

Smart Talk No. 12

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This product presents a
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Global Power Shifts and G20: A Geopolitical Analysis

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It is clear that South Korea achieved a major success with the smooth hosting of the 2010 G20 Seoul Summit. At the same time, it is harder to evaluate the deeper significance of the G20 process and the G20 Seoul Summit itself. In order to clearly understand the current efforts of G20 diplomacy to establish a new framework for global governance, it is necessary to unpack the true nature of the G20 process and why it matters.

When the G20 process started, it was not just about the technical coordination of financial regulations among states. It was also about rebalancing the relationship between global markets and regulations and drawing up an organized system of global governance. Should the G20 process fail, other available alternatives are extremely limited: they basically amount to either the G2 with the U.S. and China or the continuation of the uncoordinated market system that we have today.

The Asia Security Initiative Research Center at the East Asia Institute invited Yves Tiberghien from the Department of political science at University of British Columbia for the 12th Smart Talk Seminar on November 16, 2010. Professor Tiberghien spoke on “Global Power Shifts and G20: a Geopolitical Analysis.” A discussion followed with invited panelists from South Korea.

Tiberghien is currently working on the role of China in global governance (with focus on global financial regulations, G20, and global environmental issues), on the geopolitics of the G20 summit process, and a project on the po-

litical consequences of economic inequality in East Asia.

Focusing on the geopolitical trends within the G20, Tiberghien outlined the global governance paradox and the complex power relations within the G20. He queried whether the G20 had the capacity to change the behavior of major states and induce them into durable co-operation.

Professor Tiberghien argues that distinct and independent components of global governance have existed in fields such as trade, currency, finance, and the environment. Until now, the actual locus of power for these institutions was centered on US hegemony with a ring of core supporting countries, such as the UK, Germany, France, and Japan. However, as China's power in every issue area grows, the existing power structure is not functional any more. The power structure of all global institutions needs to evolve to make room for China, as well as India and Brazil. The G20 is supposed to serve as a pilot room to accompany this process of rebalancing. Can it fulfill this mission? And what are China's preferences and strategic priorities in this process?

The following is a summary of the presentation by Yves Tiberghien and the subsequent discussion among the experts and Tiberghien.

Presentation

Much has been written on G20 by economists and policy analysts; yet, there is comparatively

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less analysis available on the underlying power dynamics and on the larger strategic games between key actors. Tiberghien is attempting to provide a bigger picture with the tools of political science to explain the G20 process. While studying the policies of G20 in China, Europe and Japan, he realized that the interplay among states' domestic decision-making process mattered a lot. The first research question he posed relates to the nature of G20: whether the G20 was just a technical meeting to coordinate policies and basic regulations on macro economy and fiscal policies, or whether there was more behind, probably a true institutional aspect to it.

His second question asked whether the G20 had the ability to induce lasting cooperation among states. Most analysis on G20 seems negative or skeptical at best; yet if the ability of G20 to shape global politics is so weak, then why do states invest so much political capital in it? Against this backdrop, it is also interesting to see how much the G20 Summit is not just a Summit and to observe its great gravitational pull on international politics; to a large extent, the G20 process is gradually influencing a large amount of bilateral maneuvers that are all linked to it.

Global Governance and Hegemonic Transition

The definition of global governance given by Tiberghien is a 'collection of international institutions that help states coordinate actions at the global level.' Yet, Tiberghien observed that the current stage of global governance is more a bric-a-brac of fragmented bilateral and multilateral agreements that have emerged separately in various spheres, each on the basis of distinct coalition alignments.

Then, he presented the paradox of global governance: on one hand, we need more glob-

al governance in issue areas where global market have recently failed or require more rules and coordination. For example, we have an urgent need for more global governance and monitoring in global finance to prevent another global financial crisis and stabilize global capital flows. At the same time, the actual crafting of such global rules has become more difficult to achieve, due to the multipolarization of power and the uncertainty brought about by the ongoing hegemonic transition.

This paradox also brought out political dilemmas, including the classic collective action dilemma or so-called tragedy of the commons; uneven gains of trade; credible commitments dilemmas regarding the leadership instability of state leaders; and democratic accountability dilemma, where states were unwilling to commit sovereignty to institutions with low democratic responsiveness.

The G20 Process: Three Concentric Circles and New Geopolitical Relationships

According to Tiberghien, the G20 encompasses three simultaneous concentric circles of political games. The first one relates to the technical coordination necessary for the resolution of the global crisis: this is an urgent short-term, yet well circumscribed task required for the survival of the global financial system. This first level mainly deals with risk management, resolving some of the issues inherited from the global financial crisis, and essentially protecting the global economic system or preventing it from crashing.

The second game of global governance and institutional building aims at redressing the balance between global markets and regulation. These are the two official games. The US is primarily focused on the first one and

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Europe on the second.

However, beyond these first two games, everybody is playing a third game, namely a very competitive game related to the management of the uneven gains for globalization. This game is one of power transition and power rebalancing. Due to the uneven gains of the recent 20 years, there is a power transition going on, particularly from the U.S. to China, and more broadly from the OECD to global emerging markets. Most actors are willing to do something to accompany this process, realizing this is a dangerous process. At the same time, every institutional-building decision made in the G20 context will have further consequences in terms of distribution. So the U.S. is trying to use G20 to slow down or embed the rise of China (and India), while China wants to use it to accelerate the transition of power or at least to ensure the gradual build-up of its voice within existing global institutions, such as the IMF and the World Bank. So this is a more difficult game and a zero-sum game.

Triad of G20: The U.S., EU, and China

The G20 is often presented as a decentralized multipolar arena with a consensual search for public good. In fact, the real game at the core of the G20 is a triadic competition between the U.S., the EU, and China. The other states are either mediating or coming along. In the past, Japan was included in the triad, but the irony here is that Japan is plagued with such deep domestic problems and has aligned itself so closely with the U.S. that it disappeared and became irrelevant (so far). The U.S. is the dominant hegemon in the system and its support is necessary for the G20 to exist; but Tiberghien argued that China is the actual linchpin in the G20 process.

The EU-U.S. axis launched the G20 in hope of embedding China, and in the early G20s the debate between the above two was clearly dominant. However, as the stance and focus of the U.S. and EU have differentiated over time, China was put into a key pivotal position along with Japan, Korea and India.

The U.S. and the EU have mainly clashed on two key agendas. One agenda relates to the institutional building agenda, which focuses on financial regulations and macro economic at the lower level and questions of saving imbalances and debt at the higher level. The EU represents one end of the spectrum, with a preference for higher institutionalization and governance, while the U.S. represents the other ends of the spectrum. This puts other states, particularly China, in the middle, and that is why China ends up being the linchpin for the G20. It is necessary to get China in, so as to keep the US in. Otherwise, the G20 would fall apart.

China and Global Governance

In studying the process of the G20, understanding what China's preferences are toward both the G20 and global governance in general is crucial. Tiberghien observed that China actually took different positions across different issue areas. Even within the G20 process, China has exhibited a different type of behavior between the London 2008 summit and the Seoul 2010 Summit.

After posing questions on China's position as rising power with respect to global governance and multilateralism, Tiberghien presented the different types of behavior exhibited by China across different issue areas. Next, Tiberghien argued that China's response to global economic and environmental issues was the result of domain-specific fragmented

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governance and was primarily driven by two domestic variables: the balance of power between domestic coalitions affected by the degree of international normative socialization; and the degree of public openness and public deliberation is also involved. While Chinese policy-making process is fragmented and relatively open to a variety of influences, each policy arena has its own constellation of coalitions and influences, which are quite autonomous.

Discussion

EU as Global Actor and Coalition of China

The U.S., European Union and Japan used to have common interests, but this was because they were the actors who created most of the post-world war system. However, in dealing with recent global governance issue such as climate change issue, the EU and Japan stood on the opposite side of the U.S. The EU has emerged as a global player in 1990s with more coordination among the key players and more institutionalization in issues such as environment and financial regulations, processes which started to create a new framework for policy making.

EU institutions have embedded the dimensions of multilateralism, global institutions, and global norms. In turn, this has led to a clash of interests between the EU and the US. Indeed, the US often regards institutional and normative projects as attempts to limit its dominance as hegemon. Furthermore, in several key cases, China has joined the coalition with Europe. For example, in the field of genetically modified organisms (GMO) regulations, China has practically adapted EU regulatory standards, joining the Cartagena Biosafety

protocol and playing a significant role in the bio-diversity conference held in Nagoya in October 2010. Chinese scientists and government officials from the Ministry of Environment are normatively socialized and have positions that can be close to EU positions.

So, the game has become more complex over the last 10-15 years. The EU emerged as a global actor, and their ad hoc interest coalitions are distinct in each issue area. On several dimensions, China has been playing a certain role engaging the EU process.

The U.S.-China Relations and G20

How China's decisions are formed is a very complicated question to answer but given that China has less intense interest on financial regulations, they do not have as deep normative commitments or regulatory ideas as the EU or the US. Still, as China places more importance on the G20 as the premier global forum than the US does, the relations between the U.S. and China become more crucial as well.

One of the Korean discussants asked why the U.S. played the G20 game at all. Tiberghien replied that it was because China refused the G2 game. So the only alternative for the U.S. was to get China involved in a larger game with coalitions. If a state were in the position of a declining hegemon, its interest would likely be to use its current power, which was higher than what it could be in the future to build the institutions that would limit the future hegemon. According to Tiberghien, that is why the U.S. has an interest in joining the G20 to begin with.

Analyzing the U.S. interest in G20 shows that the U.S. is playing both a hegemonic game and a post-hegemonic game. At the nadir of the global crisis, there was even some

talk about the potential collapse of the dollar. The U.S. desperately needed to ensure that there would be certain degree of the coordination among the major stakeholders.

Understanding the dynamics of the key countries in the global system matters even when dealing with multilateral institutions. If the G20 passes both the China test and the US test., then it could follow the route of successful institution building.

G20 and Global Governance

In terms of G20 as a global institution, Tiberghien compares it to the EU Council. The EU has strong institutional components that are stable; yet, EU states still need a process to modify existing institutions and create the next generation of institutions. In the EU galaxy, only the EU Council (the Summit meeting of EU leaders) can provide the influx of political capital necessary for institution-building or institutional adjustment. Tiberghien commented that the G20 will remain much like the Council. Global institution-building will repeatedly require the input of political capital, and only the G20 can provide such input. The G20 has the ability to add new functions in terms of financial and monetary governance.

Tiberghien concluded that the G20 represents a major attempt to rebuild the global regulatory infrastructure that is necessary for global markets to function. The great gravitational pull of the G20 is connected to a larger underlying need for global governance. During the 2010 Seoul Summit, number of institutional progress with long-term potential such as IMF governance and monitoring, or the Seoul Development Goals, were achieved despite less successful mediation between the U.S. and China on global monetary issues.■

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