

Necessity for Having Objective Criteria

By Noboru Hatakeyama

A year ago in the March/April issue of this magazine, I wrote an essay entitled "Introduction of New Index to Establish G10 to Realize Justice in Global Governance." There were many comments to my essay making various points, some of them as follows:

First, simply comparing the G10 with the G20 is not of particular interest. Secondly, China, for example, will not join the G10. Thirdly, those countries which would be excluded from the G10 such as Canada and Italy will not accept this proposal. Fourthly, the G7 used to be a group of like-minded countries and this most important aspect will be lost completely in the G10. Fifthly, if members of the G10 have to change possibly every year in accordance with statistical changes in the rankings of each country's GDP and population, it would be too cumbersome and the entire G10 system would become unstable. Sixthly, the idea of the G10 as a whole is idealistic. Last but not least, we may have to create plural international institutions with specific functions, rather than establish one entity.

I would like to respond to these comments in order with various points of my own.

Regarding comparison between the G10 and G20, it is not my intention to have the G10 compete with the G20. The most important feature of the G10 is not increasing the number of seats for leaders but having them selected based on objective criteria. The selection of member countries of the G7 had been based on an objective criterion from 1975 until 1994, at least on a *de facto* basis. The criterion was to select the seven largest countries in the world in terms of the nominal GDP of each country. As a matter of fact, there have been four changes to the G7 since 1994.

The first change has been the decline of Canada's GDP ranking. It went down from 7th in 1994 to 11th in 2011.

Secondly, Russia has been a formal member of the Economic Summit Meeting (ESM) since 1978, thereby changing its abbreviation from G7 to G8. Russia's GDP global ranking has never been above 9th.

Thus the objective criterion of using the size of nominal GDP to select the G7 or G8 members has disappeared.

A third change has been that the total global share of the G7 countries' GDP declined to 48.3% in 2011 as compared to 67.7% in 1994. I believe a group of countries whose global share of GDP constitutes a minority cannot have influence on other countries' economies, whatever they recommend. The implication of my proposal is therefore to reflect the current size of each country's GDP.

A further change has been that the role of the ESM has altered. It used to be a purely economic organization, but non-economic issues such as terrorism, piracy and epidemics have come to be increasingly discussed there. Therefore the entire structure of the ESM should be reviewed, taking non-economic aspects into consideration. In this regard, elements other than the GDP weight of each country should also be included in the criteria.

I have therefore proposed including population weight as a constituent element of the criteria. In other words, the objective criteria should reflect economic power and democracy in a broader sense of the word. In my proposal economic power is represented by GDP weight and democracy is represented by population weight.

Regarding the possible rejection of membership of the ESM by some countries, certainly such resistance may occur, but to establish objective criteria would help to reduce such resistance through the logic of the selection process.

With regard to like-mindedness, we already gave it up when Russia was admitted to the ESM. Boris Yeltsin might have had similar views to the West, but you have to admit that Vladimir Putin is quite different. So there would be no surprise with China's attitude.

As for annual reviews, a change of membership will not occur as frequently as might be imagined. For example, the G7 members would not have changed at all between 1976 and 1991 on the basis of my proposal. The same would have been true from 2010 to 2011. In addition, annual reviews would be the fairest method of reflecting the latest data. Many proposals have been called idealistic when they were proposed for the first time.

Regarding having plural systems with different functions rather than one big entity, this is a good proposal, but sometimes world leaders have to make deals, conceding here on global warming and gaining there on food security. This type of across-the-board dealing cannot be done in a plural mechanism.

I will be leaving the Japan Economic Foundation by the end of March. I have enjoyed working here as chairman and CEO for the last 10 and a half years. I would like to express my heartfelt gratitude to all my colleagues working both within the foundation and outside.

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Noboru Hatakeyama is chairman/CEO, Japan Economic Foundation, and previously served as chairman/CEO, JETRO. A former senior trade official, he was deeply involved in many trade issues, including the Uruguay round of GATT talks. He is known as a pioneer of debate on FTAs involving Japan.