

# Recent JEF Activity

## Global Governance: A Wide Range of Issues for Discussion

By Serina Adachi

According to Dr. Ian Bremmer, president of Eurasia Group, an American risk research and consulting company, we are heading for a G-Zero world where no political leadership will be focusing on any important policy issue requiring international coordination. Examples of such issues would include macropolicies to achieve financial and economic stability, global trade liberalization, establishing a balance between energy supplies and environmental protection, and regional geopolitical cooperation for maintaining security. Each of these issues is already at a political and economic crossroads, and without a comprehensive understanding of them and an interdisciplinary approach involving political science and economics, they will not be resolved.

In addition to the specific nature of such issues, the key players in the international political economy are diversified, namely the G7, which has been leading nations since the 1970s, and the emerging BRICs in the 21st century. The former is losing influence and the latter, though increasing in influence, do not know yet how to contribute to the creation of new rules and institutions by which any of these issues can be mitigated.

The prospective G-Zero world is based on such observations. With this in mind, the Japan Economic Foundation organized an international academic conference in Tokyo on July 26, attended by experts on international politics and economics from all over the world. One of our editorial staff, Serina Adachi, presents an overview of their discussions and offers some views of her own.

### Different Governance for Different Issues

Why is it that we need global governance, given that each nation is independent and even the International Court of Justice works under a minimum of international rules?

I believe that as globalization proceeds, discretionary policies implemented by certain countries could affect other countries' economies and politics, and thus any politically strong nation could easily pull the world into a power game. Global governance would be necessary to ensure that small nations are not negatively affected by such power plays.

This is, I believe, true of our daily life as well. In our office, we would expect our managers to show leadership in preventing unequal treatment of employees in terms of job assignment or salaries, etc. The more vociferous, having worked for many years in the same office and believing management decisions would be made in their favor, should be prevented from exerting an arbitrary influence upon those decisions on the treatment of employees.

Yet the issues that would be covered by global governance are very diverse and the stakeholders of each issue are different. Different governance, or different institutions, would be necessary to address different issues. The conference participants discussed finance, energy, environment and security. For each, we are convinced of the need to establish common rules of global governance, but current efforts to consolidate governance and the potential for establishing rules and institutions vary from one to the other. In this regard, no global summitry process, whether the G8 or G20, will have complete power to resolve these issues.

### “Interdependence” — Key Feature in Describing Any Issue

One possible commonality among these different issues which I found important in the discussions was an idea presented by Princeton University Professor John Ikenberry, a well-known political scientist who was also instrumental in organizing this conference. This is “security interdependence”.

According to Prof. Ikenberry, security is increasingly tied to how other people live and act, in more parts of the world. Therefore, no country can be secure alone — you can only be secure together. The solution to the problem of rising security interdependence is cooperative security or strategic peace-building.

This concept of “interdependence” can be applied to any other area such as finance, energy and environment. We have to clearly recognize that no country would be happy to stand alone on any political or economic issue. For example, the United States and China cannot be secure and content on their own, given rising economic and security interdependence, but can only be so together.

This is precisely why we need a credible and sustainable global governance system, and we should keep this in mind when discussing the issue. This is a key concept and without understanding its crucial nature, we cannot discuss the issue fruitfully.

This is somewhat similar to business management, I believe. Each section of a firm cannot be secure and happy alone, but all the sections of a firm will be secure and happy together. If we do not understand this fundamental idea properly we will end up in costly rivalries and conflicts between sections and all of us in the same firm will suffer.

## The Best Scheme for Global Governance?

As I have mentioned, I believe our conference's conclusion was that the best format of governance depends on the particular issue because of the different stakeholders. The relevant venues for global governance would be, for example, the International Monetary Fund and World Bank for financial issues, the International Energy Agency for energy issues, and the International Panel on Climate Change for environmental issues.

However, we still need a global summit process where the leading countries can discuss major economic and political issues as comprehensively as possible, since today the interconnections among such issues are increasing. Should this be the G8 or G20? Since the influence of the BRIC nations is increasing, there is a view that the G20, which consists of developed nations and emerging powers together, could achieve greater benefits than simply the G8, a summit consisting only of the major developed economies.

Relations between the established powers and emerging powers will be the key axis within the G20 over the long term. There is still a positive window for cooperation between the two in the G20 process, but time may be limited.

Another proposal concerning the structure of the global summitry process is for a G10. The originator of this proposal is the former chairman of the JEF, Noboru Hatakeyama. According to him, the process of selecting the leading countries in either the G8 or G20 is neither transparent nor objective. He calculated a weighted average of each nation's GDP and population ratios to the global totals, with a weight of half for each, and selected the top 10 nations in terms of this average as the G10. Since all the BRIC nations would be members of this G10, the essence of this proposal would be similar to the G20, with consideration given to the relations between the current developed nations and the emerging economies.

However, it may not be realistic to reduce the number of leading countries from the current G20 process, since any eliminated nation would have strong objections.

One important lesson from all this is that we should have objective and transparent criteria for selecting the leaders to convince the rest of the world of the authenticity of the global summitry process.

## Increasing Role of Asia in Global Governance

The emergence of several regional powers in Asia, such as China, India, South Korea and some ASEAN member states like Indonesia, is likely to have a significant impact on global governance, especially as the developed Western powers such as the US or the other G8 nations can no longer address global problems alone.

Asia has an important role to play in enhancing global governance by greater participation and a stronger voice in global institutions, by showing greater responsibility and



commitment, and by defending multilateral processes.

The Trans-Pacific Partnership agreement and the Regional Comprehensive Economic Partnership, both attempts at achieving huge free trade agreements, could initiate such Asian contributions to consolidating global governance in trade policy, leading to complementing multilateral systems.

On the other hand, improving governance in Asia itself is important as well in order to strengthen Asia's capacity to take a leadership role in global governance. Asia has established many kinds of regional institutions for dialogue and cooperation such as ASEAN, the East Asian Summit, and China-Japan-South Korea cooperation, and should take full advantage of these in pursuing economic integration and political security.

## Personal Observations

Based on the panel discussions at the conference, I think the problem of current global governance is not the lack of will, as suggested by the G-Zero argument, but rather that too many countries are interested in being involved in global governance.

I believe that an issue-by-issue approach would be appropriate and more realistic in finding solutions rather than a comprehensive global summitry approach. But whatever approach may be taken, the crucial points are to be keenly aware of international interdependence and of the need for objective and transparent criteria for selecting the leading nations in the global summit process.

This lesson can also be applied to our daily personal relations, in which we would be wise to avoid adopting any emotional or arbitrary approach. Every country runs the risk of miscalculating possible conflicts with another country on any economic or political issue, but this risk would be minimized if as many nations as possible shared their wisdom in global governance.

Finally, the most important caveat from this conference was, in my view, that the Western nations that have dominated the world during the last century are no longer the powers they once were, and that for Western leaders today the key to achieving success on the international stage is to recognize the increasing influence and responsibility of Asia in global governance and to share global leadership with them.

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