

By Naoyuki Haraoka



# White Paper on International Economy & Trade

# 2016

With the direction of the global economy appearing increasingly uncertain, the Japanese economy has been facing a number of structural changes. METI's White Paper on International Economy & Trade 2016, our cover story for the September/October 2016 issue, highlights the key features of recent global and Japanese economic developments.

First, it notes the key developments of the Chinese economy and other emerging economies as principal concerns in light of their growing weight in the global economy, as well as the trade and investment relations between them and Japan.

Continuing capital investment-driven growth in China has brought about excess production capacity there and thus provoked the increasing adoption of trade restrictive policies, such as anti-dumping measures. Other emerging economies, all resource-producing countries, are suffering from falling resource prices and economic slowdowns. Taking account of the economic slowdown of OECD member countries as well as of emerging economies, we cannot expect any robust growth of world markets.

Against this background, the White Paper mentions several possible breakthroughs for the Japanese economy that could help mitigate the challenges it is facing, such as the growing potential of Japan's service exports encouraged by new services created by the current digital revolution, and the increase in the number of tourists visiting Japan that could lead to higher tourism revenues. The White Paper also mentions the potential of SMEs' export capacity to be enhanced.

Last year's White Paper highlighted the "earning capacity" of Japanese businesses as a key to survive global competition. This year's White Paper is a sort of follow-up of this key policy recommendation, with this earning capacity to be expanded towards service sectors such as ICT-related services, tourism services and SMEs in general.

Following the Summary of the White Paper, we have articles by two distinguished academic authors. Prof. Hiroshi Ohashi discusses prescriptions for reviving the Japanese economy through trade policies, and Prof. Junko Shimizu talks about the rapid movements in the yuan's internationalization, a reflection of the rapid growth and development of the Chinese economy and one of the major topics of this year's White Paper.

## COVER STORY 1

### White Paper on International Economy & Trade 2016 — Summary — 3

*By Policy Planning & Research Office, Trade Policy Bureau,  
Ministry of Economy, Trade & Industry (METI)*

*METI Summary.*

## COVER STORY 2

### White Paper on International Economy & Trade 2016 — Japanese Trade Policy in the Opacity of the Global Economy — 9

*By Hiroshi Ohashi*

In discussing prescriptions for reviving the Japanese economy through trade policies against the background of the growing opacity of the global economy, the author emphasizes the importance of the TPP and other FTAs.

## COVER STORY 3

### Internationalization of the Yuan: the Case of Japanese Overseas Subsidiaries in Asia — 13

*By Junko Shimizu*

Yuan transactions would be further enhanced by deregulation of onshore yuan transactions in the intra-firm trade of Japanese firms.

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