

COVER LEAD

White Paper on International Economy & Trade 2017

By Naoyuki Haraoka



US President Donald Trump is saying that all regional or multilateral trade liberalization efforts should be stopped for the interests of American industries. The “America first” policy he promotes assumes that all trade deals should serve the short-term interests of American business. Advocates for free trade would say free trade should produce a positive outcome in the long run, such as an overall GDP increase due to expansion of imports and exports, or a possible increase in consumers’ welfare due to reduced tariffs. President Trump would say this is not what his government is pursuing, but that it is keener on acquiring short-term benefits for business, in particular those industries now suffering from a structural decline in profits and employment. Free trade would produce winners and losers, at least in the short term, and thus cause an increasing income gap between them.

METI’s White Paper on International Economy & Trade 2017 seems to tell us that President Trump would be wrong even in the short term. It says that free trade would not only promote economic growth but also income equality. It also describes the reality of new globalization under the remarkable progress of ICT. ICT and AI make it possible for a manufacturing producer to achieve what we call “unbundling” of the production process, namely making each production process independent and separated

from each other, and then all the separated processes are connected to each other by ICT. The possible merit of this “unbundling” of production processes is that a company can choose a venue that would assure it of a competitive edge all over the world. For example, a company could concentrate its assembling process in factories in countries with cheap labor, while planning and developing of new products or after-service could be kept at its headquarters or in places where experts on those services are abundantly available. The new concept of “connected industries” has emerged as software industries can connect all the production-related processes scattered among different countries by ICT. A company that does not use such a deepened global value-chain process would eventually lose to the competition. Free trade would have a different implication in this ICT-dominated global value chain. A business involved in this process would need free trade in the short run, and all the “connected industries” would work well to maximize the profits of this supply chain under free trade.

“Service economy” also has a new connotation in our world today under the ICT revolution. Services would be a key to achieving competitiveness in the manufacturing industry. This “unbundling” process is completely transforming a key concept of national interest,



as a company's business and production process will be scattered all over the world on a large scale and not limited within the home country's national boundaries. These are, in my personal interpretation, the key messages of the White Paper 2017.

I would like all readers to enjoy this excellent summary of the White Paper 2017 with many insightful tables and graphs.

COVER STORY

White Paper on International Economy & Trade 2017 — Summary

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

We chose to cover the rapidly increasing inbound tourism to Japan in our “Special Topics” in this issue. METI's White Paper also highlights the potential of the Japanese tourism industry, providing another story of our “service economy”, in addition to “connected industries”. The inbound tourism story prompts thoughts about the possible new role and mission of Japan in the global economy. Her cultural contribution could be more important than her economic contribution to the international community in the future, as showcased in our line-up of related articles.

Following an overview provided by Mamoru Kobori, executive vice president of Japan National Tourism Organization, a public agency promoting inbound tourism in Japan, we have several interviews with experts on tourism representing bodies expected to play a key role in tourism, such as the Tokyo Metropolitan Government tourism development office, MICE ambassadors, DMOs and private tourism businesses. Each of them discusses the prospects for inbound tourism in Japan and their roles and expected contributions.

Finally, we have an article discussing the potential attractions of Japan as a tourism spot and the possible impediments to Japan becoming a tourism superpower like France, with the participation of various thinkers on the issue from a diversified background.

I hope readers interested in tourism in Japan will find the articles helpful in acquiring an in-depth understanding of the Japanese tourism industry today.

Special Topics 1 - 6 Inbound Tourism Story of Japan

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