Chapter 1 Economic Situation Surrounding Japan and the Trends of Future Trade

Section 1 Post-COVID-19 global economy

1. World real GDP

The year 2020 was special in that an unprecedented crisis was caused by a unique shock, which didn't just affect a limited number of countries and regions, but the entire world.

COVID-19, which was first seen in some limited countries and regions from the end of 2019 to the beginning of 2020, eventually spread worldwide and led to economic turmoil. The global financial crisis that occurred in the late 2000s and the European debt crisis that occurred in the early 2010s were similar to the COVID-19 crisis in that their economic impacts spread worldwide, but they were essentially demand shocks caused by systemic financial risks. On the other hand, the spread of COVID-19 caused a unique shock that suppressed the demand for human mobility, and face-to-face services consumption, in addition to supply activities that require physical attendance of manufacturers at production sites. In this section, we will observe how the global economy has been affected by the spread of COVID-19 and how it has recovered ever since.

According to the Global Economic Outlook released by the International Monetary Fund (IMF) in April 2021, the world real GDP growth rate in 2020 was -3.3%, far below the 2009 growth rate (-0.1%) that was affected by the global financial crisis, and was the lowest growth rate since the start of the statistics in 1980. Although there are some exceptions as represented by the resilient economic growth in China, the worldwide spread of COVID-19 has had a negative impact on a wide range of economic activities, including consumption and investment (Figure I-1-1-1).

Figure I-1-1-1. World real GDP growth rate and contributions of consumption and investment

Note 1: The left figure is based on the April 2021 edition, and the right figure is based on the January 2021 edition.
Note 2: Number for 2021 in the left figure is the forecasted value.
Note 3: In the right figure, "Total of personal consumption and investment" and "World real GDP" are year-on-year growth rates, while the other items show the year-on-year contribution.
Source: World Economic Outlook (IMF).
On the other hand, the world real GDP growth rate in 2021 is forecasted to be 6.0%, the highest since 1980, and is expected to recover from the falling margin in 2020 (Table I-1-1-2). Vaccinations for COVID-19 and policy responses of countries play an important role in the recovery, and will contribute to the reopening of the economic activities that have been suppressed.

However, the recovery of the global economy in 2021 is characterized by its diverging pattern among countries and regions. Specifically, there are disparities in economic recovery among countries and regions, and the IMF’s outlook for 2021 is that the real GDP growth rate of developed countries is expected to be 5.1%—a minor recovery from the falling margin (-4.7%) in 2020; while the growth rate of emerging and developing countries is expected to be 6.7% compared to the falling margin (-2.2%) in 2020.

Moreover, the United States is expected to lead the recovery, especially among developed countries, while many other developed countries are unlikely to recoup the falling margins of the growth rates in 2020. As discussed below, the economic recovery in the United States is largely thanks to the large-scale policy responses, in addition to the increasing trend of capital investments by companies focusing on innovation, and active retail e-commerce transactions.

Furthermore, among emerging and developing countries, China, which recorded a positive growth rate in 2020, is expected to see a significant growth even in 2021, while African (sub-Saharan region) and Latin American countries, where COVID-19 pandemic is still serious, are expected to see a slower recovery in 2021. In China, the scale of domestic e-commerce is close to $2 trillion\(^1\), and active contact-free consumption is expected to contribute to the recovery.

Table I-1-1-2. Country/region forecast for real GDP growth rate according to the IMF

<table>
<thead>
<tr>
<th>(%)</th>
<th>2020</th>
<th>2021</th>
<th>(%)</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>-3.3</td>
<td>6.0 (0.5)</td>
<td>Developed economies</td>
<td>-4.7</td>
<td>5.1 (0.8)</td>
</tr>
<tr>
<td>United States</td>
<td>-3.5</td>
<td>6.4 (1.3)</td>
<td>Emerging and developing Asia</td>
<td>-1.0</td>
<td>8.6 (0.3)</td>
</tr>
<tr>
<td>Germany</td>
<td>-4.9</td>
<td>3.6 (0.1)</td>
<td>China</td>
<td>2.3</td>
<td>8.4 (0.3)</td>
</tr>
<tr>
<td>France</td>
<td>-8.2</td>
<td>5.8 (0.3)</td>
<td>India</td>
<td>-8.0</td>
<td>12.5 (1.0)</td>
</tr>
<tr>
<td>Italy</td>
<td>-8.9</td>
<td>4.2 (1.2)</td>
<td>Emerging and developing Europe</td>
<td>-2.0</td>
<td>4.4 (0.4)</td>
</tr>
<tr>
<td>Spain</td>
<td>-11.0</td>
<td>6.4 (0.5)</td>
<td>Russia</td>
<td>-3.1</td>
<td>3.8 (0.8)</td>
</tr>
<tr>
<td>Japan</td>
<td>-4.8</td>
<td>3.3 (0.2)</td>
<td>Latin America and the Caribbean</td>
<td>-7.0</td>
<td>4.6 (0.5)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>-9.9</td>
<td>5.3 (0.8)</td>
<td>Brazil</td>
<td>-4.1</td>
<td>3.7 (0.1)</td>
</tr>
<tr>
<td>Canada</td>
<td>-5.4</td>
<td>5.0 (1.4)</td>
<td>Middle Eastern and Central Asia</td>
<td>-2.9</td>
<td>3.7 (0.7)</td>
</tr>
<tr>
<td>Other developed countries</td>
<td>-2.1</td>
<td>4.4 (0.8)</td>
<td>Sub-Saharan Africa</td>
<td>-1.9</td>
<td>3.4 (0.2)</td>
</tr>
</tbody>
</table>

Note 1: Numbers for 2020 are actual values, and those for 2021 are the forecasted values in the April 2021 edition.

\(^1\) Ministry of Economy, Trade and Industry (2020).
2. Governments have provided policies with clear targets

One of the assumptions that the IMF expects the global economy to recover in 2021 is the effect of the policy supports with clear targets taken by each country's government.

As stated above, COVID-19 pandemic is characterized by creating a shock to both demand and supply side. The following (Table I-1-1-3) lists the policy examples implemented in major policy areas and the economic measures that have actually been introduced in each country and region. Based on the characteristics of COVID-19 shock, policy supports with clear objectives have been implemented, including both demand-side measures to increase household consumption expenditure and supply-side measures to recover corporate investment. Cash benefits, which are mainly used as measures for demand side, are intended for low-income households, unemployed persons, temporary layoffs, and so on so that they can support those who are severely affected by the pandemic. Credit guarantees to companies, which are mainly used as measures for supply side, are also targeted at industries where the impact of COVID-19 is serious, and are mainly intended for micro-enterprises and small- and medium-sized enterprises (SMEs). These policy effects are expected to support the economic recovery in 2021.
<table>
<thead>
<tr>
<th>Policy area</th>
<th>Policy examples</th>
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</table>
| Household support measures        | - Cash benefits to households, and low-interest loans.  
- Expansion of coverage, relaxation of requirements, extension of period, and increase of unemployment insurance.  
- Extension of childcare leave benefit.  
- Vocational training support.  
- Benefits in kind such as food.  
- Grants for travel, tourism and dining out.  
- Introduction of means-tested basic income.  
- Reduction of the value-added tax rate for specific items.  
- Moratorium for social security payments and public utility charges. |
| Corporate support measures        | - Credit guarantees, capital injections, grant of subordinated loans, and special loans.  
- Cash benefits.  
- Deferment, reduction, and/or exemption of payment of social security contributions.  
- Subsidies and/or moratorium for rents and public utility charges.  
- Moratorium for various taxes.  
- Wage subsidies.  
- Reduction of corporate income tax rate.  
- Instant depreciation of capital investment.  
- Support for launching venture businesses. |
| Public health measures            | - Expanding capacity of virus testing.  
- Purchase of medical equipment, construction of medical institutions, and increase in allowance for medical workers.  
- Procurement and development of vaccines, and subsidies for vaccination.  
- Anti-price manipulation policy for food and medical supplies.  
- Centralization of transactions of medical supplies. |
| Public works                      | - Infrastructure investment.  
- Green technology investment.  
- Digital investment. |
| Central bank Other authorities' policy | - Reduction of policy interest rates.  
- Large-scale liquidity injections.  
- Introduction or expansion of asset purchases.  
- Establishment and expansion of U.S. dollar swap line among central banks of countries.  
- Relaxation of rules for classifying borrowers' category of loans.  
- Relaxation of rules for provisioning.  
- Temporary suspension of mark-to-market valuation of securities.  
- Postponement of the introduction of BIS regulation (Basel III).  
- Moratorium of loans, housing loans, and credit card payments. |

<table>
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<tr>
<th>Country</th>
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</table>
| Argentina | - Virus diagnosis, purchase of vaccines and medical equipment, construction of medical institutions.  
- Transfer of income to low-income households, social security benefits, unemployment insurance, and benefits to minimum-wage workers.  
- Corporate support, including exemptions of social security costs, wage subsidies, and subsidies to construction-related loans. |
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<th>Country</th>
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| **Australia** | - Maintenance of public services for households with delayed payments.  
- Credit guarantees for micro-enterprises and SMEs.  
- Anti-price manipulation policy for food and medical supplies, ring-fencing medical supplies, and centralization of transactions of medical supplies.  
- Reduction of reserve requirement ratio for loans to households and SMEs.  
- Limitation of banks' holding of central bank bonds in order to promote loans to SMEs.  
- Relaxation of provisioning requirements and rules for classifying borrowers' category.  
- Defer closure of bank accounts and denial of credits for companies with delayed payroll tax payments and dishonored checks.  
- Expansion of expenditure for medical supplies.  
- Accelerating the process of moratorium for social security and tax payments, and tax refunds for corporations.  
- Income support for workers with reduced working hours.  
- Financial support for micro-enterprises, self-employed and low-income households.  
- Postponement of payment of rents and public utility charges for micro-enterprises and SMEs.  
- Capital injections to companies.  
- Promotion of exceptional bonuses exempt from social security payments.  
- Extension of unemployment insurance period.  
- Support for severely affected industries. |
| **Brazil** | - Income support for low-income households (cash benefits, pensions prepayment, expansion of Bolsa Familia, bonus prepayments for low-income workers).  
- Enterprise and employment support (partial compensation of workers' income, tax incentives, reduction of import tariffs on medical supplies).  
- Revenue transfer from federal government to state government.  
- Expansion of credit lines to companies and households by public financial institutions (supporting wage payments and investments by micro-enterprises and SMEs).  
- Reduction of policy interest rate.  
- Temporary relaxation of financial regulations and establishment of a funds-supplying facility with private corporate bonds collateral for liquidity injection.  
- Change of capital buffer requirements for small financial institutions, permission for reducing provisions for contingent liabilities of loans to SMEs.  
- Establishment of U.S. dollar swap line with FRB.  
- Implementation of foreign exchange intervention to stop depreciation of Brazilian real against U.S. dollar. |
| **Canada** | - Public health measures, including establishment of testing systems, vaccination, procurement of medical supplies, infection containment measures, and support for indigenous community.  
- Wage subsidies, benefits for workers without sick leave, sales tax deductions and increasing child-rearing support, and establishment of indigenous community support fund.  
- Funding support measures including tax deferrals.  
- Announcement of the "Build Back Better" strategies as policies for economic recovery from COVID-19.  
- Reduction of policy interest rate.  
- Extension of bond purchase policy, establishment of facilities for purchasing banks' acceptance, and expansion of collateral eligibility for term operations.  
- Purchase of mortgaged backed securities. |
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| China   | - Raised target balances for current accounts held by financial institutions at the Bank of Canada.  
- Enhancing existing U.S. dollar swap lines with other central banks.  
- Addition of state bonds, commercial papers, and corporate bonds to bond purchase policy.  
- Introduction of forward guidance to promise unchanged policy interest rates until the economy recovers and inflation rates exceed the target sustainably.  
- Establishment of credit line for companies and agricultural businesses with tight finances.  
- Increase in expenditure on prevention and containment of epidemics, and production of medical equipment.  
- Accelerating unemployment insurance payouts, tax deductions, and reduction of social security costs.  
- Increase in public investment.  
- Strengthened financing and lowered loan rates for manufacturing industries of medical supplies and necessities, micro-enterprises and SMEs, and agricultural sector.  
- Reduction of reserve requirement ratio for various financial institutions and interest rate on the excess reserves held by financial institutions at the central bank.  
- Expansion of credit lines for policy banks.  
- Promotion of loans by regional and major banks to SMEs, and establishment of loan evaluation system for SMEs.  
- Financial support measures for SMEs and households by extending loan repayment and easing online loan size limit.  
- Relaxation of provision rate for non-performing loans.  
- Support for issuance of bonds for financing loans to SMEs, and support measures for issuing corporate bonds.  
- Increase in credit guarantees.  
- Relaxation of housing market policy by municipal governments.  
- Restoration of regulations on the strengthened cross-border financing ratio to level before the strengthening.  
- Abolishment of quota for investment by non-resident investors, and approval of additional investment quota for domestic institutional investors.  
- Relaxation of regulations concerning overseas loans.  |
| EU / Euro area | - Expansion of credit lines through the European Stability Mechanism, credit guarantees to the European Investment Bank, and financial support for labor market policies.  
- Public investment to support medical institutions, SMEs, labor markets, and severely affected regions.  
- Application of the European Solidarity Fund to public health crisis.  
- Transfer of funds from the European common budget to the European Investment Fund for financial measures for SMEs.  
- Moratorium for debtors.  
- Macroeconomic financial support to EU member states, particularly those facing economic crisis.  
- Invoking escape clause of the Stability and Growth Pact.  
- Support for companies in severely affected industries under the Treaty on the Functioning of the European Union (TFEU) concerning EU functions.  
- Expansion and extension of existing asset purchases, and establishment of a new asset purchase facility (Pandemic Emergency Purchase Programme (PEPP)).  
- Implementation of additional refinancing operations, reduction of interest rates on TLTRO-III, and implementation of PELTRO. |
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| France  | - Relaxation of eligible collateral requirements for refinancing operations.  
|         | - Establishment of new repo facility, and strengthening swap line to supply euro.  
|         | - Order to temporarily implement flexible provision measures for reorganized debt. |
| Germany | - Expansion of expenditure for medical supplies.  
|         | - Accelerating the process of moratorium for social security and tax payments, and tax refunds for corporations.  
|         | - Income support for workers with reduced working hours.  
|         | - Financial support for micro-enterprises, self-employed and low-income households.  
|         | - Postponement of payment of rents and public utilities for micro-enterprises and SMEs.  
|         | - Capital injections to companies.  
|         | - Promotion of granting exceptional bonuses exempt from social insurance payments.  
|         | - Extension of unemployment insurance period.  
|         | - Support for severely affected industries. |
| India   | - Benefits in kind such as food, cooking gas, etc., and cash benefits for low-income households.  
|         | - Wage subsidies and employment assistance for low-income workers.  
|         | - Promotion of insurance and investment for workers in medical sector, and increase in vaccine-related expenditure for COVID-19.  
|         | - Support for 13 sectors included in the Production Linked Incentive scheme.  
|         | - Financial support for agriculture and increase in fertilizer subsidies.  
|         | - Housing construction support in urban areas.  
|         | - Financial support for micro-enterprises and SMEs, nonbanks, and low-income households, etc.  
|         | - Commencement of purchase of government bonds.  
|         | - Reduction of policy interest rates.  
|         | - Start of long-term refinancing operations, reduction in reserve requirement ratio, and increase in limit on direct borrowing from central bank.  
|         | - Establishment of facilities to support state government's financing and special funds-supplying facilities to municipal banks, mortgage companies, and SMEs.  
|         | - Relaxation of rules for asset classification for loans to micro-enterprises and SMEs and real estate industry, and freezing of asset classifications for loans in moratorium period.  
|         | - Extension of resolution consultation period when large borrowers fail to repay.  
|         | - Unsecured loans to companies, provision of subordinated bonds with partial guarantees to micro-enterprises and SMEs, and partial credit guarantees for loans by public financial institutions.  
<p>|         | - Capital injections to micro-enterprises and SMEs, and establishment of special purpose company to purchase short-term debt of non-financial institutions and mortgage companies. |</p>
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<th>Country</th>
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</table>
| Indonesia    | - Support for medical sector to expand testing for COVID-19 and for readiness to receive patients.  
- Expansion of unemployment insurance benefits, and increase in existing social security benefits for low-income households.  
- Tax deductions for travel sector and individuals (with income restrictions).  
- Reduction of corporate income tax rate, capital injections to state-owned enterprises, interest payment subsidies for micro-enterprises and SMEs, credit guarantees, and debt restructuring.  
- Funding to commercial banks for loan promotion.  
- Reduction of policy interest rates and reserve requirement ratio.  
- Prolongation of maturity of refinancing operations, and expansion of scale of weekly refinancing operations.  
- Relaxation of regulations on minimum amount for down-payment for automobile loans and LTV ratio of residential real estate.  
- Liquidity support for financial institutions, and financial support for the Deposit Insurance Corporation.  
- Purchase of government bonds by central bank to support expenditure for public health measures and subsidies by central bank for increase in interest expenses.  
- Permission to buy back shares without prior approval of general meeting of shareholders.  
- Deregulation of rules for asset classification of banks' loans, and easing procedural requirements regarding restructuring of debt.  
- Relaxation of obligation for banks to comply with financial regulations, such as introduction of mark-to-market valuation of securities. |
| Italy        | - Expenditure to strengthen public health and protect citizens.  
- Employment protection, and policies for self-employed and for lay-off workers.  
- Deferral of corporate tax payments and public utility charges.  
- Policy to support credit supply, such as credit guarantees.  
- Income support for SMEs and households.  
- Suspension of social security contribution of new employees.  
- Prohibition of dismissing employees.  
- Moratorium for households and SMEs. |
| Japan        | - Cash benefits to households and companies.  
- Deferral of tax and social security payments.  
- Special non-interest loans to micro-enterprises and SMEs by public and private financial institutions.  
- Expansion of wage subsidies, provision of subordinated loans to companies, and rents subsidies.  
- Support for companies' digitization and green investments.  
- Lift of maximum purchase of government bonds, and increase in purchase of ETF, J-REIT, corporate bonds and commercial papers.  
- Introduction of Special Funds-Supplying Operations to Facilitate Financing in Response to COVID-19 and new scheme for providing funds to support financing of SMEs.  
- Cooperation among central banks to provide U.S. dollar liquidity.  
- Partial relaxation of financial regulations, including zero risk weight to loans with credit guarantees.  
- Request to financial institutions to eliminate fees due to deferral of principal payment of housing loans and change in terms and conditions.  
- Revision of the Act on Strengthening Financial Functions to extend deadline for requesting public fund injections, easing application requirements, and raising limit on maximum injection. |
<p>| Republic of  | - Expansion of expenditure for medical supplies. |</p>
<table>
<thead>
<tr>
<th>Country</th>
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</table>
| Korea  | - Accelerating the process of deferring payment for social insurance and tax payments, and tax refunds for corporations.  
- Income support for workers with reduced working hours.  
- Financial support for micro-enterprises, self-employed and low-income households.  
- Postponement of payment of rents and public utility charges for micro-enterprises and SMEs.  
- Capital injections to companies.  
- Promotion of granting exceptional bonuses exempt from social insurance payments.  
- Extension of unemployment insurance period.  
- Support for severely affected industries. |
| Malaysia | - Expenditure for public health.  
- Temporary reduction of taxes and social security payments, cash benefits to low-income households, and discounts on electricity charges.  
- Public investment for municipal government.  
- Wage subsidies for companies, grants for employment and training, and credit guarantees for corporate loans.  
- Special permission for employees to withdraw from the Employees Provident Fund.  
- Support for digitization of companies.  
- Relaxation of requirements for unemployment insurance benefits, and extension of benefit period.  
- Expenditure for procuring vaccines for COVID-19.  
- Reduction of policy interest rate. Reduction of required reserve ratios.  
- Increase in amount for funds-supplying facilities.  
- Temporary relaxation of obligation to comply with financial regulations in order to support deferral of loan repayments and debt restructuring.  
- Exemption from stamp duty on assets under certain price, exemption from 70% LTV requirement on loans for third housing loan, and exemption from taxes on sale of residential real estate.  
- Establishment of deferral system for payment of specific type of loans.  
- Establishment of special lending facilities for micro-enterprises and SMEs, and advanced technology industries. |
| Mexico | - Expenditure for public health.  
- Accelerated payment of old-age and disability pensions.  
- Accelerating measures to refund value-added tax.  
- Loans to workers, including SMEs and self-employed.  
- Credit guarantees by development bank.  
- 3-month unemployment insurance benefits for workers with housing-loan payments.  
- Low-interest personal and housing loans for government agency workers.  
- Reduction of policy interest rates and reserve requirement ratio.  
- Expansion of eligible collateral for refinancing operations and eligibility for participating in liquidity operations.  
- Establishment of special facility to promote loans to micro-enterprises and SMEs and individuals.  
- Establishment of special facility to allow temporary exchange of eligible bonds with government bonds and special facility to conduct corporate bond repo.  
- Establishment of swap line with FRB.  
- Temporary change of accounting standards so that financial institutions can defer loan payments.  
- Measures to promote digital authentication for opening bank accounts and |
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| The Philippines | - Cash benefits to low-income households.  
- Social protection measures for low-income workers and micro-enterprises and SMEs.  
- Expenditure to medical sector, including expansion of testing capacity for COVID-19.  
- Credit guarantees for SMEs, and support for agricultural sector.  
- Special loans and debt restructuring for micro-enterprises, SMEs and households.  
- Expansion of financial support to industries including transportation and tourism, and capital injection into state-owned banks.  
- Reduction of policy interest rates and reserve requirement ratio.  
- Commencement of purchasing government bonds.  
- Relaxation of financial regulations such as compliance reports, requirements regarding provision, and mark-to-market valuation of bonds.  
- Permission for recording loans provided to micro-enterprises and SMEs as required reserves.  
- Increase in limit to percentage share of loans to real estate. |
| Russia       | - Increase in salaries of medical workers.  
- Measures to pay more than minimum wage to those in quarantine period, extension of unemployment insurance period, and increase in minimum and maximum unemployment insurance.  
- Expansion of child allowances and housing loans with subsidies.  
- Subsidies for interest payments to SMEs and important companies in economic system.  
- Deferral of payment and deduction of social insurance for SMEs, deferral of rents, wage subsidies, and credit guarantees.  
- Establishment of tax exemption period for SMEs, sole proprietors, and non-government organizations providing social services.  
- Refund of tax to self-employed, and social insurance payments to sole proprietors.  
- Employment subsidies for unemployed by companies.  
- Subsidies to severely affected industries (e.g., aviation, airport, automobile, etc.), capital injection to state-owned bank, etc.  
- Abolition of import tax on medical supplies and equipment.  
- Reduction of policy interest rates, and introduction of long-term refinancing operations.  
- Sale of foreign currency assets of the Russian Federation National Wealth Fund due to a decline in the price of crude oil and government's purchase of banks.  
- Relaxation of requirements for provision regarding loans for companies and SMEs that restructured debts.  
- Establishment of special facilities for loans to SMEs, and reduction of loan rate.  
- Suspension of mark-to-market valuation of securities held by financial institutions.  
- Reduction of deposit insurance rates.  
- Relaxation of liquidity regulations for systematically important financial institutions.  
- Deferral of loan repayments for SMEs and individuals. |
| South Africa | - Expansion of expenditure for medical supplies.  
- Accelerating the process of deferring payment for social insurance and tax payments, and tax refunds for corporations.  
- Income support for workers with reduced working hours. |
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| Spain   | - Increase in expenditure for medical sector.  
          - Unemployment insurance to lay-off workers without limitation on unemployment insurance coverage, expansion of eligibility and extension for unemployment insurance period.  
          - Benefits to self-employed, and exemption from social security payments for self-employed receiving special benefits.  
          - Disease allowance for those infected with COVID-19 and for workers in quarantine period.  
          - Means-tested minimum income security policy.  
          - Housing support policy, and subsidies to replace automobile.  
          - Investment in digitization and innovation in tourism sector.  
          - Extension of social security benefits related to utility charges.  
          - Exemption of social security payments of companies that maintain employment.  
          - Temporary change of value-added tax for medical masks from standard tax rate to reduced tax rate.  
          - Application of temporary zero tax rate to value-added tax on medical products, tests, and vaccines related to COVID-19 measures.  
          - Centralization of medical supplies in emergency.  
          - Deferral of social security payments and other taxes for companies and self-employed.  
          - Tax incentives for land owners who reduced real estate rents for food, beverage, and accommodation industries.  
          - Expansion of measures to reduce burden on income and value-added taxes.  
          - Credit guarantees to companies and sole proprietors, especially for investments that promote environmental sustainability and digitization.  
          - Establishment of strategically important company relief fund and capital injection fund for SMEs.  
          - Deferral of payments for housing loans, rents, and consumer finances. |
| Thailand | - Increase in public health expenditure.  
          - Securing vaccine jointly developed by AstraZeneca and Oxford University, and conclusion of agreement with Siam Bioscience for manufacturing and supplying the vaccine.  
          - Benefits for workers, farmers and entrepreneurs.  
          - Low-interest loans and tax reduction measures for individuals and companies.  
          - Reduction of public utility charges and social security payments.  
          - Subsidies to tourists, and low-interest loans to SMEs in travel industry.  
          - Low-interest loans to micro-enterprises and SMEs involved in travel industry and supply chain.  
          - Introduction of shopping subsidies to holders of welfare card for low-income earners.  
          - Reduction of policy interest rates and contribution rate to the Financial Institution Development Fund.  
          - Low-interest loans to financial institutions to promote loans to SMEs.  
          - Interest payment support, credit guarantees, and deferral of repayments for loans. |
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<tbody>
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<td>to SMEs.</td>
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<td></td>
<td>- Freeze of change in classification of loan assets, and extension of deadline for accumulating provision.</td>
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<td></td>
<td>- Reduction of minimum monthly amount of credit card payments, and deferral of loan payments for consumer, automobiles, motorcycles, and housing loans.</td>
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<td>- Establishment of the Corporate Bond Stabilization Fund and Mutual Fund liquidity facility.</td>
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<td>- Commencement of government bonds purchase policy.</td>
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<tr>
<td>Turkey</td>
<td>- Credit guarantees for companies and households.</td>
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<td>- Deferral of loan repayments by state-owned banks.</td>
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<td></td>
<td>- Deferral of tax payments for companies.</td>
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<tr>
<td></td>
<td>- Public capital injection to state-owned banks.</td>
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<tr>
<td></td>
<td>- Partial wage subsidies for workers with reduced working hours.</td>
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<tr>
<td></td>
<td>- Expansion of applicable items for reduced value-added tax rate.</td>
</tr>
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<td></td>
<td>- Prohibition of temporary dismissal of workers.</td>
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<tr>
<td></td>
<td>- Raised policy interest rates as anti-inflationary measure.</td>
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<tr>
<td></td>
<td>- Commencement of government bonds purchase.</td>
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<td></td>
<td>- Increase in liquidity facilities.</td>
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<td></td>
<td>- Suspension of compulsory execution on debt and bankruptcy procedures.</td>
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<td></td>
<td>- Establishment of special loan facility for SMEs in export industries.</td>
</tr>
<tr>
<td>U.K.</td>
<td>- Expansion of expenditure for medical supplies.</td>
</tr>
<tr>
<td></td>
<td>- Accelerating the process of deferring social security and tax payments, and tax refunds for corporations.</td>
</tr>
<tr>
<td></td>
<td>- Income support for workers with reduced working hours.</td>
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<td></td>
<td>- Financial support for micro-enterprises, self-employed and low-income households.</td>
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<tr>
<td></td>
<td>- Postponement of payment of rents and public utility charges for micro-enterprises and SMEs.</td>
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<td></td>
<td>- Capital injections to companies.</td>
</tr>
<tr>
<td></td>
<td>- Promotion of granting exceptional bonuses exempt from social insurance payments.</td>
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<tr>
<td></td>
<td>- Extension of unemployment insurance period.</td>
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<tr>
<td></td>
<td>- Support for severely affected industries.</td>
</tr>
<tr>
<td>U.S.</td>
<td>- Addition to unemployment insurance benefits, and extension of benefit period.</td>
</tr>
<tr>
<td></td>
<td>- Cash benefits and tax refunds to households.</td>
</tr>
<tr>
<td></td>
<td>- Public health measures such as COVID-19 testing and vaccination.</td>
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<td></td>
<td>- Credit guarantees for SMEs (loans based on the Paycheck Protection Program).</td>
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<td></td>
<td>- Subsidies for education, and deferral of student loan payments.</td>
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<td></td>
<td>- Measures for safety network of food supplies for those in need.</td>
</tr>
<tr>
<td></td>
<td>- Deferral of social security payments.</td>
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<td>- Measures to prevent loss of residence.</td>
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<td>- Support measures to prevent corporate bankruptcies.</td>
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<td></td>
<td>- Current transfers to state and municipal governments.</td>
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<td></td>
<td>- Reduction of policy interest rates.</td>
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<tr>
<td></td>
<td>- Expansion of purchase of government bonds and government agency bonds.</td>
</tr>
<tr>
<td></td>
<td>- Establishment of U.S. dollar swap lines with other central banks, and expansion of functions.</td>
</tr>
<tr>
<td></td>
<td>- Establishment of various special facilities for strengthening financing and purchasing assets.</td>
</tr>
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<td></td>
<td>- Relaxation of financial regulations, including classification rules for borrowers’ status.</td>
</tr>
<tr>
<td></td>
<td>- Deferral of housing loan payments by government-affiliated financial institutions.</td>
</tr>
<tr>
<td>Country</td>
<td>Fiscal policy, monetary policy, macroeconomic monetary measures, exchange rate measures, etc.</td>
</tr>
<tr>
<td>---------</td>
<td>------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Vietnam | - Deferral of payments of value-added tax, corporate income tax, personal income tax, and land use fees.  
- Reduction of registration tax for domestically-produced automobiles, and deferral of payment for excise tax.  
- Reduction of land use fees and corporate registration fees.  
- Reduction of corporate income tax for micro-enterprises.  
- Deferral of social security payments.  
- Import tax exemptions for medical equipment.  
- Cash benefits to workers and households.  
- Reduction of policy interest rates.  
- Request for financial institutions to promote debt restructuring, reduce or exempt interest payments, and grant deferral.  
- Request for financial institutions to increase credits to households in addition to designated priority 5 sectors.  
- Postponement of introduction of financial regulations as measure to promote credit creation.  
- Implementation of loans by state-owned banks with repayment exemption clause to support wage payments of companies.  
- Request for financial institutions to reduce personnel and operating expenses and to change their dividend plans.  
- Exchange intervention to prevent currency depreciation. |

Note 1: Based on the updated version on April 6, 2021, and policies include temporary measures that have already been terminated.  
Note 2: Monetary policy, macroeconomic monetary measures, and exchange rate measures include ones taken by authorities other than central banks.  
Note 3: Policies of each country and region are summary of the content of the "Policy Tracker," and do not necessarily represent all of the policy measures taken.  
Source: Policy Tracker (IMF).  

However, it should be noted that such economic measures will have long-term effects. Specifically, the implementation of those economic measures was inevitably accompanied by a significant increase in government consumption expenditure, and as a result, the fiscal deficit expanded in many of those countries. The following (Figure I-1-1-4) shows the fiscal balance and outlook of some developed and emerging countries as the percentage of nominal GDP. According to them, the fiscal deficit increased significantly in 2020 due to the policy expenses for the countermeasures of COVID-19, and the fiscal balance will not turn to surplus in 2021 despite the expected economic recovery. Such a large increase in the fiscal deficit could be a budget constraint if policies are needed for new shocks, and will affect the flexibility of future fiscal management.
Figure I-1-1-4. Fiscal balance in developed countries (upper figure) and emerging countries (lower figure)

Note 1: Based on the April 2021 edition.
Note 2: Numbers for 2021 are forecasted values.

However, while the spread of COVID-19 is still globally serious, it is important that national governments continue to implement measures in light of such long-term impacts. As stated above, economic measures such as cash benefits to households, unemployed and temporarily-laid-off persons, and credit guarantees for micro-enterprises and SMEs, are specifically targeted for those considered to be particularly vulnerable to the impact of COVID-19.

For example, in the United States, the application of unemployment insurance has been approved for freelancers under the Pandemic Unemployment Assistance program, which was included in the Coronavirus Aid, Relief, and Economic Security Act passed under the administration of the former
President Trump, as the number of freelancers are on an increasing trend. According to a survey by Upwork, one of the major freelance platforms, the number of freelancers increased compared to recent years to 59 million in 2020 when COVID-19 pandemic became more serious (Figure I-1-1-5). The subjects of the survey include both freelancers working as a subsidiary business and workers who earn income only from freelance work. The recent survey found that 36% of the total subjects earned income only from freelance work, and the share of such freelancers also rose. Freelancers are more likely to be affected if there is a major shock, such as the spread of COVID-19. Without any policy to support workers in such a weak position, the U.S. employment base could be unstable when another shock occurs. Economic measures under a crisis, such as COVID-19, require a separate assessment from economic measures at normal times.

Figure I-1-1-5. Number of freelancers in the United States and the percentage of those who earn income only from freelance work

![Number of freelancers in the United States and the percentage of those who earn income only from freelance work](image)

Source: Survey by Upwork.

3. Trends in trade and investment

The role of trade will also be important in order for the global economy to recover smoothly in 2021. According to the outlook by the World Trade Organization (WTO), the world goods trade volume in 2020 decreased by -5.3% year on year, but is expected to recover by 8.0% year on year in 2021, and is expected to increase steadily by 4.0% year on year in 2022 (Figure I-1-1-6).

---

2 There is no clear definition of freelance work, but the Professional & Parallel Careers Freelance Association (2018), for example, considers "freelancers" as "individuals who receive compensations for their expertise and skills in an independent manner that are not exclusively engaged in a particular company or organization."
In 2020, world trade and investment declined significantly in response to the global economic downturn. In particular, with the spread of COVID-19, over 70 countries introduced export restrictions of medical goods, and concerns about free trade system also emerged. In order for the global economy to overcome the impact of COVID-19, it is important that medical-related products are distributed widely. The fact that the number of countries that have introduced export restrictions of medical goods has been elevated suggests that the measures to curb trade in such a local field as medical goods can disturb the economic recovery process (Figure I-1-1-7).

In addition, it is necessary to pay attention to trade policies that are not limited to the medical goods as a factor that influences the world trade volume in 2021. The following (Figure I-1-1-8) shows how
many harmful and liberalizing measures have been globally introduced in a year for goods trade, services trade, investments, and migration. It shows that among the four items mentioned above, there is a particularly large number of policies concerning goods trade. As to the policies concerning goods trade, if export subsidies, other export subsidizing policies, tariffs, contingent trade-protective measures, protection measures concerning government procurement, non-automation of trade procedures, trade volume regulations, price control, etc. are introduced, they are considered as harmful measures, while counted as liberalizing measures if they are relaxed (see the notes on the figure for the policy contents on service trade, investments, and migration).

Figure I-1-1-8. Number of introduced policies to restrict and promote goods trade, services trade, investments, and migration

![Graph showing the number of introduced policies to restrict and promote goods trade, services trade, investments, and migration from 2009 to 2020.](image)

Note 1: Regarding goods trade, if export subsidies, other export subsidizing policies, tariffs, contingent trade-protective measures, protection measures concerning government procurement, non-automation of trade procedures, trade volume regulations, price control, etc. are introduced, they are considered as harmful measures, while counted as liberalizing measures and if they are relaxed.

Note 2: Regarding services trade, if export subsidies, other export subsidizing policies, protection measures concerning investment on trade in services, protection measures concerning government procurement, non-automation of trade procedures, etc. are introduced, they are considered as harmful measures, while counted as liberalizing measures if they are relaxed.

Note 3: Regarding investments, if measures to regulate direct investment, capital transactions, and intellectual property investment are introduced, they are considered as harmful measures, while counted as liberalizing measures if they are relaxed.

Note 4: Regarding migration, if regulatory measures are introduced, they are considered as harmful measures, while counted as liberalizing measures if they are relaxed.

Source: Global Trade Alert (accessed on May 21, 2021).

The following (Figure I-1-1-9) shows the number and percentage share of harmful and liberalizing measures for goods trade, which constitute the majority of policies being implemented. Looking at the statistics that started in 2009, there have been more restrictive measures in the entire period, particularly in recent years when the introduction of harmful measures increased in 2018 following a general trend to prioritize own countries’ best interests. In 2019, the number of harmful measures decreased from the previous year, but increased again in 2020. In terms of the percentage share of policies, the percentage share of harmful measures has been elevated since 2018, following the general trend to prioritize own countries’ best interests.
Figure I-1-1-9. Number and percentage share of harmful and liberalizing policies concerning goods trade

Note 1: Regarding goods trade, if export subsidies, other export subsidizing policies, tariffs, contingent trade-protective measures, protection measures concerning government procurement, non-automation of trade procedures, trade volume regulations, price control, etc. are introduced, they are considered as harmful measures, while counted as liberalizing measures if they are relaxed.

Note 2: In the figure on the right, the data for 2021 is taken as of May 2021, and only the percentage share is shown because it cannot be compared to other years as an absolute number.

Source: Global Trade Alert (accessed on May 21, 2021).

In 2020, when COVID-19 spread worldwide, looking at the percentage share of the adopted harmful policies for exports and imports (Figure I-1-1-10), most of the harmful measures for exports are those other than subsidies, and nearly 70% of the harmful measures for imports are subsidies and tariffs. As seen by the elevated number of countries that introduced export restrictions of medical goods, it is necessary to be aware that these trade policies may hinder the recovery of the world trade volume.
On the other hand, for the trade of goods as a whole, the merchandise export volume index shows that the trade volume has recovered in the second half of 2020, and the Goods Trade Barometer, which suggests near-term trends in goods trade, is also predicting an increase in the trade volume (Figure I-1-1-11). Goods Trade Barometer (see Note 1 in the same figure for details) tends to lead the merchandise export volume index by 3-4 months, and exceeded the threshold value of 100 at 109.7 according to the data published in May 2021, suggesting that merchandise goods trade will increase.

**Figure I-1-1-11. Goods Trade Barometer and merchandise export volume index**

<table>
<thead>
<tr>
<th>(Mid-term trend = 100)</th>
<th>(Q1 = 100 in 2005)</th>
</tr>
</thead>
<tbody>
<tr>
<td>115</td>
<td>180</td>
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<td>110</td>
<td>170</td>
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<td>105</td>
<td>160</td>
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<td>95</td>
<td>140</td>
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<td>90</td>
<td>130</td>
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<td>85</td>
<td>120</td>
</tr>
<tr>
<td>80</td>
<td>110</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Q1 Q2 Q3 Q4</th>
<th>Q1 Q2 Q3 Q4</th>
<th>Q1 Q2 Q3 Q4</th>
<th>Q1 Q2 Q3 Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2018</td>
<td>2019</td>
<td>2020</td>
</tr>
</tbody>
</table>

- **Goods Trade Barometer**
- **Merchandise export volume index (right axis)**

Note 1: Goods Trade Barometer is obtained by seasonally adjusting all of the following and combining them into a single composite index: export orders published by IHS Markit, international air freight published by the International Air Transport Association, container port throughput published by the Institute for Shipping Economics and Logistics, automobile production and sales published by national statistical authorities, and the trade volume of electronic components and agricultural raw materials published by Trade Data Monitor and the national statistical authorities. If it is above 100, it means that the performance is better than the recent trend calculated by using HP filter, suggesting that global goods trade is active. The barometer tends to lead global trade volume by 3 or 4 months.

Note 2: As to the Goods Trade Barometer, the February publication is set as Q1, the May publication as Q2, the August publication as Q3, and the November publication as Q4.

Note 3: As to the Goods Trade Barometer, past statistics are revised retrospectively every time the latest statistics are published, but the figure uses the original values at the time of publication, since revised data is not published.
Note 4: Merchandise export volume index is seasonally adjusted. 
Source: WTO.

The trend of the world’s production of manufacturing industries shows that the production of pharmaceuticals and other products has been recovering. The following (Figure I-1-1-12) shows the year-on-year production growth rate in the world’s manufacturing and the year-on-year contribution by major industries. According to this, as of January 2021, positive contributions to manufacturing production were made by machinery, electronics, electrical equipment, and chemicals (i.e., year-on-year growth rates in these industries are positive). Diverse demand for semi-conductors and resilient demand for home electronics thanks to the widespread use of cash benefits as counter measures against COVID-19 likely supported the recovery of production in those industries. Also, given that chemicals include the production of pharmaceuticals, etc., the recovery of the production suggests that the measures are progressing in terms of providing vaccines and other related products.

Figure I-1-1-12. Year-on-year growth rate of manufacturing production and contributions by major industries

Moreover, looking at the promotional measures for trade publicly announced or taken between mid-October 2019 and mid-October 2020, tariffs on a wide range of items, in addition to medical supplies, which seem to be preventive measures against COVID-19, have been reduced or eliminated (Table I-1-1-13). The economic recovery of each country is expected to increase trade volume autonomously, and such measures are also expected to contribute to the recovery of trade volume.

Table I-1-1-13. Promotional policy for trade (publicly announced or put into force from mid-October 2019 to mid-October 2020)

| Argentina | - Abolition of requiring certification of origin for statistical purposes.  
- Temporary abolition of export taxes on leather and other goods up to export allocation.  
- Temporary removal of crude oil from petroleum and bituminous minerals from |
<table>
<thead>
<tr>
<th>Country</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>the list requiring non-automated import permission.</td>
</tr>
<tr>
<td></td>
<td>- Reduction or elimination of tariff on the following items up to import quota:</td>
</tr>
<tr>
<td></td>
<td>Polyamide 6, silicon, odorous compounds, epoxide resin, carbon electrodes,</td>
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<tr>
<td></td>
<td>hops, specific pharmaceutical products, specific medical equipment, specific</td>
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<tr>
<td></td>
<td>wax and wax compounds, dispersion paints and dispersion paint compounds,</td>
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<td></td>
<td>gluten-free modified milk powder, gluten-free food compounds, specific dairy</td>
</tr>
<tr>
<td></td>
<td>products, epsilon-caprolactam, dried sodium sulfate.</td>
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<td></td>
<td>- Revision on the export tax items list to reduce export tax for 5,114 goods</td>
</tr>
<tr>
<td></td>
<td>based on 8-digit tariff code.</td>
</tr>
<tr>
<td>Australia</td>
<td>- Further reduction of import tariffs on 8 goods based on 8-digit tariff</td>
</tr>
<tr>
<td></td>
<td>code due to expansion of the Information Technology Agreement.</td>
</tr>
<tr>
<td>Brazil</td>
<td>- Reduction or elimination of tariff on the following items up to import quota:</td>
</tr>
<tr>
<td></td>
<td>Hepatitis B vaccine, diphtheria vaccine, papillomavirus vaccine, hepatitis A</td>
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<tr>
<td></td>
<td>vaccine, rabies vaccine, inorganic chemical products, rare metal compounds,</td>
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<td></td>
<td>radioactive element compounds, isotope compounds, organic compounds, plastic</td>
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<tr>
<td></td>
<td>products, paper and cardboard, machinery and mechanical equipment, electrical</td>
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<tr>
<td></td>
<td>machinery and equipment, tubular metallic needles, ski, animals for circus,</td>
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<tr>
<td></td>
<td>light-emitting diodes, p-phenylenediamine and diaminoalkane, derivatives and</td>
</tr>
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<td></td>
<td>base compounds, plastic products, epsilon-caprolactam, ethylene dichloride,</td>
</tr>
<tr>
<td></td>
<td>polyester high-tenacity yarn, unprocessed acrylic polymer, jute, wheat,</td>
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<td></td>
<td>specific human vaccines, semi-trailer of specific tankers, specific artificial</td>
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<tr>
<td></td>
<td>fibers, printing inks, polycarbonate, black printing inks, rolled aluminum</td>
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<tr>
<td></td>
<td>foil, pharmaceutical products, sodium sulfate, aluminum alloy products with a</td>
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<td></td>
<td>thickness of over 0.2 mm, contact lenses, metal permanent magnet, electric</td>
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<td></td>
<td>appliances for switching or protecting electrical circuits, titanium oxide,</td>
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<td></td>
<td>methylene phenyl isocyanate, babassu oil, odorous compounds, partially-</td>
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<td></td>
<td>oriented polyester fibers, polycarbonate, pesticides, polyester high-</td>
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<td>tenacity yarn, nickel before alloying, pigments and compounds containing</td>
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<td></td>
<td>titanium oxides, specific uncoated paper and cardboard, specific sodium,</td>
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<td>paraxylene, polyamide, aluminum before alloying, specific pharmaceutical</td>
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<tr>
<td></td>
<td>products, specific transformers, electrostatic transducers, coils, specific</td>
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<td></td>
<td>vaccines, specific drugs for treatment and prevention purposes, specific</td>
</tr>
<tr>
<td></td>
<td>vehicles, carboys, bottles, flasks and similar products, acrylic and</td>
</tr>
<tr>
<td></td>
<td>modacril, lignin sulfonate, nickel alloy sheets, specific medical science</td>
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<tr>
<td></td>
<td>equipment, vinyl chloride, rice, natural ethyl alcohol/ethyl alcohol/other</td>
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<tr>
<td></td>
<td>spirits with a minimum alcohol content of 80%.</td>
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<td></td>
<td>- Reduction of import tariff rate to 2% for automobile accessories produced</td>
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<td></td>
<td>outside the Mercosur area.</td>
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<td></td>
<td>- Reduction of import tariffs on ships for transport of specific goods.</td>
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<td></td>
<td>- Temporary elimination of import tariffs on capital goods and</td>
</tr>
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<td></td>
<td>information/communication goods based on tariff code.</td>
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<tr>
<td></td>
<td>- Elimination of import tariffs on specific automotive parts not produced in</td>
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<tr>
<td></td>
<td>Mercosur.</td>
</tr>
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<td></td>
<td>- Abolition of the non-automated procedure for import permission for specific</td>
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<td></td>
<td>items.</td>
</tr>
<tr>
<td>China</td>
<td>- Extension of the suspension measures of additional tariffs on imports of</td>
</tr>
<tr>
<td></td>
<td>automobiles and their accessories from the United States.</td>
</tr>
<tr>
<td></td>
<td>- Reduction of import tariffs by applying provisional tariff rates to specific</td>
</tr>
<tr>
<td></td>
<td>goods.</td>
</tr>
<tr>
<td></td>
<td>- Increase in the value-added tax refund rate to 13% for 1,084 export goods</td>
</tr>
<tr>
<td></td>
<td>and the value-added tax refund rate to 9% for 380 goods.</td>
</tr>
<tr>
<td></td>
<td>- Further reduction of import tariffs on 176 goods based on 8-digit tariff</td>
</tr>
<tr>
<td></td>
<td>code due to expansion of the Information Technology Agreement.</td>
</tr>
<tr>
<td>European Union</td>
<td>- Further reduction of import tariffs on 17 goods based on 8-digit tariff</td>
</tr>
<tr>
<td></td>
<td>code due to expansion of the Information Technology Agreement.</td>
</tr>
</tbody>
</table>
India

- Reduction of import tariffs on the following: Thoroughbreds, fuel oil with a low sulfur content, microphone-specific parts, polyester liquid crystal polymer, micro fuse bases, calcined cokes, calendered-finish plastic sheets, platinum and palladium, used precious metal catalysts.
- Abolition of social welfare surcharges on almonds, walnuts, orange juice, and lime-based building stones.
- Expansion of items to be added to the exemption list of social welfare surcharges.
- Exemption from health tax on imports of specific medical equipment.
- Re-reduction of import tariffs on lentils.

Japan

- Elimination of tariffs on cyclohexanediethanol, tetramethylpiperidine, igniter used for manufacturing automotive parts, alkylbenzene, and leaver laces.

Republic of Korea

- Further reduction on import tariffs on 84 goods on the 8-digit tariff code due to expansion of the Information Technology Agreement.
- Elimination of the export tax on unprocessed palm oil.
- Further reduction of import tariffs on 19 goods on the 8-digit tariff code due to expansion of the Information Technology Agreement.

Malaysia

- Extension of temporary tariff elimination measures for rice husks up to import quota.
- Temporary elimination of import tariffs on specific electric motor vehicles.
- Elimination of import tariffs on foam mattresses and accessories.

Mexico

- Reduction of import tariffs on plastic products, electrical machinery and equipment, etc.
- Further reduction of import tariffs on 50 goods on the 8-digit tariff code due to expansion of the Information Technology Agreement.

New Zealand

- Extension of temporary tariff elimination measures for cocoa and certain cocoa-adjusted products.
- Temporary elimination of import tariffs on the following: Vanadium, minced fish, stamping foil, vanadium dioxide and vanadium hydroxide, rods for optical glasses, terephthalic acid, accessories for hand held tool supplies, electric vehicles, polyurethane and epoxy resin coating agents, specific shellfish and krill.
- Establishment of tariff code that falls under "specific LED lamps" that will lead to temporary tariff elimination measures.

The Philippines

- Extension of temporary tariff elimination measures for cocoa and certain cocoa-adjusted products.
- Further reduction of import tariffs on 50 goods on the 8-digit tariff code due to expansion of the Information Technology Agreement.

Russia

- Further reduction of import tariffs on 108 goods on 8-digit tariff code (implemented on July 1, 2020) due to expansion of the Information Technology Agreement.

Thailand

- Elimination of import tariffs on the following: Pig iron and specific iron alloy products, inulin, fructooligosaccharides, lipids for modified milk powder for infants and molasses for yeast production.
- Abolition of a temporary export permission for onions and potatoes (implemented on January 7, 2020).

Turkey

Note: Temporary measures are also included.
Source: Annual overview of trade-related developments 30 November 2020 (WTO).

In fact, although the world’s merchandise exports value decreased in 2020, the percentage share of exports of medical goods and stay-home-related goods that may have been affected by the spread of COVID-19 increased (see Figure I-1-1-14 and Notes 2 and 3 for details of medical and stay-home goods). It was noted above that the number of countries that have implemented harmful measures for
exports in medical goods has been elevated, but it is shown that the medical and stay-home items mentioned here are supporting the global merchandise export value.

**Figure I-1-1-14. World merchandise export values and the share of medical and stay-home goods**

Note 1: World merchandise export values are based on WTO's actual values, while the share of medical and stay-home goods are based on UN Comtrade statistics. UN Comtrade statistics are aggregated for countries already reporting 2020 statistics as of May 2021, and may change depending on future aggregates.

Note 2: "Medical goods" contain the following ones: HS2941: Antibiotics; HS3002: Immunological products and vaccines; HS3003-HS3004: Medicaments; HS340111: Soaps, etc.; HS340120: Soaps (other shapes); HS340130: Soaps (liquid or cream); HS340119: Wet tissues; HS340211-HS340219: Organic surfactants; HS340220: Hand sanitizers; HS340290: Adjusted surfactants, etc.; HS380894: Disinfectants; HS392620: Plastic gloves; HS621010: Felt or nonwoven clothing; HS630790: Other textile products; HS900490: Safety glasses, etc.; HS902519: Thermometers and pyrometers.

Note 3: "Stay-home goods" contain the following ones: HS8471: Personal computers, etc.; HS851830: Microphones, headphones, and earphones; HS852852: Monitors for personal computers; HS852862: Projectors for personal computers; HS950450: Consoles for video games.

Source: WTO, UN Comtrade.

World manufacturing production is also recovering, and that is expected to support capital investment. The following (Figure I-1-1-15) shows the world production levels in manufacturing industries. According to the figure, world manufacturing production fell sharply in the first half of 2020, but then started to recover, and has recovered to the level prior to the spread of COVID-19. Although there are differences in the pace of recovery, i.e. fast-recovering industries (electronics and motor vehicles) and slow-recovering industries (aerospace and textiles), it is expected that corporate financial support measures such as credit guarantees implemented by individual governments and macroeconomic measures such as promoting infrastructure and digital investment will improve the production system of companies and recover corporate capital investment.
As with the decline in the world merchandise volume in 2020, the shock of COVID-19 made the economic outlook uncertain and influenced direct investment. Specifically, the following (Figure I-1-1-16) is the inward foreign direct investment (FDI) flow published by the United Nations Conference on Trade and Development (UNCTAD), and predicted that the global FDI flow in 2020 has reached the lowest level since 2005, ranging from $920 billion to $1.08 trillion.

**Figure I-1-1-16. World inward foreign direct investment flow**

As COVID-19 has spread worldwide, one of the major assignments is to strike the balance between
reactivating economic and social activities and infection containment. Purchasing Manager Index (PMI), which is the representative index to indicate corporate business confidence, has been above the threshold level of 50 even since the ending phase of 2020, when COVID-19 pandemic resurged worldwide (Figure I-1-1-17). In particular, it shows the contrasting movement to the early stages of the spread of infection in early 2020, when business confidence had deteriorated significantly. It suggests that companies are trying to find new forms of economic activity to adapt to the spread of the pandemic.

**Figure I-1-1-17. Manufacturing and services PMI**

Note: Seasonally-adjusted values.
Source: IHS Markit.

However, attention should still be paid to the fact that the spread of the pandemic has a particularly strong negative impact on face-to-face services. Specifically, the following (Figure I-1-1-18) shows the employment change rate by industries in 2020, as aggregated by the IMF. According to the IMF’s analysis, jobs lost in 2020 due to the spread of COVID-19 were identified mainly as those that are easily replaced by automation, and those that require physical contact. In this figure, industries in which employment declined other than manufacturing were mainly face-to-face service industries, such as the trade, accommodation, arts, and services. On the other hand, an increase in employment was seen in industries where contact-free services are easily provided, such as information and communications, finance and insurance, and industries where the spread of COVID-19 evoked a special demand (e.g., relocation to suburbs due to the popularization of remote work, and medical demand) such as real estate, education, and healthcare industries. It is important to recognize that there is a difference in the adaptation trend regarding economic activities, assuming the impact of COVID-19.
Figure I-1-1-18. Employment growth rates by industries in 2020

<table>
<thead>
<tr>
<th>Industry</th>
<th>2020 Employment Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade/Accommodation</td>
<td>-4</td>
</tr>
<tr>
<td>Arts/Services</td>
<td>-3</td>
</tr>
<tr>
<td>Agriculture</td>
<td>-2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-1</td>
</tr>
<tr>
<td>Professional services</td>
<td>0</td>
</tr>
<tr>
<td>Construction</td>
<td>1</td>
</tr>
<tr>
<td>Mining/Energy</td>
<td>2</td>
</tr>
<tr>
<td>Education/Healthcare</td>
<td>-1</td>
</tr>
<tr>
<td>Financial/Insurance</td>
<td>0</td>
</tr>
<tr>
<td>Real estate</td>
<td>1</td>
</tr>
<tr>
<td>Information/Communications</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: Countries included in the aggregate are Australia (but only in the first and second quarters), Austria, Belgium, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Republic of Korea, Latvia, Lithuania, Luxembourg, Netherlands, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom (but only in the first to third quarters), and United States.

Source: *World Economic Outlook April 2021* (IMF).