

White Paper on International Economy & Trade 2019

By Naoyuki Haraoka



The impact of the Fourth Industrial Revolution is not limited to the jobs that will be replaced by machines but expands to international relations through the increasing need to create common rules on intellectual property rights (IPRs) against the background of remarkably rapid innovation. Without such common rules, international frictions such as those represented by the US-China “tech cold war” will be intensified.

METI’s White Paper on International Economy & Trade 2019 highlights trends in obtaining patent technologies by country and the rapidly increasing presence of China in innovation, which is one of the factors behind US-China rivalry today. It also mentions the key role of global value chains (GVCs), a result of closely interdependent national economies through trade and investment.

The trade war between the two superpowers, the United States and China, will affect not only themselves but also other national economies integrated into GVCs, notably Japan. Thus, the White Paper warns that a continuing US-China trade war would have a greater negative impact on the global economy and particularly the Japanese economy than two decades ago when GVCs were not so solidly developed. Concerns about rising protectionism under expanded GVCs today are further exacerbated by the loss of confidence in multilateral trade and investment rules, and the bodies overseeing them such as the WTO.

How we can activate international discussions to restore WTO rules and functions is a crucial question. Technological innovation has intensified the need to create common rules on IPRs, but also the need to create common rules on rapidly increasing domestic data regulations around the world. With common rules on data flows, we could take full advantage of the enormous amounts of data available thanks to the digital revolution.

Japan is expected to play a key role in reactivating such international rule-making processes, as it has been a great beneficiary of multilateral free trade and even after the collapse of the Doha Round, the latest WTO rule-making trade negotiations, it has been actively engaged in concluding regional FTAs such as TPP11.

But this is not the first time there has been a surge of protectionism. We could look to lessons from the past, such as the occasion of the WTO Ministerial Meeting in Seattle in 1999 where anti-globalization movements crushed an attempt to launch a new WTO negotiation round following the Uruguay Round. This failure triggered moves to promote FTAs in Asia, one of the greatest beneficiaries of free trade.

The White Paper also provides invaluable advice for Japanese businesses. They will need to diversify their activities in order to mitigate the risk of overdependence on the manufacturing industry and business in Asia, both results of GVCs involving Japanese firms. Retail and service businesses, which are today part of a manufacturing company’s business, must be expanded, and also Latin America and Africa are potential markets that could be exploited by them in the near future.

(Brief Introductions)

COVER STORY 1

White Paper on International Economy & Trade 2019 – Summary

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

COVER STORY 2

Roundtable with Dr. Satoshi Inomata, Masashi Kurose, Michitaka Nakatomi & Dr. Shujiro Urata

Roundtable Discussion on a Rules-Based Global Economy

By Japan SPOTLIGHT

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