

White Paper on International Economy & Trade 2022 – Economic Impacts of Russian Invasion in Ukraine

By Naoyuki Haraoka

This issue highlights METI's White Paper on International Economy & Trade 2022, as is our annual custom. The year 2022 will be remembered as the year of Russia's invasion of Ukraine. Even before 2022, we have been noticing rising geopolitical risks such as the Covid-19 pandemic and the US-China "cold war", and we now see these risks increasing more drastically with the Ukraine crisis, while uncertainties continue with the other two. We do not know yet whether these risks have peaked in 2022 or how much longer they will continue. They could be further exacerbated depending upon China's foreign policy in East Asia next year.

This White Paper provides a good analysis of the impacts of these risks on the world economy, as well as the Japanese economy, and also of how the Japanese government and businesses should deal with them to survive. The article on the outline of the White Paper and the Roundtable discussion by distinguished experts on international economy and politics provide plenty of insights. In particular, impacts on the global supply chains of Japanese businesses deserve attention, as supply chains are vital for the survival of most Japanese businesses

today.

One striking comment in the Roundtable discussion is that businesses should always operate on the basis of plural scenarios, with a view to the development of future risks in an uncertain world. Japanese businesses have been used to tranquil and peaceful global economic circumstances so far and may have never dreamt that their business activities and efforts for economic efficiency could be badly disturbed by geopolitics. So security is another factor they must consider, and from now on they may have to abandon business efficiency occasionally and think about second-best strategies almost permanently in the interest of security. This could render some of their business decisions redundant.

We are certainly living in a different world from "business as usual". That means we need information and intelligence to survive, and I hope readers will find some in our cover story.

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