Part I
The Decelerating Chinese Economy and Global Trends

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Part I discusses the impact of the slowing Chinese economy on major world regions, which is the main theme of this year's Economic Outlook. In Part I, we outline the monetary, trade, and economic policies of major world regions, as well as the various challenges and prospects they face in light of their relationship with the Chinese economy. Part I consists of seven sections.

Section 1 focuses two important medium- to long-term issues facing the international economic order: changes in the U.S. dollar dominance and the spread of AI. Regarding the former, we discuss the possibility that major advanced economies might seek an alternative currency to the U.S. dollar in order to avoid economic risks stemming from frictions between the U.S. and China. Regarding the latter, while we expect that AI will bring about positive changes in people's work and daily lives, we discuss concerns about its impact on the balance of payments and the widening of economic disparities. Furthermore, we address the issue of population decline as an international challenge, and we provide an overview of demographic trends and policies in major advanced economies. Finally, we outline economic trends in the Global South, whose presence on the global stage is increasingly being felt, and we pay special attention to India.

Section 2 explains how the U.S. economy affects the global economy both through its goods and services markets and through its financial markets. Given that the U.S. continues to impose economic sanctions on China, the extent to which these sanctions affect the economies of both countries is also discussed. Finally, we analyze the impact of trends in the U.S. monetary policy on the Japanese economy.

Section 3 discusses the problem of overcapacity in China's emerging industries. Amid the prolonged real estate recession and the accompanying slump in consumption, the Chinese government is increasing supply capacity through subsidies to emerging industries in an attempt to achieve economic recovery. We point out that the fundamental problem of China's economic slowdown is insufficient consumption demand, and we recommend that the Chinese government should commit itself to increasing consumption demand in order to achieve sustainable development.

Section 4 focuses on China's national and economic strength, and discusses the severe frictions between China and the U.S. and their implications for the international order. We outline the history of China's entry into the WTO, and we point out that although China has not nullified the rules of international trade at present, there is still the possibility of an international market failure. A scenario in which China's unique system creates trading disadvantages for other countries might necessitate new international trade regulations.

Section 5 examines the effects of the U.S.-China confrontation on the supply chains of ASEAN countries. We outline trends in the economic growth ASEAN countries and their trade patterns. We then review their trade policies, particularly Indonesia's. Finally, we discuss the use of mega-FTAs, and other forms of international cooperation aimed at restoring the authority of the WTO, which is an important economic diplomacy issue to both ASEAN countries and Japan.

Section 6 discusses the growing importance of ASEAN economies in the context of China's economic slowdown, focusing on changes in the trade structure. We analyze the trade structure of the ASEAN using the United Nations Comtrade database. Furthermore, we examine the trade structure of Japan and Kansai with China and the ASEAN using trade statistics published by the Ministry of Finance. Finally, we discuss the future importance of ASEAN economies to the Kansai region.

Section 7 examines the projected CO_2 emissions of major ASEAN countries and India. In order to achieve carbon neutrality, organizations and companies will need to develop appropriate indicators. In consideration of this, we estimate an equation to predict the impact of each country's energy policy on CO_2 emission coefficients, and we promote it as an indicator which can be used for optimizing the selection of new production locations.