

# White Paper on International Economy & Trade 2020

By Naoyuki Haraoka

METI's White Paper on International Economy & Trade 2020 highlighted the new coronavirus pandemic's impact on both global and Japanese economy and trade. This unprecedented crisis will lead to new developments, while spurring existing trends as well. Limiting face-to-face human communication as a countermeasure to reduce virus infections is one of the principal new developments in this pandemic. Lockdowns of the economy or limiting the business hours of services such as restaurants and entertainment facilities, or the working hours of teleworkers and factory workers could create a new economy and society where each individual will work and live independently, giving less thought to others. Global supply chains have been considered the most efficient production system by the division of labor. In businesses pursuing the highest efficiency, production bases in supply chains have been concentrated in only a few places. We have discovered that this concentrated structure is vulnerable to external shocks such as the pandemic, since these sites tend to be in densely populated areas where a virus can easily spread. So we are now seeing the disruption of global supply chains, pushing the global economy into serious recession. As the White Paper mentions, in order to protect supply chains from disruption, we will need to reform them and make them more resilient. Businesses should change their management philosophy from "efficiency as the top priority" to "responsiveness to risks as the top

priority". To achieve this, they should diversify their procurement of parts, components and materials or maintain appropriate amounts of inventory, even if those policies are costly.

On the other hand, an increase in policies promoting trade protectionism and national interests could be further spurred by the intensifying US-China confrontation, and unilateral export controls of medical equipment or personal protection equipment such as masks triggered by the pandemic. This would necessitate greater efforts to build up effective global governance, including a new international trade regime. Current income inequalities will expand, as small businesses in the service sector will suffer seriously from a policy limiting face-to-face communication and unemployment will significantly increase as a result. Increased use of IT for working remotely will further encourage the digital economy, which is already one of the main economic developments today under the Fourth Industrial Revolution. The further introduction of remote working will encourage a work-life balance in favor of working women in particular. They could do more business work while staying at home than now and enhance their contribution to society. This will show that the impacts of the pandemic are not all necessarily negative. There will be positive impacts too. The key question in discussing our future economy and society with the pandemic will be how we can maximize such benefits for the future generation.

Please, then, see the article written by members of the METI Policy Planning & Research Office of the Trade Policy Bureau, the authors of this White Paper 2020, which summarizes its contents. This is followed by a Roundtable Discussion among distinguished experts with a variety of interesting views on the issues in this White Paper.

After the Cover Story, we introduce four articles on Recent Socioeconomic Issues that offer some initial thoughts on the pandemic's socioeconomic impact. This is, we believe, an important perspective in thinking about what the pandemic may bring in the future.

### **(Brief Introductions)**

#### **COVER STORY 1**

##### **White Paper on International Economy & Trade 2020 – Summary**

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

#### **COVER STORY 2**

Roundtable with Prof. Fukunari Kimura, Dr. Keiichiro Kobayashi, Yuka Koshino, Prof. Toshihiro Nakayama, Dr. Yusuke Tsugawa & Takeshi Tashiro

##### **Roundtable Discussion on the White Paper on International Economy & Trade 2020: Economic Policy in the Covid-19 Crisis**

By Japan SPOTLIGHT

#### **Recent Socioeconomic Issues 1**

##### **Redistributing Happiness: How Social Policies Shape Life Satisfaction (Part 2)**

By Kristen Schultz Lee & Hiroshi Ono

#### **Recent Socioeconomic Issues 2**

##### **The Development of “Job Crafting” & Its Implications in the Workplace in Japan**

By Nobutaka Ishiyama

#### **Recent Socioeconomic Issues 3**

##### **Japan's Investment in Human Resources & Innovation: Searching for Ways to Increase Productivity**

By Miho Takizawa

#### **Recent Socioeconomic Issues 4**

##### **Children's Education Amidst the Coronavirus Pandemic: an Economic Perspective**

By Matthias Doecke

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