

Session I

Group 1

Transcript

Moderator

Young-Sun Ha

PresentersJohn Ravenhill
Jae Ho Chung**Participants**

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MacArthur Asia Security Initiative 2010 Annual Meeting
Session I. Group Discussion
Group 1. Post-Crisis Global and Regional Order
August 2, 2010

- **Date:** July 8, 2010, 10:00~12:00
- **Venue:** Grand Ballroom, Westin Chosun Seoul

Moderator: Young-Sun Ha

Good Afternoon. I'm Young-Sun Ha of Seoul National University and also the senior advisor to the EAI. Since the beginning of the economic crisis in 2008, we have so far discussed quite a lot on the post-crisis world and regional order. But, it seems that our discussions have not yet achieved the detailed, clear picture of the post-crisis world and regional order, in particular on the issues such as the relative decline of the United States, and also what will be the shape after the rise of China in the upcoming several decades, in addition to that what kind of global and regional governance to cope with the coming and new post-crisis world order. It seems that our meeting is a good place to discuss and converge on the conclusion of such kind of difficult task.

For our effective, efficient discussion we invited two speakers for our discussions. The first speaker will be Professor Ravenhill of Australian National University. Before joining the ANU he taught at several major universities of the world and he wrote many books and articles. The most recent one is the co-edited book, Asia's Dynamic Political Economy. He will give us a seven minute brief introduction to the global and regional governance in particular with the emphasis on G-20. And our second speaker will be Professor Jae Ho Chung of Seoul National University. Before joining Seoul National University he taught at the Hong Kong

University of Science and Technology during 1993 to '96. He is very internationally well-known scholar on China issues. He already wrote and edited ten books on China issues, which includes Charting China's Future in 2006 and also the most recent one is China's Local Administration Traditions and Changes in the Sub-National Hierarchy in 2009. After hearing the two brief presentations we will have a free-round discussion. Because of the time limit - we have over twenty members in two hours- to have productive discussions I am a little worried how I can manage as a moderator to finalize our discussion. Anyhow, in spite of the pressure of time limits, I think each participants of the panel I will ask very briefly introduction from right side to the left and after that we will hear the two presentations. Would you start the introduction of yourself very briefly?

Mely Caballero-Anthony

Yes. Hi I'm Mely Anthony. I'm with the Rajaratnam School of International Studies at the Nanyang Technological University at Singapore. I'm heading the cluster 3 core institution on internal challenges and cross-border implications. Thank you.

Belinda Chng

Hi I'm Belinda from the S. Rajaratnam School of International Studies and the Centre for Non-Traditional Security. I work with Mely closely on the ASI Project and the programs that we have which include climate change, internal conflict and energy security. Thanks.

Chaesung Chun

Hi I'm Chae Sung Chun, EAI and Seoul National University teaching international relations. Thank you.

Matthew Ferchen

Hello, Matt Ferchen, Tsinghua University. I teach international political economy.

Kiichi Fujiwara

I'm Kiichi Fujiwara, international politics at the University of Tokyo. Now I'm in charge of the Policy Alternative Research Institute that was launched quite recently.

Ilmas Futehally

Hello, I'm Ilmas Futehally from the Strategic Foresight Group in Mumbai.

Xuetang Guo

Hello, good morning. My name is Guo Xuetang. I'm from Shanghai. This time I represent the Center for RimPac, Shanghai Jiao Tong University. Actually I work for Shanghai University Political Science and Law, the Center for Strategic and International Studies of this university.

Qingguo Jia

Hi, my name is Jia Qingguo. I'm from Peking University. I'm working on U.S.-China relations, Chinese foreign policy.

Roy Kamphausen

Good morning, I'm Roy Kamphausen. I direct the Washington D.C. office of the National Bureau of Asian Research.

Sung-han Kim

Hi, Sung-han Kim, teaching international security, and U.S. foreign policy at Graduate School of International Studies, Korea University.

Santosh Kumar

Good morning, I'm Santosh Kumar. I'm with the Indian Council for Research on International Economic Relations

and I'm directing the program on strategic aspects of international relations.

Shin-wha Lee

Hello, this is Shin-wha Lee. I'm from Department of Political Science in International Relations, Korea University. This time, together with Professor Kim Sung-han I'm representing Ilmin International Relations Institute.

ANM Muniruzzaman

Good morning, I'm Muniruzzaman. I'm from the Bangladesh Institute of Peace and Security Studies. We work on the broad spectrum of security issues, both traditional and nontraditional. Thank you.

T.J. Pempel

My name is T.J. Pempel. I'm a professor at the University of California, Berkeley in the department of political science. I'm also affiliated with the Institute of East Asian Studies and most of my work lately has been on Asian regionalism, Asian security institutions and the links between economics and security in East Asia.

Srinath Raghavan

Good morning, I'm Srinath Raghavan from Centre for Policy Research in New Delhi where I head the group which works on security issues.

Paul B. Stares

Hello, I'm Paul Stares. I'm a senior fellow at the Council on Foreign Relations in Washington D.C. where I direct Center for Preventive Action. We're just starting our MacArthur funded project looking at managing instability on China's periphery. Thank you.

William Tow

Will Tow, from the Australian National University. I co-managed the MASI Program at ANU with my colleague John Ravenhill. I'm primarily here today to applaud John's remarks at appropriate intervals.

Kirsten Trott

Hi, I'm Kirsten Trott. I'm the director of strategy and research impact at the Lee Kuan Yew School of Public Policy. Our focus at the LKY School through the Centre on Asia and Globalization is energy security relating to the MASI Project.

Dipankar Banarjee

Dipankar Banarjee, I head the Institute of Peace and Conflict Studies, an autonomous think-tank in Delhi.

Moderator: Young-Sun Ha

Thank you. Professor John Ravenhill will give us a very short presentation on the G-20 as a new global governance.

Presenter I: John Ravenhill

Thank you very much indeed professor Ha, it is a great honor to be leading off this important seminar this morning. I'm really grateful to our good friends at EAI for their fantastic hospitality and the wonderful organization they have put into this meeting.

I must admit though, I was a little less enamored of the task they sent me. I was asked to do a one-page memo on the future of global governance after the global financial crisis with a particular focus on the role of the G-20. I was worried, "How am I going to fit a page on this, such a small subject?" So, the organizers of the conference have done me a favor because I pulled all the undergraduate tricks I could remember - small margins, very small typeface, one page, well that actually means two sides doesn't it? I produced a one-page memo, but actually properly formatted, it comes out somewhat longer than that.

I am also here at a somewhat disadvantage now because of the really excellent keynote speech we had this morning. A very thoughtful speech indeed on the role of the G-20 and the tasks it faces at the summit in Seoul later this year.

I think perhaps, the starting point should be that there is a tendency in this part of the world where economies are enjoying fabulous greats of economic growth to think that the global financial crisis is over. But, if we look at the United States and Europe, this is not the case. There is still

a substantial risk of a double dip recession with all the risks not just to people's livelihoods and the human security in many parts of the world, but also to interstate relations. And so, we have to put the G-20 in that context.

As somebody coming from Australia then I think the G-20 is great - we're in it. This is something important for Australia. We will probably make Pittsburg a sacred site for Australian tourists because we finally have an organization we're admitted to. Clearly, Korea is also delighted to now be at the forefront of decision-making on global economic affairs.

The foundation of the G-20 of course marks a major development. The last time we had any significant new global organization was with the foundation of the G-7 in 1975. Even though the G-7 itself was changed quite dramatically over 30 years: its agenda has expanded a great deal, and of course became the G-8 with the addition of Russia. A new global institution does not come around very often. The G-20 has great symbolic importance as an acknowledgement that not only is it impossible to govern global finance without the participation of the rising powers - Brazil, India, and China - but also, I think this speaks very much to the keynote address we heard this morning, the very creative role of the middle powers, such as Korea can play in setting the agenda. The G-20 itself through in particular the Washington and Pittsburg Summits played a key role in coordinating the stimulus policies that prevented a further deterioration of the global economy. It was at the Pittsburg Summit that the leaders of the G-20 declared it the premia forum for international economic cooperation, a statement that was reconfirmed at the recent Toronto Summit.

But, the G-20 I'd suggest faces a number of important unresolved issues. The first relates to its membership. Is it too large? Is it too small? It has been criticized from both angles. Its legitimacy has been questioned on the grounds that it is not sufficiently inclusive. Here, I'm just talking initially about country membership, but there is also a broader issue and that is the engagement of the G-20 with nongovernmental actors. We heard in the keynote address about Korea's proposals of a business summit, but there is no mention there at all about engagement with civil society

more broadly. So, questions of membership, questions about European overrepresentation, the fact that the European Union is there as a regional grouping but not ASEAN. We've already got more than twenty-five people around the table however, and so the question is if you add more then, are you going to face essentially a tradeoff between legitimacy on the one hand and effectiveness of the grouping on the other?

Similarly it seems that some members of G-8 are unenthusiastic about this large grouping because they see it as diminishing their influence. This seemed to be the case with the Canadian government at the recent meetings in Toronto. And so, there is a question here, and again I think this was at least hinted at the keynote speech this morning, that the role of the G-20 is by no means certain. That if you do have a further expansion of its membership, then we may see a move back towards a G-8 plus 5, that is the existing G-8 plus Brazil, China, India, Mexico and South Africa, an informal grouping that came into being at the Gleneagles G-8 summit in 2005.

A third set of issues is can the G-20 move from being a crisis committee to a steering committee, again mentioned in the keynote address this morning? Much more difficult now to get agreement once the immediate, worse impact of the crisis has passed. It's also of course the case that the agenda of the G-20 remains narrow, confined primarily to issues of finance. Not surprisingly, it's very much path dependent given the origins of the grouping not in the most recent global financial crisis, but in the Asian financial crisis before it.

So the questions here are: which ministries will be involved, and how will that determine the agenda and effectiveness of the institution? Can the G-20 become an effective negotiating group, or is it nearly going to be another forum where the broad divisions we see in global forums such as the WTO are simply replicated? The G-7 was a small grouping. It did at times make quite effective decisions as a result of hard rounds of negotiations, as opposed to perhaps the best known as the Plaza Agreement of 1986 which led to a major realignment of currencies. Will we see this sort of negotiation going on within the G-20? In Toronto, we had a problem that countries wouldn't even allow men-

tioning of their currencies and exchange rates in the declaration from the G-20 meeting. So, that doesn't seem to bode well for effective negotiations.

Then there are broader issues here about global financial governance in general. And I realize that we sit rather oddly this session in this particular grouping, because it really is much more of a political economy issue, given the narrow focus of the G-20 and frankly, other than the overall nexus between economics and security I cannot see the G-20 playing a traditional security role at any point in the future.

But broader issues then with the reform of the global financial institutions, the IMF now has been given a new mandate. It's supposed to be warm and cuddly, in favor of expansionism instead of cutting back on government expenditure and imposing austerity on its member states. Well, it's always difficult and we know as political scientists it's very difficult for organizations to change their role. There's organizational inertia, there's path dependence, and there are bureaucracies with vested interests. If you take the World Bank for instance, you saw under McNamara back in the 70's and under Wolfensohn the leadership having great difficulty in trying to move the bank towards a poverty focus when large parts of the bank, large parts of the bureaucracy had been devoted to building bridges and other infrastructure. So, organizations don't change easily and without a major change in IMF staffing, are we going to see a different role? Resources are an issue as well. But, I can sense that professor Ha is starting to get agitated so I'm going to leave it there and look forward to discussion on I hope some of these points. Thank you.

Moderator: Young-Sun Ha

Professor Chung will give us his own views on the future of post-Asian order based on the interesting scenarios. Professor Chung.

Presenter II: Jae Ho Chung

Thank you. I'm Jae Ho Chung, I'm directing the Seoul National University's MASI project on Sino-Korean relations and the United States.

This topic is rather provocative but for the record, this

was given to me, I didn't conceive it. Within seven minutes I would like to weave together some of my thoughts on this very broad and important issue. I think the current economic crisis has highlighted the rise of China but it has not done so much in downgrading the status of the United States as previously expected. I think the United States' relative decline has long been forewarned. If I borrow the term from Christopher Layne the end of the U.S. unipolar moment was foreseen even before the economic crisis hit the wall. So I guess in different corners of the world, America's role is still highly appreciated. What the current economic crisis really did was underline the cacophony between Washington and Beijing on a wide range of issues. With the efficiency of the G-2 framework in doubt and instead raises expectation of an alternative system. Obviously, G-20 is one of them.

If America is to remain dominant, it must prevail in three areas: military power, economic power and more authority. And I think in the last decade or so the U.S. has not been doing a very good job in all three, although I think America is doing a bit better in the last one, which is more authority.

Let me talk a little bit about the Chinese side. I think they are following the footsteps of nineteenth century America, which was actually characterized by Fareed Zakaria as "imperial under-stretch." That is to say that America possessed the power of an empire, but wielding that influence in the late nineteenth century. So I think in the footsteps of the U.S., China has been paying utmost attention to the task of remaining as modest, if calculated power, lest the world should view its rise in a negative light. I think Beijing quietly enjoys its elevated status as a major or great power. But it is very sensitive even to the suggestion of a G-2 framework. I've been talking to some people in China about this, and they even characterize this G-2 discourse as a mutant of the China threat thesis. To me, this was a vivid reflection of how sensitive Beijing is even to the hint of asking China to bear burdens on par with the U.S. Napoleon once said when China wakes from its slumber, it will astonish the world. I think China has indeed astonished the world but at the same time, Chinese people are also being astonished by its own rise. I think they're going

through a serious search for their own identity.

But I think China's rise is very evident. If you look at the statistics of the first quarter of this year, their economic growth rate is 11.9% and their recovery is much faster than previously assumed. I think it is understandable why Beijing has been so sensitive or even aversive to the idea of G-2 or even Chi-America. But I think China should not simply view this idea solely in terms of Western conspiracies because G-2 is obviously a concept based on capabilities and intentions. But at the same time, it is also a concept based on perceptions of the international community. So, whether or not China likes it, the international community will view China as such because the U.S. and China cannot solve all the issues that are available in the world. Certainly they are not sufficient. But no issue will be resolved without the consensus of the two. If that is really the case I think the discourse of the G-2 is still quite relevant.

Let me now talk a little about the U.S.-China relations because that will be the most important, most curial variable that will determine the strategic landscape of the twenty-first century. A lot of people say America has sort of a unipolar gene and a lot of people also say China has a sort of Sino-centric DNA. Whether or not this will mix up well remains to be seen. And, when the dust of the current economic crisis settles I think still we will be left with the debate of what will happen between the U.S. and China.

I think there are a couple of schools. The first school of thought argues that China will not grow strong enough to replace the United States. In my personal assessment this is a non-starter. If you look at the trajectory of China's development for the last three decades China will become strong enough to compete. I'm not quite sure yet whether it can surpass at a very early date, but if you look at the 1994 Goldman Sachs report their timeline for catching up was 2050, but two years ago they adjusted that timeline to 2037. Within ten years I think they will probably change it again. So, the first school of thought I think will not survive very long.

The second school of thought argues that East Asia, the region uniquely accustomed to the Sino-centric hierarchical order is unlikely to join the United States one-sidedly

to balance against China. I think there is a certain sentiment in line with this argument. But East Asia in the contemporary era is not so naïve to be explicit or uniform in its responses to the rise of China.

The third school suggests that China's diplomacy is far more subtle and sophisticated than usually assumed so that Beijing will seek to need that external environments are sufficiently favorable and friendly to the rise of China thereby avoiding explicit confrontation with the United States. I think this is quite true but it remains this school of thought is quite on the mode of China's behavior once China has surpassed the United States in comprehensive power.

The forth school of thought contends that China's rise forewarns the inevitability of Sino-American competition and confrontation in East Asia. This view argues the ascent of China regardless of its intentions and preferences is bound to reduce the room for strategic maneuvering by the United States which will in turn adopt containment against China, which will then in turn tick off the defensive instinct of China and therefore leading to a confrontation or "clash of Titans".

Finally, the fifth school argues that China's rise may lead to a peaceful power transition, although uncertainties loom large in the long-hold. Obviously this last school is presupposing a mixture of contention and cooperation between the United States and China assuming that there will be a sufficient level of mutual learning and adaptation between the U.S. and China. The longer this transition period is, the more likely China is to adapt to international norms and so on.

Now we have fundamental questions. I have one minute to go. Can the East Asian region do something independently to find a way out for this complicated dilemma created by the rise of China? And I think this is the question I would like to pose to this panel. But one thing is very clear, whether or not China likes the concept of the G-2, I think the real indicator as to whether the era of G-2 is here is to see when the U.S. and China come to the East Asia region and ask one question: "are you with us or with them?" Once China, and the U.S. begin to ask this exclusivity question I think the era of G-2 is here. At the same

time it will create enormous strategic dilemma for the region. Thank you.

Moderator: Young-Sun Ha

Thank you. I think we are ready for our discussions based on the basis of two succinct summaries on issues we will discuss in the next one and a half hours. For our discussions, I would like to ask you to raise up your name plaque. After your signs, I will arrange order of discussions. Professor Tow.

William Tow

There is a tradition in my department that as one of the oldest people on the faculty, my younger colleagues refer to my chronological experience and I somewhat feel like this experience is being replicated here. So, I'll start the questions. I have one for each of the speakers. I'll start with your very fine assessment of the five schools of thought. I'm intrigued to which of the schools you lean towards. I think you explained quite thoroughly the different approaches of each school but I don't think you really gave us an idea of where you come down on the issue. I suspect that you might, I could be wrong, be prone toward the fifth school of thought in terms of the mix. If there is a learning process, doesn't learning need benchmarks to measure to what extent the learning is effective or not? And more specifically, in the case of China and the United States, the institution of systematic arms control negotiations on a regional level which right now don't exist between the two, greater coordination of economic management not just in terms of the bilateral relationship but in terms of responding towards the Asia-Pacific - through APEC, through ASEAN plus 3 or some other appropriate institution. And thirdly, while both the United States and China seem to be gradually shifting towards greater acceptance of multilateralism, nevertheless pulling and dragging in some extent still, what catalyst or benchmark might be imposed to give that process a kick start where both the Chinese and Americans are in the same category? So, that's my question to you.

John, traditional security and the G-20. Imperial under-stretch was mentioned. Of course, imperial overstretch

was Paul Kennedy's thesis and it seems to me that one of Kennedy's basic argument was that power can be measured essentially by one's economic capacity to convert into material instruments of influence whether it be military, energy resource or other assets within our contemporary timeframe. In that context, is there perhaps not a possibility that G-20 could retain its relevance or become more relevant by essentially identifying specific niches of economic security nexus which would underscore its identity to an extent that the rest of the world has a stake and what it does in the high politics arena? Thanks.

Moderator: Young-Sun Ha

As I have not yet recognized a second name plaque, Professor Chung and Professor Ravenhill directly respond to professor Tow's questions.

Jae Ho Chung

I get that question a lot. And, there is no concrete evidence as to the real intentions of China yet. Some people say China doesn't have a revisionist mind yet. For instance Alastair Johnston is one of them. I seem to share that view as well. As of now, we don't really have concrete evidence to say either way. But if I have to choose one of the five schools I would definitely choose the fifth, but that's my wishful thinking. Whether or not mutual learning is sufficient between the two, I think we should give some more time to not only China but also the United States because both met right after the collapse of the Soviet Union which came in such a sudden matter. So I think it takes some time for them to get used to. And I think many scholars have already demonstrated that China's involvement or integration or adoption of international norms not only in economic management but also in nonproliferation and other issues has been much more positive than previously assumed, say twenty years ago. So I guess I would like to come down on the fifth school of thought but with reservation. I think time will tell. Thank you.

John Ravenhill

Thank you, Will. That seemed to go rather beyond the role that you said you were going to play as cheerleader for me.

But, I'll forgive you for that. I was a little bit puzzled about the linkage between the two parts of your comment there. I mean starting with the imperial overstretch, power and material instruments of influence and then moving on to look at the G-20 in particular. I think there are all sorts of interesting questions about the movement in relativities of economic power. Some of which of course overlap very much with what Professor Chung has been addressing in his remarks. Even in terms of institutional reform not many people realize that if you look at the size of economies, then the current U.S. quota in the IMF actually understates its economic role in the global economy. So, you know the U.S. enjoys veto power in the IMF and given the size of its economy, there appears to be no justification for why that should be removed with IMF reform. The area that is grossly overrepresented in the IMF is of course Europe. And it's the European quotas that need to be reduced to try and provide some rebalancing of the global economy. But, there are obvious political difficulties in doing so.

I mean more broadly I think the question is where do interests coincide? Can we find areas of overlap of interests once one goes beyond immediate crisis management? Here the question is why would you necessarily if you were sitting in Beijing make use of the G-20? Why G-20 rather than regional financial institutions where you would have perhaps more leverage? One of the interesting gaps I thought in the keynote address though was a lack of any mention of regional institutions and how these are going to mesh in the future with global institutions. So, certainly I would not want to rule out the possibility that the G-20 could carve out some areas of cooperation. Korea obviously wants to push the idea of development, but I have yet to see Korea actually being willing to put up any substantial sums of money to support its new interest in pushing the development agenda in the G-20. So, that's a tentative answer I'm afraid, but I think this is an area where tentativeness is perhaps justified.

Moderator: Young-Sun Ha

I can recognize eight requests of comments and questions. I would ask for three questions and comments and after that I will decide whether speakers will respond to the

questions or not, and then another three questions, and another three. I will ask Professor Pempel, Professor Fujiwara and then Professor Sung-han Kim.

T.J. Pempel

My question starts with the presentation of Professor Chung. I guess let me start by being critical and ask a question that grows out of that. It seems to me that much of your analysis of these five schools rests very heavily on material developments in China and all of the predictions seem to grow out of how quickly or slowly will material conditions change for China and how then will that affect Chinese behavior. And it seems to me you know, in the fifth of your scenario or fifth school of thought the notion of peaceful transition may be one that all of us would like to see. The problem with the forth one is one that perhaps most of us would like to avoid. But it seems to me the missing ingredient in that is how the rest of the world in particular the United States deals with China during China's rise. The assumption seems somehow to be that China will rise and then it will make some sort of decision as to how it interacts with the rest of the world.

But it seems to me the intervening ten, fifteen, twenty years as China begins to close the material gap with the United States is one during which the United States among others will have a potentially powerful capability to influence what China does. Greater cooperation by the United States on who knows issues that are critical to China - you know opening sea lanes for example, or perhaps greater mil-mil cooperation, or variations of that theme - could lead to greater symbiosis in interests that might lead to a reduction in the possibility that China challenges the U.S. in a greater sense that there will be cooperation. But, that of course means changes by the United States, which as an American I'm not convinced the U.S. policy network is prepared to accept. And I guess I'll toss this also as a possibility to John in the sense that it seems to me the United States has moved much more toward multilateralism in economics than it has in security. And it seems to me the U.S. has been quite content with the G-20 as you suggest, but it seems to me that on the military side and perception of military threat there is a different U.S. mindset when it

comes to multilateralism or possibilities of confrontation.

Kiichi Fujiwara

Thank you. My question is about the relationship between global order and regional order. I always have troubles with "and" in the title. There's usually some discussion required there. I agree with Professor Chung about the rise of China. There's no question about that. Your point about the relative decline of the United States may be a bit controversial, but I dare say that there is no question about the relative decline of Japan here. We've been declining for the past fifteen years. We're very proud of this remarkable achievement. And the question relates to how institutions respond to such power transitions. When it comes to Sino-American relations there may have been power transition due to China's quick rise, but when it comes to the degree of transition I dare say the changes in balance of power in the East Asian region is far more severe because Japan has been dropping like flies and China has been developing quite dramatically. My guess is that it would become more difficult to work on regional institutions with severe power transitions as compared to a more moderate power transition at the global level, meaning that regional institutions may become less important in the future. This is the point that John actually referred to: the lack of discussion of regional institutions. So, I would like to ask this question to the both of you. Thank you.

Sung-han kim

Thank you. I have two questions directed to each presenter. In 1999 I happened to have a chance to talk to then policy planning director of the State Department, Morton Halperin who visited Seoul right after the breakfast meeting among China, Korea, and Japan. He had a group meeting with some experts over here. His first question is, "what kind of issues did you guys discuss? You guys just discussed economic issues? You didn't discuss security or political issues at the breakfast meeting among China, Japan and Korea?" We said we didn't. We just discussed economic issues. His answer was, "well, I trust you but I don't believe in the separation of economics from politics," which means we in reality are not able to distinguish economic

issues from political issues. But Professor Ravenhill tended to distinguish the G-2- from G-8. G-8 is quote-in-quote “allowed” to discuss non-economic issues but G-20 is rather confined to economic issues. If this is the case I don’t think this is reflecting two characteristics of the post-crisis global and regional order. One of them is stronger voice of China. The other one is increasing role of the middle powers. In addition to that you know, we need to think about the reality in which it is really hard to distinguish economic issues from security or non-economic issues. That is one point.

And secondly Jae Ho Chung pointed out G-2 structure in the Asia-Pacific region is already set in place, if not, on the global scale. I tend to agree but at the same time we need to question if this kind of G-2 structure is really beneficial to peace and stability throughout the whole region. Fujiwara San said Japan is very proud of its continued decline but I think if you look at the DPJ government at this juncture they tend to put the same weight on a U.S.-Japan alliance on the one hand and Japan-China cooperation on the other. I think in this sense this is perfect timing for us to think about trilateral kind of cooperation among U.S., Japan and China. This kind of trilateral or tripartite structure I believe is more desirable and more realistic structure towards peace and stability, and even prosperity of the region although some Korean pundits have some skepticism toward that kind of tripartite structure. So I’m wondering if this kind of trilateral structure can be kind of thought of as a better alternative to G-2 structure on this part of the world. Thank you.

Moderator: Young-Sun Ha

I would like to ask both Professor Chung and Ravenhill to respond to comments and questions raised up from the table. Professor Chung.

Jae Ho Chung

First, regarding Professor Pempel’s question. I don’t know why I gave you the impression that I’m only talking about or my talk is only based on material power. But, I don’t think that is the case. In fact, I think what will determine the outcome is threefold: first, what China does domesti-

cally as well as externally; second, what is going to happen between the U.S. and China; and third, how the world is going to perceive the rise of China. In that case, I think the popularity race has already begun between the United States and China although I think that many countries do not seem to take advantage of it. In that respect I think I want to draw your attention to one issue. China has been saying for the last six decades a lot about an anti-hegemonic stance. China will never take up the leadership. China will never become hegemonic after its rise. However, my view is that much of its anti-hegemonic discourse has been directed towards major powers: U.S., Russia, Japan, and EU. But in fact much more concern is found in countries that border on China and I don’t think China pays enough attention to the concerns covered by these smaller nations that share the land or maritime border with China. I think that has to be changed in a sense. And I think U.S. has done quite a bit in elevating the status of China. For instance, U.S.-China Strategic Economic Dialogue, U.S. taking two-hundred some delegation to Beijing. When the world looks at the picture and media reports about it they instantly think, “Wow China is that important. The U.S. is taking it really seriously.” I think that is also an important aspect that we do not seem to pay much attention to.

G-2 in East Asia - yes I think whether or not the G-2 is the right word, but I think some sort of stakes for China in East Asia have risen quite rapidly and without the even tacit agreement of China, many issues in the region cannot be solved in a very satisfactory way. Whether that can be replaced by a trilateral framework that includes Korea, China, Japan I’m not quite sure whether we are talking about the same level of analysis. Whether that trilateral framework can deal with all the issues that can be dealt with by China and the United States, maybe that’s an issue that we need further discussion about

John Ravenhill

Thank you Mr. Chairman. Let me start with Professor Kim’s remarks. I mean I certainly did not want to give the impression that I believe that one can easily separate economic issues from politics. And I apologize if that was the impression that came over. What I was really trying to say

was that because of path dependence, the G-20 until now has been confined to a fairly narrow economic agenda, which goes back of course to its foundation in the wake of the Asian financial crisis and meetings of finance ministers. And so the question is, will the political leaders involved in the G-20 want to push a much broader agenda assuming that the crisis is managed and we look forward to period of relative stability? Certainly the role of China and middle powers is critical in the G-20.

I agree absolutely here with what T.J. had to say about the U.S. acceptance of multilateralism in economics but not in the military realm. I mean for the U.S. there is an obvious political imperative to address the U.S. China economic imbalance and before the establishment of the G-20 there really wasn't an international forum in which this could be done in an effective way. So having the G-20 there, having the Europeans on side also complaining about China's currency issues, I think provides substantial political advantage to the U.S.

Regional versus global institutions I think that's a fascinating point that Professor Fujiwara makes about responding to power transitions. Yes, it may be easier to bury them in a broader framework although one piece of evidence that one can point to about an acknowledgment of changing relativities within the region was Japan's acceptance of an equal share of the multilateralized Chiang Mai Initiative for China plus Hong Kong of course, whereas the bilateral arrangements were very much more skewed toward an emphasis on Japan. So, you do see some adjustment there within regional institutions but whether it will be acceptable for Tokyo to move beyond equality to an arrangement where China was given a remarkably bigger role than Japan is another issue.

Moderator: Young-Sun Ha

As the next cluster of comments and questions I would like to invite Professor Chaesung Chun, and then General Banerjee and after that Professor Xuetang Guo. Professor Chun.

Chaesung Chun

Thank you. It is not really questions, it's just comments –

some tentative theoretical comments. Two. First one is about power transition. When we talk about power transition I think it's time for us to look more deeply upon the nature of power these days. Because power transition theory is based upon a modern setting, where power means military or economic power but in the twenty-first century international relations we have the new power, such as soft power or network power. So even though there is a power transition now the object of the power struggle is how to get the minds of the people in the region or global politics. So maybe after this power transition game in which China and the United States are struggling with each other the outcome may be collective leadership not just one power, because you know one power cannot get the dominant position unless they have the consent of the whole global civil society of nations. So the concept of sovereignty itself is changing maybe. So even though we are experiencing this modern setting of power transition it could be a power transition with the post modern transition as well. So maybe the result will be very different from our experiences from the fifteenth century to twentieth century, which leads me to the second point, the G-20.

G-20 started as a crisis management network. However, we see some evolution from it. We see the new global governance of the economic problems in which middle power participates and normative politics loom large rather than interest or power politics. So there will be more and more some kind of G-X type of networks in the future: G-2, G-20, maybe G-200 which is not exclusive with each other. The real question is how to get the network of these networks. So it's a network of networks. So the global governance will be more complicated. The G-20 is not just an institution to solve the collective action problem after the economic crisis. Maybe it will stop or it will perish after it finishes its mission of crisis management. But, now we see more and more transnational international relations in which one or two nations can dominate the issue. So, when we deal with the G-20 or power transition it might be a very different theoretical assumption orientated one.

Dipankar Banerjee

Thank you very much indeed. I think two outstanding

presentations addressing the fundamental questions I think that confront us today and if you go back there are major transitions in progress. Economics is politics and politics is economics. It's always been so and will always be in the future. And one impacts the other, and very closely and intimately. And the question of Paul Kennedy's late 1980's theory of imperial overstretch followed with other formulations regarding the change in the international power structure is of course relevant in shaping the global responses and regional responses that are required to deal with these changing dynamics.

Let's not underestimate the fundamental economic transitions that are taking place today. Some have even called it as tectonic changes. Even if they are not perhaps tectonic changes, the changes are substantial. Changes are substantial and require some major restructuring of global institutions and even regional responses. And in the absence of that the world and the regions are likely to confront problems that they will be unable to deal with. And the setting up of the G-20 as a consequence of the global economic collapse was a realization and acceptance of the inability of the existing institutions to deal with those situations. So, there was that response and excellent presentations regarding the effectiveness and the issues that will emerge on the G-20.

I think also highlights the limitations of that process. And that of course, United Nations would perhaps been the ideal organization to have dealt with a problem of this global nature. But, because of its inabilities and inadequacies which of course Secretary General Kofi Annan realized at least in the 2000's and set up the high level panel in 2004 we could not have an understanding or agreement on the changing of the United Nations structure, which is really the fundamental and most important global institution we have to shape global order and deal with global problems. And in the absence of that, G-20 and then of course we suddenly are looking at the G-2 – G-2 I think is both premature and I think in a sense not relevant to the present. Enormous inadequacies in even visualizing a structure based on the G-2 type of an arrangement notwithstanding the phenomenal, historical, unprecedented economic developments in China. The international order is not yet

ripe nor is the G-2 type of structure able to look at or address the problems of the world.

And here I think we come to certain basic fundamental questions. How do we look at regional structures, global structures? What should determine their compositions? How they should be organized and developed in order to be able to deal with the questions that are facing us and confronting us today and will do so in the immediate future? These problems are diverse and challenging, not just on economics. They are issues as well brought out on questions on the environment, issues like the questions of soft power which are really relevant today and has the potential to impact global decision-making. So, we are looking at these issues and I think in that context, especially in Asia and of course in the context of global structures, in Asia itself I think it is even more fundamental as far as to look at the possibilities of structures and organizations. This debate in a sense has of course been going on now recently with all ideas of Asian security structures, etc. But, as the fundamental changes are perhaps even more centered and located in Asia these problems provide greater challenges in Asia in order to develop and understand and shape a framework. And I think in that context both the presentations and this topic for discussion is extremely relevant and I think we have to take this process forward in several ways in many of our institutions and universities.

Xuetang Guo

Thank you. I would like to first give comments on Professor Chung's talk about China's rise and the G-2 structure. From my point of view you know, there is actually no G-2 group. I say China-U.S. relations is just normal relations as others - for example China-South Korea relations, China-Japan relations. Since when we talk about the group or G-2 structure it means we are talking about a kind of relationship that, for example like the U.S.-Soviet Union relations in the Cold War, could manage the future of regional security and talk about how to deal with the problem. But, as you know China and U.S. can never actually have that relationship with at least concrete measures. We have strategic dialogue as you know, we have for several years even with the Obama administration. But, we don't have the concrete

measures to deal with regional security issues or economic relations. We do more on bilateral relationship. So, the G-2 is maybe a future structure we are imagining that we hope that can play a big role in regional issues.

In China people talk about the U.S. arms sale to Taiwan; U.S. military deployment in West Pacific; we talk about the U.S. military aggressive actions in Yellow Sea, East China Sea, South China Sea; we talk about U.S. overall policy towards China is aggressive, provocative. For example, politically we have disputes on human rights, we have disputes on economic trade and military and that means comprehensive disputes not only in one area – maybe just military. We in this one year saw all these disputes happen. So, how don't we talk about the G-2 although we have so many bilateral disputes? So group of 2 is hence our hope that China and U.S. as one biggest developed country and another biggest developing country can cooperate in the future to manage the governance - more global governance to promote global economic development and cooperation. So, from your point of view do you think that - get attention of your remarks about the future scenario of China-U.S. relations, one of that's the confrontational trend, the evidence seems as true - now, as getting we see more clearly, and maybe more adverse impact of confrontational China-U.S. relations? So from your point of view do you think China and the U.S. in for example another one decade can do more as you wish to cooperate globally and regionally to deal with the more regional issues, like we do on North Korean Six-Party Talks framework like that or just we have more bilateral conflict militarily, politically, economically, we have so many more? If you think it's a confrontational future, another question for you: is there something Asia can do collectively to minimize the adverse impact of confrontational U.S.-China relations? From your point of view China, Japan, South Korea trilateral summit framework now past three years we are moving forward really fast, do you think this can be a kind of, it means collectively I mean regional or sub-regional collectively cooperate so closely to maximize the adverse effects of U.S.-China relations? If it works, how? This question is also for you. Thank you, here's my question.

Moderator: Young-Sun Ha

Let me add a very brief comment related to what Professor Chun's comments how should we perceive the current phenomena of the relative rise of China and relative decline of U.S., and also basically G-20. Should we see this kind of phenomena from the traditional power transition model or modern type of international relations, such as the typical cycle of global powers? On the other hand should we see this kind of phenomena as a new phenomena of a kind of changing trends of the new standard of civilization we are now experiencing? Doctor Kurt Campbell when before joining the State Department he mentioned in one of his report that the U.S. should seriously consider that the world is now changing from the balance of power to the power of balance - that was a quite interesting comment in terms of the actors and stages the changing trends we are now experiencing is not the repetition of modern type of changes. In addition to that there are certain new changes in terms of complexity of actors and stages. These are just comments for our second cluster of comments and questions. I think Professor Ravenhill and Professor Chung respond. Do you want to say some few words?

John Ravenhill

Most of the remarks since my last intervention, I think were not directed toward me, which I'm very happy to see. The bigger issues I think is coming out in a number of comments, and something that came out on General Bannerjee's remarks is this whole question of effective institutional design in response to changing power relativities. And so I think one of the issues that we need to acknowledge here is that with the proliferation of regional and global institutions there are opportunities for countries to forum shop. And to some extent, one can even see the original establishment of the G-7 grouping as a response to developing country dominance of the United Nations, the rise of the new international economic order, debate in 1973, a desire really to set up an organization that the industrial countries thought they would be able to control and use for more effective negotiations and was possible with the United Nations itself. So now the question becomes is the G-20 going to become an effective vehicle for

negotiation or is it already too large with the possibility it's going to get larger? Basically the G-20 is twice the size already of the G-8 plus 5. Does this mean it's twice as difficult to get an agreement in the G-20 than in the G-8 plus 5 or are there advantages to having smaller powers in there? And if so, where do you draw the line? Nobody was particularly worried when the G-20 was a ministerial level grouping, even though essentially it was a self-appointed group of so-called systematically significant powers. But now, when Indonesia is the only country from Southeast Asia that's in there, Singapore gets worried, the ASEAN secretariat gets worried that it's not there whereas the European Commission is. So, are we going to see this thing blow out in which case is it just going to become a mini UN and not an effective body for true management of the key problems that face the global economy and indeed policy today?

Jae Ho Chung

I will respond to the comments but I will respond to the questions. Prediction is always a risky business. I wouldn't predict what is going to happen. But, I will talk about the view that you have about the G-2 in China. I noted a couple of times already I understand the China position on G-2. But at the same time I think there are three backgrounds as to China's official view of G-2. First, China wants to lighten its burden sharing. If they declare to be member of G-2 you have to share more burden for the global issue. Second, you want to buy more time. Deng Xiao Ping said, "韬光养晦" (Tao Guang Yang Hui). So China wants to buy time. Third, China shows its calculated modesty. So, I understand. But the question is just because you are saying China is a developing country, China's per capita income is only on par with Zambia, that doesn't explain a lot about what China can do. The Soviet Union, its per capita income was not that high but it still put up the Arms Race with the U.S. for over three decades. So, it's rather a matter of mobilization of wealth and the efficiency of the central state. It's not just the per capita income as the Chinese government always takes up. And you mentioned about there's not that much of talk over regional issue between Washington and Beijing. Maybe true. But, I think

U.S. has been willing to talk about a lot of issues that is relevant to the region. But China has refused. For instance, the North Korean issue. Now you have talked about the complaints that China has about U.S.-South Korea drills in the Korean territorial waters. But, China has been very silent on the killings of the forty-six people. Premier Wen Jiabao was here a couple of weeks ago. He said he would get down to the bottom of the matter. Since then more than a month passed, but nothing. So I think we have to look at both sides, not just one side. Thank you.

Moderator: Young-Sun Ha

The next group of comments and questions, I would like to invite Professor Caballero-Anthony, and then Ambassador Santosh Kumar, and finally Professor Shin-wha Lee. Professor Caballero-Anthony.

Mely Caballero-Anthony

Thank you. My comment in a way, first a general comment, feeds into themes that have been alluded to earlier about global regional order and this big word that has been used in this panel, the issue of global governance and G-20 being a global institution and you have other regional institutions. And the point raised by Professor Fujiwara about the linkages between the two. But I think a fact that needs to be underscored is when you talk about global economic issues, when you talk about global governance, there is inevitability of a number of actors coming in that is not just limited to state actors. And John, I think you mentioned earlier about the absence of mention of other actors beyond business actors. So, it makes for a more complicated way of really addressing a number of issues, considering that we are not just talking about the impact of the economic crisis because economic crisis leads on to political and security crisis. So, that's the general comment, which therefore leads me to my second point, which is basically a question.

When you are talking about addressing the issue of global governance through institutions and ensuring to the extent possible that institutions are designed to be effective, and if you are to have already a proliferation of a number of regional institutions in Asia and the Pacific, and many of

these institutions have been observed to be inefficient, whether it is sub-regional or beyond the Asian region. What comes to mind is APEC, which again John you mentioned. APEC was there to respond to the issues of trade. That was the main issue in the early 80's. Now it's not just trade. It's now finance that is right at the core of many of the problems. So, if you have these various institutions you talked also about the tendency for countries or actors to forum shop. But perhaps, is there a way if you were to push the analysis further, is there a way for a bigger than regional organization like APEC that looks not just at trade but other issues even security issues to find some synergy with the G-20 or are these institutions in a way different? And if there were to have some coherence in all these institutional designs, what does it mean for the regional order in Asia? I mean this is the kind of issues that perhaps we should think about, it's not just you know two countries the U.S. and China trying to adjust to power transitions, but with power transitions also comes a number of global issues that just don't originate from a country from a number of policies from countries. So, institutional designs, linkages between global and regional intuitions, finding synergies I think are some things I would like to push further.

Santosh Kumar

I would like to take off from the comments from the previous speaker and there is a particular couple of issues about the G-20 in that context. I think the illuminating talk by Professor Ravenhill I think centered on two issues regarding the G-20. First one is that of the economic focus and whether that constitutes a problem as distinct from you know from security issues. And the second thing was how can the G-20 become more effective, or will it become more effective or will it wither away. Personally, I don't feel very diffident about focusing on economic issues, global economic issues because in this century I'm convinced that economic issues will be the driver of global dynamics. And this is also not just because the increasing globalization and systemic economic problems that affect everyone but also I think because in all countries, whether they are democratic or not the domestic constituency is becoming much and much more concerned with economic issues

and therefore this will also drive domestic politics or national politics much more. So, I think if you start with the focus on economic issues and push at the margins there are issues that are economic but not purely economic.

I think we can look at issues like energy, like environment, like technology. These are issues that border on economics but go beyond and spill over into the security sphere. So my question which could be open to everyone is that an area direction in which G-20 could push a little bit more? The second aspect which I want to talk about is the effectiveness issue. Now certainly there is a tradeoff between manageability of numbers and shall we say representation of the world as whole. I think there are two aspects of this. One is how should the G-20 as an institution cope with this tradeoff and where is the right mix? The idea I want to throw up is what we call variable geometry. That you have a limited number whether it is G-13, G-20, G-60, whatever the figure you want to put into it let's say G-X which is a reasonably small number and manageable. And then on particular issues all on regional things which are confined to a particular region but which are of global significance you could have other countries coming in and at some level dialogue and a discussion taking place at that level which then feeds into the summit. So, that's what we call variable geometry. The second is whatever decisions arrive d at by the G-20, how to make them more effective in terms of their implementation. And I think there we have to recognize that we need to strengthen the G-20 as an institution. To strengthen its secretarial functions because ultimately it is the relevance of the solutions that it offers to other countries which will determine whether they go along with what the G-20 recommends. So, these are some the ideas that I had I thought I'd share it with you and ask for comments. Thank you.

Shin-wha Lee

Thank you Professor Ha. About G-20, speaking of the membership in terms of legitimacy and efficiency. Since we are Asian here and we talk about Asia, probably those new comers to G-20 how to increase legitimacy and efficiency is a kind of survival game because if it does not prove well then it can go back anytime to G-8, G-13 or G-

14. So, how we can survive over this G-20 or G-X is very important particularly for middle power. So there are some in-depth discussion between Canada and Korea to talk about those things in the last November bilateral forum and two month ago I had an opportunity to participate in Canada, Korea, Italians talking about those issues. So Professor Ravenhill, I just wanted to ask you about what we middle power can do to promote the legitimacy and efficiency of G-20.

Professor Chung, about those concepts of G-2 is probably not only China but also United States has a reservation to promote the idea of G-2 as far as I understand. For example, when Japan tried to bring up the idea of troika, the United States thought it was not a bad idea because instead of dealing with China directly or bilaterally it might be good having some kind of buffer state to talk about the issue, particularly a sensitive one. So I think in the similar vein United States thinks G-20 is also very multilateral tool to pressure on China on certain issues. Here, the reason I just mentioned this is about your last remark of the presentation. You said, "With us or with them," that exclusivity issue. Although G-20 try to promote global cooperation or coordination in U.S.-China partnership, as far as I understand there have been a lot of pressures, and a lot of stress, and a lot of groundwork both from the Chinese and the American sides to having more friends or supporting groups. I just forgot exactly what item, but it had something to do with tariff issue. I think South Korean government had a very hard time to choose which either we give up or support U.S. They didn't think about possibility of Chinese position but I think South Korean government have a hard time whether we give up or that by ignoring U.S. request, or we just send a supporting letter to G-20 preparatory committee in support of the U.S. position. I was informed that we finally made decisions to send a supporting letter in support of the United States. Probably that might be very minor example, but still I'm sure we will encounter those problems in the future more often. Whether we have to support U.S. or China not only for bilateral issues, but also in the multilateral setting like the G-20. Then here once again, how much leverage or how much room we smaller countries have if U.S. and China

competition, or U.S. and China's strategic partnership require us to make some choice?

We all remember Korea's position under Rho Moon-hyun government say, agenda-orientated cooperation is good. Right? Probably so, if we are talking about functional cooperation. But what if we are talking about strategically important core issue, and we are asked to choose some particular and, here I think those exclusivity issue, whether U.S. and China is in acute conflict or confrontation stage or kind of a loose competition stage, which stage U.S. and China come up with I think we smaller country have a lot of dilemmas there to choose something. And, since we are not only talking about global order but also regional order if I briefly mention about Asian regional order here, although I fully agree with Professor Chung stating that U.S.-China relationship is the most important factor to determine global outlook in the twenty-first century, I think there are also regional movements there. That there are very active movement and discussion both academically and policy circle – ASEAN, or ASEAN plus 3, East Asian Summit, ASEAN plus 8, and some scholars also mentioned about Asian G-8. So, how those Southeast Asian initiatives can be complement with the recent emergence of the Northeast Asian leaders' meeting because Northeast Asia already having three summits, and as far as I understand Southeast Asia is pretty sensitive about those developments because ASEAN wants to still remain in driver's seat in process of ASEAN plus 3 and ASEAN plus 8. But, if we Northeast Asian countries having a stronger voice, then how we can balance between Southeast Asia and Northeast Asia? And more broadly, we shouldn't forget about the China's rising, but so is India. So what kind of role of India can be there in terms of not only in terms of U.S.-China relations, but also shaping the Asian regional order? Some people said that China's rising is more challenging and India's rising is not much challenge because India shares the plural democratic principle. But I'm not sure whether that is the enough and sufficient condition for us to comfort about India's rising. So, I will stop here.

Moderator: Young-Sun Ha

Professor Ravenhill, would you respond to major com-

ments and questions on the issues of G-20?

John Ravenhill

Thank you Mr. Chairman. Fascinating set of comments. These are issues that are basically my bread and butter for research and also often for teaching, but no easy answer I think to any of them. What we see, let's just leave aside the global level and G-20 for the moment, and look at the regional side of things. What we see is a proliferation of regional institutions. Now, somebody had some training in economics, I suppose one is tempted to say well, "Let the market prevail. Let's have a market solution to this. Let's see which ones will do well and let's assume that the ones don't do well will simply fade away and go out of existence." Unfortunately there's absolutely no evidence that this occurs in international institutions in general and institutions within this region in particular. There are all sorts of bureaucratic interests that become vested in the survival of these institutions and even if they are playing a relatively minor and often very ineffective role, they survive. And distract perhaps from energies that could be invested in a more effective approach to problem resolution. So, in this region we've got APEC, we've got the East Asia Summit, we've got ASEAN plus 3 and now it seems that we're going to get ASEAN plus 8. None of these institutions have been particularly effective except as a confidence building mechanism. When it actually comes to addressing concrete problems then I think one would score them as sort of three out of ten. The proliferation of these institutions in itself, is I think going to cause one problem if we do see ASEAN plus 8 with the U.S. and Russia coming into it because there's absolutely no way you're going to get U.S. president coming twice to the region. U.S. president's not going to come for an APEC Summit and then for an ASEAN plus 8 Summit. So, unless you run them back-to-back or somehow merge these institutions that's going to be a real issue.

What do we know from these institutions that haven't functioned very well? Let's take APEC. Well one of the problems with APEC is this absence of a secretariat that's effective anyway. I mean there's a very small secretariat there, and this is reflected in the lack of follow-through

from one meeting to the next. What happens in APEC is almost overwhelmingly dependent upon the host country. So, when Australia hosted it a few years ago, sustainable development was the theme. Well, that lasted for six months. And then somebody else hosted another summit and you've got to, I suppose stamp your mark on APEC by saying this is the "year of." And the problem is it is just a "year of." That's as long as it lasts, if you're lucky that is. Sometimes it doesn't even last for a year. So, then what does this imply for institutional design? Well of course there's a big debate on this. Now, having a stronger secretariat is one way to go.

But, it's also possible to come back to this idea of middle powers playing a very energetic role. The idea behind middle power literature was that these were governments with very capable ministries of foreign affairs usually, but also other ministries that were able to provide ideas that had the overall staffing available to go out and sell these ideas to provide intellectual entrepreneurship. And, to persuade others of wisdom of the particular approaches they were advocating. So, whether one needs a permanent secretariat or whether you can depend upon active national bureaucracies as an alternative to this, I think, well the literature suggests that it's an open question. But, you know if you are looking for a permanent secretariat, well some people in Korea has proposed that the G-20 should have a permanent secretariat but this idea found almost no support at the Toronto Summit. So, you know you are going to run into all sorts of problems sending that idea to other countries. So, no easy solution to this but I mean you do have to have good ideas, you have to have the energy to sell them, and I think it also comes back to variable geometry issues. And frankly, I think what we are going to see in the global economy is that you are going to increasingly have a situation in say international trade. Nobody envisages another Doha Round. I mean Doha's been a disaster. What we will see in the future is going to be much more variable geometry. Like-minded countries are going to move ahead on issues and others will be invited to come in if they are willing to undertake the commitments the small group has. I suspect to some extent international finance is going to work like that as well. So, you know how variable geometry

and possibility informal groupings meshes with this proliferation of formal groupings on the regional and global level is another whole area of great interest that will keep us busy for a few more years I'm sure.

Moderator: Young-Sun Ha

Professor Chung.

Jae Ho Chung

In reply to Professor Lee's comments, I'm not a proponent of G-2. I'm just saying that China shouldn't be that hypersensitive to the discourses about G-2. About your question regarding the room for smaller countries when U.S. and China ask around that exclusivity question, I think the smaller a country is and more dependent that country is on China economically, the smaller the room for strategic maneuvering of that country. I think basically smaller countries have two options. Whether you take opportunistic stance - that means you just act depending on the situation thereby sacrificing consistency. You may gain short-term interest but in the long-run you will suffer. The other option is probably the principled position. You lay out all of your positions regarding the issues of contention between Washington and Beijing. You may suffer in the short-term, but in the long-run you will probably gain.

Thank you.

Moderator: Young-Sun Ha

At this moment, I have two more comments and questions. I would like to invite first General Muniruzzaman and then Professor Qingguo Jia.

ANM Muniruzzaman

Thank you Chair. I would also like to make a comment for Professor Chung's concept about sharing of power. The concept of G-2 has been talked about for some time and it is my understanding that China privately likes it because it gives them the sense of elevation. But, it does not like to take the responsibility, which is premature, which is very rightly so. But, the fact that the concept of G-2 does not reflect the current U.S. strategic thinking in the Asia-Pacific region is also contradictory because the very re-

cently published U.S. national security strategy does not talk about sharing of the burden only by China, but talks about collective responsibility of powers in the region, namely India, China, Indonesia. So, it is my understanding that we shall probably see a collective sharing of the responsibilities and the burdens in the region. And that is the right strategic approach to go. As we see this, I think we will also see a constant engagement of China by United States and Western powers, but not to say that they will not hedge. They will constantly hedge and engage because that is the only way they can exercise the leveraging and also take the benefits that are in their national interests. It is also my understanding that not only as the U.S. power declines, the inability of the Western powers to expand their financial abilities will become detrimental to growth of Western and U.S. power. I'm also referring to the very recently released HSBC's economic outlook that has been released last week only. It says that the West was unable to recover from the financial crisis compared of the East in a dramatic manner. So, we are seeing, as you rightly said, an 11.4% growth of the Chinese GDP whereas we are not seeing or even near same kind of growth either in the West or in the United States.

I would also like to reflect on the comment made by Professor Lee that while we are worried about the rise and expansion of Chinese power, very little has been studied or researched about rise of Indian power. We need to understand the intentions of rise of Indian power. We need to understand the correlation between the rise of powers of Indian power and the Chinese power. It is not easy to manage rise of two powers in such proximity at the same time. This is about the biggest challenge that we shall probably have, that there are two powers which are rising at such close proximity at the same geographic continuity at the same time. So, we need to understand the correlation of powers between this two rising powers and how they shall correlate to the rest of their existing powers that exist today. Thank you.

Moderator: Young-Sun Ha

Professor Jia.

Qingguo Jia

Thank you. Spent a lot of time talking about the changing power capabilities in the region. But it seems to me that we haven't spent a lot of time talking about the implications of the change after the crisis. I'm thinking of the concept of order. What do we mean by order? I found a few things that maybe we should pay more attention to. The first thing is the nature of the order. Whether it's stable, whether it's progressive, whether it's effective and whether it's just. How the change in distribution of power in the region or distribution of capabilities in the region has affected the nature of the order. The second aspect of this is the so-called mechanisms of decision-making, whether it's a collective, democratic, or sort of hegemonic kind of decision-making. Whether the crisis or change of capabilities in the region are affected by the crisis, how that has affected the mechanism of decision-making in the region. The third aspect is the type and depth of cooperation. You know, how the change in terms of capabilities or distribution of power in the region has affected the way we cooperate - unilateral, bilateral or multilateral. And also, whether how much countries are committed to cooperation and what kind of depth in terms of cooperation as measured by degree of institutionalization. The forth aspect is leadership. The change in terms of capabilities, how much that would affect the leadership issue. Who is imagining and envisioning and leading? Whether that has changed because of the crisis and the change in terms of capabilities that entailed. And, finally the question of the trend of development. In which direction the order has been moving since the crisis? Is it in a positive direction or negative direction? I think all these question need to be further assessed and of course I think Professor Fujiwara raised a very good question. There might be a difference in terms of the impact on regional and global institutions. What are the differences? I think these probably also need to be further explored.

Finally a word about the G-2. I think the United States may not like the G-2 either. I agree with Shin-wha. And the EU, Europeans do not like G-2. Japanese do not like G-2. Why should China like G-2? Nobody likes G-2. But of course, some people raise the issue of G-2 for their own reasons. I don't believe in conspiracy stories. I think people

who raise the question of G-2 have their own legitimate concerns. The thing is whether it's feasible. I think Jae Ho mentioned that the Chinese government tries to avoid the term because of the, in part because of its own calculation. I agree. Since nobody likes, not nobody but no government officially endorses G-2, especially no major powers officially endorses G-2 China does not seem to have any incentive to have any business to do with G-2. But that does not mean that China and the United States are not going to cooperate. Both countries realize how important cooperation between the two countries is for both advancing their own interest and also to manage world affairs. I think both countries also realize that we need cooperation from other countries if we ever want to address world problems more effectively. So, maybe there is no G-2 but more closer cooperation between China and the United States and together with other countries. That appears to me what is happening, but of course we have a lot of problems at the same time.

Maybe this one of the problem is the diverging gap, widening gap in terms of expectations between the two countries of each other. The U.S. expectation of China has changed somewhat, but not very much. But Chinese expectation of the U.S. has changed a lot in terms of how the U.S. should pay more attention to China's so-called core national interests. As a result, even though both countries want to have closer cooperation, they find it difficult to address some of the problems like the arms sale to Taiwan, meeting Dalai Lama. It's really interesting if Obama was elected like twenty years ago, you know Obama would be welcomed like hero in China. But, it happened that he was elected last year and China was rising. China's expectation of how it should be treated has changed and Obama cannot meet the expectation and then we have some problem at the moment. But, I think such kind of problem can be managed. The two countries have a lot of stake in the relationship, and both realize this and they will make efforts to address the problems between them.

Moderator: Young-Sun Ha

We are almost approaching the end of the session. Let me add one quick question to Professor Chung. If my memory

is correct, in the year of 1978 which was the anniversary of thirty years Open and Reform Policy of China, Premier Hu Jintao gave long speeches on the past, present and future of China. In his speeches he mentioned that in the long-term perspective of 2049, as the one-hundredth years anniversary of the establishment of China, he mentioned briefly on the possibility of new type of state which is a kind of new standard of civilization which shows a new type of states China really wants to develop in the middle of twenty-first century. The question I have in my mind, if we all face that kind of situations can we expect kind of the convergence of the basic values and institutions between China and the United States? It's just a wild guess, but as you are very well-known scholars of China issues I would like to get some kind of wisdom on that kind of issues. Would you start? And I think these are the final responses, if you want to say some more few words on the session as a whole in addition to the response to the two comments and questions from the table.

Jae Ho Chung

Thank you. First, in response to Qingguo's question. Yes, nobody likes G-2. No formal governments like G-2. But G-20 is probably too broad a framework to deal with Asian issues specifically. So, we might need some sort of bridge institution. What about, I mean, in original format of G-7 only Japan was a member accounted for 14%. In the G-20 format five Asian countries are in, accounting for 25% indicating the increasing share of Asia. What about we sort of take this five countries out and form a, our term, A-5? Is that acceptable to China? Or is it acceptable to the U.S.? India, Indonesia, China, Korea, Japan as a sort of interesting bridge institutions that's an idea that I would just want to toss around.

And then, about Professor Ha's question. Actually that is a very important question because what if China succeeds in democratic transition in the next decade or so? Because one important reservation the U.S. has, particularly the conservative segments in the U.S., their largest reservation is about the difference in values. What if China succeeds in democratic transition? Whatever form, that nobody knows. But, if that happens will that help U.S.-China

relations, or even if that happens still the unipolar gene of the United States and Sino-centric DNA of China will never reconcile? We never know. Thank you.

Moderator: Young-Sun Ha

Okay, Professor Ravenhill final words?

John Ravenhill

Thank you. Professor Jia set us a, I think a very effective agenda for the rest of the day with his very thoughtful questions there about what sort of changes are we seeing in response to the global financial crisis. I think my immediate response to that question is that things really haven't changed all that much. What we have seen through the G-20 is a fairly effective coordination of national programs and this has certainly contributed to the fact that we haven't seen any significant rise of protectionism in response to this crisis, in comparison to say the 1930's. But, it is a coordination of national programs, basically in response to a crisis that was generated by private sector actors. And so, what is now on the agenda is how bad it is to regulate these private sector actors. And this is of course not easy to do because there are actors that are actually going to be quite different across different parts of the world. So, in some ways I'd say it's probably premature to say if it is a more stable, more just, more effective order. It's too early to tell. The obvious winners, China and India, the obvious winners from the crisis. On the other hand, China still depends overwhelmingly on markets in the EU and the United States. China continues to invest very heavily in USD bills, in European bills and recently I see in Japanese bills as well. So, Beijing must have more faith in Japan than you do, Professor Fujiwara. So, let's not get too carried away. Yeah, the G-20 is a significant innovation, but it is a co-ordinating mechanism. It is not a super national body and really there are many things in the global economy that have only changed marginally.

Moderator: Young-Sun Ha

Thank you. In the beginning, as a moderator I was a little bit worried how I can squeeze the presentations, comments, and questions of prominent scholars and researchers, more

than twenty members, in just two hours. But with the tremendous cooperation and efforts of two successful presentations and very efficient, productive comments and questions we can conclude this session on a perfect timing. Thank you very much for your cooperation.■