

Roundtable with Dr. Rizal Sukma, Dr. Neha Gupta, Dr. Fukunari Kimura & Masakazu Toyoda
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What Is the Role of the Global South in Times of Turmoil?

By Japan SPOTLIGHT

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Participants



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The Global South is a key to peace and stability today in a world faced with enhanced geopolitical risk and weak economic recovery with the risk of inflation. As these nations' share of the world economy increases, and accordingly their political influence as well, Japan, as one of the middle powers, is now starting to think about establishing productive win-win relations with them to maintain their influence in global governance. *Japan SPOTLIGHT* organized a roundtable on the role of the Global South in global governance today in this light.

Introduction

Toyoda: After Russia's invasion of Ukraine, a group of developed countries led by the G7 took steps to impose economic sanctions in addition to the UN resolution condemning Russia, but many emerging countries that participated in the condemnation resolution did not join in. The Global South, as a group of emerging countries, quickly came to the forefront of attention. The reason for this was

that they were not affiliated with China or Russia, nor with the Group of Industrialized Countries, and so they have held the casting vote, so to speak.

Later, in the conflict in Gaza, many countries called for an "immediate ceasefire" but the G7 did not take a clear stand on this out of consideration for the United States, Israel's backer, and out of priority for G7 unity. Many emerging countries condemned the G7 position as a double standard. Although innocent civilians are being killed every day in both Ukraine and Gaza, the West blamed Russia, but not Israel. However, it seems that the Global South does not always act from the same position. For instance, we hear that India voted to abstain from the immediate ceasefire proposal at the United Nations.

Therefore, today, I would like to discuss the following four issues pertaining to the Global South.

- (1) What is the Global South?
- (2) What is the principle of action of the Global South?
- (3) What is the role of the Global South in these chaotic times

when the “rule of law” has been shaken?

(4) Can Japan and the Global South, both of which uphold the importance of the “rule of law”, cooperate and contribute to the formation of an international order?

We are pleased to have three experts in economics and politics here today to discuss these issues regarding the Global South, which the world has a great interest in. The first is Dr. Rizal Sukma, director of the Institute for International and Strategic Studies, an Indonesian think tank. Dr. Sukma specializes in Southeast Asian security issues. He is also a former ambassador to the United Kingdom and served as a foreign policy advisor to former President Joko.

The second is Dr. Neha Gupta, a visiting fellow at the Indian Council for Research on International Economic Relations (ICRIER), an Indian think tank. She is an international trade economist and also an independent researcher and trade expert. She specializes in international economics, especially the global value chains and international competitiveness of Indian industries. Last but not least, we have Dr. Fukunari Kimura, a professor emeritus at Keio University in Japan. His specialty is international economics. He is currently president of the Institute of Development Economics, JETRO (IDE-JETRO), and is well versed in Asian affairs.

What Is the Global South?

Toyoda: I would like to begin the discussion by asking what exactly is the Global South? I would like to ask Dr. Sukma first. The Global South is extremely diverse. It is supposed to include Asia, Africa, Latin America, and emerging countries such as in the Middle East. How do you define the Global South?

Sukma: Thank you for having me, and it's a great pleasure to be able to discuss this. I think it's a very timely topic that will continue to be important on the international stage in the years to come. First of all, I think the term Global South is basically just a new term that represents the developing world. We used to use terms like Third World and so on, but those terms are no longer politically correct, so we were trying to look for a more neutral term, which is the Global South. However, I think these countries should be understood not only as a collection of countries with certain economic and social characteristics, such as lower and middle income, or postcolonial states, and so on. I think we should also see the term Global South as representing a collective protest, if you like, against the existing international order, which does not really provide a space for non-Western countries to actually express and voice their concerns, especially in terms of the ability to be within the core structure of the international institutions that are part of the new emerging and changing regional and global order.

I think we also need to look at how this collection of countries such as Indonesia, Brazil, India, and Chile, which have rather different concerns and interests, represents an aspiration as well. It's not only a geographical grouping of countries or a socioeconomic grouping of countries, but also as a collective aspiration for a better

world order. Basically, I think these are the countries that express a certain geopolitical expectation in order to reduce the dominance of one or two or three major powers in the international order.

These are all characteristics that we need to look at when we use the term Global South, even though, of course, I don't think that the Global South actually represents one collective entity. It's actually very diverse and even has different interests from one country to the other, but I think the three points I just mentioned really constitute the common characteristics that many of them share. That's at least how I try to understand the term, even though I do think this is a new term for an old reality that probably began to change a little bit over the past 10 to 15 years.

Toyoda: Thank you very much. Very interesting. Let me turn to Dr. Gupta. I'd like to ask the same question to you. I feel that India is a self-appointed leader of the Global South, and with the presidency of the G20 in 2023, in collaboration with other emerging countries as well as developed countries, the Leaders Declaration successfully summed up that all nations must not use force to acquire territory. On the other hand, India has applied to the IEA, an organization of the OECD. Please explain the implications of this.

Gupta: Thank you for having me. This is a very interesting question. First of all, in my view, the Global South is still not a properly defined term. It's a term of use. There was a time when people used to say Third World countries, but there were objections; and then came the era of underdeveloped countries, and then people started finding that very strange and started using developing countries. Along with that, other categorizations also came up, like least developed countries, and the UN's high income, low income, and medium income. But overall, the focus remains on the developing countries of Asia, Latin America, and Africa, and that's how the Global South is mostly seen. There's also the G77+China group that had a forum in 2023, which is also taken as synonymous with the Global South.

The future of the 'Global South' term is still not fully known. However, this term apparently came into the limelight in 1969's paper as the North's dominance over the Global South in the context of the Vietnam War. Since then, the usage of the term has been generalized. It is more debated now due to its failure in describing the depth of unity and diversity for which it had been originally proposed.

That said, the Global South was originally seen as a set of countries located in the Southern Hemisphere that have been exploited by colonial rule and have a lot of dependence on Northern Hemisphere countries. But in short, it is a set of developing countries excluding a few Asian countries such as Japan, which is a member of the highly developed G7 group. Overall, I feel that the Global South is very heterogeneous, as Dr. Sukma just mentioned, it's a very heterogeneous, diverse group. Some countries are very big in size, in terms of economy or population, and some are very small island countries, and then there are some that are rising up in global value chains, like China, which is a manufacturing hub that is

technologically very high and moving toward electric vehicles. There's a country like India, which has recently led the G20, and then there are some very rich countries in the Middle East. Every country is at a different stage of development; and when they're at different stages of development, they have different domestic priorities, trade integration goals, and connectivity targets. Some countries aim to just move out of the debt or poverty trap, some are in the process of becoming a manufacturing or technology leader, and so on. This means that any strategy formed on behalf of the Global South is likely to face criticism, not only from outside the Global South but also from within the Global South, because everyone is at a different level of development. Along with diverse economic challenges, they have different geopolitical responses to the current turmoil. To cite an important example, when in February 2022 the UN General Assembly voted for a resolution for the withdrawal of Russia, there was split as 25-30% did not support it. This is one issue. Another is, what is the exact opposite of Global South? Global North is not a frequently used term, although people are trying to use it. Most policy studies and research studies use "Western countries" or "Western group" and when we talk about the West, it's America and Europe. They are still the biggest consumers and they import a lot from the developing Global South countries – not only labor-intensive products, but also things like assembled cars and assembled phones. This means that there are a lot of dependency issues that will continue for a very long time. However, as the West primarily denotes America and Europe, what about Asian economies like South Korea and Singapore? What about Eastern Europe – Hungary, Romania, the Czech Republic, Slovakia? Mexico is also a North American country, but it's part of the Global South. Chile's role is also debated.

All this depends on the right definition of the Global South and on how we use or approach it. It is certainly not the geographical South. This is clear. Simultaneously, some use it as a way to resist Western hegemony, some see it as a left-wing ideology that considers the Global South as group of poverty-driven underdeveloped countries; while others see it as a hub of emerging economies. Concerns arise as many rich countries in the Global South are not fully developed in terms of infrastructure, exports, etc. China is the biggest producer and exporter of almost all manufacturing commodities and dominates the rules of GVCs, yet it is still in the Global South. On the other hand, many see the Global South as a way of promoting South-South cooperation. In fact, South-South trade, as opposed to North-South trade, increased from 17% in 2005 to 28% in 2021, and this is expected to rise.

I would also say that being in the Global South does not mean that a country will only create and have economic ties within the group. The Global South is more of a unity of different countries coming together as a team to voice similar ideologies on certain parameters, but yet each one is free to pursue its own foreign trade relations. The Global South does not stop any country from getting into alliances with the Western group. The G20 is a perfect example of that. While the Global South seeks to assert its autonomy and interests, it may

also find it necessary to engage with Western institutions to achieve its goals. And when you talk about the OECD or the IEA, they're Western-dominated organizations, but they are not the exact opposite of the Global South. There are a few countries from Latin America in the OECD as well, like Costa Rica and Chile, who call themselves part of the Global South. Therefore, it doesn't mean that if you are in the OECD, you are not in the Global South. When we talk about India's application to the IEA, which is part of the OECD, it doesn't go against the rules of the Global South. In fact, it highlights India's aspiration to integrate with the global economic system. The reason India applied to the IEA is to fulfill needs in energy security and energy efficiency and to invite more investments, because this is the need of the hour. India's application to the IEA highlights its role as a bridge between the developed and developing worlds, despite complexities.

The last thing I would like to point out is that I do not think that India is a self-appointed leader of the Global South. I feel this is not true and mostly interpreted in a narrow sense, because there are many countries in the Global South who deserve to be leaders. This means that different Global South countries can lead in different domains. They can share lessons with others, like China in manufacturing and exporting, and India in services, fostering foreign trade, and peace policies. Each one is a leader in different domains and they can collaborate. That's the main thing. India is certainly one of the leaders, and I'll say it's one of the important countries in terms of size, population, and growth, for bringing all the countries of the Global South together. It hosted the third Voice of the Global South Summit in August 2024, covering all aspects of growth and development.

Toyoda: Thank you very much. On the issue of the IEA and OECD, do you think the IEA is at least addressing global issues, and not just the issues of developed economies? Is that why you think India should join? I think the government of Japan and many other countries are supporting this.

Gupta: Yes. The OECD is a global forum, it doesn't belong to developed or developing countries, although it's more dominated by Western countries, but energy security is the need of every country.

Toyoda: Let me ask the same question to Dr. Kimura. What is your definition of the Global South? Do you think the definition differs depending on the degree of development of emerging countries? It seems that both the developed countries group and the China/Russia group want the Global South to be their ally, but is that possible?

Kimura: On the definition of the Global South, I agree with Rizal and Neha that it's not a really unified entity, but may have a sort of geographical coverage. I would say it covers all countries in the world minus the G7 Western allies and minus China and Russia, or to put it another way, newly developed and developing countries that do not belong to either the West or the East. I don't think either the

West or the East is actually influential enough to ask them to choose a side in terms of national security or economy. I think there's some liberty for countries in the so-called Global South to be sort of neutral. This is another important aspect.

I specialize in trade and investment issues, so particularly in that context many countries in the Global South are connecting to both, particularly in the context of the US-China confrontation, connecting to the West and also to China at the same time. I think this is a really important aspect. Of course, the positioning is different country by country, but we have a sort of spectrum. That's a very important implication for how we can think of the world right now. I'm working a lot on the US-China confrontation these days, so maybe my context is a little bit limited in a sense, but as you know, it started as a tariff war between the two countries, and then went to high-tech export controls. It's a sort of political argument, not only in Washington and Beijing, but also Tokyo, and it's pretty much dominated by the national security argument. In that regard some parts of the world's economy are really restricted in the context of geopolitical tensions, unfortunately. We economists cannot really stop that, but the rest of the economy is still healthy, in a sense. The US and Japan are still trading with China to a large extent. I'm not quite sure what will happen from now on; unfortunately the restricted portion may get larger. Some countries in the Global South still have very active trade and investment with both Western countries and with China. I think this is a very important phenomenon, particularly in the Global South and particularly in Southeast Asia. India has a little bit different context, but is also connected to both. So, the presence of the Global South is very important from the viewpoint of economies, in order to keep at least part of the world economy healthy and vigorous. Our political debate is really biased toward national security in the North, but to have some psychological balance, we must look at the Global South. In some particular economic aspects, somewhat more proactive moves coming from the Global South could be very important. That's my thinking right now.

Toyoda: Thank you very much. The China/Russia group and the G7 group are both trying to make the Global South their ally, but do you think this is possible?

Kimura: I don't think either the US or China are powerful enough to force them to choose a side. I think a sort of neutrality may remain. That's my guess and hope.

Principle of Action of the Global South

Toyoda: Let me move to the second question. It's about the principle of action of the Global South. Some have described the Global South as a "multipolar diplomacy" that takes advantage of the division of the world. Dr. Gupta, let me ask you the following question. Some say that the Global South is based on the principle of "putting the home country first", weighing the opposing Western groups against

the China/Russia group, and flexibly working with whomever is to its advantage. As an example, I have also heard that India is not participating in the economic sanctions against Russia for its invasion of Ukraine, and is procuring cheap crude oil from Russia. What do you think about such views?

Gupta: Thank you for this question. Before answering about putting one's home country first, I would like to talk about the principle of action of the Global South. In my view, the principle of action of the Global South is multifaceted and is often influenced by domestic political considerations, economic interests, and historical grievances. While some may describe it as a move toward multipolar diplomacy, it is important to understand the matter more deeply before generalizing about it. The Global South is based more on cooperation among members and appropriate integration with the world, and as these countries have accepted the domination of the West, the Global South is becoming more important, especially the Asian countries. If you consider Asia, its GDP was only 20% of global GDP after colonization, but there was a time 200 years ago when this was 60%. Now, it is almost back to 50%; so Asia is getting its share back, and the scenario for most of the countries that were poor in the 1950s has now changed. In that sense, the Global South and particularly Asia has become quite strong economically.

When you raise the question of taking advantage of the world, that was more the situation after World War II when the bipolar order was there with the Soviet Union and the US. That is when the non-aligned movement came, where developing countries took a neutral role so they could take advantage of both the sides or either side.

The situation now is different. The Global South is claiming to be a single party, bringing countries together to strengthen economic ties and peace, and they have their own voice, their own agendas, their own priorities, their own political and economic significances, and their own strengths. South-South trade is also growing, and so in my opinion, I don't think the division of the world and taking advantage is really true.

Obviously, the cause-and-effect trend is moving toward multipolarity. In my view, it is not right to say that the Global South or India in particular is based on the principle of putting the home country first. Let me look at this from a different perspective, because this is primarily what many countries have been doing, either on a global level or by political parties within their national boundaries. There has been Donald Trump's "America First" policy, followed by the recent "Make America Great Again" policy, and the minor political party Britain First with a slogan of "putting British people first", and then there's a Turkey First platform too. This has heightened since the global financial crisis and even more due to the global trade war. This home country preference has been made by both growing, developing and developed countries in the name of rising protectionism. They want to protect themselves from the side effects of hyper-globalization and desire to develop their domestic economy and become more competitive.

In fact, in the name of rising protectionism, import restrictions

have increased in G20 countries, which include developed and developing countries. Cumulative G20 import restrictions in 2009 were \$68 billion, and this became \$1.5 trillion in 2019, \$1.4 trillion in 2020, and since then it's been mostly around \$1.3 trillion. You can see how the focus has been on import substitution, boosting their domestic economy, by both sides. And this trend has grown since 2013-14, particularly in Asian countries, when reindustrialization programs were initiated to promote brands – these were “Made in China”, “Made in America”, even “Made in Afghanistan”, “Made in Malaysia”, the “Revitalizing Japan Strategy” in 2015-16. All these came along with the “Make in India” program, propelling India and many countries at that time to bring out big development strategies encompassing the AI industrial revolution, new strategies for trade, and new social sectors.

Big development projects and strategies came about to achieve competitiveness in the home country, to protect themselves from hyper-globalization and the crisis effect. This became more prominent due to trade wars and the pandemic, when people realized that there's a huge dependence and because of that dependence shortages are increasing. Now, there's more effort on becoming self-reliant. India also recently revamped to “Make in India for the World.” That means on the one hand, it is prioritizing the domestic economy, while at the same time it is willing to have the potential benefits of deeper market integration. Overall, the principle of putting home country first may be seen as a common theme across many Global South countries, but it does not necessarily imply a disregard for international norms or willingness to engage in double standards. Rather, it reflects a prioritization of stable economic growth and more peace in the world economy, to somehow navigate the complex geopolitical landscape and sustain their domestic competitiveness. This all happened due to the unrest built by mistrust in the last decade.

The seeds of unrest go back two or three decades to 1991, when the Soviet Union collapsed and unipolar dominance emerged, and it's still continuing. Recent events like trade wars, however, have shown that Bretton Woods institutions, international financial institutions like the IMF, the World Bank, and the WTO have not been able to do much about resolving the crisis. The US has also failed to resolve the crisis. In fact, if you talk about Europe with what's happening in places like Ukraine, Russia, Israel, and Palestine – instead of stopping them, the Western group is somehow fueling it more. This has led not only to political instability and economic losses, but also huge human resource losses. These developments have significantly affected many countries in the Global South, raising concerns over the need for a new world order, a shift toward multipolarity to maintain peace, foster better foreign trade relations, ensure a more inclusive representative voice for poorer and developing countries on a global platform, and enhance South-South cooperation.

The Global South is realizing three kinds of pressure at the same time. One is from the West, the Global North, the US, G7 countries, Europe. They are expected to somehow limit or put restrictions on

rising South-South cooperation. It is anticipated that they will make every effort to restrict any coalitions or groupings forming in the Global South like BRICS Plus, so that they cannot advance towards a new world order.

The second conflict or pressure is within the Global South. There's a conflict between India and China, with growing anti-Chinese sentiments, and with China's influence in other South Asian countries like Pakistan and Nepal causing tension with India's regional influence. And there are greater expected tensions from the Gaza conflict and the China-Taiwan issue.

The third is domestic tension. There are weaknesses in the domestic competitiveness of almost all the Global South economies, with a few exceptions. There are weak logistics and infrastructure. FDI is low, connectivity issues are there, and exports of value-added items are low, in particular if we talk about the case of India as well.

All of this is hindering their progress, trade integration, and position in GVCs. There are some countries like China that are moving up with technological innovations. Some are prioritizing the services sector, like India, but there is still overall weakness in core domestic competitiveness. This implies that there are global pressure, internal pressure, and domestic pressure, and to deal with all of them in order to survive and thrive, it is essential for these countries to have domestic reforms so they grow internally and can better integrate with the world. The shift toward this multipolarity seems inevitable, given these pressures, and I feel it's a now-or-never situation – if you don't take risks, you will lose your influence. Additionally, there's mistrust in the existing relationships and the growing competition among countries, as well as the need for protecting themselves from global turmoil. It all necessitates a mindful approach, rather than a rivalry approach. I think this is what India has been mostly advocating in various forums like the G20. India has been pressurized to put sanctions on Russia, but it recognized that this would have huge consequences.

The decision not to participate in economic sanctions against Russia is a complex issue with multiple factors at play. While economic considerations may have been influential, it is important to consider India's strategic interests, India's historical relationship with Russia, and its desire to maintain neutrality in the conflict. What India did was to understand that our imports of oil are important. In fact, since the Russian-Ukraine war began, India's imports of oil from Russia increased to more than 40%. India's stance, as the foreign minister has confirmed, is that if you don't buy oil from Russia and if Russia does not find any seller, then eventually there will be a huge oil shortage and the oil prices will increase around the world, which could disturb the economic balance. Therefore, transactions of this type require a mindful approach, and this is what India has been doing, so that it not only benefits the domestic economy but can also benefit the whole world. The Global South, particularly major economies, are concerned about maintaining peace and existing strong foreign trade business relations, and to have stability in economic, social, and political conditions.

In fact, India's relationships with Russia, the US, and China are all

equally important to India, although these are all at different tangents right now. Maintaining balance in foreign relations is the best policy, and that's what India has been trying to pursue as one of the leading nations of the Global South. Yes, it has trade deficits with Russia and China, but it still imports a lot from them. And it's also focusing on self-reliance at the same time, and focusing on export competitiveness and global value chains to deal with any crisis. Besides this, India is also diversifying its foreign trade relationships.

If you look at the Regional Supply Chain Initiative and the Quad, India's relationship is growing more with Japan and Australia. This is one way to counter China's influence and also to provide a geopolitical safety net. Many other countries are also following the same suit, and this is advantageous to themselves and to the world in the medium to long term. Therefore, our focus on the domestic economic growth of the home country can be seen as a positive aspect. It's a safety valve for many countries, and it's more like a protective shield for many countries in the Global South, with the aim of prioritizing domestic competitiveness and international strategic partnerships.

Finally, I would like to say one thing about behind-closed-door trade negotiations. From what I've heard or seen, or what I know from the existing literature in the trade field, even in politics, friends are rare. At the end of the day, every country survives or gains if it stands on its own legs. That is the policy I think everyone is trying to follow. This is what I feel India is trying to do – stand on its own legs – and what many in the Global South and even developed countries are doing. And it's a good thing.

Toyoda: Thank you very much. Dr. Kimura, Some people say that the Global South is no longer an object of the international order, but a subject of it. What is your view of the principle of action of the Global South? A prominent person once said that the Global South prioritizes the development of its own economy over global issues. This person also said, "Developed countries should use their resources to solve the problems of the global economy." Actually, this was said by Prime Minister Narendra Modi. What do you think about this view?

Kimura: I think one common element that countries in the Global South share is a sort of frustration over the existing international rules. Raising those kinds of issues has some value, of course, and sometimes there are very good reasons for doing that. Also, the WTO rules are not perfect. I think there are many issues that we really have to solve, small ones and then large ones. And each country has its own interests, and we have to respect that, of course, too.

In terms of our trade rules now, however, we are really facing a risk of the whole regime sort of collapsing right now. I think we have to share that sense of emergency right now. We have to redo a sort of international order in terms of trade and investment issues at some point in time, but now we really have to retain the rules-based trading regime, particularly for smaller countries in the Global South.

I think WTO rules are extremely important. Sometimes larger countries like India or Indonesia are tempted to look at their potentially big domestic economy and look inward in a sense with industrial promotion policies. There is a lot of temptation to do that. I have a slightly different opinion on the effectiveness of such policies, but those kinds of industry promotion policies can even be done under a sort of WTO regime. Sometimes we may see some small cheating, but trade negotiators say that everyone in all countries is a sinner. I really hated such a notion in the past, but now I think that it's okay to do some small cheating. The collapse of the whole regime costs a lot, however, so we really have to think about that very seriously. I think that particularly right now, actually, the WTO is not really doing everything in terms of the smooth movement of all of our goods and services in international production networks. The WTO rules are not really enough, actually. They're basically just talking about trade in goods and the relatively slow trade for raw materials and finished products.

ASEAN member states are going a little bit farther. We have a lot of trade in intermediate goods there, and those goods should be traded in a timely manner in reliable logistics links. That actually goes beyond WTO issues, but now I think at least part of the Global South should provide support together with free-trade-oriented middle powers to preserve the rules-based trading regime. Of course, own country is most important, that's just natural, but sometimes we have to get together and work together. Now is the time to do that in terms of a trade and investment regime.

Toyoda: Thank you very much. Dr. Kimura. Now, I'd like to ask Dr. Sukma, Prabowo Subianto, the new president of Indonesia has made critical remarks about the West's double standards, saying, "When Russia invaded Ukraine, the West led a global condemnation movement, but in Gaza, they are allowing a bloody conflict." Is it correct to assume that the Global South's standard of conduct is based on the "rule of law" rather than on double standards?

Sukma: Before I answer that particular question, I would like to go back to your earlier questions that I have not answered about the view of the Global South and Indonesia's application to the OECD. Our application to the OECD has nothing to do with the Global South, because we see our obligations through the OECD on their own merits, because it does provide economic opportunities. I also think it would help Indonesia to push for and keep what Prof. Kimura just said about open economies, that you have to try for the closer and deeper economic integration of countries in the regions and also beyond. Now we are in the middle of these negotiations with the European Union, also for free trade, because we know that within the OECD there are also other upper-middle-income countries like Chile and Costa Rica. This application shows that Indonesia is trying to graduate from the Global South, but I don't think that's the way we look at our application to the OECD. We really want to create these economic opportunities to push for economic reform and also economic engagement with the more advanced economies that are

members of the OECD.

That's one thing. I think the criticism by President Prabowo Subianto really highlights the nature of international politics, which is really unfortunate and sad at the same time. International politics has not really changed from 2,500 years ago; it's basically a world where "the strong do what they can and the weak suffer what they must." Basically, we are still seeing this, so that's why I think it is important for all countries, not only the so-called Global South, to pinpoint the fact that there are double standards being practiced by great powers. Having said that, I think many other countries, including those in the Global South, in certain cases also commit double standards in one way or another, because in the end all countries put their own interest above everything else. We are all struggling here to reconcile the national interest on the one hand and international obligations on the other. If you ask what the key principle of action is for countries in the Global South, I think number one is really the national interests and then how you can reconcile those national interests with international obligations. In a way, it's how to make international obligations also part of the national interests of any country. That's what our president really highlights when he basically criticized the double standards that are being practiced by the US and a number of its allies in the West.

Going on to more practical and concrete answers to the question, what are the principles of action? What are the standards and codes of conduct by many, many countries? I think there are a number of things that we need to highlight. Number one, every country, especially in the developing world, still thinks that cooperation that can bring mutual benefits is really the principle of international relations. Number two is what Prof. Kimura already alluded to, the importance of recognizing the agency that these countries actually have. The recognition of the agency of the individual state is very critical because we do know that sometimes great powers think that our behavior is the function of our relationship with other great powers. That is not the case, because we do have our own agency and we decide what we really think is good for the country.

The third principle is that we really need fair dispute settlements, fair rules that apply to all. Basically, we need to respect the UN Charter and also international law, such as UNCLOS, for example, in the case of maritime security, and also other international laws. I think this is a very critical principle that every country should really try to defend, to ensure that there is a rules-based international order in which all countries are actually being treated equally and fairly. The fourth principle, and I'm becoming more and more pessimistic on this, is finding solutions at the global level to current problems. Therefore, I think it is also important at this time to actually look at the regional level. I do think that for countries like Indonesia, India, and also Japan, it is very important to look at what we can do within the Indo-Pacific region, within the East Asia region, to really preserve all these rules that have been working very well for countries in the regions. And finally, we prefer multilateral approaches rather than bilateral, even mini-lateral. Multilateral processes and multilateral institutions need to be preserved to actually provide an international

order that is not dictated by one or two great powers.

And finally, there is the principle of having a more democratic UN Security Council. The UN Security Council needs to be reformed, and that more countries should be part of it. I don't think that it's quite realistic to demand that the UN Security Council be abolished, as I don't think the veto powers would agree to that. But a formula that can accommodate more voices from the Global South, such as India or Brazil or even Indonesia or countries in the Middle East, needs to be considered. Unless this kind of reform and these principles are put on the table and then everybody actually reiterates their pledge to support these rules, the future of the world might not be bright as we enter the second part of the 21st century.

I think these are the key issues that we really need to pay attention to, in order to really come up with ideas for how we can continue to preserve the principle of action for countries both powerful and less powerful, and also rich and not so rich countries.

The Role of the Global South in These Chaotic Times

Toyoda: Thank you very much. You raise a very important principle with respect to a rules-based approach. Now, let me turn to the third question. What is the role of the Global South in these chaotic times when the "rule of law" has been shaken? I would like to ask Prof. Kimura. In relation to my earlier question to Dr. Sukma, is it correct to think that you expect the Global South to contribute to the re-establishment of the "rule of law"? For example, at a time when the WTO is dysfunctional, you have said that the Multi-Party Interim Appeal Arbitration Arrangement (MPIA), of which Singapore is the only participant from ASEAN, is quite important. You are saying that other Asian countries should be encouraged to join as well. Is it correct to say that you expect the Global South to reestablish the "rule of law"?

Kimura: I cannot really talk about the UN Security Council, and I'm just talking about international commercial policies. I think the MPIA is one easy solution that doesn't solve everything, of course. I think very recently the Philippines joined the MPIA, in May 2024. I haven't checked the political background, but probably the Philippines is facing a possible threat of economic coercion by certain countries. I think MPIA members in this region include Japan, China, Hong Kong, Macau, now the Philippines, Singapore, Australia, and New Zealand. I think if at least both parties are members of the MPIA, that can be pretty much a perfect substitute for the WTO Appellate Body. I think this is a sign of having a certain level of respect for WTO rules and that's very important. Still, US politics completely neglects the WTO these days, but other countries including Western allies like the EU and Japan, and even China, maintain some respect for the rules. I think that this is a very important sign. Joining the MPIA is very easy, not like joining the WTO or OECD, so this is one way to show respect for WTO rules.

I think this is one relatively easy case. Also, Rizal talked about

regional or mini-lateral or any sort of channels other than multilateral. I think that's very important in international commercial policies, too. The OECD is not really a sort of binding institutional setting, of course, but joining it is a very important sign of showing that respect. Other regional trade agreements could be another channel for doing that, even if we cannot do everything, I think that having like-minded countries showing respect for a rules-based regime is very important.

Toyoda: Thank you very much, Dr. Kimura. Now let me ask Dr. Sukma. You have already talked about a rules-based approach. The Global South is basically the middle powers or a group of smaller countries. Once again, the rule of law increases the predictability of economic activities, but is the rule of law a positive thing for the Global South? We have heard that Indonesia has expressed interest in joining the CPTPP. Is it correct to think that their interest in the CPTPP, in which the so-called major powers are not participating, is due to their interest in the "rule of law"? Could you also talk about your interest or your thinking about the MPIA.

Sukma: I don't have anything to add on the MPIA, I don't really follow that very closely, but when it comes to the CPTPP, I think there are a number of factors that are probably shaping Indonesia's decision to apply to become a member. Number one, I think it's purely economic interest, and because the CPTPP is really aiming for a higher standard of economic agreement, I think the policymakers realize that being part of that would also help Indonesia raise its ability to actually improve and increase the standards when it comes to economic cooperation with other countries. And I think it's good news that the president has already agreed to the decision by the current government to apply to the CPTPP. I think that's the first factor. The second is that this decision also reflects Indonesia's eagerness to do what we call multi-engagements when it comes to foreign policy. It is a way to demonstrate the autonomy of Indonesia within this more difficult international order, which is basically characterized by the intensifying rivalry between China and the US and so on. Within that context, I think we want to show that Indonesia is for multi-engagement, and that we want to demonstrate strategic autonomy. It's not very different from India in that regard. Yes, we want to retain our nonaligned status, but at the same time it doesn't prevent us from engaging with different players or the great powers when we think that that engagement will bring economic benefit to Indonesia.

The final point within that context is the importance of emphasizing the so-called global role in preserving the rules-based international order or rule of law. I think in that context, the role that we want to play is very much as a bridge-builder where many countries will be involved in not only norm-shaping, but also in rule-making. I think that's quite critical, because if you look at the resentment, the anger, in many countries in the Global South, it's because many of them are actually not considered as important in shaping rules that actually are shifting at the moment, because of the

changes in the world's international political and economic structures. Let me give you one example. I think many non-Western countries are very concerned about what we call secondary sanctions, and to what extent secondary sanctions are legitimate or can be enforced. I think the case of India that Dr. Gupta just talked about is very interesting. Even though we have reservations about Russia's invasion of Ukraine, it doesn't mean we should also get punished if we try to maintain our relationship with Russia. This whole sanction regime has become a critical issue that many of us in the developing world really want to address not only at the regional level, but at the global level as well. That's where participation in rule-making becomes very critical, and if we leave these countries become increasingly frustrated, and that is not going to be good for anybody in the future.

Toyoda: Thank you very much. Dr. Gupta, let me ask you this third question. At the end of the RCEP negotiations, India withdrew. Why did this happen? I have heard that they were concerned about the possibility of a sharp increase in India's dependence on Chinese imports in the current situation. Is it safe to assume that India is interested in the rule of law but it's also naturally concerned about India's interests and gave priority to the latter in the RCEP negotiations. If so, China is not in the CPTPP yet, and China seems to have given up on the idea of joining the CPTPP for some time. If that is the case, some say that India may be a good candidate for the CPTPP. What do you think about that? And in addition, if you have any thoughts about the MPIA, please share them with us.

Gupta: Let me first talk about the rule of law. In its basic essence, the rule of law has been primarily set by developed powers, like the US sanctions on Russia, the EU's CBAM, and so on. However, it's crucial to examine whether the rule of law has been conducive to guarantee a balanced global order. This is because these are different from international laws, made by global organizations like UN bodies and the WTO, which make international laws where all countries are involved. Every country can participate, although it's not mandatory. Whether that participation is effective or not is a different question.

But still, if you are making something in a UN body, then there is universal applicability. On the other hand, when there is a rule of law, powers don't make rules by asking non-members. For example, America decided to impose sanctions on buying oil from Russia, but we were not asked in framing this rule of law and yet we are asked to follow it. The second trend, which is emerging in the rule of law apart from those made by the US and EU, is the regional rule of law, mostly in the name of regional groupings or regional trade pacts like the RCEP and CPTPP. Who makes the rules of law in these? When we talk about the RCEP, the members involved in it are making their own rules together. This is the rule of law. However, it must be strictly adhered to that only those who are making the rules are liable to follow them and not others. And, it is important to understand the difference between international laws and the rule of law, because ultimately the aim is to influence the world order. Also note that both

the RCEP and CPTPP have members up to 15, but are these numbers sufficient to be able to create a new world order? The question of quantity versus quality needs brainstorming, especially because large groups like the WTO are not in a position to find a consensus on any issue as of now. The G20 brings out more involuntary rules and new African Union members are too new to influence them. Regional pacts thus can be instrumental if properly set out.

To answer your million-dollar question, the Global South, accounting for over 85% of the world's population and for more than 40% of its GDP, can potentially affect, in the medium to long term, the establishment of the rule of law, subject to many conditions. The answer is both yes and no. In recent meeting of the G77+China, it was agreed that the South has the power to alter the rules of the game. The Global South is also seen as a warning tool for the West to halt its dominance. On the other hand, only a few countries have the political and economic power to influence the world order. Unless all countries of the Global South reach a certain development stage and have a consensus on the matters of growth, trade, competitiveness, and foreign relations, it's not an easy task. Asian economies, however, can lead. India in particular is interested in bringing out international laws that are fair to the majority of countries worldwide.

That said, the Global South can set new rules by following two or three courses that can modify patterns or sow new growth seeds. One is certainly enhancement of the powers of groupings such as the BRICS+. Others are joining regional trade agreements, the RCEP and CPTPP, and introduction of the new international financial payment system.

Let me first talk about the main issue, the RCEP and CPTPP, which involve Asian and Oceanic countries and some American and European countries. From the point of view of the Global South, they wanted to become a part of the global value chains and rise up in the share of trade. They want to gain from freer trade principles, so certainly joining either of them would be beneficial for them. But if we see India's past experience with PTAs and FTAs, mainly with East and Southeast Asia, the trade agreements have mostly resulted in trade deficits for India, which rendered a quite disappointing experience for policymakers. This is why India became reluctant to pursue second- or third-generation trade reforms, and it's one of the reasons why it backed out from the RCEP and is hesitant to join the CPTPP. Obviously, there are other reasons, because India believes that if it opens a large part of industry to global competition, it may lose its existing competitiveness, followed by an influx of cheap products in electronics, garments, toys, etc. There are other reasons as well that are not openly talked about.

Nevertheless, going forward, what can be done is the question. India's actual trade liberalization strategy in the current context hinges on its government goals. If the immediate concern is the trade deficit and enhancing global market linkages, in my view, joining the CPTPP appears preferable. I have been doing one simulation analysis quite recently. The results show that the

expected rise in imports, in value terms, if India joins the RCEP, will be more than four times that of the rise in imports if India joins the CPTPP. Also, India's trade deficit with the RCEP was about \$170 billion in 2023, compared to just \$33 billion with the CPTPP. Concerning trade in finished goods, which is blamed for the rising trade deficit, India has a trade surplus with the CPTPP and not with the RCEP. For trade in intermediate goods, India has trade deficit in both cases, but with a difference of around \$100 billion. So, trade deficit-wise, the CPTPP is better. Furthermore, India enjoys more stable geopolitical and economic ties with most CPTPP members, whether it's ASEAN, Singapore, Japan, or Australia. It is also free from the influence of the US and China, and I think the Supply Chain Regional Initiative from Japan in 2021 will also be strengthened if India joins the CPTPP. It can serve as a springboard for the future, for India to pursue second- and third- generation reforms, enhance supply chain diversification, and export products under its production-linked incentive scheme to CPTPP members. This is for the short-term goal of managing the trade deficit. However, if the longer-term goal is to have broader trade gains, then we can also consider the RCEP, because it's always wise to have trade with existing, traditional trade partners like the US, China, and EU, because if tariffs are liberalized, then our trade will eventually increase very fast.

Overall, I think two things are certain. First, we need to continue with our domestic reforms. Second, we need to have clear guidelines. One equation has to be taken by India in its trade negotiations, and that must have a tolerance level for trade deficits and required investment reciprocity. That will be a rule of law for India itself.

The second part is one where the Global South can lead. There has been concern over the use of currency for settling international trade, because the dollar's dominance as a global reserve currency has been causing distress in the world, despite its decline by 12 percentage points during 2000-2022. It has led the US to adopt a more coercive and leadership position. The most worrisome part is that the dollar has been used as a weapon in recent years for dealing with countries directly or indirectly that go against the norms of the US and Bretton Woods system. To take a recent example, the US banned many Russian banks from using SWIFT, the dominant global financial transaction system, and they froze Russian reserves worth \$300 billion in US and EU banks. Iran also faced similar treatment. The countries of the Global South fear becoming victimized due to dollarization dominance if they deviate somehow from the US-led rule of law. This is leading the Global South to move toward new rules of law. BRICS and BRICS+ nations have already been progressing in de-dollarizing their economies and finding alternative currencies for international trade settlements. For instance, BRICS reduced holdings of US dollar reserves by over \$120 billion.

Overall, if the Global South wants to influence the world order over the short to medium term, it needs to operate with a unified voice. The countries will need to learn to navigate complex global geopolitical landscapes. This is likely to be a medium- to long-term

task, and it will require more representativeness, more cooperation, more brainstorming. And I feel that only after addressing domestic laws will a combined group of laws make sense, and we can then consider creating rules that can impact the world order.

Cooperating to Restore a Global Economic Regime Based on “Rule of Law”

Toyoda: Thank you. Let us move to the fourth question. Japan is a middle power, and its Constitution renounces war and it does not seek to possess power (military force) beyond necessary deterrence. Therefore, we believe that the rule of law is important for Japan, and we are working to restore the functioning of the WTO, to use the MPIA for the time being, and to improve and expand the RCEP and CPTPP.

Dr. Kimura says that Japan should cooperate with the countries of the Global South, especially the Asian Global South, to create an international trade order based on the rule of law. The CPTPP may be the starting point. I would like to hear what the three of you have to say about the necessity and possibility of rebuilding the rule of law through cooperation between Global South, especially Asian, countries and Japan. By the time the results of this roundtable discussion are published, the US presidential election will be over. Regardless of the resulting direction of US policy, we believe that the rule of law is essential for the healthy development of the global economy. Under such circumstances, if you have any expectations about Japan’s role in rebuilding the rule of law, please share your views in the following order: Dr. Sukma, then Dr. Gupta, and finally Prof. Kimura.

Sukma: Before I go very specifically into our expectations about Japan’s role, there are two points that are very important. Number one, the rule of law is very important to prevent cheating in international relations. Number two is that we should not really see the so-called Global South as an arena for competition among the great powers. These two principles are very critical, and within this context I have four suggestions regarding expectations about Japan and its relations with the countries of the Global South.

The first one is that I think Japan should frame its engagement with the Global South independent of the US-China rivalry and also the US-Japan alliance. Second, I think it’s important also to focus on triangular cooperation or South-South cooperation. I think Japan has been a proponent of this type of cooperation between South and South through triangular cooperation, and that it can actually continue this and even emphasize this relationship even more. It’s basically supporting South-South cooperation through a triangular cooperation framework. JICA has also been very active in the past. Within the Global South, there are those countries that have already reached a certain level of economic development that I think now makes them obliged to actually help other countries move in the path of development. I think Japan’s role in helping them to help others is quite critical.

The third one is that I think Japan can support certain Global South countries as a champion, because I don’t think we need a leader in the Global South, we need a champion. A champion means a certain country that can advocate and then play a greater role in certain sectors and certain issues. For example, if you look at the role of India in the G20 last year, I think India has been a very strong champion of addressing the global debt problem. Japan can also be a champion in the climate change issue, or in promoting things like global cooperation on health issues. That’s the third recommendation. The fourth one is that I think Japan can support public diplomacy, which basically consists of research and also focusing on the importance of multilateralism, because it seems that more and more countries are getting tired and also giving up with regard to multilateralism as an approach for cooperation. I think we need to put multilateralism back on the agenda. This is very critical, and I also think that in this context, regional community-building is quite important. I think the role of ERIA, for example, is quite critical for emphasizing the multilateral approach. This is still the most valuable approach in addressing today’s world, especially with regard to the rule of law and also the ability of those rules of law to be enforced, so that countries would do less to cheat or become free riders in the global order or within global institutions. These are the final suggestions that I would like to make for this roundtable. Also, I forgot to mention that Japan does have strong diplomatic capital to take the lead in revitalizing the global rule of law. The ISEAS-Yusof Ishak Institute in Singapore’s survey on ASEAN countries’ views in 2024 shows that Japan is the most trusted power in the Indo-Pacific. Thank you so much.

Toyoda: Thank you for your very constructive suggestions. Now Dr. Gupta, could you talk about Japan’s role in rebuilding the rule of law in collaboration with the Global South in particular?

Gupta: Ever since the launch of the CPTPP and the Supply Chain Regional Initiative, many economists and policymakers have postulated that Japan and Asian countries in the Global South can unite to create a new regional rule of law that will further the global order, and that this would eventually lead to the creation of new supply chains in manufacturing and new connectivity routes bypassing China’s and the US’s major influence. However, the challenge lies in how Japan and the Global South can come together. Does Japan have a fully independent foreign policy? If not, why should the Global South listen to it? Japan must demonstrate its full independence in foreign policy, free from dictation from any power or source to establish a meaningful relationship with the Global South.

It’s very commendable to see Japan’s commitment to a rules-based international order, as it aligns well with the aspirations of many Global South countries. That includes Japan’s efforts to restore the functioning of the WTO, promote the MPIA, deepen regional trade agreements like the RCEP and CPTPP. These are valuable contributions to the global economic system. While there

may be differences in perspectives and priorities between the Global South and Japan, the shared interest in a stable and predictable global order can provide a foundation for cooperation. I think this is a way that cooperation can come about, because they both look toward a stable and predictable global order. Japan's commitment to economic development and rules-based international law is very commendable. In my view, Japan's expertise in areas such as technology, infrastructure, development, climate change, and sustainable development can be a valuable asset to the Global South. By sharing knowledge and resources and by strengthening the CPTPP, it can contribute to the economic growth and development of many of these countries.

Note that the emergence of today's global value chains actually dates back to the 1950s, when there was a boom in the industrial competitiveness of the Japanese economy. GVCs began as regional supply chains in the East Asian region, with Japan initiating the process as lead goose and stimulating a "flying geese" pattern of investment and trade. It actively pursued vertically integrated production systems, utilized incoming FDI and developed large conglomerates. In many other countries of East Asia, Japanese companies put up manufacturing plants, triggering growth in trade and investments, helping them to develop as export platforms. Over time, Japan moved from low-cost products to more sophisticated products, and shifted some labor-intensive manufacturing industries to other East Asian countries. Soon this development spread to Southeast Asian countries in the 1960s and 1970s, then to China in the 1980s and 1990s, and then to other countries. So, Japan has always been paramount in international trade with its ability to grow itself and help other Asian countries to move up the ladder. In my opinion, that has been commendable, and this can happen again if Japan strongly reclaims its power and unites with the leaders of the Global South.

I just talked about how the CPTPP is a good option to start with. But Japan's stance and role in the CPTPP must align with Japan's stance in the G7, G20, and other initiatives like the Quad and the Supply Chain Resilience Initiative (SCRI). There must be stability in its ideology and policy because that will go a long way and it will show Japan's stable, committed role in bringing new rules to the game. This should also match the bilateral FTA negotiations that it does in manufacturing and services trade with other economies, mainly of the Global South. India and Japan share a very good trading relationship, although there's a trade deficit, but this relationship can be enhanced and it can also align with other Asian members, and that will cater to the export competitiveness needs of developing countries in particular. Therefore, I consider that Japan and the Global South can indeed cooperate to shape the international order.

There are two things that are needed. First, Japan must have its own fully independent foreign policy, meaning that the rules in the Global South and the CPTPP are not influenced by the decisions taken by countries in the G7 that may influence Japan's role. Second, the Global South countries must also pursue their domestic reforms

so that they can become more competitive to better unite with Japan. I feel that together they can promote the rule of law and strengthen multilateral institutions for a more stable, equitable system. And what Japan can do is grow linkages with the Global South but in coordination with other Asian economies like South Korea and Singapore and also Oceania countries like Australia and New Zealand. The CPTPP is already happening. They can collaborate more to create a more equitable, and rules-based, international trade order. This can help to rebuild trust and confidence in the global trading system.

Toyoda: Thank you very much. Prof. Kimura, could you share your views on the Japan's role in reviewing the rule of law in response to Dr. Sukma's and Dr. Gupta's comments?

Kimura: I think that the rule of law, particularly in my context of trade and investment or trading regimes, is very important for the Global South, particularly using trade and investment very actively for economic development. At the same time, it's very important for Japan as well. I think Japan's policy discussion must regain a good sort of a balance. Certainly, we are sitting in a harsh region in Northeast Asia, whether we like it or not, and so in terms of national security issues we have to depend on the US connection and that cannot really go away. But in terms of economic policies, sometimes the national security argument really dominates and the economy is actually forgotten, but if you look at Asia, there is still a very active, vigorous economy going on.

I think this is extremely important for Japan, too. First, in policy discussions, we have to keep a good balance between the national security argument and the rest of the economy. I guess it's a sort of double standard sometimes, but that kind of approach is very important and many countries are doing that. I think this sort of cooperation and collaboration with the Global South, particularly the Asian Global South, is an important move for Japan in regaining a good balance in policy discussions.

And then, I strongly believe that basic trade rules are very important for everybody. Particularly in Asia, we have tight and sophisticated production networks, and to keep those kinds of production networks vigorous, we have to have a stable and predictable trading regime. This is extremely important, maybe much more so than in the rest of the world. We can have an important core alliance defending the rules-based trading regime in Asia, and we should do that.

Toyoda: Thank you very much. I think many people in the world tend to forget about the importance of the rule of law, and perhaps today's discussion can come as a wake-up call. Thank you again everyone for your eloquence and plain-speaking. **JS**

Written with the cooperation of David S. Spengler, who is a translator and consultant specializing in corporate communications.