

Focus: The US-led International Order in Transformation and Geoeconomics (Summary)

Essay: Disruptions to the Rules-Based International Order and the Rise of Geoeconomics

Kazuto Suzuki (Professor, Graduate School of Public Policy, The University of Tokyo / Director, Institute of Geoeconomics)

The post-World War II international order separated politics and economics and assumed that economic interdependence would prevail even in the face of political conflict. However, this complex interdependence has now been used as a “weapon” in interstate conflicts, and economic factors have firmly insinuated themselves into geopolitical power relations among nations in the forms of economic coercion, sanctions, and aid to bring in other nations. This is the concept of “geoeconomics”. In geoeconomics, a nation’s power lies in its ability to secure chokepoints against other nations, to use economic leverage to change their policies, to increase the autonomy of its own supply chains to avoid influence by other nations, and to utilize aid and other means. Such exercises of geo-economic power try to disrupt the rules-based international order and create a power-based order, which requires Japan to take a leadership role in maintaining the rules-based order.

1 An Age of Climate Security

Yukari Yamashita (Managing Director in charge of the Energy Data and Modelling Center [EDMC], The Institute of Energy Economics, Japan [IEEJ])

Decarbonization, which requires major changes in industry and energy use, will necessitate a total transformation of the assets underlying economic power – e.g., technology, infrastructure, and industrial structure – and will risk creating disparities at various levels. International spillovers stemming from rules put in place by Europe emphasizing renewable energy as well as accelerated corporate competition to decarbonize deriving from an emphasis on carbon neutrality in financial institutions’ investment and financing policies increasingly characterize a fragmented world that leaves developing and emerging countries behind while developed countries wage a fierce struggle for supremacy.

Efforts must be made to keep the effects of climate change from threatening the security of all human beings, not only by destabilizing those vulnerable to climate change but also by widening the gap between insufficiently-prepared countries and developed countries. The energy crisis that originated in Europe has provided an opportunity for developed countries to recognize the “multiple pathways” to decarbonizing the Global South and the importance of an inclusive and just transition that enables adaptation and leaves no one behind.

2 The US-China Hegemonic Struggle over Advanced Science and Technology and the Formation of a New International Order

Atsushi Sunami (President, Sasakawa Peace Foundation / Adjunct Professor, National Graduate Institute for Policy Studies)

The Japan-US Joint Leaders’ Statement released in April stressed the need to further strengthen Japan-US relations in a wide range of areas, from security and diplomacy to personnel exchange. Japan-US cooperation in the development of advanced technology has become particularly symbolic

in this regard.

The National Diet of Japan has also passed a bill to introduce a “security clearance system” allowing only government-approved persons to handle important information related to economic security, a system previously regarded as difficult for Japan to introduce. The decision to adopt a security clearance system so soon after the enactment of the Economic Security Promotion Act clearly demonstrates Japan's firm stance on economic security, particularly towards foreign countries. The research security clearance system now being considered for R&D conducted in the United States will also define the nature of cooperation between countries and companies engaged in joint research and technological development. It is only a matter of time before similar measures will be required of Japan and other like-minded countries.

The prevailing view at present is that advanced science and technology, which have significant impacts on human society, should only be possessed by and managed between nations that share the same values and that it is extremely important from a security perspective to safeguard the results of research and development from being passed on to countries and regions with different values and ideologies as well as to research institutes and companies belonging to those countries and regions. The world today is moving toward the formation of a new international order for advanced science and technology.

3 Global Trade and the Reconfiguration of GVCs in the Lead-up to a New Cold War between the US and China

Eiichi Tomiura (President, Research Institute of Economy, Trade and Industry [RIETI] / Professor, Otsuma Women's University)

World trade expanded rapidly at the beginning of this century, driven by the expanding and deepening of global value chains (GVCs) as the Internet gained in popularity, the Cold War between the US and the Soviet Union came to an end, and China acceded to the WTO. Subsequently, in the wake of sharp declines and rapid recoveries following the 2008 financial crisis and the COVID-19 pandemic, it recently entered a stagnant phase due in part to policy changes and rising wages in China. The impact of the US-China divide is more significant than trade statistics suggest, as industries are deeply linked through input-output relationships across borders. Diversification rather than a return to domestic production should be the preferred response, but institutions as well as costs have become important factors in determining the international division of labor. Global companies need to reconfigure GVCs to conform to a new Cold War between the US and China by separating operations that pursue low costs from those in which institutional reliability is important. Trade in goods has entered a period of stagnation but trade in intellectual property and other services as well as cross-border transfers of digital data continue to expand. It is important to support world trade by, among other approaches, establishing international rules for services and data.

4 Deciphering Indo-Pacific Geoeconomics from Two Perspectives: Soft vs. Hard and Proximity vs. Similarity

Takashi Terada (Professor, Department of Political Science, Faculty of Law, Doshisha University)

Throughout the Trump and Biden administrations, the US has taken various measures aimed at reducing China's challenge to its hegemonic position. This paper examines how the US-China hegemonic competition in the Indo-Pacific has developed and how it can be characterized from the perspective of geoeconomics, defined here as “a country's exercise of influence over other countries through economic power such as aid, market size or economic rules to achieve political or strategic objectives”. The paper divides geoeconomics into hard geoeconomics, which has a short-term perspective and can deal blows to target countries more directly, and soft geoeconomics, which is indi-

rect and can target a wider range of sectors and countries over the long run, and then outlines what approaches the US and China are using with these two geoeconomics measures. Since the “geo” in geoeconomics has undergone a shift in emphasis from geographic proximity and connotations to institutional sharing, this paper will focus on the debt issues of the Global South and digital trade rule-making, which are considered the most imminent issues in the Indo-Pacific region today from the perspective of institutional sharing.