



## **YORIKO KAWAGUCHI**

Yoriko Kawaguchi is a former Japanese diplomat and politician. Her various appointments include that of Special Advisor to the Prime Minister on Foreign Affairs (2004-2005), Minister for Foreign Affairs (2002-2004) and Minister for Environment (2000-2002). She also served as a Member of the House of Councilors for the Liberal Democratic Party from 2005 to 2013, and as an economist at the World Bank. She is currently Professor at the Meiji Institute for Global Affairs in Tokyo. On July 2008, she was appointed Co-chair of a new International Commission on Nuclear Non-proliferation and Disarmament.

# 1.2. International governance: balancing inclusion and efficiency

Yoriko Kawaguchi, Fellow, Meiji Institute for Global Affairs, Meiji University; former Minister for Foreign Affairs, Minister of the Environment, and Member of the House of Councilors, Japan.

Our current system of global governance has had remarkable achievements over the past 70 years, but in light of new challenges, it is showing a number of limitations. With 193 UN countries holding a legitimate aspiration to be part of global decision-making, what is the best way to balance fairness and effectiveness in global governance? An important element will be the capacity to balance inclusive structures where all voices can be heard with smaller bodies – such the G20 or the World Economic Forum – where participation is more limited, but more effective decisions can be made.

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**T**he UN Security Council's resolutions have not succeeded to stop North Korea's nuclear program. All over the world, refugees have increased, reaching 65 million, of which half are children. The Doha round has stalled, resulting in the proliferation of bilateral and regional Free Trade Agreements, less efficient than a multilateral agreement.

Obviously, our international governance order needs mending, despite a decent track record. There has not been any worldwide war for the past 70 years, and the post-war liberal international economic system brought about unprecedented prosperity, raising the income level of many developing countries, including China and India. But the international community has outgrown its present governance system, partly due to its very success. It is now facing new challenges: the international community has become more interdependent, new risks are global in scale, and with progress in transportation and communication technologies, risks could spread almost instantaneously.

**As countries develop**, it is natural that they aspire to play a part in rule-making and have their views reflected in the global governance order. But the number of UN member countries has increased from 51 to 193 since foundation, and this increase brings new challenges.

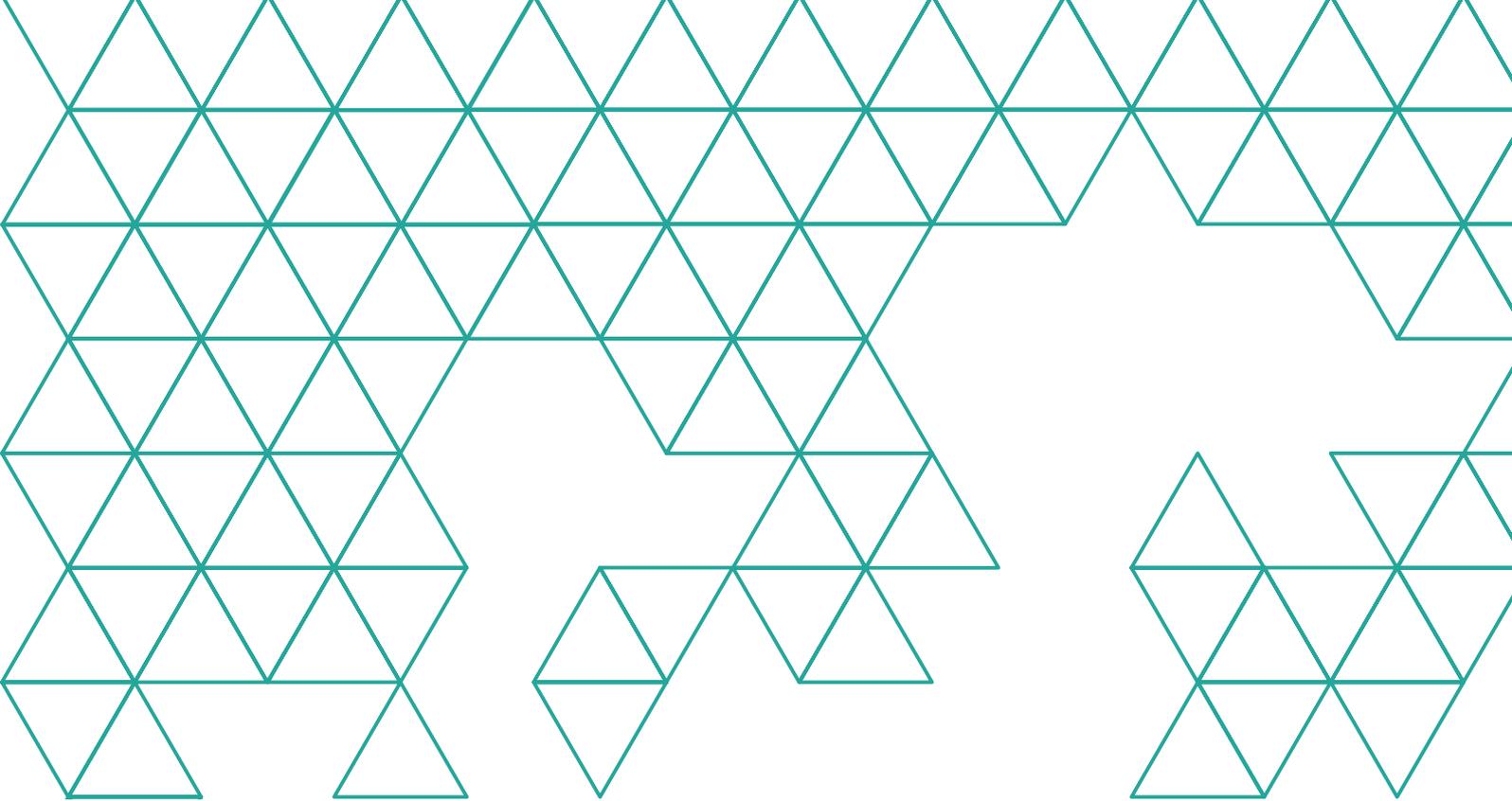
Democracy is a widely accepted

domestic governance system in many countries. In the international setting as well, a democratic governance order is called for. But what would be a desirable democratic order when countries differ in their security, economic, political and other capabilities, and so many different countries need to come together? In the face of pressing global threats, what is the best way to achieve a right balance between inclusion and efficiency?

**An important element** to consider is the cost of maintaining good international governance, and who should bear this cost. The UN's Peacekeeping Operations need to be financed and staffed. The same is true with the World Trade Organization. Good international governance is an international public good which, by definition, tolerates free-riders. If all countries free-ride, the system cannot survive. Worse still, costs have risen as risks have increased.

For over 70 years after the Second World War, the U.S. bore the largest burden, with contributions from other developed countries. Now, circumstances have changed greatly, and the U.S. has relatively declined. With this power-shift, the responsibility for cost-bearing should be shared more broadly by countries aspiring to a greater voice in the international decision making.

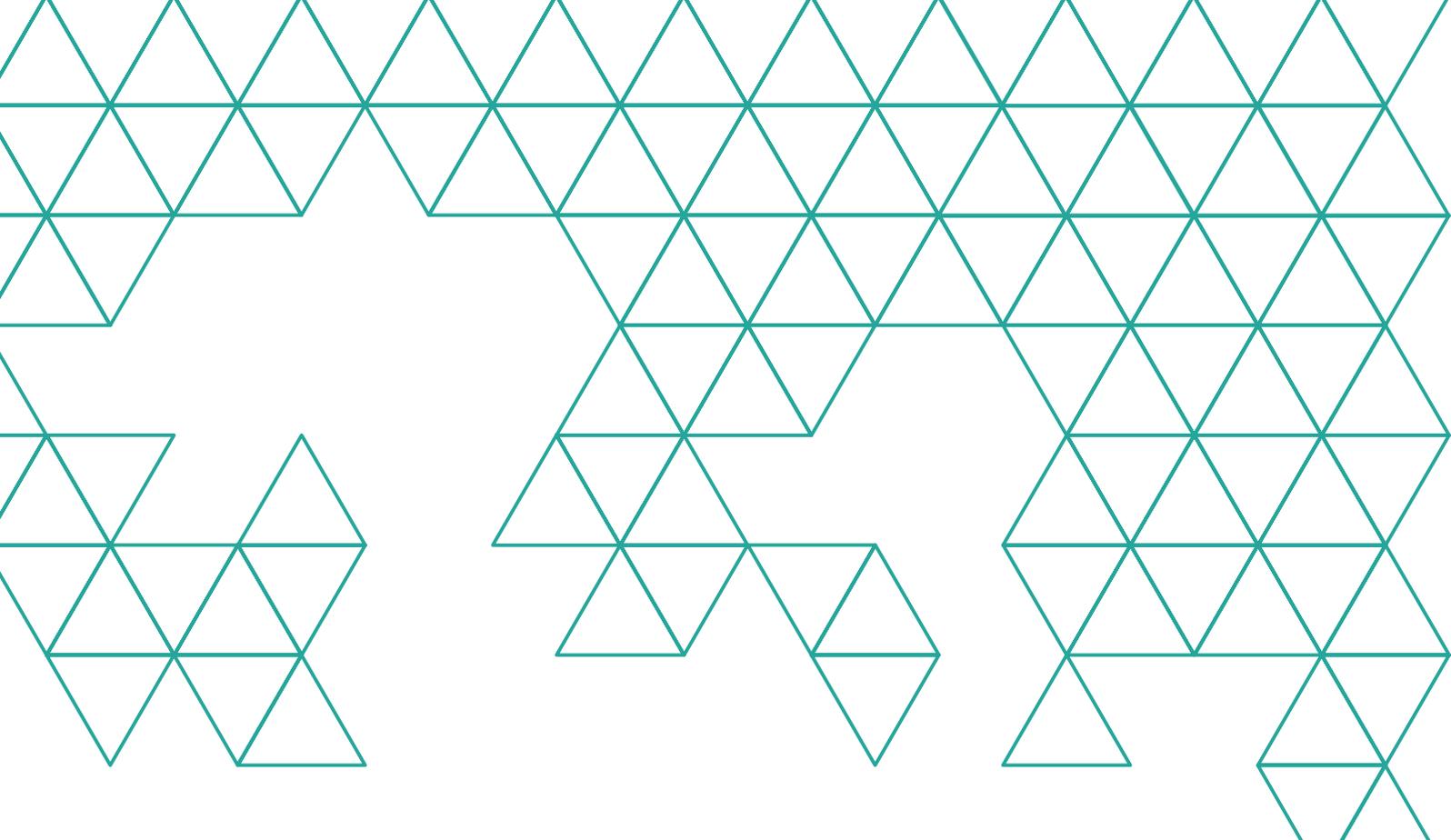
Fortunately, real world examples demonstrate that this has been taking place. For example, the Paris



Climate Agreement stipulated that responsibility to reduce greenhouse gas emissions - and thus cost sharing - applies to developing countries on the principle of equal but differentiated responsibilities.

**Beyond the question** of cost sharing, a good international governance system needs to be efficient as well, because time could be a vital factor in dealing with risks. This means, the system needs to be both representative and functional. One potential model would combine a broad structure where all nations participate, and smaller structures allowing certain countries to play a larger role in decision-making, but with greater responsibility for cost bearing. Various structures already play this second role.

The G20 is a good example. The G20, at the summit level, met for the first time in 2008, following the global financial crisis, to respond and build a resilient international community. Participating countries together represent about 2/3 of the world's population, 90% of its GDP, and 80% of trade. The 12 summit meetings since then have helped leaders understand each other's thinking, given guidance on global problems and agreed on important action plans, some of them with target dates. The Hamburg Summit in 2017 covered a wide variety of issues, including trade and investment, excess capacities in the iron and steel industry, global financial systems, climate change and Africa. Now, major decisions pertaining to world problems must be endorsed by the G20 to be viable.



The G20 is an improvement over the G7 in terms of inclusiveness. However, work is still needed to create a sense of joint responsibility and, perhaps, develop agreed principles for action, so that the G20 can be more effective and action-oriented. This was the case with the G7, which agreed and acted on the decommissioning of the former Soviet nuclear submarines after the demise of the Soviet Union.

Another exemplary vehicle is the World Economic Forum. This is a forum for political, business, academic and other thought leaders from around the world. It functions as an incubator for creative thoughts and initiatives for actions to orient governments and business. For example, an initiative for water was created at Davos by the leadership of some international companies, and

influenced governments and business to act on clean water supply.

Partnership between governments and business will be more important in the years to come, because risks will become more complex, with more serious implications on our interconnected world. Governments, many of which are under serious financial constraints, cannot deal with those singlehandedly. Partnership with local governments and citizens' groups should also be strengthened for the same reasons.

**The objectives of an international governance system** are to achieve peace, stability, and prosperity. The most important underlying factor for this is the willingness of the nations and peoples to honor governance rules.