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China, the United States, and the Changing Global Architecture

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With the prospect of leadership change in China and the United States in 2012, the possibility for instability and uncertainty in the East Asia region is high. Despite such concerns, it is expected that the current structure of global governance will mitigate the difficulties associated with this period of transition. Considering the importance of global governance, it becomes necessary then to follow the changes in the global and regional architecture and think about how South Korea should meet this challenge. The trio of closely-related summit meetings that took place in November 2011 was such an occasion in which China and the United States grappled to shape the regional and global architecture. These meetings included the G20 Cannes summit on November 3, the Asia-Pacific Economic Cooperation (APEC) summit on November 12, and the East Asia Summit (EAS) on November 19. It is important to focus on the fact that during these meetings Beijing and Washington had the chance to examine the intention and capability of each other. In that sense, these meetings were akin to that of a boxing match fought over three rounds using not force but the complex elements of international politics in the twenty-first century that interact to design the regional and global architecture. These elements include power politics in international relations, cooperation and conflict in institutions and networks, and the knowledge power which allows for a consensus among countries by sharing the vision of a new order.

Round one: the G20 summit in Cannes

Since the onset of the global financial crisis in 2008, the world has entered the 'G-x' process which seeks diverse alternatives to address the challenges of the crisis. Among the viable options, the G20 has become particularly notable as it has developed into a platform to share policies for both developed and developing countries who are confronting the global financial crisis. Since the G20 was developed during a crisis, the meeting was both the product and the beneficiary of a crisis simultaneously. The G20 Cannes summit, held amid the European debt crisis, was to be an opportunity to reassert that the G20 is the premium forum for international economic cooperation and the center of global governance. This all changed though when the Greek Prime Minister George Papandreou on the eve of the Cannes summit announced that he would put the EU bailout plan for Greece to a national referendum. This resulted in the G20 forum unable to be the chief supervisor of any recovery as it became overshadowed by the crisis itself. The Cannes summit did show some progress on several issues, such as the G20 Business Summit, social talks among trade unions, climate change, and sanctions on tax sanctuaries. However, not only was there little follow up to the development issues identified at the Seoul summit in 2010, but the major issues of focus prepared by France were marginalized by the European debt crisis. This revealed much about the limits of the G20 as

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the center for discussions on new agendas.

As the Eurozone crisis became worse, Europe lost most of its independent ability to resolve the crisis. As a result, on October 26 2011, just before the G20 Cannes summit, newly developed nations were asked if they could be feasible contributors to resolve the debt crisis. Needless to say, the role of China, the country with the largest foreign currency deposits, was in the limelight. For the United States, the inability for it to take the lead in reaching a settlement on the crisis meant that it could only look on at the strengthened role of China in international relations. It is an interesting irony that the United States allowed for China to be asked to provide financial aid to the leading European countries at the G20 Cannes summit, considering that the G20 had originally been used to put pressure on Beijing over issues related to the appreciation of its currency, the Renminbi. Officially, China calmly responded that it did not retain enough foreign currency reserves to address the problems of the European debt crisis and only made diplomatic rhetoric that it believed in the competence of the European countries to overcome the crisis. Behind the scenes though, Beijing carefully associated the request to provide financial support to Europe with the issue of it being given the status of permanent normal trade relations with the United States. On the whole, the Cannes summit resulted in becoming a stage in which to reassure China's strengthened status, with little progress on the other issues. From this perspective, the rise of China has actually produced an unintended result that downgrades the role of the G20, which had been expected to develop as a reliable forum for global governance reflecting the new realities of international relations. The primary re-

sponsibility for the outcome at Cannes lies with the Eurozone countries such as France and Germany who placed too much weight on the official and unofficial agreements reached outside of the G20 and therefore not placing the European debt crisis on the formal agenda of the G20. The United States is also partially responsible as it did not push the European countries to resolve the debt crisis through the G20.

Round two: the APEC summit in Hawaii

Within ten days, the stage transferred from Europe to Asia. Whereas the Cannes summit was a skirmish between Beijing and Washington on Europe, the APEC summit was a full-scale tug-of-war. The conflict began on November 11, just the day before the summit meeting when Japanese Prime Minister Yoshihiko Noda announced that his country would pursue negotiations to join the Trans-Pacific Partnership (TPP). The aim of this effort would be to help Japan's northeast region recover from the aftermath of the earthquake as well as develop the future of the Asia-Pacific region. This was then followed by similar announcements by Canada and Mexico which resulted in the TPP becoming part of the main agenda of the APEC summit talks even though it was not on the formal agenda. From the perspective of the United States, the implications of the announcement made by Japan are two-fold. First, TPP negotiations with smaller economies such as Brunei, Chile, Peru, New Zealand, and Singapore would only be considered as bringing about tangible achievements. Therefore Japan's participation would be a very effective way to expand the economic benefit of the TPP. However, there is some domestic opposition to the TPP in

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Japan not only from the Liberal Democratic Party, but also from inside the ruling Democratic Party. So it would not be unexpected that Japan might yet adjust the negotiation plans for its participation in the TPP and downsize the level of its economic freedom.

Second, the reason that Washington greeted positively Japan's participation is that the TPP has a strategic value far beyond that of economics. Although the TPP is an economic issue seeking to develop a high-level of free trade, it can also help design the future regional architecture in Asia. For the Obama administration which has proclaimed the United States to be a Pacific power, the TPP will be a way for it to reconnect with Asia. This however is at the root of conflict between China and the United States. Regarding the Japan's announcement on the TPP, China's Assistant Minister of Commerce Yu Jianhua, immediately clarified the position of Beijing by saying, “TPP has set very high benchmarks, whether or not all these members will reach that high benchmark we'll have to wait and see.”¹ His remarks reflect a wider view held in Beijing that the TPP does not harmonize with its design for regional architecture which is more focused on the Association for Southeast Asian Nations (ASEAN). In terms of the percentage each nation accounts for in the global economy, ASEAN+3 centered around China has around 23 percent, while the nine members of the TPP excluding Japan accounts for around 27 percent. Given the EU's 26 per-

¹ Eric Martin and William McQuillen. 2011. “Kirk Defends U.S. Agenda for APEC Meeting That China Calls Too Ambitious,” Bloomberg, November 8, <http://www.bloomberg.com/news/2011-11-07/kirk-defends-u-s-agenda-for-apec-that-china-calls-too-ambitious.html>.

cent, it is possible to believe that the global economy is emerging as three segments under China, the EU, and the United States. The participation of Japan in the TPP, however, is sufficient to dismiss such thoughts, together with Canada and Mexico, the TPP would then account for 39 percent. Therefore, Beijing's plan to construct its own regional architecture now faces a serious obstacle.

Round three: the EAS meeting in Bali

A week later, the stage moved again to the EAS meeting in Bali, Indonesia. During this meeting, two declarations, the “Declaration of the East Asia Summit on the Principles for Mutually Beneficial Relations” and the “Declaration of the 6th East Asia Summit on ASEAN Connectivity” were adopted in order to regulate membership of the EAS and promote efforts to facilitate stronger links among ASEAN countries. This would seem to indicate smooth progress made at the EAS meeting in Bali. However, it is important to understand that the EAS has now become the official channel for the United States to have influence on the regional order in East Asia. Moreover, as the boxing ring for China and the United States has become narrowed down and more specific, so the psychological warfare has become more acute between the two countries. The United States only joined the EAS in 2010 and later announced that it would make the EAS “the foundational security and political institution for Asia,”² which seemed to indicate that Washington would

² Secretary of State Hilary Clinton, Remarks at Press Availability, July 23, 2010, <http://www.state.gov/secretary/rm/2010/07/145095.htm>.

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operate through the EAS to check China. In fact, President Barack Obama ignored repeated warnings from Beijing and raised the South China Sea issue at the EAS summit in Bali, which allowed for most of the participating Southeast Asian countries except Myanmar and Cambodia to discuss the matter. The United States again touched upon sensitive issues with China by pushing for Myanmar to host the 2014 EAS summit. Beijing suspects that Washington is trying to rebuild ties with Myanmar as part of a containment strategy. In response, China announced an estimated three billion dollar aid plan for the development of Indonesia's marine industry and established the ASEAN-China Committee on Connectivity Cooperation to strengthen its links with countries in Southeast Asia.

While, it is certain that conflict between China and the United States manifested itself during the APEC and EAS meetings to some degree, it would be too simplistic to conclude that the EAS was now a new battleground between the two countries. Beijing has repeatedly stated its preference for ASEAN + 3 as the platform for regional architecture. It should be noted, that China not only agreed to the launch of the EAS and consented to the entry of India, Australia, and New Zealand as members, but also accepted the participation of the United States in 2010. From this it can be said that the EAS will be a restricted platform where competition and cooperation will coexist. This assertion is based on the fact that China has shown a flexible attitude toward other alternatives for regional cooperation even though it has been strongly advocating ASEAN+3 as a platform for the regional architecture. The challenge then for the future of the regional architecture in East Asia will be on how to harmonize diverse designs ra-

ther than selecting one design over the other.

The future of global architecture and policy recommendations for Seoul

The three summit meetings mentioned above reveal the future path of global architecture. As such there are three main points to focus on. The first one is the impact of China's rise on the G20 and also the future of global governance. The G20 Cannes summit revealed that the emergence of China has not had the positive effect on the status of the G20 as was expected. Reflecting not only power politics but also network politics and complexity of international relations, the G20 had been expected to be an alternative for new global governance. However, the Eurozone crisis did not encourage a networked response in the G20. Rather, it resulted in only more dependency on China, which has emerged as the second largest economy and holds the largest foreign-exchange reserves. The future of the G20 now depends on how it can associate newly emerging powers like China into the format of the G20, beyond the current competition between China and the United States or between developed and newly emerging countries.

Second, the complexity of the TPP, which was the main issue of conflict during the APEC summit, is also an important area that requires careful interpretation. There is no doubt that the TPP is a strategic move based on long-term thinking that goes beyond free trade issues. On the other hand, the kind of regional order/architecture that Washington and Tokyo would want to establish will be linked to the degree of free trade agreement. Therefore, to what extent the United States adjusts its free trade agreement with Japan to

“... South Korea needs to establish an economic-security nexus strategy.”

placate domestic political demands will be a barometer to measure whether the TPP is crucial for balancing against China.

Third, the East Asia stage faces a challenge on two folds: how to define the relationship between ASEAN + 3 and the EAS, and how to harmonize the EAS with APEC or the TPP. In this regard, knowledge power to interconnect the complicated interests of different countries and to draw an understanding among others is significant. The shape and the characteristics of the regional architecture in East Asia will be decided by which country – either China or the United States – obtains this knowledge power.

With international politics likely to evolve rapidly in 2012, what response should South Korea choose? South Korea must first establish the future strategy for its global governance based on a clear recognition of the status of the G20 and its roles. The launch of the G20 seemed to realize the rise of the rest, where developing countries like China, India, Brazil, and South Korea could actively engage in establishing and operating in global governance. However, the Cannes summit revealed that the reality does not yet match this expectation. The reality that China's rise could challenge the status of the G20 despite the fact that it has been regarded as a pivotal framework in the new global architecture has a major impact for South Korea, which had the chance to participate in the process of operating global governance since the 2010 Seoul summit. South Korea had managed to develop the Seoul Development Consensus, and provided a platform to discuss new agendas focused on sustainable development and the environment. As these agendas were marginalized at the Cannes summit, South Korea must now put more effort into cooperating with other G20

members to ensure the established agendas from the Seoul summit continue to be discussed at future meetings of the G20 alongside new agendas. At the same time, South Korea also needs to understand that the current global architecture is now in the middle of a “G-x process,” and therefore it must not invest all of its time and energy in the G20 but also consider other alternatives.

Second, South Korea also needs to seek other networking strategies that could complement its current strategy focused upon bilateral FTAs. As was seen at the APEC summit and the EAS meeting, major countries are now in competition with each other to devise networking strategies that can attract other countries to join them. The FTAs with the United States and the European Union were surly important achievements in the South Korean government's FTA policy. If Seoul achieves its goal of forming FTA networks with China and Japan, then it could become the only country to conclude FTAs with the top four economic blocs. Japan's decision to participate in the TPP though means that there is a possibility that South Korea's FTA network strategy might be deviated as it is sucked into the broader strategy of designing the regional architecture. To avoid this, Seoul must forge more diverse tools in regard to its global and regional architecture strategy. In this context, it is desirable to define the position of each country on the China-Japan-ROK FTA by May 2012 when the trilateral summit will be held between China, Japan, and South Korea.

Finally, South Korea needs to establish an economic-security nexus strategy. The agenda for the three summits mentioned before were obviously centered on economic matters, but there has always have been strategic consider-

ations beneath those economic issues. In other words, they are participating in a sporting event of economics but their actual play is more closely related to security. Given that international politics in twenty-first century have been rapidly shifting to a structure of complexity, the economic-security nexus will continue to evolve more quickly. Such a reality is a fairly critical matter for South Korea which continues to maintain its alliance relationship with the United States in terms of security, while increasing its economic dependence with China.■

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