



New Japan SPOTLIGHT Seeks to Achieve Better Global Governance Through Asia-Pacific Cooperation

By Naoyuki HARAOKA

International Environment Changed

Japan SPOTLIGHT has been revitalized to make a more substantive contribution to global governance of the economy. In this, our first digitalized version, I would like to explain to our readers the reasons we decided to make this change.

Japan SPOTLIGHT and its predecessor *Journal of International Trade and Industry* aimed mainly to alleviate the trade friction between Japan and other countries, in particular, the US and Europe, during a period of extremely intense trade confrontations in the 1980s. In responding to the arguments in these countries that Japan was very different from them and that its peculiar business style and policies were sources of unfairness and caused Japan's tremendous trade surplus in the 1980s, which was unbearable for its trading partners, we needed *Japan SPOTLIGHT* to lead the counter-arguments showing that Japan was not implementing any unfair policy or business practice. In order to attract people's attention to Japan's exquisite, charming traditional culture, instead of to Japanese business practices and policies that were allegedly sources of Japan's unfairly acquired competitiveness and eventually unacceptably huge trade surplus, *Japan SPOTLIGHT* provided our readers with an excellent introduction to Japan's beautiful art and historic inheritance. We have been successful in having acquired a large number of enthusiastic readers who were touched by our stories on culture and history.

This is a beautiful success story and perhaps nothing needed to be changed from this tradition. However, we are living in an era where we need more positive participation in international discussions to lead our globalized world rather than either an apology or an excuse. Anyhow, our story of the Japanese miracle ended a long time ago. As the presence of Japan in the world is diminishing in terms of not only political influence but also GDP, which was once considered unfairly enormous and unacceptable to like-minded countries, who believed that what the standard economics textbooks consider almighty, namely, the market mechanism, was not fully functioning in Japan, any apology or excuse for Japanese uniqueness in terms of business, policy or culture gets very little attention from other countries. Whatever Japan does matters very little to the world.

Under these circumstances, *Japan SPOTLIGHT* needs to fulfill a different mission and role. Let me present my personal views on what is going on in our world. I believe that *Japan SPOTLIGHT* should explore ways to help provide what the world needs.

Current Global Governance Doesn't Work Well

Globalization is a buzzword that has dominated the business and policy mindset for the last two decades. What this means exactly is hard to define. I would define it as an economic environment where we have a growing number of common agenda items and challenges in the world. We are under increasing pressure to resolve these issues by international cooperation following the common rules and obligations set out by global governance schemes. Macro-policy for

exit from the economic crisis, trade policy for enhancing free trade and avoiding protectionism, environment policy to achieve common global rules to deal with global environment concerns as effectively as possible, and military and non-military security policies to maintain peace as a basis for economic prosperity, are some of the common policy challenges we all currently face.

The globalization process used to be managed by the leadership of the developed nations represented by G7. However, the emergence of the so-called BRICs (Brazil, Russia, India and China) does seem to complicate global governance. In particular, after the economic crisis, the growth of the world economy has been led by BRICs rather than the G7 countries.

Table 1 shows us that if we extrapolate the growth of the world countries forecast by IMF for 2014 from now until 2030 as in the table, the proportion of the BRICs' GDP in the total world GDP will be more than 30%, greater than that of either the US or the EU. Against this background, the political influence of BRICs in the world is increasing significantly.

The changed power structure between the existing developed nations and BRICs makes it difficult for the existing global governance systems for macro-policy such as G7 to achieve an effective outcome. G20 including the existing G7 members and BRICs seems currently to be the only functioning governance scheme for macro-policy international coordination, but it does not work very well. As for other global economic challenges such as promoting the free trade regime, developing an engine for global growth, and addressing global climate change issues, existing global governance mechanisms such as the WTO and the UN do not seem to be functioning well either, as shown by the stuck negotiations of the Doha Round and the mired negotiations for a post-Kyoto Protocol regime to respond to global warming. Under these circumstances, regional governance initiatives in rule-making in response to these global challenges should be considered an important building block towards better global governance.

The EU, though facing a stumbling block as the currency crisis

TABLE 1
GDP trends of major countries & regions (\$1 billion)

	2007	2014	2030
Japan	4,380 (7.9)	5,792 (7.8)	17,503 (7.6)
US	14,078 (25.5)	17,419 (23.0)	49,267 (21.4)
EU	16,939 (30.6)	19,055 (25.5)	48,992 (21.3)
BRICs	7,111 (12.9)	14,475 (19.4)	69,884 (30.3)
China	3,382 (6.1)	8,283 (11.1)	46,366 (20.1)
India	1,101 (2.0)	1,908 (2.6)	7,560 (3.3)
Brazil	1,334 (2.4)	2,156 (2.9)	7,965 (3.5)
Russia	1,294 (2.3)	2,128 (2.9)	7,993 (3.5)
World	55,270	74,660	230,523

Note: Figures in brackets denote ratios to World GDP.

Source: "World Economic Outlook Database," International Monetary Fund, October 2009

continues, is still showing us a model of regional governance. There is a growing need, in my view, to create a regional governance in the Asia-Pacific area as well in order to realize a substantive contribution by the region enjoying the most dynamic growth and development to consolidated global governance.

Asia-Pacific Important for Better Global Governance

One American consultant, Mr. Evan Feigenbaum, from Eurasia Group has commented as follows on Asia:

“It is true that for two generations, much of Asia has relied on global demand to power its growth. But as the world economy claws its way back from crisis, other countries are looking to Asia to step up and lead. With the exception of Japan, Asian economies are recovering earlier and stronger than nearly all others. And from Bangalore to Beijing, Asians have become a force on the global canvas - trading, building, investing and innovating. Asians have assumed new weight in the G20 and Bretton Woods institutions. But ancient strategic rivalries and a host of economic challenges persist, and Asia’s major economies have yet to become assertive actors on the global stage. Two central questions in 2011 will be whether and how Asia’s most successful countries leverage their economic success into global clout.”

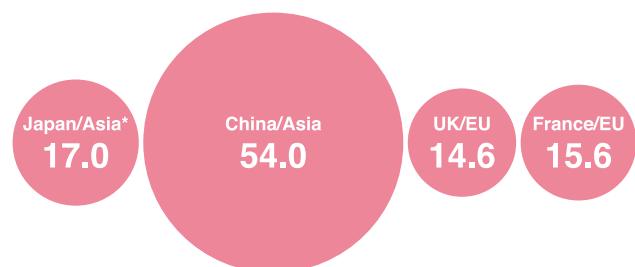
Japan, which has failed to contribute sufficiently to the economic growth of the Asia-Pacific area for the last two decades, is responsible for playing a leading role in actively responding to the central questions mentioned above, as one of the existing G7 countries that have rich experience in participating in the old global governance systems. Besides, Japan is a part of various FTA/EPAs in the Asia Pacific region.

Two important things are to be noted in achieving this. First, it goes without saying that the regional governance should be a building block towards better global governance, and not a trade bloc.

Second, since we are now living in a world where economic issues and national security issues are discussed simultaneously and in a trade-off relation at the negotiation table, we have to take this into account in achieving a full and effective function of any regional governance. Therefore, participation by the US in this regional governance is inevitable in the light of the US political and military influence as well as economic presence in this area, though its geographical location may not qualify it as a part of Asia. APEC countries plus India (the US being naturally included) would be the relevant membership of this Asia-Pacific regional governance.

World peace and prosperity is of course the ultimate goal to be achieved by global governance. An Asia-Pacific community initiative, since it would include some BRICs and the US, could work very well to realize this ultimate goal.

CHART 1
GDP Share of Japan in Asia & GDP Share of France & UK in EU in 2030 (%)



Note: Japan/Asia means Japan + Newly Industrialized Asian Economies + Developing Asia
 Source: “World Economic Outlook Database,” International Monetary Fund, October 2010

Role of Japan in Asia-Pacific Region

GDP should not be considered the sole measure for degree of responsibility for achieving the above goal in the international community. However, a clear and convincing argument is that a country should be expected to play a role in contributing to global peace and prosperity in accordance with the size of its GDP. Japan’s expected share of the world GDP in 2030 is seen in *Table 1*, while *Chart 1* shows us the GDP share of Japan in Asia and that of France and the UK in the EU. (The predicted figures were calculated by extrapolation of IMF forecasts for 2014 until 2030, as in *Table 1*.)

This table means that, in terms of size of GDP, the expected role of Japan in Asia could be seen as close to that of either the UK or France in the EU. Japan should play a leading role in the above-mentioned Asia-Pacific regional area in the same way that the UK and France do in the EU, though the inclusion of the US in the region would lower the share of Japan’s GDP in the whole region. Such an Asia-Pacific region, since it would be enormous in terms of share of the world GDP, could be seen as a threat to the EU. However, it must be stressed that this would not be a trade bloc but an open regional area. Thus the EU and the Asia-Pacific area would be mutually beneficial to each other. The EU needs a dynamic Asian market and the Asia-Pacific region needs the wisdom and experience of the EU as a model to follow, and in particular for Japan, the UK and France would be mentors. So the EU and Asia, in particular Japan, would be interdependent.

New Mission of Japan SPOTLIGHT

Against this background, *Japan SPOTLIGHT*, I believe, should provide a venue for discussion of a number of global issues that need to be resolved in both the short and the long terms, since the world needs a medium where informal discussion takes place and leads to a contribution to resolving issues, considering the current lack of an effective global governance scheme.

Secondly, as I mentioned earlier, since the Asia-Pacific regional initiative would contribute to resolving worldwide issues, *Japan SPOTLIGHT* should also provide a channel for Asian-Pacific people to articulate their opinions on global issues to the world.

Thirdly, *Japan SPOTLIGHT* should maintain the quality of the magazine in the light of policy-oriented economics and political science, since its mission is to find logical answers to any question faced by the world. Thus, we should aim to make it the Asian equivalent of *Foreign Affairs* or *The Economist*. We will invite as many young experts as possible, in particular those in Asia, to present their views based on academic and logical analysis. I believe this will provide a substantive contribution to the world rather than merely presenting explanations of Japanese policies, economy and business. In these ways, the new *Japan SPOTLIGHT* will actively contribute to geopolitical stability in the region and eventually in the world.

The editor-in-chief and all the staff are truly looking forward to receiving thought-provoking responses to *Japan SPOTLIGHT*, and we are ready to include these in articles in future issues. Also, by capitalizing on the benefits of a digitalized magazine, we intend to facilitate communication between the readers and the writers. JS

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