

## **SPECIAL ISSUE**

# **East Asia's Role in a New Era of Global Economic Governance**

## **Introduction**

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When the current global financial crisis (GFC) broke out in 2008, observers soon embarked on a discussion on whether or not this would create a new leading role for East Asia. A first global summit on financial regulation and the global financial crisis held in Washington in November 2008 turned out to be the starting point for a new attempt to create fairer and more inclusive global economic governance. Once again, the global public fixed its eyes on China and other emerging economies of the global South that broke into the old boys' club of the G7/8 and added color to the official photographs as well as to the agenda. When follow-up summits in Washington and Pittsburgh led to a series of measures to combat the fallout from the GFC, euphoric voices welcomed the G20 as the new "steering committee of the global economy."

No one would doubt that the current crisis highlights the increased significance of East Asia in global economic development. In this regard, the crisis provides a unique opportunity to either adapt or fundamentally revise the existing framework for global economic governance. In addition, the G20 — with all its ups and downs in global perception — has established itself as the focal point for its reform. The role of East Asia is disputed, however: while some voices express their optimism regarding new initiatives from the East, others argue that East Asia is failing to deliver the goods in its "moment of truth" (Drysdale 2009: 4).

Has the G20 really developed enough substance to be able to function as a steering committee for the global economy? Has the increased representation of countries of the global South strengthened the power shift away from the trans-Atlantic and toward the trans-Pacific? What are the roles of the East Asian members of the G20 in the Group's efforts to revise the existing framework for global economic governance? These are the guiding questions discussed in the contributions to this

special issue of ASIEN, which presents findings from two international workshops.<sup>1</sup> Authors from three continents seek insights into the changes in the global environment for economic governance, the impact these have had on the Bretton Woods institutions, and the role of the new G20 as a self-proclaimed steering committee of the global economy, all from the perspective of East Asia. Individual chapters analyze the role of the three main Northeast Asian (NEA) powers, China, Japan, and South Korea. While theoretically diverse, covering different approaches from IR to economics, the papers all include a domestic perspective and offer various explanations of the different roles the three governments have adopted in the G20. They provide a multidimensional yet (hopefully) coherent attempt at stocktaking and tentative explanations of the slow change and future direction of global economic governance due to East Asia's emerging role.

In his chapter, Gerald Chan analyzes the global power shift and challenges to new global economic governance in Asia. In his view, the global financial crisis is often interpreted as an expression and re-enforcement of a global power shift from the trans-Atlantic to the Asia-Pacific. On closer observation, however, only one area out of four — political power, economic power, social influence, and military power — provides much empirical evidence of a power shift, namely the economy. This shift is multidimensional and might be better understood as a global power spread. Over-ambitious expectations regarding an East Asian revamping of the institutions of global economic governance therefore seem unfounded. The continuity in the relative dominance of trans-Atlantic power — particularly that of the US — proposes an incremental adaptation of the existing institutions and might explain the gradual fading of enthusiasm regarding the real significance of the new G20.

According to Yves Tiberghien and Niall Duggan, the *raison d'être* of the new G20 was to involve China, India, and Korea in global governance. When its members gathered for their first summit in Washington in 2008, the idea was to give more voice to East Asia. Taking stock of the development so far, though, East Asia has obviously not seized this opportunity and has had little impact in most policy areas (with the notable exception of food security and development). While the member states of the European Union were able to agree on a joint agenda in the initial stages of the global crisis response and were able to exert considerable influence, the huge potential for an (East) Asia caucus within the G20 was hardly tapped at all. If the three NEA countries could incorporate the G20 into their trilateral relations, their voice at the G20 would be clear and important, as their economic weight is huge. If they established a reliable cooperation, their common interest would include rebalancing the global monetary system, reducing financial volatility, and stabilizing

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1 “China, the European Union and the Re-organisation of Global Financial Markets: Towards a New Global Economic Governance,” Bochum, November 4–6, 2012, friendly supported by the Stiftung Mercator, Essen; and “China and the G20: Chinese Contributions to New Global Economic Governance,” Shanghai, December 2–4, 2012, friendly supported by the School of International Relations and Public Affairs (SIRPA), Fudan University, and the Stiftung Mercator, Essen.

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global trade. They even share common concerns regarding commodity markets and energy security. A combination of external factors (security issues and US policies) and domestic factors (political turmoil in Japan, leadership change in China) have so far prevented “East Asia” from emerging as a significant actor in global economic governance. As a result, there is an arbitrage gap, and the voice of East Asia is too weak to influence the agenda in the G20 with regard to its concerns and interests.

In our own analysis in this volume, we argue that China’s rise in global politics and economics has further fueled perceptions of East Asian dominance in global institutions. From a power-shift perspective, the GFC provides a window of opportunity for a rising power to change existing norms and organizations and to push for the creation of new ones. While the PRC reluctantly took center stage in the global effort to contain the crisis and provide better institutions for future crisis-prevention and management, its contributions to the G20 have been rather limited. This gap between high expectations due to a fundamental shift in opportunities and relatively minor policy outcomes can be explained through an analysis of domestic expectations, intra-elite role prescriptions, and the specifics of policy-making within the PRC. While China has become very active in some areas, it nevertheless follows its own pattern of incremental extension of influence, building up long-term resources and reducing foreign expectations regarding fast-lane power politics.

In South Korea’s case, membership of the G20 has given it the opportunity to develop a new profile and take on a new role both in global and in regional politics, as Bernadette Andreosso-O’Callaghan describes in her paper. When hosting the G20 Summit in Seoul in 2010, the government managed to raise the profile of the ROK as a global mediator and agenda-setter, which the Seoul Development Consensus highlights. At the same time, South Korea has been engaging its difficult neighbors, the PRC and Japan, in trilateral negotiations for an FTA and is seeking a more active role in regional financial cooperation. From an academic perspective, South Korea is of particular significance, as it represents a nation that has already recovered from a severe financial crisis of its own and has joined the global effort to overcome the international crisis, which includes reforming the Bretton Woods institutions.

Japan’s role still suffers from domestic constraints, as Hugo Dobson describes. Japan has played a crucial role in the representation of East Asia in global economic governance. Traditionally the leading economic power in East Asia and sole representative of the region in global institutions such as the G7, Japan has had to come to terms with the rise of the PRC and the impact its “lost decade” has had on its role in global affairs. China’s emergence as a central player at the G20 has overshadowed Japan’s significant contributions to global and regional crisis management in financial terms and with regard to agenda-setting. Its relationship with China is the key to the development of an “East Asian profile” in global economic governance. Its two-decade-long fight against economic stagflation and its experience in reforming its financial sector have given it ample experience in

financial crisis management, which could be translated into positive contributions to the G20's work in the future.

So far, though, the enthusiastic welcome initially given to the G20 as a forum for crisis management has not yet translated into a coherent revision of global economic governance. Nor has it added "East Asian characteristics" to global economic governance. It has, however, created a new, more comprehensive group of leading states, with ample room for Japan, South Korea, and China to pursue their interests and express their concerns. In addition, it has triggered intra-Asian developments, which we feel deserve considerably more study in this inspiring new field of academic endeavor.

### **References**

Drysdale, Peter (2009): "East Asia's moment of truth", in: *East Asia Forum*, 1, 1: 4–5