

A Better Globalization

It is about the politics and the economics of globalization and the significance of democratic consent in the 21st century — Kemal Dervis

By Kazumasa Kusaka

In January 2018, the 11 members of the TPP successfully concluded the difficult negotiations on modernized trade and investment rules just one year after President Donald Trump announced the withdrawal of the United States from the regional trade deal. Good news comes in pairs. The European Union and Japan agreed on the final text for the ratification within this year of a free trade deal that will create the world's largest open economic area, signaling a rejection of the more protectionist US stance.

Achieving sustainable health, in the case of either our own body or the world economy, is like riding a bicycle: it requires diligent pedaling to prevent it from falling down. In the Japan-US Joint Statement of February 2017, Prime Minister Shinzo Abe and President Trump agreed to “Japan continuing to advance regional progress on the basis of existing initiatives” in addition to discussions on a bilateral framework. With this statement Abe thereby committed himself to providing a means for global governance by promoting free trade within a regional framework.

When we look at the history of recent trade liberalization, we can see two critical moments for the international trade regime. The first one was toward the end of the 1980s, when the Uruguay Round multilateral trade negotiations became deadlocked due to economic difficulties in Europe, and it was Asia-Pacific dynamism that changed the mindset with the APEC initiative. The second critical moment was again a deadlock after the Seattle WTO Ministerial Conference in 1999, set up to establish new multilateral trade negotiations after the Uruguay Round, collapsed following massive street protests and demonstrations against globalization. Then, East Asia came up with a series of bilateral FTAs to update trade and investment regimes to reflect the economic reality of interdependent trade and supply chains. Drawing on these experiences, this time Asia-Pacific TPP members saw the realization of the state-of-the-art rules of the TPP as their responsibility in supporting public goods.

In his book *A Better Globalization* published in 2005, Kemal Dervis, vice president of the Brookings Institution and former head of the United Nations Development Program and minister of economic affairs of Turkey, cites George Monbiot's words: “Everything has been globalized except our consent.” Dervis argues that although economists use the concept of public goods at the global level to analyze the challenges facing public policy, the political part of the globalization debate has roots in more ancient human thinking on nature, its direction and whom it benefits, and the survival of the nation state. He concludes that it is useful to look at the economics and the politics of globalization together, as part of the overall discussion of the international system.

The book was published long before the United Kingdom voted

to leave the EU and before the 2016 US presidential election. But we could learn a lot by revisiting his ideas in our efforts to cope with the challenges of creating effective global governance and related international institutions and arrangements. I myself, as a government official, had observed the creation and development of the G5 and G7. It was said to be the brainchild of Giscard d'Estaing, Helmut Schmidt and George Shultz to cope with the international monetary crisis, which was an economic context. But, more importantly, to counter the oil crises of the 1970s, the leaders of democratic countries had to adopt “domestically unpopular austere measures”. Then, as leaders, they needed an “international agreement” to sell these measures to their angry domestic constituencies. They protected themselves from populist attacks in pursuing the necessary economic policy packages. When we seek to implement global governance, hardware, i.e. organizations or arrangements, is a part of the solution. We need like-minded players and the software to wisely utilize them.

At the end of January, President Trump signaled that the US might rejoin a “renegotiated, revised TPP”. This seeming change of mind was generally welcomed, but is it too late or too early? When the US announced its withdrawal from the TPP last year, some TPP11 members thought the US might have second thoughts after one or two national elections, i.e. the mid-term elections this year and the next presidential and congressional elections in 2020 where the changed wishes of American voters might be revealed. However, this signal was unexpectedly earlier than our guess, but the timing is already too late for this round of negotiations, though the US would be welcome to return to the original TPP12.

Just as the US has domestic constraints, other TPP11 leaders have spent significant political capital in bringing their own people with them. And in the case of NAFTA, the Mexican presidential election takes place this summer. With these various political constraints, all of us have to pursue a better globalization. But here, as Dervis noted as a point of the politics of globalization, the question becomes “better for whom?” Since his book appeared, income and asset inequality have expanded within nations and this fact has become visible among the broader population through the Internet. All of this makes a leader's job in democratic countries more difficult. This is the reason we have to keep pursuing a better globalization and the institutions to support it.

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