fuel subsidies and support for investments in clean energy were made. These pledges re-appeared in closing documents at the Seoul Summit (2010) (Bracht 2011: 1–2). At the 2009 Pittsburgh Summit, former Prime Minister Hatoyama Yukio asserted Japan's commitment to reducing the emission of greenhouse gases and underlined that Japan should spearhead the push for clean and renewable energy pro-development reforms in global governance (Kantei 2009). However, in a post-Fukushima nuclear crisis, the Japanese energy-security system may not be in a position to contribute to developing a system of global economic governance, which is founded on the principles of pro-development and clean and renewable energy (Duggan and Szczepanska 2012). If the Japanese energy system moves away from an increasingly unpopular nuclear power system toward imported fossil fuel, this may even lead to greater tension between Japan and emerging economies such as China and countries which heavily rely on imported fuel like South Korea (Enerdata 2013).

Nevertheless, the G20 offers the best framework for Japan to help design a system of global economic governance, which will help to regulate the trade of fossil fuel and facilitate the transfer of clean and renewable energy technology, thereby helping to reduce global energy insecurity and therefore Japanese energy insecurity. The G20 provides existing powers such as Japan with a peaceful means of shaping the way in which emerging powers develop security in areas such as food and energy, therefore reducing the impact of their rises on the exiting powers in these areas. Unlike the more trackable commitments in the G20 process in the area of financial regulation, reform drives in areas such as food and energy security are harder to measure. In general, the pace of reform has been slower than in reforms dealing with the GFC due to the fact that — unlike in the areas dealing with the GFC, which enjoy repeated institution interactions<sup>2</sup> — there is less interaction among institutions dealing with food and energy security and therefore less opportunity for intense socialization and trust-building to occur.

## Conclusion

East Asia's systemically important states — the existing and emerging ones as well as the middle-level powers — have chosen to join the G20 as a response to systemic risks. The G20 has been the framework where the response to systemic risks such as the GFC, the global food crisis, and global climate change has been formulated, or at least coordinated. The G20 offers a framework where the complex interrelationship

---

2 Through the IMF, the FSB, and regular G20 Finance Ministers and Central Bank Governor meetings.

between different areas of the global economy, food, and energy can be coordinated and a greater understanding of how the interplay between these sectors can be managed, thus helping to avoid or reduce the impact of systemic risks. As East Asia nations open to risks in energy and food security, the development of a process of global governance which deals with the complex interrelationship between different areas of the global economy is a clear reason why East Asian nations invest in the G20. Besides the advantage of offering a more effective process of dealing with transnational crisis, the G20 defines a framework in which to manage a peaceful incorporation of emerging powers into the core of global economic governance.

In the case of East Asia, the G20 allows China to reduce the cost of becoming a core player by providing a relevantly large level of access to core global decision-making processes while moderating conflicts with established powers. For Japan, whose influence within global governance has been reduced by the rise of emerging powers, the G20 is an opportunity to limit the costs of their integration into global economic governance. The G20 offers Japan the opportunity to shape its position despite its growing rivalry with China and to limit its own loss of influence within the newly developing architecture. For South Korea, a middle-level power, the G20 offers the opportunity to maintain many of the features of the current system which have supported South Korea's development. In addition, the G20 constitutes a window of opportunity to increase its influence within the system by acting as a mediator between emerging and existing powers. This highlights an interesting point: while the original investment to the G20 by systemically important states can be explained by the initial opportunity advantage outlined above, the continued investment by systemically important states such as those found in East Asia can be best explained by socialization and trust-building, which develops through repeated interaction among states during the G20 process.

Although the evidence remains limited, the G20 process points to cases of advancement and success, namely the financial regulations within the FSB process and the Mutual Assessment Process (MAP). The areas of progress share a few key features: repeated and intense work within small working groups with socialization, peer pressure, and monitoring by an external agent (FSB or IMF). So far, the evidence points to significant cooperation and gap-bridging between existing powers and large emerging powers. In areas such as agriculture, climate change, and energy, however, where commitments are less clear and there is little repeated and intense work within small working groups with no monitoring by an external agent, there is less progress in terms of developing areas of cooperation. As these areas are key to the future development of emerging powers, a lack of progress in these issues may result in a reduction of the level of investment by emerging powers. In the end, it is the cooperation between systemically important emerging powers, such as India or China, and existing powers that will determine the future of the planet on these dimensions. While not yet ready to lead global innovations on their own, China and other large emerging countries in Asia might be prepared to engage in genuine

partnerships with the US, Europe, and Japan. Finding the new mechanisms and institutions for such a successful cooperation is the crucial task facing global policy leaders today. The post-G20 2008 process is only a first step.

## References

- Abdelal, R. (2007): *Capital Rules. The Construction of Global Finance*. Ithaca: Cornell University Press
- Asō, Tarō (2008): “Restoring financial stability. Use Japan’s experience as a guide to near-term problems – then think bigger”, in: *The Wall Street Journal*, 14 November, <http://online.wsj.com/article/SB122660683367025399.html>. (accessed: 2012-12-10)
- Bracht, Caroline (2011): “G20 Climate Change and Energy Accountability. The G20 Summit’s Compliance Record, 2008 to 2011”, G20 Research Group, December
- Bradford, Colin I.; Lim, Wonhyuk (2011): “Introduction. Toward the Consolidation of the G20. From Crisis Committee to Global Steering Committee”, in: Bradford, Colin I.; Lim, Wonhyuk (eds.): *Global Leadership in Transition. Making the G-20 More Effective and Responsive*. Washington: Korea Development Institute and the Brookings Institution
- British Embassy in Beijing (2009): “G20 must look beyond the needs of the top 20”, FCO.gov.uk, <http://ukinchina.fco.gov.uk/en/news/?view=PressR&id=15603425> (accessed: 2012-12-10)
- Brown, L. (2011): *World on the Edge. How to Prevent Environmental and Economic Collapse*. New York and London: W.W. Norton & Company
- Carrasco, E.R. (2010): “The Global Financial Crisis and the Financial Stability Forum. The Awakening and Transformation of an International Body”, in: *Transnational Law & Contemporary Problems*, 19: 203–220
- Chin, G. (2010): “China’s Rising Institutional Influence”, in: Alexandroff, A. S.; Cooper, A. F. (eds.): *Rising States, Rising Institutions. Challenges for Global Governance*. Washington, D. C.: Brookings Institution Press, 83–104
- Chwieroth, J. (2009): *Capital Ideas. The IMF and the Rise of Financial Liberalization*. Princeton: Princeton University Press
- Clapp, J.; Helleiner, E. (2012a): “International Political Economy and the Environment. Back to the Basics?”, in: *International Affairs*, 88, 3: 485–501
- (2012b): “Troubled Futures? The Global Food Crisis and the Politics of Agricultural Derivatives Regulation”, in: *Review of International Political Economy*, 19, 2: 181–207
- Cooper, Andrew F.; Ramesh, Thakur (2013): *The Group of Twenty (G20)*. New York: Routledge
- Dobson, H. (2004): *Japan and the G7/8. 1975–2002*. London: Routledge
- (2010): “Japan and the Changing Global Balance of Power. The view from the summit”, in: *Politics*, 30, 3: 33–42
- Drezner, D. W. (2007): *All Politics Is Global. Explaining International Regulatory Regimes*. Princeton: Princeton University Press
- Duggan, Niall; Szczepanska, Kamila (2012): “Asian Regional Responses. A Comparative Perspective of the role of Japan and China in the G20”, conference paper for “China, the European Union and the Re-organisation of Global Financial Markets: Towards a New Global Economic Governance”, Ruhr University Bochum
- ; Naarajärvi, Teemu (2012): “China’s Position Toward Global Food Security Governance”, conference paper for “China and the G20. Chinese Contributions to New Global Economic Governance”, Fudan University
- (2012): “Role Theory and Global Governance. How Food Security Is Deterring China’s Role in the G-20”, conference paper for PSAI Annual Conference, University Of Ulster, Derry
- (2013): “The Rise of China Within Global Governance”, conference paper for “China’s Rise. Geopolitical Developments and Their Consequences for Global Stability”, Ghent University
- Enerdata (2013): *Global Energy Statistical Yearbook 2013*. Enerdata, <http://yearbook.enerdata.net/#energy-consumption-data.html> (accessed: 2013-08-12)
- Food and Agriculture Organization of the United Nations (2013): *FAO Statistical Yearbook 2013*. FAO, <http://www.fao.org/docrep/018/i3107e/i3107e00.htm> (accessed: 2013-08-12)
- Grande, E.; Pauly, L. W. (2005): *Complex Sovereignty. Reconstituting Political Authority in the Twenty-First Century*. Toronto: University of Toronto Press
- Gottwald, Jörn-Carsten; Duggan, Niall (2011): “Adaptive Stress. China and the Global Economic Crisis”, in: Andreosso-O’Callaghan, Bernadette; Herrmann, Peter (eds.): *The Transformation of Asia in a Global Changing Environment*. New York: Nova Publishers



- Gov.cn (2012): "China, EU issue joint communique on stronger partnership", Gov.cn, [http://english.gov.cn/2012-09/21/content\\_2230055.htm](http://english.gov.cn/2012-09/21/content_2230055.htm) (accessed: 2013-03-05)
- G20civil (2012): "South Korea urges G20 action on grain prices", August 23, <http://www.g20civil.com/newsg20/987/> (accessed: 2013-08-12)
- Heinbecker Paul, (2011): "The United Nations and the G20. Synergy or Dissonance?", in: Bradford, Colin I.; Lim Wonhyuk (eds.): *Global Leadership in Transition. Making the G-20 More Effective and Responsive*. Washington: Korea Development Institute and the Brookings Institution
- Helleiner, E. (2011): "Understanding the 2007–2008 Global Financial Crisis. Lessons for Scholars of International Political Economy", in: *Annual Review of Political Science*, 14: 67–87
- (2011): "The End of an Era in International Financial Regulation? A Postcrisisresearch Agenda", in: *International Organization*, 65: 169–200
- ; Pagliari, S. (2009): "The End of Self-Regulation? Hedge Funds and Derivatives in Global Finance Governance", in: Helleiner, E.; Pagliari, S.; Zimmerman, H. (eds.): *Global Finance in Crisis. The Politics of International Regulatory Change*. London: Routledge, 74–90
- ; Malkin, A. (2012): "Sectoral Interests and Global Money. Renminbi, Dollars and the Domestic Foundations of International Currency Policy", in: *Open Economic Review*, 23: 33–55
- Hook, G. D.; Dobson, H. (2007): *Global Governance and Japan. The Institutional Architecture*. London: Routledge
- Ikenberry, G. J. (2002): *America Unrivaled. The Future of the Balance of Power*. Ithaca: Cornell University Press
- (2011): *Liberal Leviathan. The Origins, Crisis, and Transformation of the American World Order*. Princeton: Princeton University Press
- IMF (2012): "Statement by IMF Managing Director Christine Lagarde on Japan's \$60 Billion Pledge", Press Release No. 12/137, April 16, 2012, <https://www.imf.org/external/np/sec/pr/2012/pr12137.htm>
- Johnston, A. I. (2008): *Social States. China in International Institutions, 1980–2000*. Princeton: Princeton University Press
- Kahler, M.; Lake, D. (2009): "Economic Integration and Global Governance. Why So Little Supranationalism?", in: Mattli, W.; Woods, N. (eds.): *The Politics of Global Regulation*. Princeton: Princeton University Press, 242–275
- Kalinowski, Thomas (2011): "East Asia in the G20 and the global governance of finance", paper presented at the IPSA-ECPR Joint Conference "Whatever Happened to North-South?" hosted by the Brazilian Political Science Association at the University of Sao Paulo, February 16–19
- Kantei (2009): "Japan's New Commitment to Asia. Toward the Realization of an East Asian Community", address by H.E. Dr. Yukio Hatoyama, Prime Minister of Japan, November 15, [www.kantei.go.jp/foreign/hatoyama/statement/200911/15singapore\\_e.html](http://www.kantei.go.jp/foreign/hatoyama/statement/200911/15singapore_e.html) (accessed: 2013-08-12)
- Kawai, M.; Pomerleano, M. (2009): "International financial stability architecture of the 21st century", *Financial Times*, August 21, <http://blogs.ft.com/economistsforum/2009/08/international-financial-stability-architecture-for-the-21st-century/> (accessed: 2013-08-12)
- Kent, A. (2002): "China's International Socialization. The Role of International Organizations", *Global Governance*, 8, 3: 343–364
- Kim, Sung-han (2013): "Global Governance and Middle Powers. South Korea's Role in the G20", Council on Foreign Relations (CFR), <http://www.cfr.org/south-korea/global-governance-middle-powers-south-koreas-role-g20/p30062>
- Kirton, John J. (2004): "Getting the L20 Going. Reaching Out from the G8", paper prepared for a workshop on "G20 to Replace the G8: Why Not Now?", Washington DC, September 22
- ; Pagliari, S. (2009): "The End of Self-Regulation? Hedge Funds and Derivatives in Global Finance Governance", in: Helleiner, E.; Pagliari, S.; Zimmerman, H. (eds.): *Global Finance in Crisis. The Politics of International Regulatory Change*. London: Routledge, 74–90
- (2010): "The G8-G20 Roles and Relationship". paper prepared for the panel "The Future of the G8 and G20", Universitaire Stichting, Brussels, April 26
- (2013): *G20 Governance for a Globalized World*. Surrey: Ashgate Publishing
- MacDonald, Lawrence (2010): "South Korea puts development on the agenda for Seoul G20 Summit", *The Guardian*, October 4, <http://www.theguardian.com/global-development/2010/oct/04/south-korea-development-g20-summit> (accessed: 2012-10-12)
- Mattli, W.; Woods, N. (2009): *The Politics of Global Regulation*. Princeton: Princeton University Press
- Ministry of Foreign Affairs of People's Republic of China (MFA) (2009a): "Strengthen Cooperation for Global Food Security", address by H.E. Hui Liangyu, Vice Premier of the State Council of the People's Republic of China, at the World Food Summit, November 16, <http://www.fmprc.gov.cn/eng/wjdt/zyjh/t628178.htm> (accessed: 2012-11-12)

- (2012): “President Hu Jintao Attends the Seventh G20 Summit and Delivers an Important Speech”, June 18, <http://www.fmprc.gov.cn/eng/zxxx/t943395.htm> (accessed: 2012-10-12)
- Ministry of Foreign Affairs of Japan (MOFA) (2009): “Declaration on Strengthening the Financial System”, London Summit, April 2, [http://www.mofa.go.jp/policy/economy/g20\\_summit/2009-1/annex2.html](http://www.mofa.go.jp/policy/economy/g20_summit/2009-1/annex2.html) (accessed: 2013-08-12)
- (2011): “Prime Minister Yoshihiko Noda Attends the G20 Cannes Summit: Developed and Emerging Countries Cooperate to Overcome Short-Term and Medium- to Long-Term Global Economic Issues”, December 22, [http://www.mofa.go.jp/policy/economy/g20\\_summit/2011/pm1222.html](http://www.mofa.go.jp/policy/economy/g20_summit/2011/pm1222.html) (accessed: 2013-08-12)
- Oosterveer, P. (2007): *Global Governance of Food Production and Consumption. Issues and Challenges*. Cheltenham, UK: Edward Elgar
- Posner, E. (2009): “Making Rules for Global Finance: Transatlantic Regulatory Cooperation at the Turn of the Millennium”, *International Organization*, 63, 4: 665–699
- Postel-Vinay, Karline (2011): *Le G20, Lanoratoire d'un monde emergent*. Paris: Presses de Sciences Po
- Reinhart, C. M.; Rogoff, K. S. (2009): *This Time Is Different. Eight Centuries of Financial Folly*. Princeton: Princeton University Press
- Roubini, N. (2011): “Our G-Zero World”, Project Syndicate, February, <http://www.project-syndicate.org/commentary/our-g-zero-world>
- Schirm, Stefan A. (2010): “Leaders in Need of Followers. Emerging Powers in Global Governance”, *European Journal of International Relations*, 16, 2: 197–222
- (2011): *The G20, Emerging Powers. Transatlantic Relations*. Transatlantic Academy Paper Series
- Shambaugh, D. L. (ed.) (2005): *Power Shift. China and Asia's New Dynamics*. Berkeley: University of California Press
- Singer, D. A. (2007): *Regulating Capital. Setting Standards for the International Financial System*. Ithaca: Cornell University Press
- Smith, L. (2010): *The World in 2050. Four Forces Shaping Civilization's Northern Future*. Hialeah: Dutton
- Spence, M. (2011): *The Next Convergence. The Future of Economic Growth in a Multispeed World*. New York: Picador
- Stiglitz, J. E. (2010): *Freefall. America, Free Market. The Sinking of the World Economy*. New York: W. W. Norton & Co
- Strauss-Kahn, D. (2011): “High-Level Seminar on the International Monetary System”, Keynote, Nanjing, March 31, in: *IMF Speeches*. Washington DC: IMF
- SYAP (Statistical Yearbook for Asia and the Pacific 2011) (2012): “International Trade”, UN Economic and Social Commission for Asia and the Pacific, <http://www.unescap.org/stat/data/syb2011/III-Economy/International-trade.asp> (accessed: 2013-08-12)
- Tiberghien, Y. (2012): *L'asie Et Le Futur Du Monde*. Paris: Presses de Sciences Po
- (ed.) (2013): *Leadership in Global Institution Building. Minerva's Rule*. London: Palgrave MacMillan
- Vestergaard, Jakob; Wade, Robert (2012): “Establishing a new Global Economic Council. Governance reform at the G20, the IMF and the World Bank”, in *Global Policy*, 3, 3: 257–269
- Walter, A. (2008): *Governing Finance. East Asia's Adoption of International Standards*. Ithaca: Cornell University Press
- World Bank (2012): “Japan and Republic of Korea Pledge Additional \$60 Million to Boost Food Security in World's Poorest Countries”, <http://www.worldbank.org/en/news/press-release/2012/10/12/japan-republic-of-korea-pledge-additional-60-million-boost-food-security-worlds-poorest-countries> (accessed: 2013-08-12)
- Xu, X. (2012): *Shiyou a, shiyou. Quanguo youqi jingsai he Zhongguo de xuanze (Energy Black Swan. Global Games and Chinese Options)*. Beijing: Zhongguo shehui kexue chubanshe
- Xinhua (2010a): “China Urges IMF to Accelerate Quota Adjustment”, April 24, [http://news.xinhuanet.com/english2010/china/2010-04/25/c\\_13265978.htm](http://news.xinhuanet.com/english2010/china/2010-04/25/c_13265978.htm) (accessed: 2013-08-12)
- (2010b): “Chinese Minister: World Bank Reform Benefits World Development”, April 26, [http://news.xinhuanet.com/english2010/china/2010-04/26/c\\_13267705.htm](http://news.xinhuanet.com/english2010/china/2010-04/26/c_13267705.htm) (accessed: 2013-08-12)
- (2012a): “Chinese FM Says China Plays Unique, Important Role at G20 Summit”, June 20, [http://news.xinhuanet.com/english/china/2012-06/20/c\\_131666632.htm](http://news.xinhuanet.com/english/china/2012-06/20/c_131666632.htm)
- (2012b): “Chinese Delegation Stress Food Security at ASEP-7”, October 4, [http://www.chinadaily.com.cn/china/2012-10/04/content\\_15796843.htm](http://www.chinadaily.com.cn/china/2012-10/04/content_15796843.htm) (accessed: 2012-11-12)