



## CENTER FOR U.S.-KOREA POLICY

A PROJECT OF THE ASIA FOUNDATION

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### **Achievements of the London G20 Summit and Korea as a Troika**

IL SAKONG

#### **Why G20 instead of G7?**

The G7 has been acting as if it were the informal global steering committee for global economic and financial issues since its inception in the mid-1970s. However, during the last couple of decades many have considered the G7 to lack political legitimacy since it leaves out new economic players from the emerging world. These critics rightly claim that any informal global steering committee should reflect the shift in global economic power that has taken place during recent decades. Without participation of new major players, global financial and economic issues cannot be properly addressed.

In the midst of the unprecedented global financial and economic crisis, a G20 Summit instead of G7 was held in Washington last November to deal with the current crisis and to find ways of preventing recurrence of such crises in the future. Indeed, it was a historic event for global governance.

#### **Major Achievements of the London G20 Summit, April 2, 2009**

Deliverables! Deliverables and the continuation of the G20 process defined the London G20 Summit, shaking off widespread skeptical views prior to the Summit. Without deliverables, the London Summit would have been another casualty of the “G7-style” rhetorical feast, making the G20 process irrelevant. For this reason, the global community, and the financial community in particular, showed a strong positive reaction.

It is significant that the G20 leaders recommitted themselves to resisting protectionism and continuing the “standstill” to the end of 2010 and that they further agreed on the “rollback” of protectionist measures taken since last November. In fact, President Lee Myung-bak advocated for the “standstill” in Washington and the “rollback” in London. According to the World Trade Organization (WTO), various protectionist measures have been taken since last November but fortunately none of the measures significantly distort global trade.

Another achievement of the London G20 Summit was the agreement on increasing international financial institutions’ (IFIs) resources, which will be used to assist the developing and emerging economies that suffer most in times of crisis. The leaders acknowledged the reform of the IFIs’ governance system and expedited a review of the quota to better reflect the economic strength of member countries. On financial regulation and supervision, the leaders agreed on reform of tax havens, hedge funds, and credit rating agencies. However, more complicated issues—such as procyclicality of credit rating—have not been sufficiently discussed.

#### **Korea’s Role as Member of the Troika**

Korea was privileged to participate in the troika of the G20 Summit along with the United Kingdom and Brazil. To carry out its privileged responsibility as part of the troika, Korea set up a ministerial-level committee. As chairman of the committee, I worked closely with most G20 counterparts, especially the Chair.

First, we concentrated our efforts on persuading G20 partners to balance the Summit agenda by dealing with the deepening recession and reforming the financial regulatory and supervisory system. At the same time, we tried to convince our G20 counterparts not to dilute the focus of the Summit by adding other heavyweight issues such as climate change while making it clear that such issues can be included only in the context of countering the crisis. We urged our counterparts to put priority on producing specific guidelines and implementable measures in London. We also promoted the idea of actively engaging the International Monetary Fund (IMF) and the WTO in the G20 process so that those organizations can provide their expertise and analytical support for the Summit.

Without resolving the impaired asset problem, macroeconomic measures cannot take full effect. Based on its experience of the 1997-98 financial crisis, Korea submitted the "Korea's proposal" to the G20 finance ministers meeting, major points of which were integrated in a finance ministers' communiqué attachment. President Lee Myung-bak elaborated on six general principles in dealing with impaired assets at the Summit that were reflected in the communiqué (Please refer to President Lee's contribution to the *Wall Street Journal*, "How Korea Solved Its Banking Crisis," March 27, 2009).

As both a member of the emerging economies and an Organisation for Economic Co-Operation and Development (OECD) member, Korea tried hard to play a bridging role and to speak on behalf of the emerging economies at the Summit.

### **Way Forward for the G20 Summit**

Despite significant achievements made thus far, the G20 Summit must still deal with such unresolved critical issues which beg the continuation of the G20 process. With the green shoots of recovery taking hold, the world now needs to start seriously contemplating exit strategies and post-crisis macroeconomic management. The Third G20 Summit to be held in September in the United States should already be addressing these issues, so that the discussion can continue into 2010.

Going forward, the global effort to prevent a future crisis must encompass a wide range of unsettled issues regarding the international financial architecture. To this end, we have been advocating for the creation of wise men's groups.

At this juncture, it may be premature to entertain the notion of institutionalizing the G20 Summit as an informal global

economic steering committee. However, given its representation and inclusiveness, one might argue that the G20 has sufficient political legitimacy to position itself as an informal global steering committee. To further build such momentum, it is critically important that the Third G20 Summit achieves further success.

**Il SaKong** is Chairman and CEO of the Korea International Trade Association (KITA), Senior Economic Advisor to the President, Chairman of the G20 Summit Korea Coordinating Committee and former Finance Minister.

## **NEWS & EVENTS**

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JUNE 2 – STANFORD UNIVERSITY APARC, SEOUL, KOREA

### **THE UNITED STATES AND KOREA: TOWARD A SHARED FUTURE**

The Walter H. Shorenstein Asia-Pacific Research Center at Stanford University will hold a seminar in appreciation of the Pantech Group for support of the Korean Studies Program Pantech Fellowships for mid-career professionals. Former Pantech Fellows and leading Korea experts will discuss new trends in U.S.-ROK relations and U.S. policy toward a changing North Korea. The program will feature remarks by National Assembly Speaker Kim Hyong O and U.S. Ambassador Kathleen Stephens, with a keynote address by Thomas Fingar, Payne Distinguished Lecturer at Stanford University.

MAY 15 – THE ASIA FOUNDATION, SAN FRANCISCO, CA

### **CONVERSATION WITH SCOTT SNYDER**

The Asia Foundation and Pacific Council on International Policy will host a conversation with Scott Snyder, Director of the Center for U.S.-Korea Policy at The Asia Foundation and author of *China's Rise and the Two Koreas: Politics, Economics, Security*. In the exchange, Mr. Snyder will explore the changing relationships between China and the two Koreas as well as implications of this change for U.S. influence in the region.

MAY 10-12 – PACIFIC FORUM CSIS, SHANGHAI, CHINA

### **SECURITY, INTERESTS, AND IDENTITY IN THE 21ST CENTURY**

Pacific Forum CSIS in collaboration with the Shanghai Institutes for International Studies held a China-ROK-Japan-U.S. Quadrilateral Dialogue on "Security, Interests, and Identity in the 21st Century." Experts from the region discussed Northeast Asian domestic and foreign policy trends as well as changes in the U.S. alliances and regional security architecture.

MAY 8-9 – PACIFIC FORUM CSIS, SHANGHAI, CHINA  
**SINO-U.S. RELATIONS AND REGIONAL SECURITY**  
Pacific Forum CSIS and Fudan University's 9th dialogue on "Sino-U.S. Relations and Regional Security" addressed a range of U.S.-China bilateral and regional issues including new security and economic challenges.

APRIL 30 – THE ASPEN INSTITUTE,  
WASHINGTON, DC

#### **NORTH KOREA: CHALLENGES FOR U.S. POLICY**

Center for U.S.-Korea Policy Director Scott Snyder served as a guest speaker for the Aspen Institute Congressional Program's Breakfast for Members of Congress on Capitol Hill. The discussion highlighted policy challenges facing the U.S. administration in light of current developments in North Korea.

MAY 5 – WASHINGTON TIMES BOOK REVIEW

#### **CHINA'S RISE AND THE TWO KOREAS**

*The Washington Times* featured a review of the latest book by Center for U.S.-Korea Policy Director Scott Snyder, *China's Rise and the Two Koreas*. Doug Bandow, Senior Fellow at the Cato Institute, reviewed the book.

## **PUBLICATIONS**

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Scott Snyder (May 3, 2009), "Contradictions in the Obama Administration's Policy-in-Formation toward North Korea," GlobalSecurity.org.

Scott Snyder (April 2009), "Prospects for a Northeast Asia Security Framework," paper presented at "Towards a Northeast Asia Security Community: Implications for Korea's Growth and Economic Development," Korea Economic Institute, October 15, 2008, Washington, DC.

Scott Snyder (April 27, 2009), "Obama and North Korea: First 100 Days," GlobalSecurity.org. Reprinted in *In Asia*, The Asia Foundation, April 29, 2009.

Scott Snyder (April 21, 2009), "Needed: An American Vision for East Asia and the U.S.-ROK Alliance," GlobalSecurity.org. Reprinted in *In Asia*, The Asia Foundation, April 22, 2009.

Scott Snyder (April 14, 2009), "Pursuing A Comprehensive Vision for the U.S.-South Korea Alliance," Center for Strategic and International Studies.

Scott Snyder and See-Won Byun (April 13, 2009), "China-Korea Relations: Year of China-DPRK Friendship; North's Rocket Fizzes," in Brad Glosserman and Carl Baker, eds., *Comparative Connections*, Vol. 11, No. 1, Pacific Forum CSIS.

Scott Snyder (April 13, 2009), "UN Security Council Response to North Korea's Missile Test: Washington's Policy Debate," GlobalSecurity.org. Reprinted in *In Asia*, The Asia Foundation, April 15, 2009.

Michael Finnegan (February 2009), "Benchmarking America's Military Alliances: NATO, Japan, and the Republic of Korea," Center for U.S.-Korea Policy Report.

Scott Snyder (Spring 2009), "Lee Myung-bak's Foreign Policy: A 250-Day Assessment," *Korean Journal of Defense Analysis*, Vol. 21, No. 1, Korea Institute for Defense Analyses.

**For a complete list of publications, please visit:  
[www.centerforuskoreapolicy.org](http://www.centerforuskoreapolicy.org)**

## **VIEWS ON THE U.S.-ROK ALLIANCE**

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*"We have long supported a bilateral trade agreement with Korea, and we strongly believe an agreement would provide tremendous benefits to American workers, farmers, and ranchers... A U.S.-Korea FTA would not only secure American exporters broad access to a dynamic economy, but it would also anchor our economic presence in Asia."*

—**U.S. Senators Max Baucus and Chuck Grassley** in a letter to President Obama, April 20, 2009.

*"Our relationship with the Republic of Korea has one of the most formidable and durable military alliances in the world... During the lifetime of this alliance, South Korea has been transformed from a war-battered, military dictatorship into a prosperous democracy with the world's most-wired population and one of the world's largest economies. Beyond our security cooperation, our close relationship with South Korea has been tackling common challenges from climate change to the global financial crisis, where South Korea is now a key part of the G20 and a member of the Financial Stability Forum."*

—**U.S. Deputy Secretary of State James B. Steinberg** at the National Bureau of Asian Research on "Engaging Asia 2009: Strategies for Success," Washington DC, April 1, 2009.

*"South Korea remains concerned that in their grand chess game, China and the U.S. may place a disproportionate amount of emphasis on big power relationships at the expense of small and medium powers including South Korea. In the years to come, the most difficult challenge for South Korea will be to navigate carefully between China and the United States."*

—**Han Sung-Joo**, Former ROK Foreign Minister and Ambassador to the United States at the annual meeting of the Association for Asian Studies, Chicago, March 2009.

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**The Center for U.S.-Korea Policy** aims to deepen and broaden the foundations for institutionalized cooperation between the United States and South Korea by promoting bilateral policy coordination. A project of The Asia Foundation, the Center is based in the Foundation's Washington, DC office. The Center supports the Foundation's commitment to the development of the Asia Pacific by supporting a comprehensive U.S.-ROK alliance partnership on emerging global, regional, and non-traditional security challenges.

**The Asia Foundation** is a private, non-profit, non-governmental organization committed to the development of a peaceful, prosperous, just, and open Asia-Pacific region. Drawing on 50 years of experience in Asia, the Foundation collaborates with private and public partners to support leadership and institutional development, exchanges, and policy research.

The Center for U.S.-Korea Policy is based in the Washington DC office of The Asia Foundation with seed funding from the Smith Richardson Foundation. The Center accepts donations from the public and private sector for its programs and operations. Inquiries should be directed to Scott Snyder at [ssnyder@centerforuskoreapolicy.org](mailto:ssnyder@centerforuskoreapolicy.org).

This newsletter is produced by the Center for U.S.-Korea Policy to provide updates and analysis on current policy issues related to the U.S.-ROK alliance partnership. All views expressed in this publication are those of the author(s). **To be added to the newsletter listserv, please contact [info@centerforuskoreapolicy.org](mailto:info@centerforuskoreapolicy.org).**