

Chapter 4 Impact of geopolitical distance on world trade

The previous chapter focused attention on the escalation of uncertainty over economic policy as a perception-level factor that is distinctive among the changes in the international environment. Along with the structural escalation of uncertainty, geopolitical conflicts are generating direct effects on cross-border corporate activity. After the onset of the COVID-19 pandemic in 2020 and the start of the Russian aggression against Ukraine in 2022, countries' economic interdependence on each other, even among those that are political adversaries or competitors, became apparent. Governments whose sense of crisis has grown due to this situation are moving to realign supply chains (de-risking) in order to reduce the risk of overdependence on adversaries and competitors. However, it is unclear how those moves are affecting entire trade relationships. This chapter will examine how geopolitical distance affects global trade relationships.

Section 1 Geopolitical distance

1. Calculation of geopolitical distance

Regarding the deepening geopolitical conflicts in international political and economic relationships, there have been more and more studies that treat differences between countries' political positions as "geopolitical distance" and conduct quantitative analysis. Below, we attempt to quantify the deepening of geopolitical conflicts between countries by calculating geopolitical distance based on countries' voting behavior at the UN General Assembly, a dataset used by those previous studies. On the premise that countries' voting behavior reflects their national interests to a certain degree, this analytical framework assumes that countries with similar patterns of voting behavior are close to each other in terms of the position on international affairs—that is, the geopolitical distance between them is short. Conversely, it assumes that the geopolitical distance between countries with contrary voting patterns is long.

Specifically, geopolitical distance is calculated as follows. Of the voting actions that may be taken on a vote at the UN General Assembly (voting for or against a resolution, abstaining, and being absent), being absent is excluded from the calculation because absence is presumed to be a result of failure to pay UN dues in many cases. When a pair of countries voted on a certain resolution in the same way (i.e., when both countries voted for or against the resolution, or when both abstained), the value "0" is assigned for the purpose of calculating the geopolitical distance between the two countries and when the pair is divided between "for" and "against" votes, the value "1" is assigned. When the pair is divided between a "for" vote and abstention or between an "against" vote and abstention, the value "0.5" is assigned given that abstention is a form of expression of intent in a situation when it is difficult to explicitly indicate support or opposition. The average of the total values thus assigned based on the comparison of voting patterns of a pair of countries in all votes taken during the analysis period is defined as the geopolitical distance between the two countries in the same period (Table I-4-1-1). Due to the composition method of this indicator, geopolitical distance takes values between 0 and 1. The closer to zero the value is, the shorter the geopolitical distance is, and the closer to 1 the value is, the longer the distance is.

Table I-4-1-1. Example of calculation of geopolitical distance

	Country A	Country B	Difference in voting behavior
Issue 1	For	For	0.00
Issue 2	For	Against	1.00
Issue 3	Abstention	For	0.50
Issue 4	Against	Abstention	0.50
Issue 5	Abstention	Abstention	0.00
			↓ Average
Geopolitical distance between Country A and Country B			0.40

Source: METI.

Although it is possible to apply the above calculation to all votes taken at the UN General Assembly, as many as nearly 100 issues per year are put to a vote there and all those issues are wide-ranging. As a result, if all votes are included in the analysis, it may become difficult to clearly identify the core positions of individual countries. Therefore, in order to narrow the focus on particularly important issues that were put to a vote, the calculation of geopolitical distance will be applied only to issues designated as “important issues” in annual reports submitted by the U.S. Department of State to Congress. “Important issues” are defined as those that directly affect important U.S. national interests and on which the United States lobbies other countries. Being aligned with the strategic objectives of the U.S. Department of State is the criterion for being important issues. This criterion is based on an entirely U.S. perspective. Even so, if the strength of the United States’ influence in international politics is taken into consideration, themes on which the United States lobbies other countries as important issues may be presumed to be of great importance for other countries as well in many cases. Therefore, this criterion is useful to some degree for narrowing down the scope of issues to be included in the calculation. In recent years, “important issues” have accounted for 20 to 30% of all issues put to a vote at the UN General Assembly.^{21,22}

²¹ McKinsey Global Institute (2025, 2024), which analyzed the relationship between geopolitical conflicts and trade, also calculated geopolitical distance based on voting patterns regarding issues designated as “important issues” by the U.S. Department of State.

²² In addition to an indicator that measures geopolitical distance simply based on voting patterns, like the one adopted in this chapter, an indicator using ideal points estimation, an approach adopted by Bailey et. al (2017), is also used in many cases. Under this approach, ideal points, which refer to countries’ potential preferences, are estimated through spatial modelling based on records of voting at the UN General Assembly, with the difference between the estimated ideal points for a pair of countries regarded as the geopolitical distance between them. This estimation is advantageous in that countries’ fundamental preferences can be computed without being influenced by differences in issues put to a vote. However, when the geopolitical distances between the United States or China and other countries were calculated based on publicly available ideal points data, the results showed trends similar to the ones observed from the figures indicated in this chapter. Therefore, in this chapter, we used the geopolitical distances simply based on voting patterns, which are easier to understand intuitively.

2. Countries' geopolitical distances from the United States and China

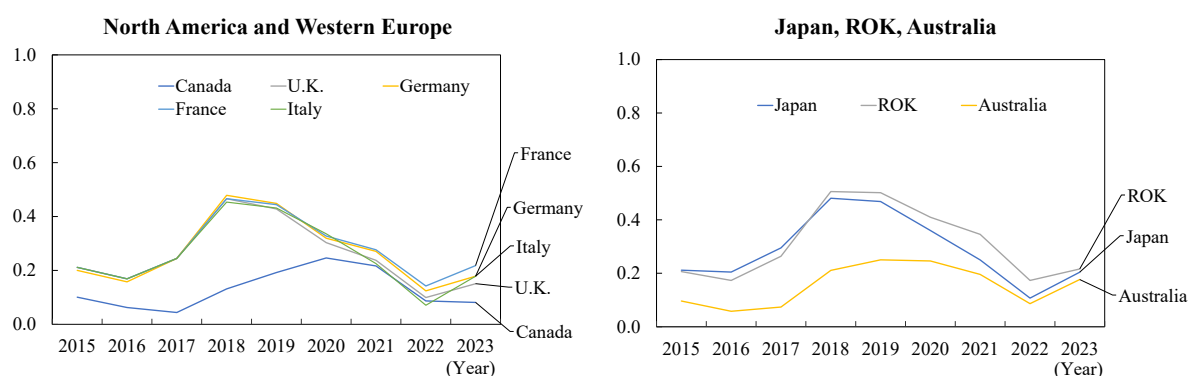
Figures I-4-1-2 and I-4-1-3 show the geopolitical distances of the G20 countries (the 19 countries other than the EU) from the United States and China that were calculated under the abovementioned method. In order to even out year-to-year fluctuations, the figures show the averages for the reference and previous years.

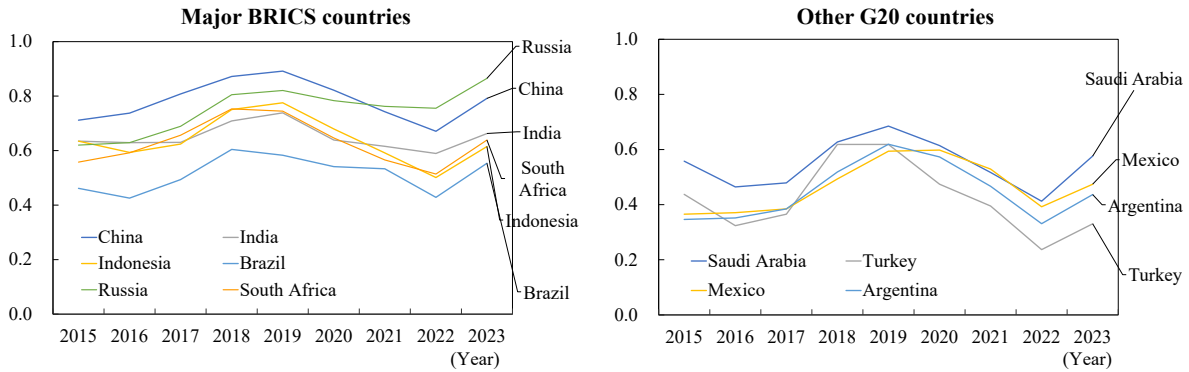
First, Western countries' geopolitical distances from the United States widened in 2017-2020, that is, during the tenure of the first Trump administration, but they narrowed rapidly during the tenure of the Biden administration, returning to the levels seen during the tenure of the Obama administration. Throughout the analysis period, Canada and Australia had the shortest geopolitical distances from the United States, followed by major European countries, Japan and the ROK. In the graph, the lines representing the trends for Japan and the ROK are similar in the level and shape to the lines representing the trends for European countries, indicating similarity in voting patterns.

On the other hand, major BRICS countries and other emerging countries' distances from the United States were longer, and this did not change during the Biden administration except for the case of Turkey. At the same time, these countries are less cohesive than Western nations, and there is a clear gap in the distances from the United States between Russia and China—the most distant—and Central and South American countries, which maintain relative closeness due to economic ties.

The countries' geopolitical distances from China are a mirror image of their distances from the United States. As a general trend, Western countries were geopolitically distant from China, while emerging countries were relatively close to China. More specifically, among Western countries, Europe's, Japan's and the ROK's distances from China widened from 2018 onward and became closer to the distances of the United States, Canada and Australia from China. Among emerging countries, some differences arose between Russia, which leaned toward a pro-China stance, and other countries.

Figure I-4-1-2. G20 countries' geopolitical distance from the U.S.

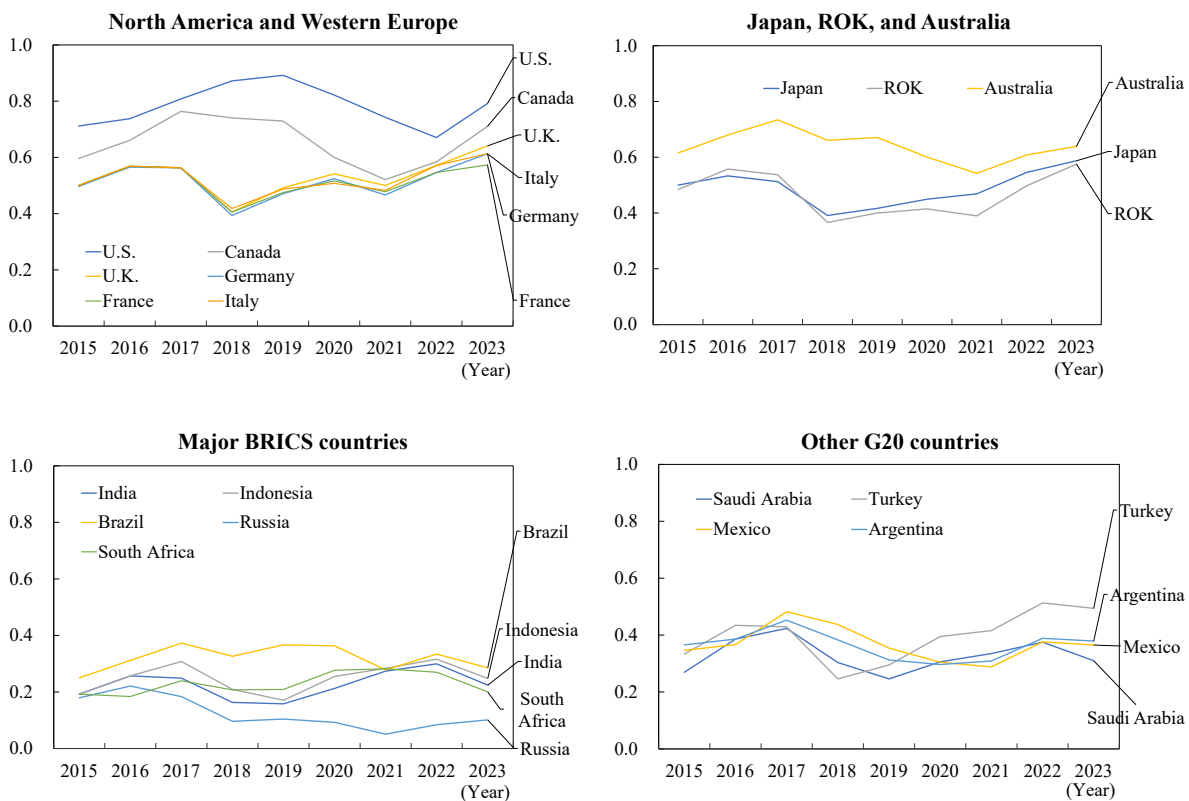




Note: This figure shows the G20 countries' geopolitical distance from the U.S., excluding the EU, which is calculated based on the voting behavior in the UN General Assembly. A value closer to 0 indicates shorter geopolitical distance, while a value closer to 1 indicates longer geopolitical distance. The values shown are two-year moving averages.

Sources: *UNGA-DM Database* (University of Geneva) and the United Nations Digital Library as for UN voting data, the U.S. Department of State as for data falling under the "important issues."

Figure I-4-1-3. G20 countries' geopolitical distances from China



Note: This figure shows the G20 countries' geopolitical distance from China, excluding the EU, which is calculated based on the voting behavior in the UN General Assembly. A value closer to 0 indicates shorter geopolitical distance, while a value closer to 1 indicates longer geopolitical distance. The values shown are two-year moving averages.

Sources: UNGA-DM Database (University of Geneva) and the United Nations Digital Library as for UN voting data, the U.S. Department of State as for data falling under the “important issues.”

To sum up, as the United States returned to the policy line of placing emphasis on international cooperation under the Biden administration, its geopolitical distances from other Western countries shrank. On the other hand, Europe, Japan and the ROK are increasing in geopolitical distance from China, so Western countries’ stances toward China appear to be converging. Nevertheless, if the most recent policy moves of the second Trump administration are taken into consideration, the distance between the United States and other Western countries may widen again in the future. On the whole, emerging countries are close to China and distant from the United States, but the specific distance from the United States and China varies from country to country. Among the BRICS countries, while it is conspicuous that Russia is moving closer to China, other countries have kept their stance toward China little changed or distanced themselves slightly from it. In Part I, Chapter 2, Section 4, the diverse circumstances of Global South countries were mentioned, and from the analysis of geopolitical distance, it is once again clear that the picture of the international community is not so simple that its members can be neatly divided into the pro-China and pro-U.S. camps.