

# Strengthening Global Governance & Multilateralism: a Special Mission for the G20 in Osaka

By Anita Prakash



Author Anita Prakash

Multilateral governance bodies are mandated to represent the interests of all their member countries. Their governance rules mostly evolve through common understanding of the needs of their member countries. Global governance systems must resonate with the interests of all of their members – small or large, developed or developing – including those that have special or differential requirements.

The list of global governance issues addressed by multilateral bodies is long: human rights, human development, labor, health, peace, conflict, disarmament, communication, finance, and environment. Trade and economic integration, however, always remain in the foreground, as these are among the more visible aspects of international cooperation in the 21st century and have a direct and immediate influence on the conduct of business in bilateral and multilateral relations.

In a globalized world, global governance and cooperation programs help manage both the common and individual affairs of states and societies in a rules-bound manner. The idea behind global governance and cooperation programs is to provide support to solve any challenge within the international system.

The three major elements in global governance – the consensus, rules, and membership of multiple national governments – require a binding mode of interaction. Multilateralism facilitates such interaction and helps sustain the rules-based global order. The process of global governance and the spirit of multilateralism can prevail at several levels – global, regional, subregional, bilateral, and trilateral. Multilateralism also provides for innovation in connectivity and cooperation mechanisms among countries and regions, and facilitates reaching out to new partners.

In retrospect, 2015 was a momentous year for global governance. The spirit as well as the practice of global governance and multilateralism have suffered serious setbacks since that year. The decade preceding 2015 had brought out the urgent need for policy focus, and actionable plans that could create responsible growth and inclusive development for all people. While Brexit and “America First” are widely considered to be offshoots of similar concerns, a larger section of the global community was already aware of the systemic issues that were impeding development and prosperity among the people of the world. But the intensity of the backlash against globalization and multilateralism still caught the policy makers by surprise. Trade, multilateralism and globalization were commonly understood to have brought prosperity to large numbers

of people. However, the global financial crisis of 2008 brought home the strong message of the need for multidimensional development of all people. Sharing the benefits of globalization and resultant prosperity, and making growth inclusive became the byword for policy makers across the globe. The emergent crises of migration, rising fences across borders, technical barriers to trade – all tested the limits of global governance systems and their agenda for members and stakeholders.

Ironically, 2015 also marked a defining year for global cooperation for sustainable development, and for putting the trust back into global governance mechanisms for development. World leaders adopted at the 70th UN General Assembly on Sept. 25, 2015 a new global sustainable development framework: the 2030 Agenda for Sustainable Development – popularly called the “2030 Agenda” – having at its core the Sustainable Development Goals (SDGs). In the same year, the Paris Climate Agreement (COP21), the Addis Ababa Action Agenda, as an integral part of the 2030 Agenda, and the Sendai Framework for Disaster Risk Reduction were also adopted. Seemingly different in their mandates, and governed by different global institutions, these programs provide a multidimensional platform for creating synergy in policy and planning for sustainable development across the world. It can therefore be safely said that the belief in global governance and multilateralism is still fundamental to growth and prosperity but trust in the institutions has weakened.

At the G20 Summit in Hamburg in July 2017, leaders noted and forewarned against the global headwinds that are challenging policies aimed at promoting openness and growth in the global economy. The leaders recognized that risks to the global outlook persist in the context of economic and geopolitical uncertainty, continued financial volatility, global excess capacity in industrial sectors, the challenges faced by commodity exporters, and persistent low inflation. The challenges faced by multilateral agencies are slowing down the response mechanisms of member countries. Against such a backdrop, G20 leaders reaffirmed that they stand ready to use all policy tools to foster confidence and achieve strong, sustainable, and balanced economic growth. For achieving this, cooperation among the multilateral institutions is important.

Currently, the multilateral system of trade governance and cooperation for economic growth is under stress, induced mostly by large economies. Individual positions on trade, tariffs, disputes, and cooperation are overshadowing the multilateral governance systems. Trade facilitation measures, long considered the pathway for

improved prosperity, are at risk of being delayed or even overlooked. This would be detrimental for developing and developed countries alike in Asia and Europe. The smaller and more economically vulnerable countries are at greater risk of being left behind.

The uncertainties created by Brexit in Europe, the withdrawal of the United States from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Paris Agreement, the stalemate in the World Trade Organization (WTO) and the holdup in the Dispute Settlement Mechanism (DSM) body, and the tariff war between the US and China are still being assessed for their impact on regional investment and trade. These are further clouded by the tariff barriers being put in place by several countries around the world. The rising support for trade restrictiveness is compounded by hardening borders for the movement of people. In a scenario where globalization and its benefits are being questioned, global governance and multilateral systems are also under strain.

An informed and forward-looking position for multilateral systems and global governance would mean a more-connected not less-connected world. The G20 meeting in Osaka in June should reflect this inclusive strategy in its workings.

### Strengthening Global Governance Mechanisms for Economic & Financial Cooperation

The G20 is an intergovernmental platform that leads its member countries and regions to cooperate for and participate in trade, investment, and economic integration. Asia and Europe have a special role in the G20 as 13 of the 20 members belong to these two regions. The G20's primary focus has been on the governance of the global economy, although summit themes have varied from year to year. The Hamburg Summit in 2017 declared that mastering the challenges of our age and shaping an interconnected world is the common goal of the G20, which will act as the premier forum for international economic cooperation. The G20 revealed its strength during the global economic and financial crisis when it played a crucial role in stabilizing economies and financial markets.

The G20 gives highest priority to its joint objective of strong, sustainable, balanced, and inclusive growth. Faced with the current challenges to multilateralism and the rules-based global order for trade and economic integration, the G20 expressed its determination in the Hamburg Summit to shape globalization to benefit all people. Most importantly, the members committed to better enabling people to seize opportunities and tackle common challenges to the global community, including terrorism, displacement, poverty, hunger and health threats, job creation, climate change, energy security, and inequality, including gender inequality, as a basis for sustainable development and stability. Although the G20 is a group of select

countries, the members seek to address issues that go beyond the responsibilities of any one multilateral organization. The leaders of the G20 have expressed their commitment time and again to continuing to work together with others, including developing countries and regions, to address global challenges, building on a rules-based international order.

In 2018, the G20 agreed to take concrete actions to advance greater economic integration. It underlined the crucial role of the rules-based international trading system. In particular, it committed to working together with all WTO members to improve the functioning of the WTO and cooperate to ensure the effective and timely enforcement of trade rules and commitments as well as improve the organization's negotiating, monitoring, and dispute settlement functions.

The G20 has a wide reach into the multilateral process and the global governance for trade and economic cooperation through its Sherpa activities. Besides its Track 1 ministerial process, the Track 2 process in the G20 is well established. The Sherpa Track focuses on broader issues, such as political engagement, anti-corruption, development, trade, energy and climate change, and gender equality, among others. Each G20 country is represented at these meetings by its relevant minister and by its designated Sherpa, or emissary. The Sherpas engage in planning, negotiation, and implementation tasks on behalf of the leader of their respective countries. Each Sherpa orients their minister and head of state or government accordingly on the progress of the G20 and delegates the dialogue and topics to relevant working groups.

The participation of leading international organizations, such as the United Nations, International Monetary Fund, and World Bank, allow for a broadening of the scope and impact of the G20 and ensure its focus is truly global. The G20 enriches its agenda and decision-making by drawing on perspectives and expertise beyond its member governments. It confers with a set of engagement groups: civil society organizations from the G20 nations that represent different sectors of society. Each engagement group is independent and chaired by one of its national members, and develops a set of policy recommendations that are formally submitted to the G20 ahead of the summit.

The current engagement groups of the G20 are the following: Business (B20), Civil Society (C20), Labor (L20), Science (S20), Think-tanks (T20), Women (W20), and Youth (Y20).

### G20's Multilateralism Has Special Role for Africa

The G20 Africa Partnership is a special vehicle of global governance and multilateralism to support African countries as well as the goals of the 2030 Agenda. The initiative aims to foster

sustainable and inclusive economic growth and development in response to the needs and aspirations of the people of Africa. It brings forward individual priorities for “Investment Compacts” put forward by select countries in Africa. The Multilateral Development Banks (MDBs), the G20 and other partners can support these countries to mobilize private investment as well as promote efficient use of public funding. The G20 could call on other partners to join the initiative in supporting sustainable growth and employment creation in Africa. Based on equal partnership, African ownership and aligned with regional strategies and priorities, in particular the African Union’s Agenda 2063 and its Programme for Infrastructure Development in Africa (PIDA), the G20’s Africa Compact provides for an innovative approach to strengthen multilateralism and contribute to development in all its dimensions. Japan’s role in strengthening multilateralism and global governance and in the realization of SDG targets and Agenda 2063 can be greatly enhanced by deepening the G20’s cooperation with Africa. Japan is also organizing TICAD VII in 2019. It has an opportunity to converge the G20’s efforts with the objectives of TICAD VII. The outcomes of TICAD VII can be complementary to G20 outcomes in 2019. The strength of TICAD can be brought closer to the G20 agenda and strengthen its multidimensional objectives.

Multilateral bodies attend important G20 meetings (finance ministers’ meetings, economic ministers’ meetings, and senior officials’ meetings). Some of the important multilateral bodies that have attended G20 meetings include the UN, IMF, World Bank, WTO, Financial Stability Board, and the OECD. These multilateral institutions have both a mandate and the capacity to nurture multilateralism.

### Supporting Global Governance & Multilateral Institutions Will Strengthen G20’s Mandate

All these multilateral institutions have a mandate to facilitate economic growth and financial stability across the regions. These are regularly participating in the G20 process and can contribute closely to global economic growth. The G20 can jointly share its views with these institutions and benefit from their strength. This will both strengthen the G20 and bring G20 issues closer to the agenda of the respective institutions.

As the chair of the G20 in 2019, Japan has both the resolve and the voice to provide the multilateral and intergovernmental bodies with a greater and more granular understanding of domestic and regional trade and the economic concerns of Asia, Europe, North America and Latin America. It also enjoys the trust of all developing and least developed economies which remain open to trade and economic cooperation. Under Japan’s leadership, the G20’s

messages to the multilateral and intergovernmental bodies will facilitate more informed and equitable discussions in a multilateral setting and ensure a balanced discussion in these fora. The global and interconnected character of the challenges to the global economy calls for solutions that transcend national borders. Multilateralism itself requires an integrated approach that promotes the effective use of partnerships among multiple countries, regions, and regional institutions for resolving common economic and financial issues.

The G20’s support for global governance and multilateralism will strengthen the very foundation on which the G20 is conceptualised – bringing people, places, and economies closer than before. G20 resolutions can be realized in an environment where there is cooperation and consensus among global partners for common goals of growth and prosperity.

The G20 should therefore work closely with other global and multilateral organizations in order to address domestic and regional trade and economic concerns of both members and non-members, especially of the developing and least developed economies, and create a policy environment which can implement its resolutions on global governance.

Global development programs such as the 2030 Agenda, the Paris Agreement, Africa 2063, and the Sendai Framework have shown that global governance systems still retain trust and commitment from their members. The G20 is well placed to bring together regional governments, the private sector and civil society in mobilizing resources and expertise on sustainable, stable and inclusive growth and to create a consensus on global governance institutions for trade, economic and financial cooperation. For several decades, Japan has remained committed to global governance, multilateralism, openness to trade and economic cooperation and sustainable development. Global trust in these institutions will likely be strengthened by G20 resolutions and work plans in Osaka in 2019.

**Note:** This is a modified version of the chapter “Asia-Europe Economic Connectivity: Reinforcing Multilateral Institutions and Global Governance Mechanisms” from the study *Brussels Report on Strengthening Asia Europe Connectivity: Drawing Synergy from Global Development and Governance Programmes* (ERIA, 2018).

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Anita Prakash is director general of the Policy Department of the Economic Research Institute for ASEAN and East Asia (ERIA) in Jakarta and research associate at the Global Governance Center of the Graduate Institute for International and Development Studies in Geneva.