

Role of Business in New Global Governance

By Naoyuki Haraoka

The US-China tech cold war is transforming global governance. Proliferating trade and investment protectionism for reasons of national security stemming from the United States would make it necessary for the global community to achieve consensus on economic and security issues being discussed together in order to cope with it appropriately. Would the global community need to find an international forum for discussing both simultaneously and work toward new rules to address the balance between economics and national security? Is there no such international venue among existing international organizations? To achieve such new rules, given that current technologies pose security concerns even though they are apparently non-military ones, would it be better to involve the business sector that produces and uses such sensitive technologies in this new rule-making process, since private sector people must know better than public policy practitioners what technologies would be sensitive for national security? The progressing Fourth Industrial Revolution, mainly consisting of new IT as well represented by 5G, provides the background to the emerging influence of new technologies on national security and the economy. Cybersecurity concerns are one typical example.

Assuming that the Fourth Industrial Revolution continues, these issues would have to be examined over the long term as a challenge to the digital economy. How can Japan contribute to resolving the crisis of global governance as one of the biggest beneficiaries of rules-based international trade and investment?

The bad news is that the WTO is not working well today and it would need fundamental reform as a venue for new rule-making efforts, as well as trade and investment dispute settlement. More bad news could come in the form of rising nationalism around the world possibly triggered by complaints from the lower-income classes in developed nations about the increases in immigrant labor or the flow of imports or investment from emerging economies.

Finding the income gap between the rich and themselves continuing to grow enormously, they increasingly point to globalization as posing a threat to their jobs and welfare, and feel abandoned by the governing elites who are getting richer through globalization.

This March/April 2020 issue highlights the need for new global governance against this background and the role of business in it.

Following my introductory remarks on the issue of economics and security, Matthew P. Goodman, senior vice president of the Center for Strategy and International Studies (CSIS), addresses in an interview Japan's critical role in restoring global governance. Elisabeth Braw, an expert on national security at the Royal United Services Institute in London, presents her views on the role business could play in national security in the following article. Then Hirobumi Kayama, director of the Security Trade Control Policy Division at the Trade Control Department of Japan's Ministry of Economy, Trade and Industry (METI), introduces their holistic approach to critical technology control in a detailed article.

We also have views from distinguished business people in this issue. In separate interviews with Teruo Asada, former chairman and executive advisor of Marubeni Corp., a Japanese giant trading company, and in the interview with Phillip O'Reilly, chairman of the Business and Industry Advisory Committee (BIAC), an advisory board to the OECD consisting of business executives, both agree on the need to encourage and promote business involvement in the policy formulation process. As Chinese companies also now face significant risks from reinforced security controls over their technologies, we include views on their problems by Dan Wang, a young technology analyst at Gavekal Research, a financial services company in Hong Kong. He discusses the risks facing Chinese high tech from reinforced American security controls. Enforced international technology transfer is the most critical

emerging issue needing to be addressed in international forums. Three distinguished OECD analysts – Andrea Andrenelli, Julien Gourdon and Evdokia Moise – introduce the current status of international disciplines related to international technology transfer and what would be needed to adjust those disciplines to the current situation.

(Brief Introductions)

COVER STORY 1

Economics & Security: Key National Interests for Discussion

By Naoyuki Haraoka

New digital technology is progressing rapidly, and we may not have much time to create new rules for economics and security combined.

COVER STORY 2

Interview with Matthew P. Goodman, Senior Vice President, CSIS

Japan's Critical Role in Restoring Global Governance

By Japan SPOTLIGHT

Japan's contribution to restoring rules-based global governance is critical. Three crucial areas in this regard are rule-making efforts in trade, such as the CPTPP, promoting a set of principles for quality infrastructure, and establishing rules for data governance.

COVER STORY 3

Companies Have a Crucial Role to Play in National Security

By Elisabeth Braw

Each national government should urgently consider how it can involve the private sector in national security, either by information-sharing or incentivizing it to play an active role in preserving national security.

COVER STORY 4

Holistic Approach to Critical Technology Control: Overview of Interim Report of Subcommittee on Security Export Control Policy, Trade Committee, Industrial Structure Council

By Hirobumi Kayama

While continuing to emphasize the merits of economic internationalization focused on the WTO, Japan would need to adopt “economic policies more closely integrated with security”. To achieve this, a holistic approach to critical technology control including further involvement by business in national security, will be inevitable.

COVER STORY 5

Interview with Teruo Asada, former Chairman & Executive Advisor of Marubeni Corporation

Japanese Business Leader Is Cautiously Optimistic About the Global Economy

By Japan SPOTLIGHT

The Japanese government should create more venues for policy discussions with private business people who are engaged in actual business and knowledgeable about business realities.

COVER STORY 6

Interview with Phillip O'Reilly, Chairman of BIAC

OECD's Business & Industry Advisory Committee Could Contribute to Achieving Rules-Based Global Economy

By Japan SPOTLIGHT

The BIAC plays a crucial role in a number of rule or quasi-rule processes that the OECD has through its mandate, such as rules on investment, anti-corruption, and corporate social responsibility. In particular, the BIAC could mediate between public policy officials and business on policy issues.

COVER STORY 7

The Rising Risks for Chinese Firms

By Dan Wang

As the US-China tech cold war intensifies, there will be more Chinese high-tech companies on the blacklist for US sanctions, and probably the financial sector will be the next to be targeted. The justifications for sanctions could expand from trade secret misappropriation concerns or intelligence-gathering to include broader human rights and privacy issues.

COVER STORY 8

International Technology Transfer

By Andrea Andrenelli, Julien Gourdon & Evdokia Moise

International technology transfer is a complex issue, including not only specific policies clearly resulting in involuntary transfer of technology but also the conditions affecting the ability to access or compete in a given market, or transparency in the broader governance environment. We need to apply a systematic and analytical approach to assessing the policies to be considered.

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