Issue Briefing

Post G20 Seoul Summit Meeting and East Asia

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Big Picture: The Context of the Seoul G20 Summit and the Northeast Asian Paradox

Since the 2008 financial crisis, the global economic system has entered a period of intense turbulence, higher systemic risk, and structural change. Many observers and policy-makers recognize the current period as **a critical juncture**[1], during which the system of global governance must be successfully upgraded to cope with increasingly globalized and volatile markets. In addition, the global system is undergoing **a historic rebalancing** in the distribution of power, a process marked by the rise of large emerging countries, primarily China, India, and Brazil. As a consequence, the share of OECD countries in the global GDP has shrunk from 60% to 50% between 2000 and 2011 (PPP basis).[2] This new reality has empowered the new rising emerging economies to demand a larger say in global governance, as witnessed during the debates over the choice of a new IMF Managing Director in June 2011.

By chance and also owing to its relatively careful initial design, the G20 Leaders Summit has emerged as the prime forum for the negotiation of changes in the global economic governance. In particular, the G20 represents a relatively stable equilibrium, due to its near equal balancing between developed OECD countries and emerging economies (nearly 10 to 10, depending how one codes Mexico and Korea).[3] The G20 suffers somewhat from its large size, but at least enjoys support from most of its members due to its numerous opportunities for coalition-building and issue-specific balancing.

It is true that the G20 in still in the process of proving itself and has to deal with many skeptics. Many analysts in Canada and the U.S. are quick to discount the G20 process as meaningless summitry among too many countries focused on widely divergent domestic agendas. Ian Bremmer and Nouriel Roubini both call this a G-zero situation.[4] Likewise, many leaders in Japan, especially in the Ministry of Foreign Affairs, are very skeptical about the G20's potential and Japan has broadly not yet accepted the G20 as the central game of global governance, preferring to it the well-established G8.[5] Yet, the G0 or G8 or G193 are not functional options. They represent default realities without the ability to solve any of our global problems. Only the G20 is able to deliver the necessary political leadership to initiate the upgrading of global governance. For this reason, the majority of key countries (including Europe, China, Korea, and many in the U.S.) see the G20 as the core game of global governance and the best option for the enhancement of global cooperation and the restructuring of global institutions.

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After an interim summit in Toronto, the Seoul summit came at a critical moment when the future of the G20 was in the balance.[6] By managing to deliver visible results and institutional milestones, the Seoul Summit played a key role in the gradual institutionalization of the G20. The Seoul summit provided significant momentum to the G20 and significant legacies. It can be seen as a second high point after the London summit.

This was not immediately obvious in the fall of 2010, due to a high profile conflict between China and the U.S. (and Japan and Canada, among others) over the exchange rate level of the renminbi and current account imbalances. This issue dominated press reporting and ended up in a stalemate in Seoul. To a large extent, it was too big for the G20 to solve at that time, given the superpower status of both China and the U.S. In addition, weaker links with China at that time a clear positioning on the side of the U.S. prevented Korea from being an effective mediator.[7]

Yet, in the wake of the Seoul Summit, **the North East Asian Paradox of the G20 stands out**: despite a recent intensification in China-Korea-Japan integration and negotiations, and despite positional similarities in the global economy (as large current account surplus countries with significant reserves in $ invested in U.S. Treasury bonds), these three countries have next to zero coordination of G20 policies. It is likely that political leaders in the three countries will notice this gap in the near future and find significant interest in coordination and cooperation before G20 summits. Korea is the most likely catalyst of any such cooperation. And Japan is the country where change must happen first, depending on the leadership of its future prime minister(s). At the time of writing, change could be imminent with the passage of the torch from Kan Naoto to his successor.

Such North East Asian coordination would have a large impact on the future of the G20 and could shape outcomes, given that the three North East Asian countries are positioned as median or pivotal players on the spectrum of many key issues. Any joint proposal by Korea, Japan, and China (open to others, such as India, Indonesia, or European partners) on a roadmap for capital flow regulations, on updated developmental norms, or on the operationalization of the financial safety net ideas initiated at the Seoul G20 summit might reshape the outcome of G20 processes and carry the day. These are issues where the ideas and underlying preferences in the 3 countries are actually very close. The list could include new ideas on stabilizing commodity markets and reducing global financial volatility. If the three countries generated common ideas and acted together on those issues, they would likely carry the day, given their position at the center of the spectrum and on the moral high ground of global public good.

Solving the North-East Asian Paradox could also have a large influence over regional politics in North East Asia. Indeed, joint action over such a definitive terrain of common interests and mutual benefits could build trust and generate enough momentum to help defuse security tensions and counter the fears generated by the rise of China. Joint trilateral work on financial regulations, economic monitoring, or policy responses to environmental and security shocks might constitute **the crucial missing link that could initiate a snowballing process of institution-building in North-East Asia.**

Interesting, China, Japan, and Korea need each other to exert global clout in economic governance. China has the most financial power and muscle; yet, China needs Japan's know-how acquired from its long G8 experience and links with the U.S. and Europe. Japan is comfortable in the G8 and in those links but needs China's clout to exert any true influence. The same goes for Korea. And both China and Japan need Korea to be able to work positively together. Korea is both the most natural partner for Japan as a fellow OECD advanced democracy and the closest bridge to the OECD and Japan for China. If Korea plays well, it can have a large agenda-setting role. But similarly to the approach employed by Singapore, it needs to maintain powerful simultaneous ties with Japan, the USA, and China.

Looking forward, the G20's future remains uncertain. The G20 carries both significant momentum and significant internal disagreements. The low hanging fruits of policy coordination have been harvested. The game ahead is more about institutional change and institutional creation, both more difficult tasks. In 2011, the ambitions of the French presidency are facing very steep political obstacles, as most key countries (U.S., Germany, France, Russia, China, Japan, Italy, etc.) are in pre-electoral mood and have lame duck governments. The Cannes Summit is most likely to implement and concretize some past pledges (on development, financial safety nets) and score limited advances on capital controls or the future of the SDR. But it is unlikely to solve the bigger issues of the international monetary system or the institutionalization of the G20. It could be marked by a confrontation over a global financial transaction tax (so called "Tobin Tax") after the Franco-German renewed call for such a tax in mid-August. The years 2012-2013 will most likely be the make-or-break years for the G20, determining whether it remains a low-key policy coordination forum or a true global steering committee able to orchestrate grand bargains and lead to institutional creation. Korea, China, and Japan are probably the key players in determining the future of the G20.

The G20 Stage Before Seoul

The 2008 G20 Leaders' Summit was initiated by the G8 and particularly Europe and the U.S. It represented an effort by G8 leaders to open up the steering committee of global governance after acknowledging that they faced a crisis too big to solve on their own and that the distribution of power had changed over the preceding decade.

Europe and the U.S. proposed the G20 Summit and shaped its agenda in October 2008. French President Nicolas Sarkozy initiated the process by inviting President Georges Bush to convene a summit initially envisaged as a G12 or G13. The initial quid pro quo within the G20 was European support for counter-recession deficit spending in exchange for an American promise of broad international financial regulations. It was clear, however, that international coordination out of the global financial crisis required the participation of the largest world creditor, China and other major emerging powers and creditors (Russia, Brazil, India, Saudi Arabia); using the existing format of the G20 (in existence since 1999 as a Finance Ministers and Central Bankers meeting) was the most convenient way of doing so.

It is rational to assume that the U.S. was ambivalent about the G20 from the start. While being aware that coordination among the major economies (including China) was crucial to ride out of the global financial crisis and solve other functional problems, the U.S. was less willing to turn the G20 into an instrument of post-U.S. hegemony. In contrast to the ambitious European call for a "new Bretton Woods", the US sought only a flexible forum for policy coordination.[8]

Thus, right from 2008-2009, the G20 has embedded two significant tensions. First, the two midwives of the G20, the U.S. and Europe, have broadly different views about the G20: on one hand, the U.S. seeks a minimal coordination among stakeholders of the global economic system, minimal common regulations when indispensable, and a way to constrain China, the rising superpower and new rival. On the other hand, the EU sees a drastic need for fundamental financial regulations to prevent future systemic financial crises and a general institutional upgrade to balance the widely globalized markets, and prevent regulatory arbitrage. Europe also seeks a more stable global monetary system, one less reliant on the U.S. $. In this dialogue, however, Europe is significantly disadvantaged by its lack of internal coherence and unified voice. At times, France and Germany are able to provide both a cogent position, coordinate with the UK, and gather support from the rest of Europeans. But at other times, especially after the demise of Gordon Brown, the UK takes distinct positions, sometimes close to that of the U.S., and key European leaders are unable to have a global impact.

The second internal tension in the G20 is that between the G8 members who are at the origin of the G20 (except Japan, and possibly Italy that have been hesitant from the start) and the rising emerging powers loosely organized under the banner of BRICS (Brazil, Russia, India, China, South Africa). While the G8 members see the G20 as a means of gaining the approval of the emerging powers for global coordination led by developed countries, the BRICS countries see the G20 as the opportunity to gain more voice in global governance, preempt effort by developed countries to slow down their rise, and to rebalance the Bretton Woods institutions. Thus, significant zero sum gain battles are embedded within the larger positive-sum game thrust of the G20.

Korea finds itself in an interesting position. It is both an OECD country that was not part of the G8 but with close links to G8 countries AND a recently emerged economy with good links to other emerging economies.

In terms of power and influence, the G20 game on the eve of the Seoul summit could be interpreted as a triad with three dominant players (U.S., EU, and China) and several significant potential or active mediators (Japan, Russia, Brazil, India, Korea, Canada, Australia). The core game is the one between the three poles of the triad. Anything that can be agreed upon by the U.S., Europe, and China will almost certainly become a G20 consensus. Naturally, these 3 poles of the triad have deep conflicts of interests. The US wishes to use the G20 to force China to revalue the renminbi, while China wishes to see the G20 as a peer-pressure forum able to prevent the U.S. from pursuing quantitative easing (given its status as global reserve currency owner). Europe wishes to see the G20 as a tool to regulate global finance, while the U.S. has a too profound vested interest in unregulated finance (as the home of Wall Street) to countenance much of it. So, in effect, the G20 is forced to move forward by seeking the small existing common ground between the three giants.

Despite these tensions and difficulties, the two months before the Seoul G20 Summit made it clear that it had become the core Great Game of international economic governance, with an immense gravitational pull over international relations in 2010. For example, the Beijing Summit between Russia and China, the October trip of Chinese Prime Minister Wen Jiabao to Europe, followed by the highly strategic visit of Chinese President Hu Jintao to Paris and other European countries early November, or U.S. President Barack Obama's journey to India, Indonesia, and Japan in November were all linked to the G20 process. While the U.S. was shoring support among India, Indonesia, Japan, and possibly Korea for its effort to force China to move on its currency, China was developing a strong strategic link with European powers as a wedge against the U.S. coalition.

Assessment of the Results of the Seoul G20 Summit

The Seoul G20 Summit had the significant merit of reaching significant deliverables and institutional outcomes. In so doing, it buttressed the role of the G20 as a useful global steering committee and kept its momentum going. The key long-term results reached in Seoul (and in Gyeongju, two weeks earlier) were the result of slow and gradual work over the entire year, while the last minute brinkmanship by big powers around the issue of current account imbalances was less successful.

The most important positive results of the Seoul Summit include the following items:

① IMF Voting Rights Reform (so called "Quota and Voice Reforms"): the issue of voting shares and voting rights at the IMF and the related issues of board directors had been vexing issues for years. The reluctance of existing power holders to accept changes that would make IMF voting more in line with the changing economic situation was seen as a key problem for the legitimacy of the IMF. For example, while the EU as a whole had 32.5% of voting shares until 2008 (and 32% as of 2011), China's share was at 2.93% (equal to Canada's and below Italy's 3.2%). Slow changes were ongoing since 2008, but no breakthrough had been reached despite promises by overrepresented countries (especially Europeans). On October 23, 2010, in Gyeongju, the G20 Finance Minister's Meeting reached a major breakthrough (ratified by the IMF's Executive Board on November 5 and included in the Seoul Declaration on November 11).[9] The results included a shift of 6% of quota shares to emerging economies and dynamic developing economies, 80% of which comes from overrepresented OECD economies. For example, after the reform to be effective in October 2012, China's voting share will reach 6.07% (from 3.65% in 2011), just a notch below number 2-ranked Japan (at 6.14% in 2012 and 6.00% as of 2011). Europe also agreed to relinquish two chairs on the Executive Board.[10] Interview sources in Japan, France, and Korea have noted that this remarkable result was not obvious until the Gyeongju meeting. At Gyeonjgu, it is reported that IMF Managing Director Dominique Strauss-Kahn and Korean President Lee Myung-Bak put a carefully crafted proposal on the table and threatened to lock the room and block transportation in Korea should the ministers not agree. This was a significant case of successful mediation of a general compromise.

② The Basel III banking ratios: The Gyeongju meeting also led to the major agreement to adopt the Basel III banking ratios, increasing the ratio of Tier 1 capital to 7% by 2013. This step, also difficult in coming, due to significant doubts among some key countries, was meant to reduce the leverage of major banks and thus the financial risk run by too big to fail financial institutions.

③ The Financial Safety Nets: the agreement in the Seoul Summit Declaration includes reference to several new credit lines, better coordination with the IMF, and links to regional financing arrangements (RFAs). This issue was a significant Korean priority and marked a significant victory for Korean leadership. Much work remains to be done to implement these safety nets and make them effective for developing countries in times of crisis. But Korea continues to work on the item with the French presidency in 2011 as part of the G20 troika. The G20 summit declaration also referred to the volatility and instability of the global monetary system, thus including a marker for future work on this issue.

④ The Seoul Development Consensus for Shared Growth: this document, included in the Seoul Summit Declaration, includes several practical consensus commitments and explicit links to the UN's Millenium Development Goals. While not making any conceptual breakthroughs on the role of the state or on the management of capital flows (two hotly disputed topics today), the Seoul Consensus document is a lean and practical document devoid of the broad principles formerly embedded in the Washington Consensus. The Seoul Development Consensus document opens the door for much more work within the G20 in 2011 and beyond. It can be seen as the start of a normative change that can be used by actors on the ground in the near future to legitimate policy change.

⑤ Negotiations on current account imbalances: this issue dominated headlines and was much more contentious and difficult. While the hoped for guidelines on current account imbalances proved out of reach, the Seoul Summit Declaration includes a paragraph on the need to devise indicators for "external sustainability." It is on that basis that the Paris Finance Minister meeting in February 2011 was able to reach a compromise. The delicate comprise was reached by breaking current account indicators into individual components (rather than following it as a whole) and avoiding foreign exchange reserve.[11]

Paradox in Chinese, Japanese, and Korean positions

One interesting paradox arising from the Seoul Summit is **the Northeast Asian paradox**. While China, Japan, and South Korea are divided by significant differences (economic development level and size), they also share key similarities: current account surplus countries with large currency reserves in $, jointly owning 50% of the U.S. foreign debt; all large trading nations with weak financial centers, vulnerable to volatile capital flows. Yet, at the G20 in Seoul and in 2011, the three countries have not only avoided coordinating their policies, they have actually openly clashed on a number of issues. For example, Japan has openly supported the current $ dominated international monetary system (e.g. at the Nanjing G20 summit in late March 2011), in opposition to ideas proposed by China and Europe. Japan has also supported the U.S. push against the value of the renminbi. Japan and China have clashed in the Paris G20 meeting in February over rare earths, while Korea and China have clashed at the same summit over the internationalization of the renminbi in total absence of coordination with the Chiangmai initiative.

Interviews in the three countries reveal that several factors explain this North East Asian paradox. The primary factor is that key actors in Japan and in Korea (including ministries of foreign affairs) argue that security concerns must trump global economic interests. And both Korea and Japan are concerned about China's rise from a security perspective and committed to their primary alliance with the US. Other factors include a lack of institutional relations among the three countries, lack of leadership able to initiate a bold new approach (especially in Japan and China), and particular factors in Japan and China leading to hesitations or paralysis.

In China, it is interesting to note, however, a certain enthusiasm about the G20 process and a true burst in attention toward the G20. China is still going through a steep learning process with respect to global governance and its domestic governance embeds significant divisions among the 5 ministries involved in the G20 (MOFA, MOF, PBOC, NDRC, MOFTEC). But there is a strong interest among Chinese scholars and policymakers to see the G20 more functional in preserving the stability of the global economic system, while enabling China to manage and reduce its vulnerabilities to global economic flows. Many Chinese advisers and policy-makers are currently sympathetic to European ideas on global financial regulations, Tobin tax, or reforming the global monetary system, although they also want to avoid antagonizing their U.S. partners.

Japan is in a transitional situation at the moment. While the public is concerned about global systemic risks and expect more global governance, Japanese leaders have shown very little interest for the G20 and Japan's voice has been very limited. This weak Japanese voice can be traced directly to the fragmented bureaucratic positions between MOF (IMF related issues), the FSA (banking regulations, financial regulations), the BOJ, METI (trade, energy, raw materials), and MOFA (overall foreign relations); in effect translating into a division of labor and the continuation of previously established positions without strong coordination and innovation. A fundamental split divides the Ministry of Foreign Affairs, which filters the G20 through the lens of security, and MOF or METI who have concerns on specific global economic and financial vulnerabilities. In the worlds of former vice minister of Finance Sakakibara Eisuke, Japan ought to separate security and global economic governance and consider working with Europe, China, India, and Korea in pushing for more regulation of finance. In contrast, former vice minister of foreign affairs affirms that Japan should primarily oppose anything that China does and present a strong U.S.-Japan axis against any China-Europe regulatory proposals.

In this context, only strong leadership by the prime minister can shift positions, craft bargains among ministries and present global leadership. However, both Prime ministers Hatoyama and Kan have focused on other domestic priorities and have not shown interest for the G20. Nor have they instituted a leadership unit in the Kantei. Yet, as a Westminster parliamentary system with some strong bureaucratic interest in global economic governance, Japan could switch quickly with the right leadership and the right opportunities. If the security tensions can somehow be defused or separated, there is a core commonality in norms and institutions between Japan, Korea, and

China in terms of economic regulations, the role of the state in the economy, and the balance between trade and finance.

In comparison to China and Japan, Korea has benefitted from strong central leadership under President Lee Myung Bak and has shown some success in getting its priorities uploaded into the G20, although it has avoided some of the more contentious issues around the regulation of finance and the global monetary system.

The lack of cooperation between the three North East Asian partners and their lack of linkages with a second ring of potentially like-minded extra-regional partners (on some regulatory issues, India, Indonesia, Europe etc..) has one key implication: the North East Asian successful experience in economic governance and in the balance between markets and regulation is under stated at the global level. The voices of Korea, Japan, and even China are also much more limited than what they could be if they pulled their strengths and shared experience together. The current outcome of global governance does not match the median preference of countries in the world at large or even in the G20 itself, because key median players such as China, Japan, and Korea do not work together to express their preferences on global economic governance.

Cooperation on G20 economic issues between China, Japan, and Korea would have a dramatic effect on both the agenda and coalition game within the G20. This would likely lead to different outcomes as well. As well, the sheer momentum created by this cooperation would certainly spill over into more trust, more human networks, more trilateral institutionalization to match the dramatic increase in economic ties, and, eventually, lower security tensions.

Assessment of the Post-Seoul G20 Process in 2011

The year 2011 for the G20 is a year of great uncertainty. At the time of writing, it remains very difficult to predict the extent of possible agreements at the Cannes G20 Summit scheduled for early November 2011. On one hand, the G20 process has clear momentum after the Seoul summit and is continuing work on several follow-up items, such as financial safety nets, banking regulations, and the developmental agenda. On the other hand, most of the new issues put forward by the French presidency in the summer of 2010 have encountered significant obstacles and interests are clearly diverging. In addition, most major countries are in the midst of pre-election stalemates and unable to take any risky positions.

One key debate relates to the possible institutionalization of the G20 process itself. European countries, and to some extent China, Canada, and Korea support this idea. So do many emerging countries. Yet, the U.S. and Japan (among others) are skeptical and unwilling to add another organization layer. As of now, it seems that the only possible compromise will be one of a stronger troika.

The French presidency attempted to move forward on the reform of the international monetary system, in party by asking China to organize a G20 summit on the topic in Nanjing (March 31, 2011). However, the summit exposed the wide divergence of opinions among the U.S. and Japan (opposed to rapid change and to a quick entry of the renminbi into the SDR), Europe (pushing for rapid change), and China (pushing for slow change). The summit also revealed how complex the issue was and how unlikely it was for any result to come out in 2011.

The issue of the volatility of commodity prices has made some progress during the June Paris meeting of ministers of agriculture and has led to commitments of more monitoring and information-gathering; but here too, the clash of interests between exporters and importers, and between drivers of the financial centers (U.S.) and passive actors in the system is too intense to offer room for significant change. Likewise, although there is strong moral support for capital controls and even a Tobin tax among a majority of countries, those issues are technically too complex and the U.S. and UK opposition is too clear to offer a chance of significant change at the moment.

In sum, the 2011 G20 summit is more likely to be an interim summit. Likely results include some possible codification of capital control, some roadmap on the future of the SDR, some increase in global monitoring and surveillance, and a stronger troika system.

However, reaching the real potential of the G20 as a forum for grand bargains among countries on issues like financial reforms, climate change, or systemic volatility will require more stable leadership and a willingness of large countries to work for public goods. That may have to wait until 2013.

Policy Recommendations

(1) Overall Recommendation for G20 leaders:

A return to the status quo ante (pre 2008) is not possible. Systemic financial and environmental risk is high and requires critical coordination. While 2011 may be a year of declining willingness to commit precious political capital to the G20 public good exercise; it is in the interest of all countries to return to return to the G20 process after the round of 2012 leadership change. Even for the U.S., a significant investment into the G20 will ensure that the global system built under U.S. leadership can survive and endure the coming shocks. It offers the best chance to embed new rising powers and to use the power of institutions to reduce transaction costs and the mutual risks of interdependence.

(2)Recommendations for China, Japan, and Korea (NEA3):

Generally, more cooperation among the NEA3 countries will yield high benefits. Any proposal coming from the NEAS will have enormous momentum and could shift the agenda on the G20. For such a process to be successful, Korea and Japan may need to treat global economic and environmental issues on their own and delink them from security considerations. Such positions would also close the current gap between some official positions taken by Japan and Korea and the underlying preferences of public opinion (for more global governance and less financial volatility).

Practically, the NEA3 countries should bring G20 cooperation under the purview of their trilateral summits and the agenda of the newly-created secretariat in Seoul. They should seek to develop proposals for the G20 that derive from their joint experience and common interests or economic ideas. Such joint agenda should include the following issues:

- Developing a roadmap and set of best practices regarding the optimal management of capital flows (how to harness free finance and capital flow for development and limit volatility or systemic risk).
- Joint ideas on the reduction of volatility of global finance and protecting the legacy of a free trading system
- Joint ideas on global monitoring of global commodity markets (supply and demand) and proposals for improved global institutions that can prevent the proliferation of preferential contracts and defensive measures (that are already happening, in particular due to China's sense of insecurity).
- Developing the Seoul developmental agenda into more concrete steps and mechanisms
- Developing the financial safety net agenda
- A global monitoring of systemic risks, including from natural catastrophes, nuclear energy, and climate change. This could lead to the creation of an Institute for the Prevention of Systemic Risk based in Korea.

(3) How to defuse regional tensions in the process:

- The initiation of trilateral G20 cooperation is a sensitive phase, since it can be easily derailed by any increase in tensions around security or nationalist issues.
- Leaders in the three countries need to initially down play (set aside) nationalist agendas and disconnect global economic agendas and security issues.

- Once cooperation on G20 issues is initiated, however, it will generate shared momentum and shared fruits. In turn, this will generate goodwill and trust in elite networks and, later, at the level of public opinion. This process could be similar to the spillover dynamic generated by European cooperation on steel and coal in 1950-1955, at a very sensitive time for nationalist sensitivities. Common work over a joint economic agenda with shared preferences and shared benefits led to the creation of joint interest groups, supra-national elite bureaucrats, and other groups with a shared interest in planning the next step.

- For China, cooperation with Korea and Japan could be a great mechanism for defusing tensions generated by its dramatic rise, both in Korea and Japan, but also at the global level. Indeed, a joint Korea-Japan-China agenda would project a very different image, in comparison to a pure Chinese agenda.

- For Korea and Japan, this requires the ability to affirm their strong primordial security relationship with the U.S., while also independently pursuing their economic governance agenda. The two issues can and should be delinked (although with diplomatic tact and full transparence – correct signaling may be crucial).

(4) Recommendations for Korea

Korea has shown impressive leadership both at the G20 and as a growing catalyst for NEA3 regional integration. Korea can build on these achievements by increasing its role as mediator between the U.S., China, Japan, and Europe. This may require careful balancing to build close relationships with all four countries. In particular, the China-Korea relation is the key link for Korea's effective mediating role in global economic governance. The Korea-Japan link is also very important. Korea can also play a leadership role in finding the bargains that can help stabilize the global financial, economic, and environmental systems while delivering U.S. support.

(5) Practical Steps

Korea is the pivotal player in the NEA3 triangle. To be successful in triggering the initiation of a joint trilateral G20 agenda, Korea needs to take several concrete steps:

① Continue to increase political linkages and networks at all levels with Japan. The Japan-Korea link is probably the first necessary step in the trilateral process. Irritant issues should be downplayed, so as to focus on similarities and shared agenda.

② Increase elite networks and trust with China at all levels.

③ Propose to Japan and China at the next trilateral summit to expand the trilateral secretariat and add a think tank role on global economic governance. Bring the G20 process fully into the agenda of the next trilateral summit, with a list of areas of mutual interest. This process should be prepared with Japan and the U.S. should be kept informed, in order to avoid misunderstandings and keep the increased trilateral cooperation as neutral with respect to the Korea-U.S. or Japan-U.S. relations. Selected American or international scholars or think tank leader could be involved so as to clearly signal the public good orientation of the initiative.

④ Engage Europe, Canada, Australia, India, the USA, and others in the process to add extra-regional leverage to bear, always seeking larger rings of partners for joint trilateral priorities. ■

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Notes

[1] Emphasis in bold are by the author.

[2] OECD. 2010. *Perspectives on Global Development 2010: Shifting Wealth.* June. pp. 15 and 24.

[3] This is a point often emphasized by Chinese policy advisers. China always refused the concept of an expanded G8, finding it too narrow and dominated by G8 countries.

[4] See Ian Bremmer and David Gordon. 1/7/2011. "G zero." Foreign Policy- The Call.
http://eurasia.foreignpolicy.com/posts/2011/01/07/g_zero
Nouriel Roubini. 2/11/2011. "Our G-Zero World." Project Syndicate.
http://www.project-syndicate.org/commentary/roubini35/English

[5] Interview with former Administrative Vice Minister for Foreign Affairs and current President of the Japan Institute of International Affairs (JIIA) Nogami Yoshiji, Tokyo, July 11, 2011.

[6] It is important to remember that the G20 Leaders' Summit came about as a temporary fix to deal with an urgent crisis in 2008-2009. The G20 did step up to the challenge, and unlike in the 1930s, the leaders of the most powerful countries, grouped under the G20's banner, managed to coordinate their short-term policy responses to the 2008 financial crisis. This coordination included monetary policy responses, a coordinated fiscal stimulus, protection of the trading system through the avoidance of protectionism, increase in the resources of the IMF to support less developed countries, and creation of the Financial Safety Board (FSB). The London G20 summit in April 2009 marked the high point of this coordination. But this early phase of the G20 focused solely on saving the global system in the short-term and did not include a shared commitment to its long-term institutionalization. But there was no consensus at that point whether to institutionalize it. Pittsburgh (September 2009) dealt with this question in principle, but did not provide an action plan. There was great uncertainty about what the G20 would become in 2010.

[7] Nonetheless, it is significant that the issue was later defused in 2011 with the adoption of indicators at the Paris G20 Finance Ministers meeting (February 2011) and their formal incorporation into a monitoring system at the Washington DC G20 Finance Ministers Meeting (April 2011). In Paris, it was reported that the final compromise benefitted from intense cooperation between the French presidency and Korea through the G20 troika.

[8] Interview with one top G20 negotiator, June 2011.

[9] IMF. 2010. "IMF Executive Board Approves Major Overhaul of Quotas and Governance." Press Release No. 10/418. November 5.

[10] *Ibid*, and IMF. 2011. "The IMF's 2008 Quota and Voice Reforms Take Effect." Press Release No. 11/64. March 3.

[11] Personal interview with official at French Treasury, February 2011.