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Geopolitical risks, including the division between the United States and China, are about to drastically change the structure of trade and investment. A symbolic case is the semiconductor industry. Traditionally, semiconductors have expanded and deepened their global division of labor. Logic semiconductors designed by American firms are manufactured by Taiwanese manufacturers called foundries, and smartphones and personal computers incorporating those semiconductors have been mass-produced in China. The United States is moving to cut China out of its semiconductor supply chain. In addition, the US government is preparing a huge subsidy to concentrate production bases in the US. Japan and South Korea are also requested to participate in the US-centered supply chain.

Under these circumstances, Japanese companies are restraining investment in China. China's diplomatic aggressiveness in recent years has also led Japanese companies to refrain from investing in China.

China is also rushing to build a supply chain centered on its own country that does not depend on the United States. As imports from the United States become more difficult for China, imports from Taiwan, South Korea, and Japan will become important, but the United States will likely exert pressure not to export strategic products.

At this stage, there is no noticeable division between the United States and China in fields other than semiconductors. However, there are concerns that similar trends will spread in advanced fields such as electric vehicles and advanced computers. If the scope of the division between the United States and China against the backdrop of geopolitical issues expands, it will have a major impact on the global trading system.

Since the fall of the Berlin Wall more than 30 years ago, the global economy has progressed in what Thomas Friedman called flattening. Both developed and developing countries have participated in global economic activities, promoting a deep division of labor across borders. China's remarkable growth would be unthinkable without the flattening of the global economy, and all countries in the world depended on trade relations with China. Today's geopolitical dynamics are forcing a correction to this flattening trend.

However, flattening has not completely stopped. On the one hand, fields such as semiconductors that are affected by geopolitical trends are expanding, but on the other hand, most industries have established a flattened international division of labor, and both the United States and China are mutually dependent on each other. In order for the international economy to continue to move favorably in the future, it is necessary to pay close attention to



developments on two fronts. The first is to build economic relationships based on the premise of strengthening strategic relationships with specific countries and regions. The semiconductors mentioned above are typical. In advanced technology fields, deeper partnerships will develop within specific countries and regions. Beyond simple trade, strengthening geopolitical efforts is of great significance in order to promote deeper integration, such as capital tie-ups, government-involved support measures, technical cooperation, and personnel exchanges. This will also be linked to free trade agreements and economic partnership agreements. In the example of semiconductors, Japan, South Korea, and the United States were cited as examples, but it is important to expand such relationships with a wider range of countries, including Europe, Oceania, and India. Professor Bhagwati of Columbia University pointed out that if a block economy stops at some point, it will become a stumbling block for globalization, but expanding the block economy will become a building block for globalization. It is desirable that industrial cooperation movements, which are occurring in the midst of geopolitical trends, become trends involving a wider range of countries.

Another important point is that most industries still face the reality of a flat international economy. It is important to maintain and strengthen this. An important case of this is the WTO. Negotiations at the WTO are slow to progress, but it is becoming increasingly important that many countries adhere to WTO rules. It is necessary to strengthen the functions of various global frameworks including WTO. In this context, I would like to particularly emphasize the importance of COP's efforts to address climate change. It is necessary, of course, to address the issue of climate change by promoting initiatives on common human issues with the participation of all the world's major countries, but cooperative subjects at the same time will be an important bulwark to prevent the global economy from collapsing.

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Thank you for putting your finger on technology and the issue of the potential technological divide.