HGCY WORKING PAPER SERIES

POWER AND RESPONSIBILITY: CAN EAST ASIAN LEADERSHIP RISE TO THE CHALLENGE?

Jongryn Mo, Yonsei University

Chiwook Kim, Sejong Institute[1]

Working Paper No. 09-01

HILLS GOVERNANCE CENTER AT YONSEI

262 Seongsanno, Seodaemoon-gu

Seoul 120-749, Korea

September 2009

[1] This paper is based on interviews on the future of G20 conducted in New York, Washington, and Seoul in the last week of August 2009. The authors would like to thank IL Sakong, Jongoo Yi, Heenam Choi, Christian Oliver, Evan Ramstadt, Joongi Kim, Scott Snyder, Yul Sohn, Youngnam Cho, George Downs, Yotam Margalit. Wonsoo Kim, Enna Park, Ellen Kang, Roderick Hills, Jerry Hyman, Reza Moghadam, Jeff Lewis, John Hamre, Domenico Lombardi, Raymond Gilpin, Kent Hughes, Dick Thornburg, Uri Dadusch, Nancy Birdsall, Steven Schrage, Laurence Krause, Barry Eichengreen, Kenneth Dam and Edwin Truman for their insights and comments.

1. East Asia before and after 2008

A recurrent complaint of East Asians is their under-representation in the system of global economic governance. They question the continued dominance of the United States and Europe in the International Monetary Fund and World Bank when East Asia's economic power already matches and is likely soon to surpass that of Europe and the United States.

The exclusion of East Asia is more than just a fairness issue. Some East Asians maintain that global governance would benefit from East Asian participation as the West has shown itself incapable of handling critical global problems in finance, trade, security and the environment (Mahbubani, 2008).

But do East Asians have valid grounds for complaint? Not if we look at East Asia's position at G20, a group of twenty large economies.[2] As G20 took center stage in the international effort to manage the 2008 economic crisis, it is clear that the representation of East Asia in the system of global economic governance had increased significantly, suggesting that the East Asian grievance has finally been addressed.

At the G7/8, only one East Asian country, Japan, represented East Asia. But at the G20, the number had risen to six (Japan, China, India, South Korea, Australia and Indonesia). Simple arithmetic would put East Asia at 30 percent (6 out of 20) of global economic power under G20, a doubling of its 14 percent (1 out of 7) share at G7. The East Asian share would be even greater if the world economy were to be managed between the United States and China as many supporters of G2 would predict.

The world is now watching how East Asia will exercise its new-found power and

[2] G20 countries include G7 members of advanced industrial economies (United States, United Kingdom, Japan, France, Germany, Canada, and Italy, G5 members of large emerging markets (China, India, Mexico, Brazil and South Africa), O5 members of middle powers (South Korea, Australia, Indonesia, Turkey and Argentina) and Russia, Saudi Arabia and the European Union.

responsibilities. It is one thing to demand for more rights but quite another to shoulder the responsibilities that come with them.

But the East Asian record so far is mixed at best. While East Asian leaders at the G20 have expressed a desire for greater East Asian regional coordination and had occasionally coordinated their efforts at G20, especially on granting greater representation to Asian countries in the governance of international financial institutions, East Asia is far from becoming a distinctive group, let alone speak with a united voice at the G20. Neither has individual performance stood out; no East Asian country has yet to articulate a clear vision for the new global economy or the new global economic governance.

This tardiness in the emergence of an East Asian leadership and vision has many causes. Regional identity is historically weak in East Asia. Many East Asian countries such as China are still in the midst of ensuring balanced and sustainable economic growth, so domestic considerations and stability is their top-most priority. Mutual suspicions among East Asian countries, rooted in historic rivalries and failed reconciliations, pose yet another barrier. With weak regional identity, it is not surprising that regional institution-building is embryonic with many recent projects initiatives such as APEC stalled.

East Asian loyalties are also divided. Some East Asian countries such as China may identify more strongly with developing countries than with other Asian countries. Japan may also consider itself as a developed country rather than an Asian country. The United States too is partially responsible for the state of divided East Asian allegiances. While American military allies in East Asia such as Japan, South Korea and Australia tend to coordinate their policies with the United States, non-American allies like China and India pursue a more independent policy line.

But the most important reason for the lack of East Asian leadership and initiative at the G20 is the inability of East Asian leaders to come to terms with their new responsibilities. Long accustomed to the practice of demanding a greater voice or relying on American leadership, East Asian leaders do not appear comfortable, and are generally ill-equipped with the idea of exercising independent East Asian leadership.

But East Asian nations will realize that global governance is incomplete, even ineffectual, without regional coordination. Just as geographic representation is an important basis of representation in any country's governance system, it is arguably even more so within the global governance system. Almost all major international organizations employ a constituency system to select member countries for their governing bodies which is based in part on geographical representation.

G20 will be no exception. As the G20 makes its presence felt, regional representation will become more salient as member countries turn to regional coordination out of practical necessity. Through their regional representatives, non-members will also demand representation at G20, as they increasingly question the legitimacy of G20 membership.

To improve the role of East Asia in global economic governance, East Asian leaders, first and foremost, should step up to the challenge of independent leadership and begin to think deeply about what they want to do with their new power. Unless East Asia offers a new alternative that the rest of the world will find attractive and appealing, the impact of East Asian participation in global governance will be minimal, even negligible, especially if East Asia simply endorses decisions made by others. Worse, greater power given to East Asian, coupled with the absence of a viable alternative, might even end up fragmenting the global economic system even further.

Second, East Asian leaders should strengthen their regional institutions in line with the restructuring of global economic institutions. As the dual process of globalization and regionalization continues in the world economy, an isomorphism between global institutions and regional institutions is likely to emerge, and it is unlikely that East Asian can participate effectively in global decision-making with the machinery provided by regional institutions.

2. The structure of global economic governance transformed

Let us first explain how East Asia was able to claim a larger share of global decision-making power after the onslaught of the economic crisis which erupted in 2008. As we will see from our account, the way East Asia garnered more power and representation, which remains informal and needs to be further consolidated reflects a variety of forces at play in the international system.

First, it is important to understand the current structure of global economic governance. There are two parallel structures, one formal and the other informal. Formal institutions are international organizations which can be further divided into governing bodies and executive bodies. One such formal governing body in the area of global economic governance is the United Nations Economic and Social Council. Executive bodies whose mission is to carry out the mandates granted by governing bodies include specialized agencies under the UN system such as the International Monetary Fund and World Bank.

Apart from formal institutions, there are also informal governing and executive bodies. Various groups of countries form informal forums such as G7/8 and G20 to discuss international economic issues and when they are influential, they act as de facto governing bodies that give directions and guidance even to formal international organizations such as the IMF. International standard-setting bodies (ISSBs) such as Financial Stability Forum and Basel Committee are also informal organizations as their decisions are not legally binding. They should also be considered as executive bodies to the extent that they draft rules and regulations according to the governing bodies' guidelines.

Given the existence of formal institutions, why is there a need for informal governing bodies within the global economy? According to Laurence Krause, an informal group is one of three institutions necessary for an effective governance system: an umbrella institution in which all major players are represented and deliver prepared speeches, an informal institution in which confidentiality is critical, hard questions asked, and confrontations can take place, and a respected IMF that does annual bilateral examination of countries that scrutinize the appropriateness of financial policies. Under Krause's framework, the United Nations clearly plays the role of an umbrella institution for the global economy, while the G20 has emerged as an important informal institution that functions as what Eichengreen (2009) calls the "steering committee" for the world economy.

When the crisis called for new global institutional arrangements in 2008, world leaders chose to work with informal arrangements. There have been no changes in the governance of the United Nations and the Bretton Woods Institutions (BWIs). What has changed instead was the composition of influential informal organizations. G20 has replaced G7/8 as the primary informal governing body in dealing with the crisis. The Financial Stability Forum has also been expanded and reconfigured to become the Financial Stability Board. Membership in other international standard-setting bodies such as Basel Committee on Banking Commission expanded to include the G20 members who were previously excluded.

Why the preference for informal governance over formal governance? One obvious reason is the lack of confidence in formal institutions. Despite many decades of reform efforts at the United Nations and the IMF, the governance structures of formal organizations had remained largely unchanged. The problem with formal institutions is that they tend to freeze the political relationships that existed at the time of their founding. The distribution of power at the United Nations still represents that of the period immediately after World War II. IMF reform is no different; the position of the managing director is still reserved for a European candidate even though Europe is not the only economic powerhouse in the world worthy of candidacy. The perception that international organizations are unwieldy was compounded when countries practically gave up the completion of the Doha Development Agenda in 2007.

There are also advantages to informality. A crisis demands a speedy response, and a formal international organization is not a place for swift decision-making. Leaders also needed a framework under which they could discuss ideas informally and build a consensus before taking it to the next step. Quick decisions made at an informal forum have the added advantage of building confidence among investors and giving assurances to anxious publics.

The most significant decision made in response to the 2008 crisis was to use G20 as the primary vehicle for consensus-building rather than alternative arrangements like G7/8. Economic realities precluded the use of G7/8 which was a club of rich developed countries. Any resolution of the crisis required the cooperation of large emerging economies, especially China, who held large foreign currency reserves and whose growth was critical to world-wide economic recovery. So world leaders had to find a grouping that would include key emerging economies.

But which emerging economies to invite and which to exclude became a thorny issue. One option was to add G5 to G7/8 to form a G14. Europeans were generally sympathetic to this idea, and French President Nicholas Sarkozy explicitly endorsed it in 2008. But the United States preferred a different set of emerging economies as G5 countries tended to oppose the United States on important economic issues.

As the host of the first emergency conference of leaders, United States could not just decide arbitrarily. At this point, the existence of the G20 became handy. The G20 had met since 1999 as a meeting of finance ministers of 20 major economies. It was launched that year by G7 finance minister in a bid to involve emerging economies in discussing financial market stability in the aftermath of the 1997 Asian financial crisis. Until 2003, G20 had focused on crisis prevention and management, but since 2003 long-term issues had been added to its agenda.

Given the difficult choice of country selection, the United States decided for the sake of expediency in November 2008 to invite the leaders of the G20 countries to a summit meeting. The five additional countries (South Korea, Australia, Turkey, Argentina and Indonesia) other than G8 and G5 members were countries generally friendly towards the United States.

3. G20, East Asian Participation, and International Relations theories

From an international relations theory perspective, the choice of G20 as the primary decision-making body should be viewed as an attempt on the part of the international community to accommodate rising powers into a rules-based multilateral system. The fact that rising powers have agreed to join the G20 is an indication that they are also interested in negotiating a new system of governance with established powers. An open clash between rising and status quo powers for global hegemony, which the power transition theory predicts (Organski, 1958), is not yet a serious possibility.

The elevation of G20 also means that the club model of multilateral cooperation is still a preferred mode of global governance. According to Keohane and Nye (2000), government representatives from a relatively small number of relatively rich countries have formulated rules in each issue area of global governance. G7, the Quad at GATT (the United States, the European Union, Japan and Canada), and the five countries with “appointed seats” at the IMF Executive Board (United States, United Kingdom, Japan, France and Germany) are examples of clubs who dominated the decision-making at multilateral organizations of their respective domain.

These old clubs are being replaced not by formal multilateral institutions but by the newer and larger clubs such as the G20. The realities of the anarchic international system still seem to dictate the reliance on what Keohane and Nye described as “network minimalism” which refers to “a set of practices for governance that improve coordination and create safety valves for political and social pressures, consistent with the maintenance of nation-states as the fundamental form of political organization.” G20, for example, is networked because it is a horizontal network of nation-states rather than a set of hierarchies and minimal because state autonomy is strongly guarded. To be effective in today’s global environment, however, an organization based on network minimalism must expand participation by non-governmental actors such as civil society groups, give more independence to government agents in increasing multilateral cooperation, and develop international norms.

International relations theories are silent on whether or not revamped or expanded clubs will succeed and if so, what substantial differences they will make to global policy outcomes. The durability of a consensus-based group such as G20 will depend on its capacity to deliver legitimacy, effectiveness and the requisite changes. The kind of policies G20 uses to achieve its goals are also important. Will they fundamentally depart from the policy prescriptions of neoliberalism or the Washington consensus or represent a relatively marginal remodeling of the neoliberal model?

To a large extent, the preferences and strategies of two new groups to global decision-making, emerging economies and East Asian countries, will shape the future evolution of G20 and the global governance system as a whole.

4. East Asia's performance at G20

We can get a glimpse of the impact of East Asia on global governance by examining the record of its collective G20 performance. G20 was not created anew in 2008; it has a longer history dating back to 1999 when it began as a finance minister's meeting.

The overall impact of East Asia on G20 in the pre-crisis period is fairly unclear, even ambiguous. But in at least two instances, the chair rotation decision in 2002 and China's chairmanship in 2005, East Asia was recognized or acted as one group.

When the G20 institutionalized the selection of future chairs in 2002, it decided to rotate the chairmanship annually among five notional groups of countries. Groups for G20 chair rotation were divided largely geographically. Under this scheme, four East Asian countries, China, Indonesia, Japan and Korea, were grouped together as one cluster. Australia belonged to another group with Canada, Saudi Arabia and United States while India was grouped with Russia, South Africa, and Turkey. At G20, geographical representation was as important as level-of-development representation; G20 members agreed that "there should be an equitable annual rotation among all regions and between countries at different levels of development" (G20, 2007, p. 23).

The fact that East Asia was institutionally recognized as one region by G20 had important consequences. When an East Asian country was selected as the chair for a particular year, it was to consult closely with other East Asian members as the representative of the East Asian group. Apart from proposing agenda issues for G20, a chair also plays host and provide logistical support to the G20 ministerial meeting.

The chairmanship of China in 2006 was another instance where the East Asian impact could be observed. As the G20 chair, China focused on two issues, development and growth and the reform of the Bretton Woods institutions (BWIs). The Chinese emphasis on development was consistent with China's long-standing policy of supporting developing countries. Moreover, Asian representation at the IMF and the World Bank had been a major issue for many rapidly growing emerging economies, especially those in Asia. Under Chinese chairmanship, the G20 began to address the BWI reform in earnest and issued a statement in which it reaffirmed "the principle that the governance structure of the BWIs – both quotas and representation- should reflect (such) changes in economic weight" (G20, 2007, p.36). Under G20 pressure, IMF governors agreed in 2006 to increase quotas for countries considered most under-represented at the IMF – China, Korea, Mexico and Turkey.

Although the pre-crisis record of East Asia at G20 is illustrative, it should not be over-emphasized. The G20 before and after 2008 are two fundamentally different organizations. Although the post-crisis G20 kept most of the practices of the pre-crisis G20, most notably, membership and the troika system, it had to formulate new rules and processes in accordance with its new status as a leaders' meeting. In 2009, for example, G20 leaders met twice, so ministers meetings were held more often than before to prepare for the summit meetings. Calendars also had to change; the annual ministerial could no longer meet in November of each year as it had done before 2008.

The elevation of G20 to the summit level raised the stakes for all member countries. Issues and decisions of greater consequence were discussed at G20, forcing G20 leaders to guard their national interests more carefully. As a result, the post-crisis G20 is far more likely to reveal the shape of the emerging system of global governance system than the pre-crisis G20.

Unfortunately, East Asia has not shown much leadership so far. As Seward (2009) puts it mildly, East Asian countries at the G20 Summit were "not viewed as leading the agenda." In some issues such as financial regulations, East Asian G20 members expressed little interest or have no strong positions. There were also few indications that East Asian countries had coordinated their positions at the post-crisis G20.

Some complain that East Asian countries seem content with having won a seat at G20 without thinking about what they intend to do with their power (Subramanian, 2009; Glosserman, 2009). Parell-Plesner (2009) also observed that East Asian countries are more interested in individual branding than in regional branding. Worse, when East Asian countries unite, they seem to do so only when their direct interests are at stake, e.g., the redistribution of power at international financial institutions.

Without East Asia acting together, the main antagonists at G20 have been United States and Europe on financial reforms and the developed countries and the emerging economies on governance reforms and development support. The United States and Europe disagree mainly on the strength of financial regulations. While Europe favors strict regulations on financial institutions and new financial instruments, the United States supports more market-compatible regulations.

The primary agenda of emerging economies at G20 has been to increase finance for development and reform the governance of international financial institutions such as the IMF and the World Bank. They would like to transform the IMF and the World Bank into an organization that represents or promotes the interests of poorer countries and people. The practice of imposing conditionalities on developing countries seeking financial support, in particular, is their main source of grievance with the IMF and the World Bank.

East Asia has two sub-groups. China and India tend to represent the interests of developing countries and appear neutral in areas where the United States and Europe have conflicts. Being nationalistic, both China and India are wary about the expanding reach of international regulatory bodies that may infringe upon their policy independence. America's East Asian allies, Japan, South Korea, Australia and Indonesia, have supported the positions of the United States, especially, with respect to issues of contention between the United States and Europe.

The leadership capacity of each East Asian country is not to be doubted even at G20. Individual East Asian countries did contribute to the success of the post-crisis G20 and Soesastro (2009) describes their contributions as follows:

> "China stepped forward on all fronts, with the promise of a significant elevation of its role in the funding and governance of the IMF. Japan made a substantial contribution to the expansion of IMF liquidity. Indonesia pursued an effective agenda on easing the bottleneck in trade credit. Korea was a staunch advocate of the standstill on trade barriers. India pursued the expansion of credit to the developing world. And Australia played a key in framing the entire strategy and in the diplomacy that won support for it."

What is lacking is collective initiative and close coordination on the part of East Asian leaders at G20.

5. **East Asia and the future of G20**

Another source of uncertainty is East Asian commitment to G20. Officially, all East Asian G20 members support G20 as an alternative governing body for the global economy. But on the question of giving priority to G20 over other arrangements, they seem to have different views, depending on the availability of alternative arrangements.

O5 countries, which are now in G20 but not in G7/8, have the greatest interest in the maintenance of G20 and are likely to support the primacy of G20 over other groupings. If G7/8 expands to G13 or G14, the largest emerging economies, BRICs or G5, will surely be invited, but not O5.

Unsurprisingly, two G5 countries, India and China, are not as committed to G20 as O5 countries. Although China supports G20 as “a useful institution,” it may actually favor G14 over G20 if it is asked to choose one over the other. China has been very open to the idea of G14 and has been supportive of the G8+G5 meetings in Japan and Italy. China’s support for G14 is consistent with its emphasis on the expanded role of BRICs in global economic governance.

As long as G20 remains the status quo, however, China will prefer it to G7/8 or G2. China is critical of G7/8 and would not join it as a matter of principle. China has traditionally advocated the interests of developing countries and does not consider it appropriate to join an exclusive club of developed countries. Neither is G2 (the United States and China) viewed positively by China. Chinese officials do not think that China is ready for such a role or that the United States is sincere in treating China as an equal partner. More importantly, China fears the economic burden that will be accompanied by its elevation to a G2 status, e.g., the forced revaluation of the Yuan.

The attitude of the lone Asian G7 member, Japan, toward G20 is also ambivalent. Even though Japan is generally supportive of G20, many Japanese intellectuals are quick to point out the limitations of G20 and the advantages of the G7 process (Ogoura, 2009). The Japanese reaction is not unexpected, since Japan’s status under G20 is relatively diminished than under G7. But if Japan is asked to choose between G20 and G14, however, it will, like the United States, favor G20 because it has better relations with O5 than G5.

Again, the current status quo of coexistence of G7/8 and G20 is likely to remain unchanged for the foreseeable future. Given this, it is hard to imagine any East Asian country actively promoting an alternative grouping to G20. Thus, as long as G20 is in place, East Asian countries will use the G20 framework to achieve their global economic objectives.

East Asian positions on the legitimacy of G20 are also likely to vary across individual countries. Although all of them will be unenthusiastic about tinkering with the status quo arrangement, especially, when there is no consensus on alternatives, the degree of openness to proposals to expand membership or introduce a constituency system will depend again on the attractiveness of alternative groupings. China, India and Japan would feel secure enough to support the constituency system while the others, O5, would be less receptive to such a proposal.

Institutionalizing G20 (e.g., the creation of a permanent staff and secretariat and the regularization of the G20 Summit) would face the same configuration of supporters and opponents. O5 countries are likely to support the formalization of the G20 process while G5 and G7 countries would not be as supportive.

So whether or not G20 will firmly establish itself as the primary governing organization for the world economy will depend on the leadership of the United States, who sees itself as the founder of the G20, and O5 countries, who are likely to lose their privileged positions in an alternative grouping. BWIs would also prefer to work with the G20 because of the overlapping nature between G20 membership and their executive boards. The International Monetary and Financial Committee (IMFC) of the IMF consist of 24 members.

While G20 is not a perfect solution to the problem of global economic governance (Eichengreen, 2009), it is also true that there is no clear alternative to G20. This lack of alternatives is the most compelling reason for our optimism in the future of the G20.

If the G20 takes roots as the de facto governing body for the world economy, what will the future of the global economic governance system look like? Although it is still too early to predict, the performance of G20 had so far indicated that the United States is likely to maintain its leading position in the global economic governance system. Other G7 members have a common interest in preserving the U.S.-led status quo system. G5 countries are also reluctant to undertake radical changes either because they are averse to such changes or because they do not feel ready to assume the costs of leadership such as further contributions to international organizations or currency realignments.

The basic liberal nature of the international economic system will also continue. Even East Asian critics of Western leadership in global economic governance concede that East Asia does not have to invent new principles to improve global governance; the Western principles of democracy, the rule of law, social justice and openness should continue to guide the world economy (Mahbubani, 2008).

In maintaining the liberal international economic order, the role of O5 countries will be crucial. As relatively small and open economies, it is in the interests of O5 countries to keep the international economic system open and rules-based. As the “swing voters” at G20 between two G20 voting blocs, advanced and large emerging economies, O5 is likely to enjoy a disproportionate amount of influence at G20. Among O5 countries, three, Korea, Indonesia, and Australia are East Asian countries. Recognizing their strategic positions, they are planning to cooperate (Parello-Plesner, 2009). President Lee Myung-Bak and Prime Minister Kevin Rudd, for example, contributed an op-ed piece together to the *Financial Times* (September 2, 2009), calling for G20 leadership in macroeconomic policy coordination.

6. The Impact of East Asian participation on regional governance

The G20 is also expected to make a positive contribution to East Asian regionalism. One reason is that the demand for A6-centered regional coordination will increase under the G20 framework. Already, East Asian leaders hold bilateral or trilateral talks on the sidelines of the G20 summit. China, Japan, and Korea, for example, used informal meetings during the November 2008 Washington Summit to boost their bilateral currency swap agreements.

East Asian G20 members will have to coordinate their positions at least in three areas. First, they will be induced to cooperate on issues of common interest. Public statements by East Asian leaders indicate that there are at least three objectives that they can agree on (upon) at the G20 (Rieffel, 2009). First, they are in one voice (they are unanimous) on the need for greater representation of East Asia at the IMF executive board and the subsequent reduction of European representation. Second, all East Asian countries have an interest in maintaining the value of the United States dollar as they are the largest buyers and holders of U.S. government securities. Third, East Asian countries consider themselves as beneficiaries of the open trade system and have vested interests in the continuation of the open trading system.

Second, regional forums and mechanisms can help implement G20 statements and action plans. At a minimum, East Asian leaders can support and reaffirm G20 agreements in their regional meetings like the APEC summit. They can also discuss regional measures necessary for effective enforcement of G20 agreements such as stronger regional financial surveillance and regulations.

Third, non-G20 members will put pressure on G20 members to represent their interests at the G20 or take joint action to hold them accountable if they find the G20 outcomes unsatisfactory. So consultations between G20 members and non-members will occur more frequently. Six Asian G20 members (A6) are likely to use both G20 meetings and existing regional mechanisms (ASEAN + 3, ASEAN + 6) for regional cooperation.

If regional cooperation at G20 accelerates, A6 is well-poised to become a governing body for regional economic governance. Some already have already called for the creation of an “East Asia Caucus” as an informal regional forum, consisting of A6 or A6 plus a few other countries (Young, 2009; Shiraishi, 2009; Sukma, 2009; Parello-Plesner, 2009).

A6 will begin as an informal discussion group but will gradually transform itself into the steering committee for regional financial institutions such as the Asia Development Bank and the Chiang Mai Initiative (CMI). If East Asia creates an Asian Financial Stability Dialogue (AFSD) (Drysdale, 2009) as a regional financial regulatory body, akin to the Financial Stability Board (FSB) for the world economy, and turns the CMI into the Asia Monetary Fund (AMF), the basic structure of East

Asian regional governance will parallel that of global economic governance. As G20 oversees IMF, FSB, and the World Bank, A6 will do the same for AMF, AFSD, and the ADB.[3]

7. **Will East Asia rise up to the challenge?**

For the time being, the dual structure of informal inter-governmental coordination (G20) and formal executive bodies (the IMF and the World Bank) is expected to govern the world economy. It is not an exaggeration to say that East Asia holds a decisive vote in this new global governance system. But whether or not East Asia will exercise its power effectively is still a moot possibility at this juncture.

To meet this historic challenge, East Asian countries should, first, set aside their national ambitions and embrace the emerging system of global economic governance. No global system of governance is perfect, and East Asia must help the emerging dual system to succeed especially since there is no clear alternative in sight.

Second, East Asia must offer independent leadership. Even though it is important to move cautiously and support the liberal system led by the United States, East Asia must have its own liberal vision that sets itself apart from the US model. Otherwise, East Asia cannot play undertake a constructive role in a consensus-based governance system.

Third, East Asia must strengthen its regional institutions. G20 coordination increases the demand for regional coordination, and vice versa. East Asia cannot be effective at G20 without the support of East Asia as a whole and with the regional policy implementation machinery provided by regional institutions.

[3] It is important to acknowledge the existence of significant barriers to East Asian economic regionalism such as the place of the United States in East Asia and China- Japan rivalry for regional leadership (Grimes, 2009).

References

Drysdale, Peter. “Getting East Asia’s Acting Together on the G20 Summit.” *East Asia Forum* – http://www,eastasiaforum.org, March 2, 2009.

Eichengreen, Barry. 2009. “The G-20 and the Crisis.” Paper prepared for *Global Korea 2009*, held in Seoul, February 23, 2009.

Glosserman, Brad. “Wisdom of an Asia Rising.” *East Asia Forum* – http://www,eastasiaforum.org, August 6, 2009.

Grimes, William W. 2009. “The Global Financial Crisis and East Asia: Testing the Regional Financial Architecture.” Working Paper, Department of Political Science, Boston University.

G20. 2007. *The Group of Twenty: A History*.

Koehane, Robert and Joseph Nye. 2000. “Governance in a Globalizing World.” In *Governance for the Twenty-first Century,* eds. Joseph Nye and Donahue. Washington, D.C.: Brookings Institution.

Mahbubani, Kishore. 2008. *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*. PublicAffairs.

Ogoura, Kazuo. 2009. “Wither G7, G8 or G20?” *The Japan Times*, May 26, 2009.

Rieffel, Lex. “Focus on What Asia Wants.” The Brookings Institution.

Parello-Plesner, Jonas. “KIA – Asia’s Middle Powers on the Rise?” *East Asia Forum* – http://www,eastasiaforum.org, August 10, 2009.

Shiraishi,Takashi. “Insignts into the World: G20 Offers Chance for Global Representation.” *Japan Times*, May 16, 2009.

Soesastro, Hadi and Peter Drysdale. "East Asia and the New World Economic Order." *East Asia Forum* – http://www,eastasiaforum.org, April 5, 2009.

Subramanian, Arvind. "The G20 – An Idea from India." *East Asia Forum* – http://www,eastasiaforum.org, September 11, 2009.

Young, Soogil. "The Case for an East Asian Caucus on Global Governance." *East Asia Forum* – http://www,eastasiaforum.org, April 24, 2009.