

# KIM CHANG-BEOM

Vice Chairman and CEO of the Federation of Korean Industries

## **Kim Chang-beom, Vice Chairman and CEO of the Federation of Korean Industries**

Thank you, John and thank you to the President, Thierry de Montbrial and his team, all the organizers, for the World Policy Conference, especially including Song-Nim. I think it is an excellent occasion to join this wonderful team of panelists and it is my first time attending the World Policy Conference but it is really enlightening and informative and I just want to highlight what I have seen.

I represent the Federation of Korean Industries so I would like to share some of the business perspectives, especially in relation to the increasing geopolitical risks and uncertainties across the Indo-Pacific. The increasing geopolitical uncertainties have precipitated the return of so-called economic statecraft where every government is putting in place economic policy priorities linked to long-term national security interest. The intensification of US-China strategic competition is putting us under increasing pressure to choose between the two sides, particularly in relation to high-tech industry investment. Second, the shift has been made necessary by the formation of various economic coalitions by China and other countries, as well as examples of unilateralism being shown by the United States.

There are two fundamental questions that CEOs ask themselves in the boardroom on a deep psychological level. One is the kind of geopolitical risk that are most relevant to business decision-making. Second, is whether economic security, which is a kind of buzzword these days, is making the business environment even safer or more stable?

Going to the first question, I think the most fundamental threat or risk being felt on the business level is undoubtedly the US-China rivalry. As this rivalry intensifies, governments of big and even middle powers, are trying to adopt more protective measures and sometimes to fortify their own economic structures and economic security, through policies, initiatives or defensive reactions to what is being charted out within the context of the hegemonic competition. Economic security is not just limited to controls on sensitive technology, such as high-end semiconductor production equipment but also extends into value networks, especially critical and rare earth procurement. It could also expand into building a broad industrial base, including products with relatively few national security implications, such as electric vehicles. For example Samsung Electronics enjoyed a quite significant share of the smartphone market up until 2016 and was a market leader. It has now gone down to a market share of around 1% in China and Samsung has withdrawn its production plans in two important cities in China, as well shutting down TV production plants. Most of these plants have been relocated to either Vietnam or India, so India now has Samsung's largest smartphone manufacturing plant. Therefore, there is a general relocation and realignment of all the manufacturing facilities in the Indo-Pacific area, especially when it comes to specific companies.

The second question is related to whether economic security makes this business environment a safer and stable and my answer is not really. Economic security is causing a large increase in input prices as well as stirring up social and regulatory pressures on



business. Widening political schemes are leading policy-makers and regulators to structure and administer their respective economies and business environments differently. Businesses are increasingly navigating administrative, logistical and brand replication risks, rapidly inflating input prices are creating cost issues and they are also being forced to spend more by reduced workforces.

Last, I just want to touch on what Professor Yuichi Hosoya mentioned, especially the improvement of bilateral relations between South Korea and Japan. I echo what he said, the effect is a bit of a gamechanger on the regional structure, not only in the security and political realm but also in economics and trade. For example, the Camp David Leaders' Meeting between South Korea, Japan and the United States, hosted by President Biden in August this year, was the first ever standalone trilateral leaders' meeting between three countries, which was made possible by warmer bilateral relations between South Korea and Japan.

**John Andrews**

That is a very encouraging point to end on. I was thinking when you were talking about the spread of manufacturing into Vietnam, etc. Do you think that decoupling or derisking are actually words that do not have much practical effect except for possibly making things more difficult at a political level? Is it an empty phrase that industry and Korean businesses can simply ignore?

**Kim Chang-beom**

I will get back to you later when the first round is complete.

**John Andrews**

Fair enough.