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Existing and Emerging Powers in the G20: The Case of East Asia

Yves Tiberghien and Niall Duggan

Abstract
Over the last twenty years, global financial integration and global financial volatility have greatly increased. The 2008 crisis represented a peak in the vulnerability of all countries around the world with regard to global financial volatility. In response to this volatility and as the first line of defense, states have used a growing array of domestic tools: monetary policy, fiscal policy, financial regulatory reforms, domestic security market reforms, occasional capital controls, or the accumulation of financial reserves. Although the G20 was formed in 1999, it did not begin to take center stage in global economic governance until the global financial crisis that started in 2008. Since 2008, systemically important states — both established and aspiring powers — have taken the further steps of committing to increased global financial governance and becoming more integrated into the G20. East Asia is a region which contains a number of systemically important states, both existing economies and emerging ones. East Asian state actors' involvement in the G20 is used as a case study to analyze the relevance of the unfolding G20 process. Does this G20 process matter? If so, what explains key states' willingness to engage in it and accept new institutional constraints? What exactly drives the commitment process under the G20?

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Introduction

What makes the G20 important is that it is the first body since Bretton Woods in 1944 to deal both with global governance to frame global markets and with the distributional consequences of globalization. It is both a process about managing global risks or solving major economic problems and about managing the rise of emerging powers in a non-destabilizing way. With concurrent crises in the areas of finance, food security, energy supply, and climate, the global economic and environment systems now stand at a critical juncture. Since the acceleration of globalization in the 1980s, global markets have developed faster than the institutions and rules necessary for their long-term stability and legitimacy. *Systemic risk*, whereby the decisions of a few endanger the entire global economic or ecological system, often without *ex ante* public consent, has become prevalent, as exemplified by the cases of the 2008 global financial crisis (GFC), the 2011 Fukushima nuclear crisis, the global food crisis, or the challenge of global climate change.