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Toward New Global Governance: Korea and the G20

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Executive Summary

The G-20 as an International Institution

Following the outbreak of the Global Financial Crisis in 2008, the major economies of the world came together to overcome the crisis and establish a post-crisis order. What emerged from these efforts was the G-20 summit, which is now seeking to enhance its status as a new global governance institution. As the host country of the upcoming G-20 Seoul Summit, South Korea needs to take up this challenge not only to make this event successful but also to devise a strategy for global governance. Therefore, it is important for South Korean policymakers to understand the characteristics of the G-20 as an international institution before establishing a specific action plan.

Whereas “Global Governance” (GG) in the twenty-first century still shows the traditional characteristics of institutions dominated by power politics, it is also slowly evolving toward a network-based structure with diversified actors and issue linkages. Informal, flexible, and voluntary, network-based institutions are taking part in what is known as the “G-X” process. Included within the “G-X” process are the G-20 as the premier forum, the G-7/8 which continues to function, and the G-2 that has recently drawn attention from all over the world. If the traditional institutional structure is considered to be GG 2.0 and network institutional structure as GG 3.0, we may then consider the current situation to be GG 2.5.

The Fundamental Changes in World Politics

GG 2.5 reflects changes in the landscape of twenty-first-century world politics. These changes have been dramatic. First, the distribution of power in terms of global structure has been changing as the power gap between established powers and emerging ones narrows. Manifesting this change, there has been the relative decline of the United States as a hegemonic power, the stagnation of the traditional great powers such as Europe and Japan, and the significant rise of developing countries like China and India. In light of this shift of power, it is becoming increasingly difficult for international institutions to continue to be managed by a few developed Western countries without reflecting the new position of emerging countries.

Second, it is well known that the number of non-state actors and their power has increased dramatically in the era of globalization and information revolution. Multinational corporations have expanded their influence through the transnational production network and supply chain. At the same time, the Internet has facilitated the rapid expansion of non-governmental organizations (NGOs). These newly emergent actors now play such an important role that major international decisions cannot be made without their cooperation.

Third, it is important to remember that with globalization and information revolution new agendas emerge, such as preserving the



environment, combating terrorism, and coping with rising energy demands. A careful observation will show that there are complex linkages among these global challenges. That is why the current financial crisis, which is connected to trade, development, and environmental degradation issues, can hardly be resolved within an existing international institution that is geared only for specific issues.

With the fundamental changes in world politics, which include the emergence of a network among diversified actors and linkages among different issues, a new type of international institution is required. Global governance in the twenty-first century has evolved by reflecting these changes in international politics. The G-20 represents these trends.

The Evolution of the G-20

The G-20 developed over three stages: the launch of the G-20 finance ministers' meeting, the elevation of its status to the G-20 summit level, and subsequent changes. The origins of the G-20 go back to the Asian Financial Crisis, when the organization was initiated as a finance ministers' meeting. By including developing countries as well as developed ones, the G-20 finance ministers' meeting created a perspective for the future shape of global governance. Its mandate has always been as a forum for discussing and adjusting international economic policies by embracing the positions of emerging economies, which have traditionally been on the

periphery of world politics. The G-20 at that time, however, was more a forum to educate developing countries on neo-liberalism rather than a means of global governance reflecting the interests of both developed and developing countries. From the perspective of liberal institutionalism, the G-20 was an "institution" to solve the problems of the Asian Financial Crisis, whereas from the perspective of realism, it was a tool for "hegemonic engagement."

After the Global Financial Crisis of 2008, the G-20 finance ministers' meeting was elevated to a leaders' summit. With this new prominence, the summit's attendees began to consider how to construct a new order for the global economy. It was essential that this effort reflect the structural changes in the global economy, such as the rise of both China and India, the complex linkage of various issues, and the emergence of a network among diversified actors.

Over the process of four summits, the G-20 has made multifaceted efforts to meet the challenges of the Global Financial Crisis effectively and to establish new processes of global governance. In order to tackle the Global Economic Crisis, the G-20 began by focusing on international cooperation to counter the spread of the crisis and curtail further financial meltdown. It gradually expanded the agenda to include the reform of international financial institutions (IFI), sustainable growth, and development issues that were crucial for taking the reins of global governance. In a sign of its new role in tackling complex challenges, the G-20 even in-



cluded environmental issues that are vital for sustainable global governance. This broadening of the G-20's scope is indicative of the growing perception among its members that efforts should not be limited to financial issues but rather should also include improving efficiency in global governance.

Characteristics of the G-20

Following on from the background mentioned above, the G-20 shows four characteristics. First, the G-20 exercises the flexibility of a network institution in terms of membership, agenda setting, and meeting management. Second, in countering the Global Financial Crisis, it has operated as a meta-institution which defines new roles for the G-8, the IMF, and the World Bank. In effect, the G-20 readjusts these existing institutions' ways of management and reestablishes the relations among them. Third, the G-20 summit has expanded its role to cover multiple challenges, including the global finance, climate change, international development, and political security disputes (for example, comments on the *Cheonan* incident). The ability to cover such wide-ranging issues shows the flexibility of the G-20. Last, the institutional shape of the G-20 summit can be changed as needed, because it is organized as an informal network.

Each of the actors in the G-20 also shows new characteristics. In order to shape the G-20 to be more favorable to their own interests, member states are utilizing knowledge, ideology,

agenda setting power, persuasion, and network power. These strengths cause changes not only in the distribution of power but also in the characteristics of global power itself. In this context, soft power and network power are becoming increasingly important determinants of national power. For example, the ongoing discussions on the future model for capitalism can be regarded as a competition using these new elements of national power.

Of course, it is undeniable that the balance of power among countries, a characteristic of realism, remains important despite the new shape of global governance. It is necessary to emphasize the new power politics inherent in this flexible network. The G-20 shows the dual features of both cooperation and competition. In particular, competition includes new and diverse kinds of power balancing, such as institutional balancing and soft balancing. Each actor is trying to maximize its gains through cooperation and competition within the institutional framework.

The Strategy of the Major Powers

The United States, China, and Europe take the lead in the G-20. At the onset of the Global Economic Crisis, the United States accepted the gathering as a temporary forum for action to solve the financial crisis; it now supports the position that the G-20 is one of several complex networks for global governance. This approach allows room for Washington to change its posi-



tion on the G-20 if the dynamics of institutional evolution in global governance change or if the efficiency of the forum does not meet the interests in pursuing its own global strategy.

On the other hand, China has officially emerged as a major actor in global governance through the G-20 and therefore considers the G-20 as the only valuable and attractive institution which corresponds to Beijing's strategy of a "peaceful rise." China, structurally, will be committed to maintaining the vitality and institutionalization of the G-20. Moreover, the G-20 represents an opportunity for China to rise as a great economic power while it absorbs lessons on how to exert soft power in global governance.

The European Union (EU) has tried to export its successful experience in the institutionalization of regional cooperation and integration to the world. Participation in the G-20 can be considered a part of that strategy. Potentially, the EU has the influence and the expertise to lead the agenda for the formal institutionalization of the G-20. But if it fails to overcome the gaps and schisms among its own members, it will hardly be able to reach the levels of influence that the United States and China exert in the G-20.

For now, the other members in the G-20 are satisfied with being acknowledged as the new actors of global governance. However, when the framework of the G-20 is institutionalized and know-how is accumulated over time, it is expected that they will begin to form new coalitions and work to balance the existing great

powers. The future roles of India, Russia, and Brazil in this regard will require close attention.

Overall, despite the inclusion of newly emerging powers as actors in global governance, the issues and agenda setting in the G-20 are still strongly influenced by the United States and European countries. This can be assessed as an instance where their historically accumulated soft power is being asserted. However, like China, which is already enhancing its soft power by embarking on a learning process in global governance, it is expected that the other emerging powers will strengthen their position in the G-20.

The Strategy of South Korea

South Korea needs to devise a global governance strategy first. Similar to the approach of Washington, Seoul should clearly realize that the G-20 is not the sole core of global governance but a part of it. Therefore, South Korean policymakers need to shift their main focus on hosting the Seoul summit to devising a long-term global governance strategy.

Strategy-1: South Korea needs to understand accurately the status of the G-20 and the changes in global governance in the twenty-first century.

As global governance in the twenty-first century shows characteristics of networks, informal institutions like the G-20 will become a changea-



ble forum. As is shown with the expression “G-X process,” the number twenty is not important in the network system. What matters is the way of connection among member states. The G-7/8, as an exclusive consultative forum among Western powers, has faced limitations as the structure of international power and the characteristics of issues changed. Similarly, the G-20 could also lose legitimacy and effectiveness in the future. Thus it is important to pay sharp attention to the direction of the United States and not to be obsessed with the continuation of the G-20.

Strategy-2: South Korea should utilize its soft power and network power as a middle power and chair of the Seoul Summit.

South Korea is able to perform a unique role of bridge between developed countries and developing countries, the G-20 and non-G-20 members, the EU and the United States, as well as Western countries and Asian countries. In order to succeed in this bridging role, three objectives are important. First, Korea should not explicitly chase resource power. That is, South Korea should not openly pursue economic benefits. Second, it is important to pursue policies driven by the public goods of international society, for example, efforts to build platforms for discourse based on international norms. Third, South Korea needs to facilitate “coalition building” through the capacity to read the major stakeholders’ positions accurately. In other words, it is necessary for Seoul to take on the role of

networker and establish a like-minded group by exerting social power.

Strategy-3: South Korea needs to provide attractive and persuasive “storytelling” so that new global governance can arrange a safety net for small open economies.

South Korea has successfully pursued economic development in an open economic system. This has meant that it has had to deal with difficult economic challenges whenever the international economy or the international financial system becomes unstable. Despite the soundness of Korea’s financial industry, international economic turmoil has had a substantial impact on Korea as its economy is deeply linked with the outside world. It is almost impossible for a relatively small economy to stabilize its market by countering the rapid movements of foreign currency or the sudden capital outflow caused by international economic difficulties. Korea needs to define its identity as a small open economy, and provide attractive and persuasive “storytelling” so that the new global governance is able to provide a safety net for such countries.

Furthermore, South Korea will be required to read the current crisis more precisely, and will need to write a prescription to overcome this crisis in order to take a meaningful role in the G-20. For that, policymakers in South Korea should suggest their ideas to solve each issue through a comprehensive process that reflects the reasoning of all parties concerned.



Strategy-4: It will be necessary to devise a strategy that corresponds to the reality in which the G-20 operates as a network or an informal institution.

It is the G-20's strength, not its weakness, that it has no secretariat or formal bureaucratic organization. This structure makes it possible not only to set and discuss the agenda openly, but also to respond to pending issues in a more flexible manner. The current "Troika system" reflects this key characteristic of the G-20 by maintaining its openness and flexibility. Therefore, it would be better for South Korea to pursue a policy that reflects this institutional reality of the G-20 rather than coming up with an alternative. Seoul needs to understand that the G-20 is a part of global governance that focuses on suggesting a direction for the establishment and operation of new global governance, leaving specific implementation to existing formal international or regional organizations.

Strategy-5: For its future sustainability, the G-20 must also include the participation of non-state actors.

The G-20 can only be sustained if it becomes the place where not only states but also non-state actors can freely discuss the difficulties caused by international competition. South Korea should pay close attention to preparing an institutional framework that guarantees non-state actors' participation in the G-20.

Strategy-6: It is important to build a "knowledge community" that can provide essential expertise concerning the G-20 or global governance. South Korea needs to establish institutional groundwork in which public and private actors can closely connect to one another and form a comprehensive knowledge network.

The G-20 is a marketplace of knowledge. There are fundamental limits when knowledge is produced only by governments' sole initiatives. Global governance today covers various actors and interrelated, comprehensive issues. Therefore it is urgent to build a domestic support system that can provide the required knowledge to the government for it to act more effectively within the G-20.

Knowledge-Net for a Better World

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