

Dinner Speech
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ASAN-CIGI-ASPI-Seoul Forum Workshop
“Constructive Powers and Regional Security in the Asia-Pacific”

October 18, 2013, Seoul

Thank you, Dr. Hahm, for the kind introduction. It is indeed a great privilege for me to take part in this timely international workshop regarding constructive powers and regional security in the Asia and Pacific. I would like to thank the organizers of the workshop – ASAN, CIGI, ASPI and Seoul Forum – for inviting me.

Although the main focus of this workshop is on security related issues in the regional context, I would like to focus my brief remarks this evening on a possible leadership role of constructive powers in strengthening global economic governance with special attention to the G20. I would like to begin by reminding you of two salient features of today's world, i.e. deepened economic globalization and no polarity in the global economic power constellation, since these two features together will highlight the necessity of a new global economic governance such as the G20 and the possible leadership role of constructive powers within the G20.

The convincing evidence of the first feature is that the global community had to be seriously concerned with the economic problem of Greece with a population of about 11 million and less than 2 percent of the EU-wide GDP. The world had to pay close attention to the economic policy of even a far away small island economy, Cyprus, with less than one million population.

How about the second feature, that is the no polar or G-zero world? This situation will definitely make the global community level decision-making ever more difficult, especially for the provision of global public goods through international policy coordination.

These two global features together necessitate a functioning collective leadership for international economic cooperation and policy coordination.

Recognizing this, the global leaders, led by some G7 leaders, initiated the G20 Summit process in late 2008 after the Lehman Brothers bankruptcy. From this perspective, the G20 can be seen as the key platform of the collective leadership for the global economy.

We all know now, thanks to the G20's leadership role of bringing about the necessary international policy coordination, the global economy was able to avoid another Great Depression. The G20 leaders were satisfied enough with the achievements that they not only designated the G20 as the premier forum for international economic cooperation but agreed to meet regularly in Pittsburgh in 2009. By this, the G20 was to replace the existing G7 as the new global economic governance with enhanced legitimacy and effectiveness. Indeed, it was a significant turning point in the evolution of the global economic governance.

Unfortunately, however, as the acute sense of crisis receded, the G20 as the collective leadership platform has been losing its own steam. The global economy needs a functioning G20 as the new global governance. We all have to strive toward that end.

Currently, however, virtually no G20 member country or a group of countries within the G20 take ownership in leading the G20 and do something about the unfortunate development. Moreover, it now seems that some G7 leaders have forgotten their commitment to the G20 as their premier forum for international economic cooperation. The last G7/8 Summit held in the UK illustrates the point well. But again no single G20 member country formally raised the issue within the G20, as if they took it for granted.

Of course, there are a lot of economic policy actions need to be taken primarily by the G7 countries. But even those economic policies need to be coordinated within the G20 framework as agreed in Pittsburgh in 2009. I believe even the European crisis could have been brought into the G20 policy coordination framework and discussed within the G20.

To repeat, the G20, being the premier forum for global economic cooperation, has to deal with major economic problems, obviously transient ones included, if they are of global nature. It is my strong view that almost all major global economic and financial issues can be discussed and coordinated to find best ways to solve together within the context of the Mutual Assessment Process (MAP) of the G20's macroeconomic policy coordination framework.

I would argue that the imminent US Fed's tapering monetary easing should be brought to the G20. Of course, it is an American domestic policy, but considering its significant global spillover effects, the US has an obligation to bring the case to the G20 for discussion and possible policy coordination. In the end, it will serve the American interest as well in this deeply globalized world.

Obviously, the G20 has to work closely with the IMF and other relevant formal multilateral institutions. In this connection, I have been advocating to establish the G20's formal cooperative mechanisms with these institutions. So far, the G20's working relationships with these institutions have been on ad-hoc bases.

Let me now make a few brief comments on the necessary role of constructive powers in the new global governance that is the G20. The G20 as the platform for global collective leadership needs its own driving force. As indicated, no such a force currently exists in the G20.

In short, the constructive powers can and should provide the necessary leadership within the G20 to make it function. Considering mutual suspicion and jealousy existing among big powers, one might go as far as saying that it is a critical obligation for constructive powers to do so. Based on my personal experiences of leading the Korean government's endeavor for the 2010 Seoul G20 Summit, I am certain that non big powers within the G20 can lead a constructive coalition to play the necessary leadership role.

Having said this, I must emphasize that the constructive powers group should not be "exclusive" or a rigid caucus, but open to all the "like-minded" members for common global causes. In fact, it has been my view that the G7, the BRICS, or else should not be seen and act as an exclusive group within the G20. After all, the G20 stands for the whole global economy.

It is my strong belief that the G20 as the global economic governance should not be divided by the size of country, geography or region, the level of development, or else. Constructive coalition is for dealing with global issues not against other member countries within the G20.

The G20 as the premier forum for international economic cooperation and global steering committee needs its further institutionalization to strengthen its own governance. After all, the G20 Summit is a process, more than just regularly held annual meetings. Under the current operational setup, the outcome of each Summit will be primarily dependent upon the chair country's leadership. To keep the institutional memory for consistency and continuity in addition to a continued credible leadership, the G20 needs to further institutionalize its own governance system.

What is needed at this point in this regard is, instead of establishing a full-blown secretariat, the current troika system can be better structured with a new chair rotation scheme which would help make the troika a steady leadership team. In March 2010, Korea and UK together submitted a G20 non-paper regarding the troika restructuring. It proposed to restructure the troika system by seconding senior

officials of troika countries to the presidency country for a limited time period to work closely with the presidency's G20 team.

In terms of G20's agenda setting, I still believe that the Korea's "70/30 percent principle" can be a good guide. In essence, about 70 percent of summit preparation efforts should be devoted to delivering on previous commitments and the rest for new initiatives. Toward this end, the restructured troika can be highly helpful.

Given the G20 leaders' travel time constraint, the G20 Finance Ministers and Central Bank Governors and the G20 Sherpas meet and communicate more frequently in close cooperation with the troika-based secretariat. Obviously, the G20 leaders should be ready to meet whenever such needs arise.

Another point I would like to make is the G20's working relationship with the G7/8. The relationship should be mutually reinforcing and complementary for their global leadership role with the G7 concentrating on non-economic global affairs leaving the economic issues for the G20.

Before I end my remarks, I would like to re-emphasize that we all have vested interest in making special efforts for the functioning G20 as the new global governance. The constructive coalition among constructive powers with the G20 in particular should lead the way towards reinvigorating the G20.

Thank you.