

Introduction of New Index to Establish G10 to Realize Justice in Global Governance

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At a Small International Conference

Several years ago I was invited to a small international meeting. First, I would like to explain the background of this meeting.

In 2007, a leaders' meeting of the main eight developed countries usually called G8 was held in Heiligendamm, Germany and in the light of the recent rise of newly emerging countries, five leaders of developing countries including those of BRICs were also invited. This episode reflected the solemn reality that it had become meaningless to discuss the world economy without emerging countries that have been enjoying high growth rates of their economies. The group of five countries was called G5, which comprised Brazil, China, India, Mexico, and South Africa. (Russia was on the side of the G8.) Mainly based upon proposals from German Chancellor Merkel, a meeting between G8 and G5 was also held the following year on the occasion of the Toyako Summit in Japan. The further extension of the meeting was supported there with another decision to establish working groups under the G8+G5. The one that I attended was a working group and one of the themes discussed there was global governance.

I was relaxed because everyone was attending on a personal basis and I raised a question as follows.

"How can you say that the group of G8 carries at least part of global governance on its shoulders? Even if we assume it does, how can you say that countries constituting G8 as of now are the most appropriate members of G8? In a nutshell, measures to select their members are discretionary whether they be G8 or G8+G5 and therefore those countries selected through those processes have no legitimacy to implement global governance. In this respect, don't you think it is necessary to establish an objective, transparent, fair and democratic standard or formula?" Since this international meeting was conducted under the Chatham House Rules, regrettably it was prohibited to disclose the name, title or anything else by which we could identify the person who intervened in the meeting. One of the attendees at the meeting rebutted immediately as follows. "In the case of issues of international politics such as global governance, there is no justice such as establishing an objective standard!" Since what he stated was quite interesting, I told him to that effect in the coffee break. Then he said. "Therefore, the selected countries are faced with heavy responsibilities."

Aim of this Essay

This paper has been written to propose uniting meetings engaged in global governance such as G8 or G20 into G10 to be newly established. This paper also proposes to come up with a simple objective standard

(formula) in order to secure transparency, equality and democracy, avoiding discretion in selecting members of the G10 to select member countries based on that standard. Thus, this paper aims at giving legitimacy to the G10, thereby bringing "justice" into international politics. "Democracy" here means to establish a standard that reflects the current rise of emerging countries, as has been eloquently demonstrated by the fact that the G5 continued to be invited by the G8 recently.

Short History of Selecting G7 Members

Let's look back at a short history of this issue.

- (1) As of now, there is no objective standard to select member countries of the G8 or G20. However, wasn't there any standard to select member countries of the Economic Summit Meeting (ESM) in the first place? The first ESM was held in Rambouillet, France back in 1975 with member countries being the US, Japan, Germany, France, the UK, and Italy. The available international fundamental data for the year were those of 1973, the year remembered as the year of the first oil crisis, which triggered the idea of establishing the ESM. The GDP ranking among major countries in 1973 is shown in [Table 1](#) and the top six countries in this ranking were selected as members of the first ESM. Therefore, there was a situation where we could say the simple formula selecting members of the first ESM was as follows: "the ESM members = top six countries in the ranking of each country's nominal GDP settled in US dollars" apart from whether or not those leaders attending there consciously formalized it that way then. Since the ESM was understood literally as the "economic" summit, it was reasonable to select its members according to the GDP ranking.

Since then, I can point out the following five points regarding the formula to select members of the ESM and so on.

TABLE 1

Top 10 countries based on GDP in 1973

Billion USD

1	United States	1,369.30
2	Japan	418.64
3	Germany	385.51
4	France	261.48
5	United Kingdom	183.04
6	Italy	169.08
7	China	136.77
8	Canada	128.94
9	India	85.25
10	Brazil	79.28

Source: World Bank World Data Bank

First is the fact that the top six countries in the GDP ranking did not change for as long as a quarter of a century between 1975 and 1999. This meant any countries other than the original six countries mentioned above could not go above sixth in the GDP ranking for such a long time. During this period, there were several oil crises and the cold war ended. As was shown in these cases, international politics and economies changed drastically. Nevertheless, the top three in the GDP ranking did not change at all. Countries ranked between fourth and sixth changed only among themselves. No countries other than these six countries had ever gone up above seventh in the GDP race. This is surprising.

In addition, Canada joined the ESM the year following the start of the ESM and from 1976 continued to rank No. 7 consistently until 1991. Therefore, we can say that the formula to select members of the ESM after Canada joined was as follows. "The ESM members = top seven countries in the ranking of each country's nominal GDP settled in US dollars." Although Canada was passed by Spain in 1992 becoming eighth in the ranking, it came back to seventh in 1993 and '94. Therefore we can say the formula continued to be there until 1994. An objective formula had been existing and effective until 1994, as opposed to what was told to me by the person who intervened in the small international meeting I referred to at the beginning of this paper.

Secondly, however, after Canada fell to ninth, having been passed by Brazil and China in 1995, it never came back to a position within the best seven. Nevertheless, Canada continued to be a member of the ESM and therefore we have to acknowledge that the formula is no longer there.

Thirdly, Russia joined the ESM. It has been a full member of the ESM since 1998 despite the fact that it has never ranked above seventh in the world GDP ranking. From this aspect as well, the formula is no longer there.

Fourthly, it was China that endorsed a no-formula-theory from an opposite aspect. China became No. 7 in the GDP list already in 1996 and everybody remembers that in 2010 it passed Japan, ranking itself as No. 2 in the world. Therefore, if the formula were still there, China would have been a member of the G7 since 1996, but this did not happen, indicating that there is no longer such a formula, although there are opinions that China does not wish to be a member because of concern about the additional responsibility that accompanies being a member of the ESM.

Fifthly, although the weight of total GDP of G7 had been over 60% with a peak of 67.5% in 1993, it dropped to below 60% in 2005 and was 50.5% in 2010. The significance of words by G7 leaders became less influential now when their total GDP was only narrowly over 50% than when it had occupied two-thirds of the world GDP. This is partly because of the rise of emerging countries such as China, India and Brazil, which have increased the support for including them in the ESM as its members.

Efforts to Listen to Voices of Developing Countries

(2) Of course, there were a number of counter-measures taken for

the voices of developing or emerging countries to be listened to on the occasion of the ESM. For example, President Mitterrand of France, to celebrate France's 200-year anniversary in 1989, invited heads of states of African countries that had been colonized by France and had them attend the G7 as observers. Another example is Russia, which is an emerging country. Russia started attending a meeting outside of the G7 on the occasion of a meeting of part of the G7 at the London Summit in 1991, reflecting changes in the international situation after the end of the cold war. Since the Birmingham Summit in 1998, Russia has been a full member of the ESM, changing its acronym from G7 to G8. The participation of Russia in the ESM should be understood in the context of efforts by the G7 to listen to opinions of emerging countries. The Heiligendamm process I referred to at the beginning of this paper is another example.

(3) Furthermore, a leaders' meeting called the "G20" was also established in 2008 among 20 countries in order to listen to more voices of emerging or developing countries on global governance. Originally the G20 started in 1999 as a meeting comprising finance ministers and governors of central banks of 19 countries and a region. They are: Australia, Argentina, Indonesia, Saudi Arabia, South Korea, Turkey and the EU in addition to G8+G5. In the world GDP ranking list in 2010, since Saudi Arabia ranked 23rd, Argentina 28th and South Africa 29th, all of them were members of the G20. On the other hand, Spain ranked at 12th in the same list was excluded from the G20. Namely, whether it be the G8, the G8+the G5 or the G20, the standard or the formula for selecting members is not clear.

In addition, there is concern that the G20, which has too many members, tends to be similar to the OECD ministerial meeting in terms of one-way addresses by each minister without any dialogue following. If each representative gave a ten-minute address it would take three and a half hours, which is a half-day job for that alone.

(4) Japan's prime minister has to attend the APEC Leaders' Meeting, East Asian Summit and so on in addition to the G8, the G8+G5, and the G20. There are too many international meetings that he/she has an obligation to attend. Of course this is not necessarily limited to Japan's prime minister.

Necessity for and Contents of New Formula

The above can be summarized as follows:

① The ESM, which bears part of global governance, had a simple formula for selecting its members for the first 20 years between 1975 and 1994 and this formula held true with the exception of 1992, but has had no such formula for the 18 years since, including next year.

In this regard, the current selection of summit meetings including the G20 is discretionary and therefore the summit lacks legitimacy to carry out global governance.

② Accordingly, while it is desirable to establish a new simple formula to secure legitimacy and equality, the formula, in the

light of the conspicuous current rise of emerging countries, should directly reflect the voices of newly emerging countries.

- ③ Needless to say, various measures have already been taken such as G8+G5 and G20 up until now. However, in the case of G20, for example, it is difficult to converge because too many countries attend.

There is another issue in regard to having too many international meetings that leaders of states are obliged to attend. In other words it is necessary for us to start an administrative reform of international meetings of head of states.

Desirable Measures

To resolve this situation, the following measures are desirable.

- ① Establish G10, abolishing the G8, the G8+G5 and the G20, from the standpoint of administrative reform of international meetings that require the attendance of heads of state.
- ② Establish a simple objective standard (formula) to select members of the G10, securing democracy, equality and transparency, excluding discretion to give legitimacy to at least the part of global governance that is carried on the shoulders of the G10.
- ③ The standard (formula) should enable influential emerging countries to be members of the G10 from the standpoint of reflecting recent trends in the world economy. However, it should be a common standard (formula) for both developed and developing countries.

Specifically, an idea for such a formula is as follows: G10 members are those 10 countries ranking as No. 1 to 10th in the new index (= the country's GDP share in relation to the world's $\times 0.5$ + the country's population share in relation to the world's $\times 0.5$).

Statistics on the GDP and population of each country will be reviewed every year (as of January 1st) and, as a result of the review, if there is a country going down from the top 10 to below and another corresponding country going up into the top 10 in the statistics, real change should take place accordingly.

In view of encouraging as many countries as possible to have an interest in global governance, a study should be made on whether or not a regional representative is to be admitted if a country alone cannot enter the top 10 but when regionally integrated it ranks within the top 10. The answer to this question is not easy because a regional body, if admitted, will be a member of the G10 at the sacrifice of a country which ranks within No. 10 otherwise. According to the new index of 2010, the African Union would rank No. 4 and ASEAN No. 5, ousting the UK (No. 9) and Russia (No. 10) from the G10 apparently. However, since Indonesia (No. 8) is a member country of ASEAN and a regionally integrated body and a member country of it cannot be a member of G10 at the same time, only either one of them can join the G10, thereby enabling the UK to remain in it.

First G10 in 2015

- ④ The full-fledged implementation of the above-mentioned program will start three years from now. However, the

experimental stage will begin even from now after final approval is hopefully given at the Chicago Summit in May. The reason we have to wait for three years is mainly because it would be quite difficult to implement this program and we need to take a cautious approach to it, as will be explained later, due to the pros and cons on it from various corners of the world.

Three years later we will celebrate the 40th anniversary of the ESM. On this occasion, if the ESM can hand over the baton to the G10, that would be wonderful.

If the order of the chair country of the ESM is respected in the G10 for former members of G8, the country that carries the honor of being chair will be Germany, which demonstrated a deep understanding of the involvement of emerging countries in global governance on the occasion of the Heiligendamm Summit back in 2007. There is no country more appropriate than Germany to chair the first G10, which will welcome four members from emerging countries with the status of members, not guests as it used to be. There may be some, especially German people, who think it will be more significant if Chancellor Merkel, who chaired the Heiligendamm Summit, can stay in the incumbent position until then and can chair the first G10.

Since the members of the G8 and the G10 are different, it may be concluded that the G8 will be finished in 2015 and G10 will start from the following year. Then Japan may have the honor to chair it.

Reasoning behind New Index Formula

- ⑤ The formula to select members of the G10 is the most important point in this paper.

Therefore I would like to explain how I arrived at this conclusion for a new index in accordance with the logical order.

Fundamentally, it would be logical to discover a formula to select the 10 countries that have been managing themselves most skillfully. Namely, this would mean selecting the 10 countries that are the world's happiest. Needless to say, however, we cannot measure the extent of happiness quantitatively, although the King of Bhutan has been trying to develop a concept of Gross National Happiness (GNH). Of course the index should reflect the country's

TABLE 2

Top 10 countries based on per capita income in 2010

USD

1	Norway	85,380
2	Luxembourg	79,510
3	Switzerland	70,350
4	Denmark	58,980
5	Sweden	49,930
6	Netherlands	49,720
7	Finland	47,170
8	United States	47,140
9	Austria	46,710
10	Belgium	45,420

Source: World Bank

power to influence others, including efficiency. What matters here is to find what kind of influence we are going to see through what kind of index. Ordinarily, such an index will consist of population, GDP (\div GNI), the size of territory, or a combination of these factors. However, there is a problem with the size of territory or combination thereof. If we decide to include it as an element in determining whether a country can be a member of the G10, it will give an incentive to a malicious leader of a country to expand its territory. In the same vein, including military power of a country as one objective standard will lead to military-expansion-competition. Therefore, we should create a formula consisting of population and GDP or a combination thereof, excluding territory size or military power.

1. Among a combination of GDP or GNI divided by population, there is per capita GDP, per capita productivity or per capita income. *Table 2* shows the top 10 countries based on per capita income. Should we decide the top 10 countries listed in *Table 2* as the 10 member countries of the G10? Since they are all efficient countries, it would be a good idea for them to govern the entire globe. However, I don't think it is the best idea, in the light of international politics. Those countries listed in *Table 2* are all small countries with a small population except for the US. It would be quite difficult for those small countries to govern the world without knowing the potential difficulties involved in managing big countries.

If Based on Population or GDP

2. *Table 3* shows the top 10 countries based on the size of population. Since you come across various problems when you govern populous countries, these 10 countries would be more appropriate to constitute the G10 than the 10 countries mentioned in *Table 2*.

In addition, many emerging countries tend to be populous. Therefore, to select populous countries as members of the G10 would imply increasing the weight of emerging countries in the G10. However, it is often the case that a populous country is just a result of the people of that country having more children,

which has nothing to do with the government of that country. Therefore, although it is necessary to take population into consideration, we cannot rely entirely on population in finding a formula for selection of members of the G10.

3. *Table 4* shows the top 10 countries based on the size of GDP. As I wrote earlier in this paper, the ESM itself had at least a de facto formula until 1994 to select its members based on the size of GDP. Since the GDP is the result of efforts jointly made by each country's government and private sector, it may be an interesting idea to revive this formula once again. However, the G8 or the G10 we are talking about is no longer the economic summit it used to be, covering international politics and security on the one hand and facing the necessity to welcome emerging countries due to the decline of the economic weight of the G7 on the other. Therefore, to depend on GDP alone is not appropriate.

G10 Based on a New Index

4. Here the new index comes in. *Table 5* shows the top 10 countries based on the new index, which is a composite of $0.5 \times$ population weight of a country in relation to the world total population plus $0.5 \times$ GDP weight of the country in relation to the world total GDP. As I explained before, *Table 3* shows the top 10 countries based on population and *Table 4* shows the top 10 countries based on GDP. Countries listed in both tables are the US, China, Japan, India, and Brazil. Countries listed in *Table 3* alone are Indonesia, Pakistan, Bangladesh, Nigeria and Russia, which are either developing countries or emerging ones. Countries listed in *Table 4* alone are Germany, France, the UK, Italy and Canada, which are all developed countries. Roughly speaking, therefore, the top 10 countries of population incline to developing countries while the top 10 countries of GDP do so to developed countries. Considering this point and having simplicity in mind, adding both weight of population and GDP in relation to the world totals for each country multiplied by 0.5 is the new index I referred to. When new data for population and GDP comes out (as of January 1 each year for the data two years before), a review should be conducted. As a result of this review, if a member change of the top 10 is

TABLE 3

Top 10 countries based on population in 2010

		Million
1	China	1,354.1
2	India	1,214.5
3	United States	317.6
4	Indonesia	232.5
5	Brazil	195.4
6	Pakistan	184.8
7	Bangladesh	164.4
8	Nigeria	158.3
9	Russia	140.4
10	Japan	127.0

Source: United Nations (White Paper on the World Population in 2010)

TABLE 4

Top 10 countries based on GDP in 2010

		Billion USD
1	United States	14,526.55
2	China	5,878.26
3	Japan	5,458.80
4	Germany	3,286.45
5	France	2,562.74
6	United Kingdom	2,250.21
7	Brazil	2,090.31
8	Italy	2,055.11
9	India	1,631.97
10	Canada	1,577.04

Source: IMF (2011.9 Database)

suggested based on the new index, it should be done. The member change is cumbersome and makes the entire system unstable, but I think it more important through the member change to vitalize the system, secure equality, and have non-members feel closer to the G10 as potential members. How often will the member change take place? If this system had been introduced three years ago, the member change would have taken place rather frequently, as follows.

5. **Table 5** (1) shows the result of calculations based on 2008 IMF data. The members as the result of calculation match common sense astonishingly beautifully. Namely, the members of the G10 are G7 minus Canada (6) plus BRICs (4). We miss Canada very much, but even if we revive the old formula applied until 1994, Canada would not be qualified, as explained above.
6. **Table 5** (2) shows the result of calculations based on 2009 IMF data. Regarding member changes from 2008 to 2009, Russia is to drop from the G10 and Indonesia is to enter in turn. This is because the Lehman shock severely attacked Russia, making its real economic growth rate minus 7.8% in 2009 on the one hand, while Indonesia recorded a 4.6% real economic growth rate in the same year on the other, as compared to the minus 0.7% real economic growth rate of the entire world. The country once deemed leader of Asia simply demonstrated the rise of Asia.

Implications of New Index – Change in Capitalism?

7. **Table 5** (3), showing the result of calculations based on 2010 IMF data, makes us think about the future of the world economy. Actually, because of the time lag between the economy in the real world and the announcement of the statistical data, this **Table 5** (3) will be used for the experimental G10 for this year (2012).

First of all, the US yielded its No. 1 position in the new index for the first time to China.

Of course, there has never been any calculation made regarding the new index. But if it were calculated, the US would have been No. 1 at least for more than 65 years after the Second World War. This honorable position was handed over to China in front of us. This is not just a story of statistics. Since the US was the leader of the world economy as well as the leader of capitalism and the free trade system, “the world economy” always meant capitalism and the free trade system. Since, according to the new index, China has replaced the US as No. 1, is it not the situation now where a question mark has started being attached to the superiority of capitalism and the free trade system over socialism, and at least a review is required? As background, it has started being suggested that the situation may be advantageous for China, which has more state-owned companies. In addition, there is the fact that, in the economic crisis that started from sub-prime loan problems back in 2007, even in the US, there have been governmental interventions, including public money used for financial organizations and governmental investment in GM. The fact that China passed the

US in the new index may suggest that the world economy may be at a crossroads between the free enterprise system and state capitalism.

Meanwhile, we have to conduct a study on the relationship between international positive activities by Chinese state-owned companies and the Chinese statistical data that shows declines in the number and sales amount of the shares of state-owned companies.

TABLE 5

(1) Top 10 countries based on new index in 2008

	Country	GDP (2008-billion USD)	Share (%) – A	Population (2008-million)	Share (%) – B	(A + B) ÷ 2 (%)
	World	60,917.48	100.00	6,749.7	100.00	100.00
1	United States	14,441.43	23.71	308.8	4.58	14.14
2	China	4,327.45	7.10	1,336.3	19.80	13.45
3	India	1,206.68	1.98	1,186.2	17.57	9.78
4	Japan	4,910.69	8.06	127.9	1.89	4.98
5	Germany	3,673.11	6.03	82.5	1.22	3.63
6	France	2,866.95	4.71	61.9	0.92	2.81
7	Brazil	1,572.84	2.58	194.2	2.88	2.73
8	United Kingdom	2,680.00	4.40	61.0	0.90	2.65
9	Russia	1,676.59	2.75	141.8	2.10	2.43
10	Italy	2,313.89	3.80	59.8	0.89	2.34

(2) Top 10 countries based on new index in 2009

	Country	GDP (2009-billion USD)	Share (%) – A	Population (2009-million)	Share (%) – B	(A + B) ÷ 2 (%)
	World	57,937.46	100.00	6,829.4	100.00	100.00
1	United States	14,256.28	24.61	314.7	4.61	14.61
2	China	4,908.98	8.47	1,345.8	19.71	14.09
3	India	1,235.98	2.13	1,198.0	17.54	9.84
4	Japan	5,068.06	8.75	127.2	1.86	5.31
5	Germany	3,352.74	5.79	82.2	1.20	3.50
6	Brazil	1,574.04	2.72	193.7	2.84	2.78
7	France	2,675.92	4.62	62.3	0.91	2.77
8	United Kingdom	2,183.61	3.77	61.6	0.90	2.34
9	Italy	2,118.26	3.66	59.9	0.88	2.27
10	Indonesia	539.38	0.93	230.0	3.37	2.15

(3) Top 10 countries based on new index in 2010

	Country	GDP (2010-billion USD)	Share (%) – A	Population (2010-million)	Share (%) – B	(A + B) ÷ 2 (%)
	World	62,911.3	100.00	6,908.7	100.00	100.00
1	China	5,878.3	9.34	1,354.1	19.60	14.47
2	United States	14,526.6	23.09	317.6	4.60	13.84
3	India	1,632.0	2.59	1,214.5	17.58	10.09
4	Japan	5,458.8	8.68	127.0	1.84	5.26
5	Germany	3,286.5	5.22	82.1	1.19	3.21
6	Brazil	2,090.3	3.32	195.4	2.83	3.08
7	France	2,562.7	4.07	62.6	0.91	2.49
8	Indonesia	706.8	1.12	232.5	3.37	2.24
9	United Kingdom	2,250.2	3.58	61.9	0.90	2.24
10	Russia	1,479.8	2.35	140.4	2.03	2.19

Sources: GDP IMF (2011.9 Database)
Population United Nations (White Paper on the World Population in 2010)

Regarding member change of the G10 from 2009 to 2010, Russia is to come back to the G10 and Italy is to be dropped in turn. From the standpoint of conducting global governance, including a certain aspect of security, the comeback of Russia will be welcome. Russia has been and will be under the control of Mr. Putin, whose power may have been reduced, judging from the Lower House election last year. Such a Russia is not a pure free enterprise system. Rather, it has aspects inclined toward state capitalism. This will increase the concern on the future of the world economy.

With the comeback of Russia, all five countries that have the right to veto in the Security Council of the UN will line up again in the G10. As an aside, reform of the Security Council of the UN is another issue to be discussed somewhere else.

The fact that Italy is to leave the G10 is regrettable, especially because it has been a constant member of the G6, G7 and G8 and a chartered member of the first G6 in 1975, held in Rambouillet. However, Italy has recently been suffering from a fiscal crisis. Therefore, frankly speaking, it may be more reasonable for Italy to be governed outside of the G10 than to govern from inside of the G10.

Although it is not written in the Table, if we admit regional organizations as members of the G10, the African Union with 1 billion population and 1.6 trillion US\$GDP altogether, ranks No. 4, and ASEAN with 5.9 billion population and 1.9 trillion US\$GDP altogether, ranks No. 5. Russia (10th) and Indonesia (9th) will be pushed out then.

Future Perspective

Let's look at a rough future economic outlook of major countries. *Tables 6 and 7* show members of the G10 and the forecast of those economies in 2020 and 2030. The main assumptions are as follows.

- 1 Fundamentally, we extended the IMF nominal (current) GDP of each country settled at the US\$ rate of 2016 published last fall, to 2020 and 2030.

TABLE 6

Top 10 countries based on new index in 2020

	Country	GDP: (2020-billion USD)	Share (%) – A	Population: (2020-million)	Share (%) – B	(A + B) ÷ 2 (%)
	World	113,722.56	100.00	7,656.53	100.00	100.00
1	China	17,919.10	15.76	1,387.79	18.13	16.94
2	United States	21,495.82	18.90	337.10	4.40	11.65
3	India	4,552.05	4.00	1,386.91	18.11	11.06
4	Japan	7,510.52	6.60	124.80	1.63	4.12
5	Brazil	4,347.46	3.82	210.43	2.75	3.29
6	Russia	4,504.02	3.96	141.02	1.84	2.90
7	Indonesia	2,038.47	1.79	262.57	3.43	2.61
8	Germany	4,163.64	3.66	80.99	1.06	2.36
9	United Kingdom	3,991.14	3.51	65.80	0.86	2.18
10	France	3,695.95	3.25	65.87	0.86	2.06

Sources: GDP IMF (2011.9 Database)
Population United Nations (White Paper on the World Population in 2010)

- 2 The expanding rate between 2017 and 2020 (2030) for each country is the average nominal growth rate of each country's GDP settled in US\$ during the period between 2012 and 2016. Since the IMF assumes that the real effective exchange rate with each other is constant, exchange rate changes are within the range of relative price change. In other words, the price there moves in inverse proportion to the exchange rate. Therefore, in the case of China, since the IMF expects a bigger price rise than average, it turned out to be forecasting a weaker renminbi in the above-mentioned outlook between 2012 and 2016. This is strange but since we extended the IMF figure up until 2030, we expanded the strangeness.

With these assumptions, there are several interesting points.

- 1 There will be no member changes in 2020 from 2010. Actually there were no member changes calculated in between. This is surprising in the light of the frequent member changes in 2009 and 2010.
- 2 However, when it comes to 2030, there will be conspicuous change taking place according to a simple extension of the IMF outlook.

First of all, the US will be passed by India (already a rising star) and Japan will be passed by Brazil and Russia in the new index ranking, which will rank the US third and Japan sixth. Thus, out of the top five countries in the ranking of the new index, four countries are BRICs. The era of BRICs, especially China and India, will have arrived.

Secondly, Nigeria will enter the G10 representing the African continent. Now representatives of all the continents except for the Australian continent will get together in the G10. Thus the G10 will literally become an organization to govern "global" issues.

Thirdly, however, it is quite regrettable that France, which initiated the ESM back in 1975, will have to leave the G10. I just hope that my forecast in this regard will turn out to be wrong.

Fourthly, due to the above-mentioned two points combined, emerging or developing countries will comprise the majority of the G10. However, there is a high possibility for China not to be qualified either as an emerging or developing country in 2030

TABLE 7

Top 10 countries based on new index in 2030

	Country	GDP: (2030-billion USD)	Share (%) – A	Population: (2030-million)	Share (%) – B	(A + B) ÷ 2 (%)
	World	195,441.12	100.00	8,321.38	100.00	100.00
1	China	51,138.21	26.17	1,393.08	16.74	21.45
2	India	12,624.82	6.46	1,523.48	18.31	12.38
3	United States	32,362.61	16.56	361.68	4.35	10.45
4	Russia	11,571.44	5.92	136.43	1.64	3.78
5	Brazil	8,199.31	4.20	220.49	2.65	3.42
6	Japan	9,689.46	4.96	120.22	1.44	3.20
7	Indonesia	5,389.56	2.76	279.66	3.36	3.06
8	United Kingdom	6,806.77	3.48	69.31	0.83	2.16
9	Nigeria	1,068.17	0.55	257.82	3.10	1.82
10	Germany	4,813.06	2.46	79.47	0.96	1.71

Sources: GDP IMF (2011.9 Database)
Population United Nations (White Paper on the World Population in 2010)

because the per capita GDP of China will be \$36,710 then as compared to \$38,394 in 2010 in the case of Japan.

Looking at this outlook, there may be opposition especially from Europe to the idea of establishing the G10. But what we have to have in mind is to face the solemn reality in which, even if we don't agree with the proposal to establish the G10, the fact of emerging countries growing faster will not change. So, it may be wiser to come up with measures ready for an era of the emerging countries' further rise. For example, to give observer status for every meeting in the G10 to those countries leaving the G10 may be an interesting idea. For example, President Mitterand gave observer status for the Versailles Summit in 1989 to those African representatives he invited to celebrate the 200th anniversary. However, it was not an invitation to every meeting at the Versailles Summit. Reciprocity is always important in diplomacy. For example, if we wish to be invited to every meeting in the G10 even as an observer after our country leaves the G10, we should invite some representatives of emerging or developing countries to every meeting they wish to attend before the country enters the G10, and it is important to decide to this effect in advance.

Issues to be Discussed in Experimental Period

I have been writing about an idea to establish the G10 whose member countries are selected through an objective standard in return for abolishing the G8 and G20. Needless to say, realization of this is very difficult. Therefore, we have to have a respite of three years before realizing the G10, in which 10 representatives of each country either consisting of former heads of states or incumbent officials above the level of "sherpa" designated by each government get together and submit one or two reports on the following items, for example, in addition to issues on the fiscal crisis now coming into vogue, although a report on (1) is compulsory. This undertaking is not only an experiment of the G10 but also may create the basis for the first real G10 to be held in 2015, if the content of the report deserves it. It would be desirable to decide the specific details of this issue at the Chicago G8 to be held in May this year.

- (1) A proposal to operate the G10, including rules on decision-making.
- (2) An analysis of the free-enterprise system to judge whether it has changed its nature from complete free capitalism to partly-controlled capitalism. While financial regulations strengthened after the sub-prime loan bubble burst in the US and the fiscal crisis attacked Europe this time, is there any general tendency that governmental regulations have started increasing rather than decreasing? On the contrary, the analysis should also include one on whether it now has become a capitalism requiring constant support from the government or the central bank at least. It also includes an analysis of a comparative study between complete free capitalism and state capitalism and another study on corruption that accompanies the SOC.
- (3) How should governmental regulation be and how should it support state-owned companies (SOC)? While there are some rules in Article 17 of GATT such as prohibiting discrimination

against SOC, what matters is whether or not special performance regulations are necessary when special incentives such as governmental investment or a low-rate financial support are given to SOC by governmental organizations.

- (4) Balance of benefits to exporters and importers in WTO rules. For the past several years we saw export controls imposed upon exporters of agricultural and mineral goods, and China started controlling its exports of rare earth. First of all, there is a problem as to whether this export control falls under the conditions of GATT Article 11, second paragraph (a), which allows export control temporarily. Furthermore, while this article has been putting the interest of exporting countries above the interest of importing countries, there should be a request for more complete freedom being pursued on the exporter side, in the light of the situation that might lead to complete liberalization under the name of the TPP on the importer side in the first place. More philosophically, would it be right to put the interest of consumers in exporting countries over that in importing countries?
- (5) A perspective on the nuclear energy usage outlook in the G10 countries with an analysis of the impact of possible reduced usage of nuclear energy. Which energy will reasonably fill the vacuum made by the reduced nuclear energy usage? Do we need a revision of the long-term goal of halving GHG emissions by 2050?
- (6) A proposal to resolve the climate change issue. While the COP17 finished with a decision to establish a framework by 2015 to have all countries participate, the fundamental strategy to address this issue should be the technological development to dispense with or reduce the emission of greenhouse gases (GHG) and until then a compulsory social system such as cap-and-trade to reduce is required. What would be the specific program? In the case of adopting cap-and-trade, an idea to avoid inequality due to discretionary distribution of emission allowances would be to use the share of a country in relation to the world in the new index as the share of the country for GHG emission allowances. What do you think?

Proposal to Chicago Summit

The Jasmine Revolution in Tunisia led to a toppling of the governments of Egypt and Libya last year. As of now, there are demonstrations protesting against big gaps in salary. The former was brought about by oppressive governments and the latter is said to be brought about by greedy capitalism and excessive liberalism. In a nutshell, both have something in common: to introduce justice in politics and management. To do so is imperative all over the world. Unless we change the structure of the top level, the entire system will not change. The most appropriate country to take an initiative for this change is the US, whose president's motto was "change." The Chicago Summit will offer the best opportunity for the US initiative. I hope my humble proposal in this paper can contribute to a first step towards it. **JS**

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