

White Paper on International Economy and Trade 2024

July 2024
Trade Policy Bureau
Ministry of Economy, Trade and Industry (METI)

White Paper on International Economy and Trade 2024

1. Status

- **A non-statutory white paper** (METI'S four other white papers [White Paper on Small and Medium Enterprises in Japan, White Paper on Small Enterprises in Japan, White Paper on Manufacturing Industries (Monodzukuri), Annual Report on Energy] are those stipulated by law. Other non-statutory white papers include the Annual Report on the Japanese Economy and Public Finance [Economic and Fiscal White Paper]).
- Distributed at the Cabinet meeting every year (**76th publication** this year).

2. Purpose

- To contribute to forming trade strategies through analyzing international economic trends and foreign policies that affect trade, and to inform the public of the ideas that form the basis for trade policy and its directions.

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- The Paper consists of three parts (Part I: Trends, Part II: Structures, Part III: Policies).
- Part I analyzes the trends and key issues of the world economy. Part II discusses the structural challenges that the world economy and Japanese economy are currently facing. Part III looks at what the government is working on in relation to international trade.

Part I: Recovery of the World Economy with Regional Difference and its Impact on Japanese Enterprises

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Chapter 2: Country/Region Strategies

North America, Europe, China/Korea, ASEAN/Oceania, India, Latin America, Russia/Central Asia/Caucasus, Middle East, Africa

Executive Summary

Urgent necessity of reconstructing a rules-based and free international trade order amid concerns about global fragmentation.

- While there are regional differences in the recovery of the global economy, Global South countries such as India have maintained high growth, and Japanese enterprises are eager to expand their businesses there. To ensure future high growth, it is important to support governance, trade openness and innovation.
 - A rules-based, free international trade order is the foundation of economic development for all countries. Reforming the WTO remains an urgent issue.
- ➡ **Support governance and trade openness to ensure the autonomous development of Global South countries. Accelerate efforts to restore the functioning of the WTO and reconstruct a rules-based international trade order, which is the foundation of economic development for all countries, including the Global South.**
- As the fragmentation of the world economy deepens due to the recent COVID-19 pandemic and increasing geopolitical risks, the risk of excessive dependence on certain countries has become apparent. At the same time, concerns about the rise of protectionism are growing.
- ➡ **In order to ensure a level playing field (LPF) where principles such as sustainability and reliability as well as requirements based on them are properly taken into account, we will work on both the supply and demand sides. With this in mind, we will also coordinate with like-minded countries to build transparent, resilient and sustainable supply chains.**

Executive Summary

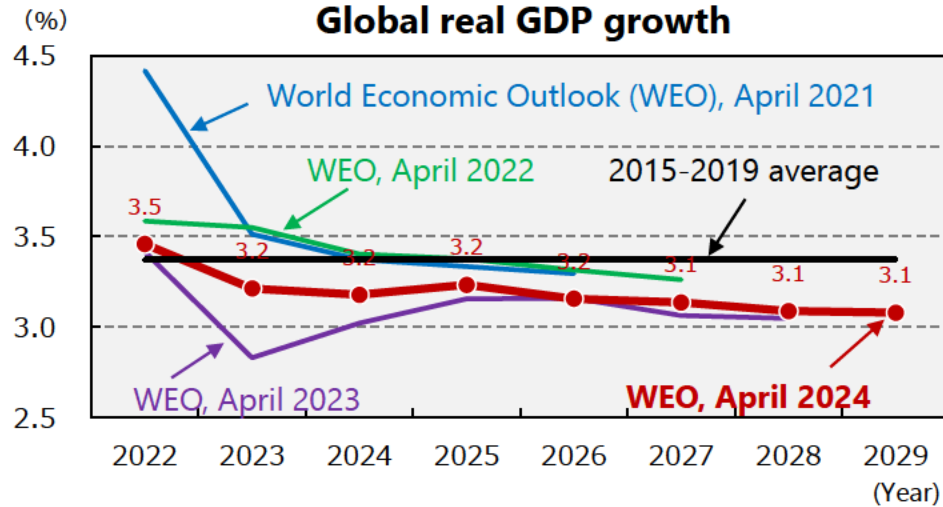
Strengthening Japanese enterprises' further growth in the global market

- Despite the weak Japanese yen being a good opportunity for exports, export volume has been sluggish. With the increasing momentum for production bases returning to Japan, strengthening Japanese enterprises' export competitiveness is the key.
- 80% of Japan's manufacturing enterprises benefit from indirect exports. In addition to the development of start-ups that realize global innovation, direct exports by these indirect export enterprises have great potential for export expansion. The lack of resources, information and know-how is an issue.
- ➡ **Supporting indirect export enterprises to start overseas deployment is an effective way to achieve further export expansion.**
- Competitive manufacturing enterprises are deploying globally, contributing to employment and investment in Japan, and will achieve further growth by utilizing intangible asset investment, etc.
- ➡ **We will strongly support the competitiveness of domestic enterprises, including medium-sized enterprises, and help development of enterprises that can succeed in global competition.**

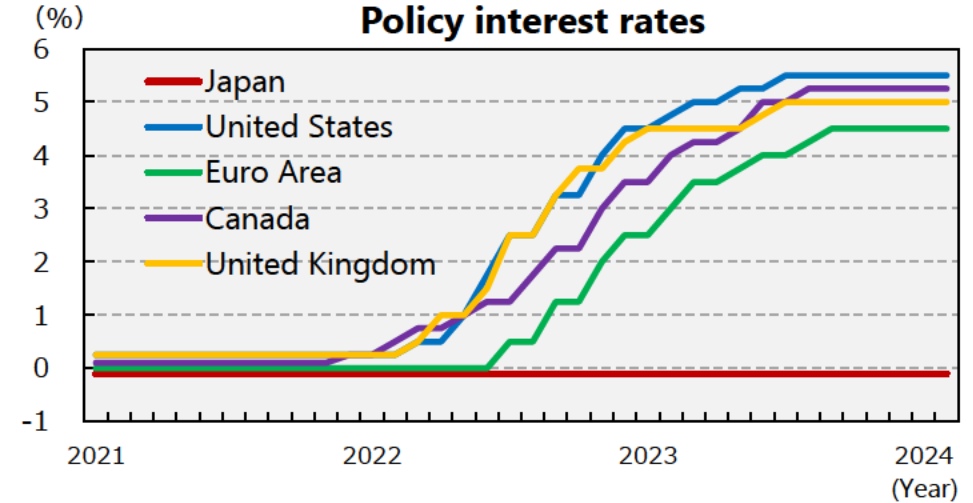
Global Economic Recovery is Weak with Persistent Impacts from Inflation

- Although inflation remains high, **current inflation rates indicate steadiness**. Against this backdrop, **countries are showing signs of exiting financial tightening**.
- The impact of inflation remains persistent, and **the world economy needs time to get back on the growth track**.

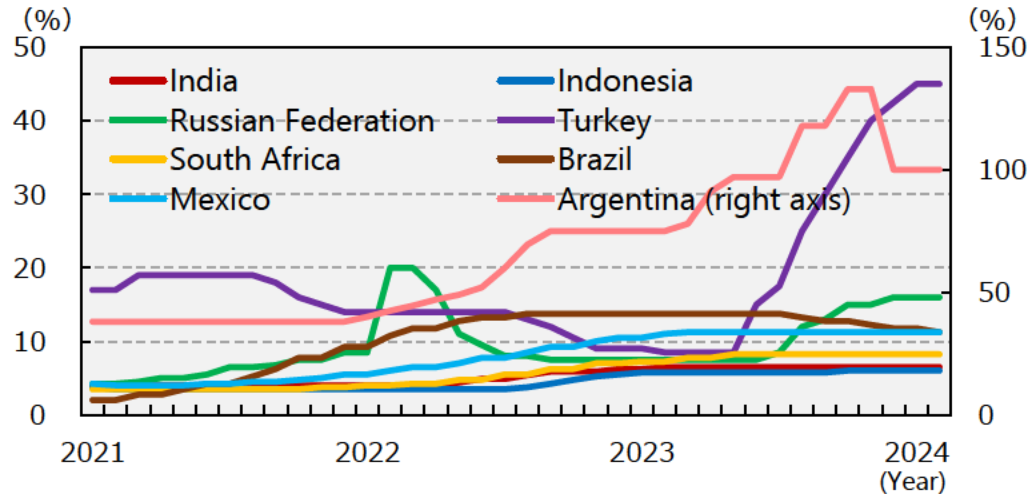
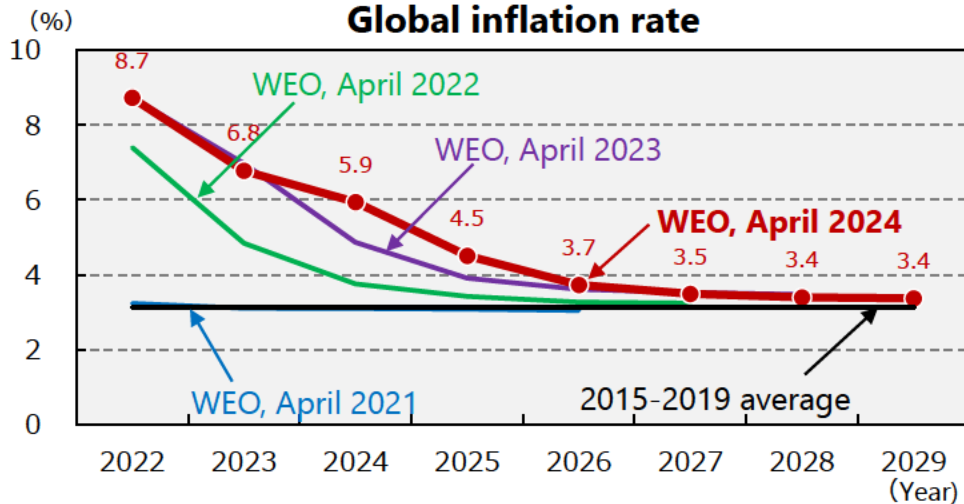
Global real GDP growth



Policy interest rates



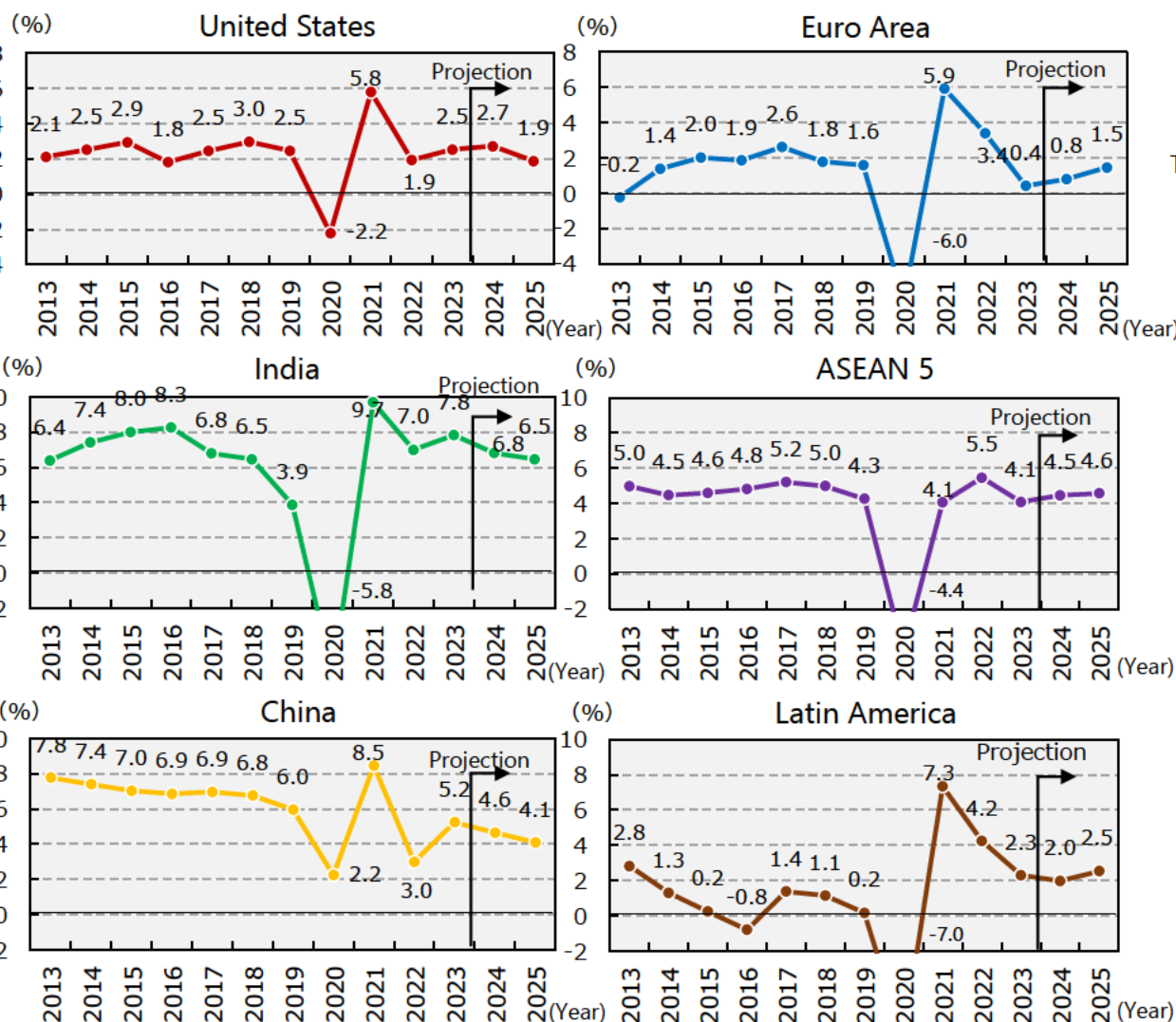
Global inflation rate



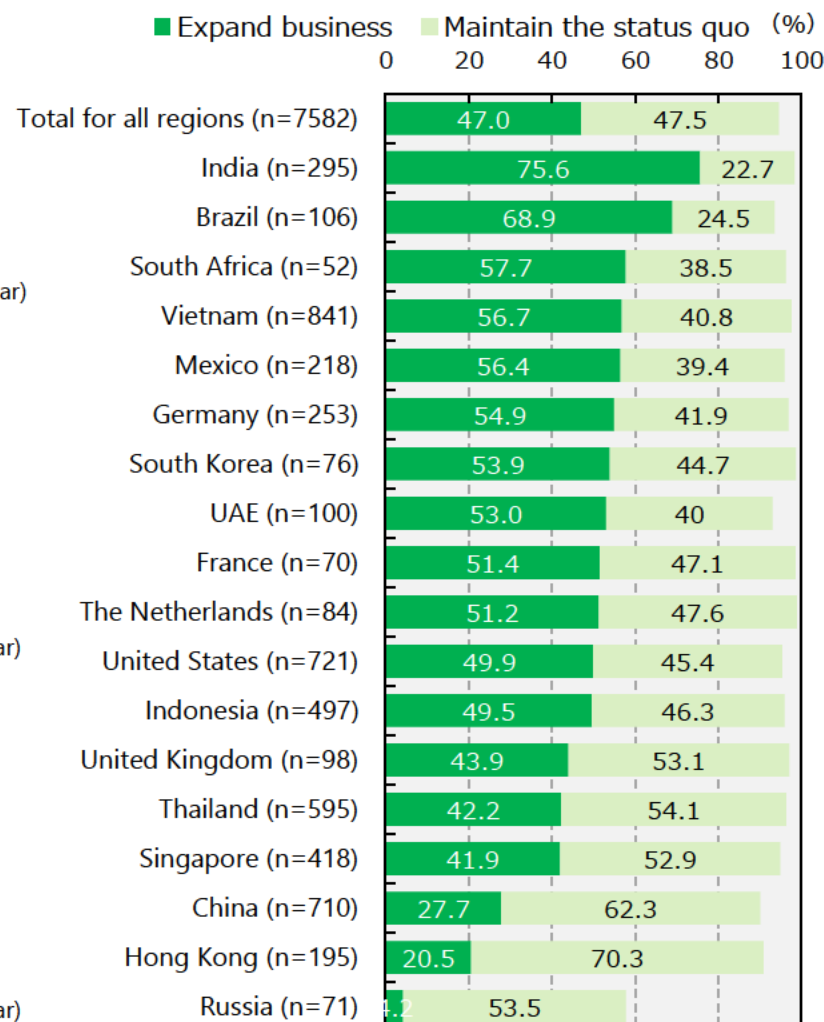
Global Economic Recovery Varies by Region while India Rapidly Grows

- The pace of economic recovery varies by region while **India's high growth stands out**. Japanese global enterprises are motivated to expand their business especially in India.

Real GDP growth projections



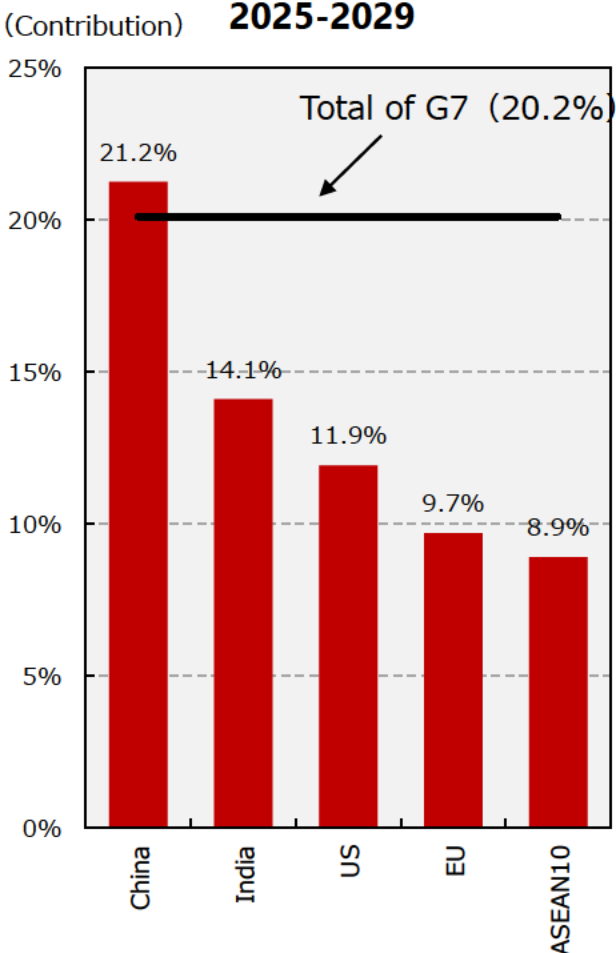
Direction of business development for the next 1-2 years by Japanese-affiliated companies overseas (by country/region)



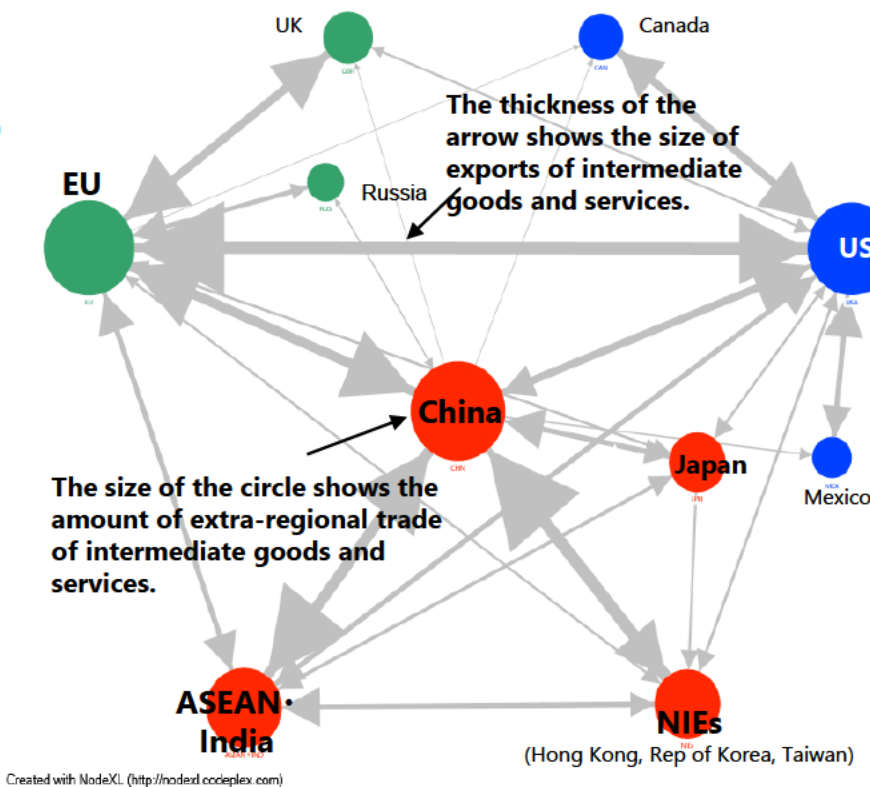
China Plays a Significant Role in World Economic Growth and Global Value Chains

- According to the IMF's outlook, **China's contribution to world economic growth in the second half of the 2020s will surpass the total of G7 countries.** China also plays a central role in the global value chains with the largest share of the world production activities in both input and output sides.

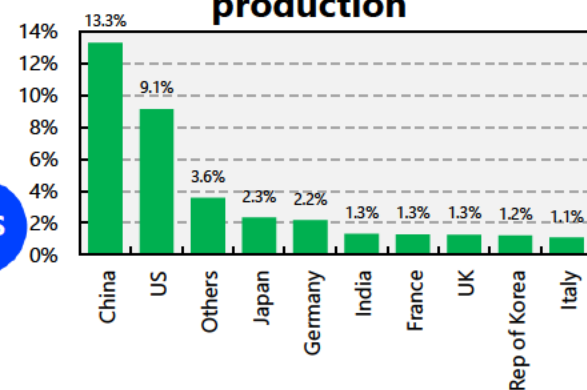
Contribution to world economic growth during 2025-2029



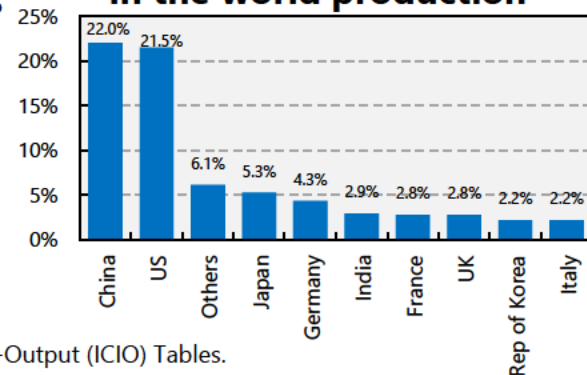
Trade structure of intermediate goods and services among major countries and regions



Shares of countries for intermediate inputs in world production



Shares of countries for outputs in the world production



(Sources) Left figures: IMF, *World Economic Outlook* (April 2024).

Central, upper right, lower right figures: OECD, Inter-Country Input-Output (ICIO) Tables.

Note: The left figures are calculated on nominal GDP on a PPP basis.

Refer to the following Bloomberg article.

<https://www.bloomberg.co.jp/news/articles/2024-04-19/SC5GQLT0G1KW00>

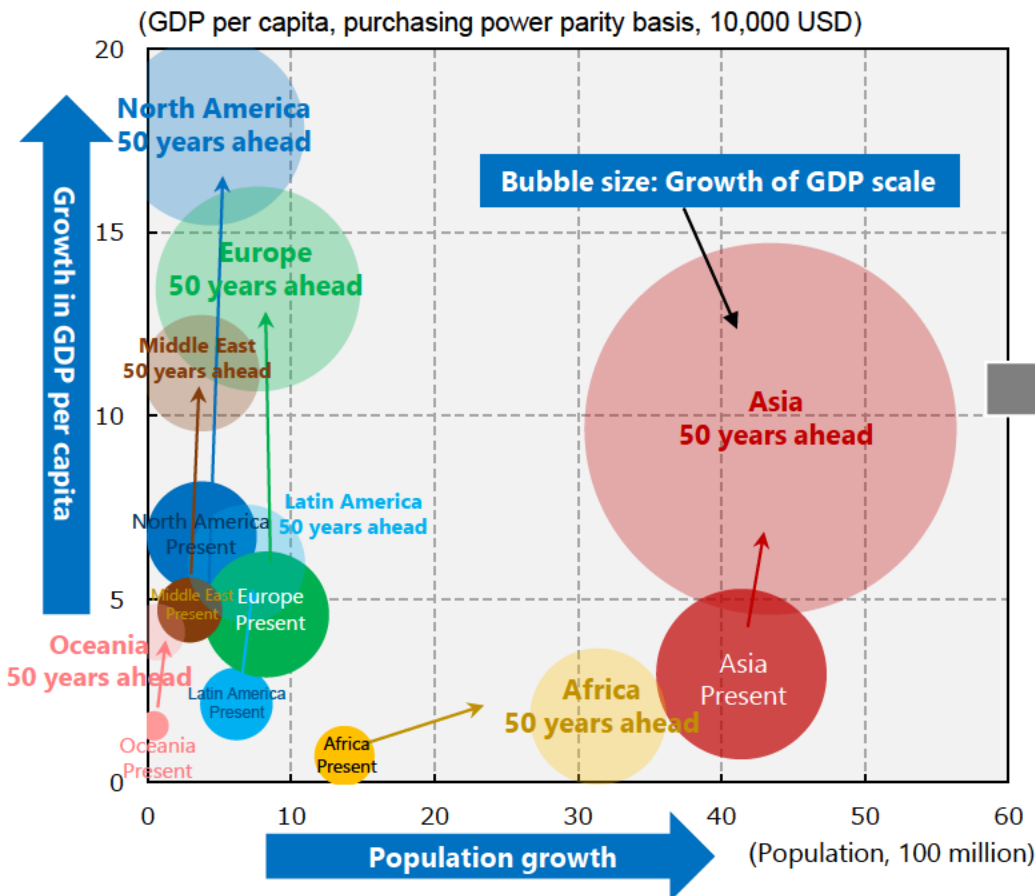
The center, upper right and lower right figures were based on Input-Output tables (in US dollars) for 2020, the most recent year available.

Asia's Economic and Trade Presence in the World is Projected to Increase in the Medium- to Long-Term

- The share of emerging and developing countries is projected to increase in the world economy and trade in the medium- to long-term. In particular, **Asia's GDP per capita and population are projected to rise significantly, and its presence will increase both in terms of economic scale and trade.**

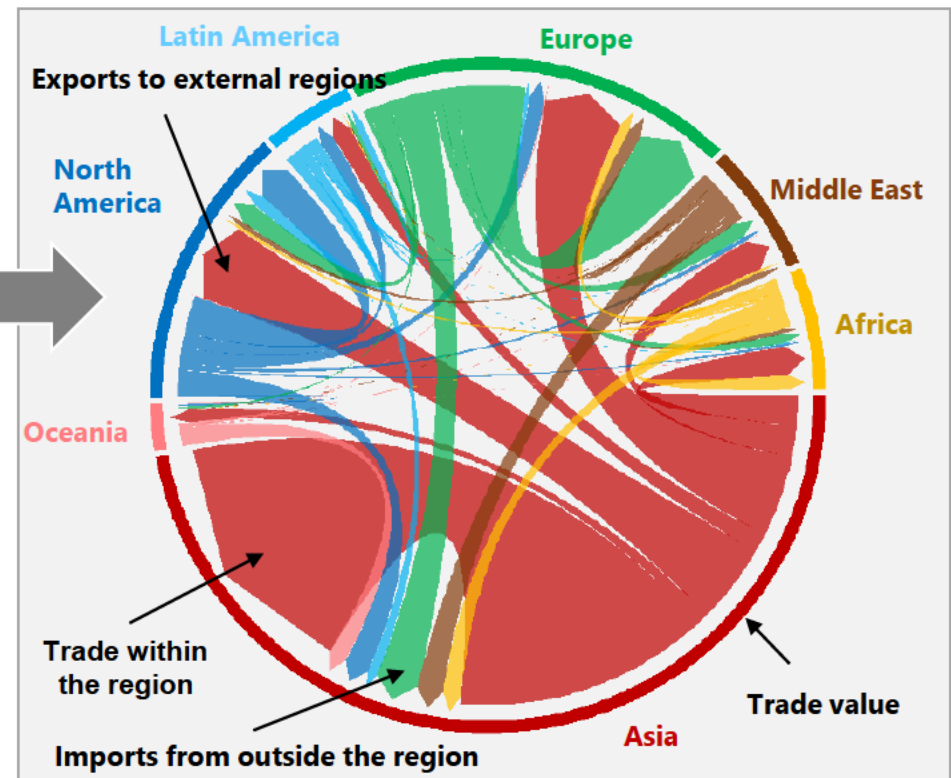
Medium- to long-term economic growth by region

The chart below shows the estimated GDP scale (GDP per capita projections x UN population prospects) 50 years ahead from 2022 (setting 2022 as the present). GDP per capita growth trajectory is projected from each country's 1995-2022 GDP per capita.



Increase in region-to-region trade values derived from medium- to long-term economic growth

Based on the gravity model of trade (bilateral trade values are greater between countries with large GDP and smaller when geographical distance between the two is large), the chart below shows the estimated changes in region-to-region trade values derived from changes in GDP 50 years ahead estimated in the chart on the left.



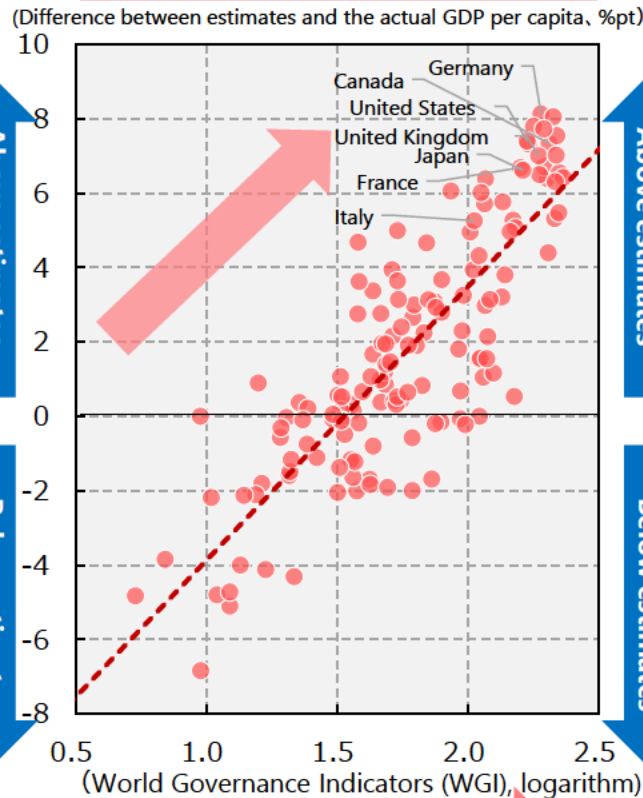
Governance, Trade Openness and Innovation Are Essential to Enable Economic Growth in Emerging and Developing Countries

- Governance, trade openness and total factor productivity (innovation) influence the growth trajectory of GDP per capita. **Providing support to emerging and developing countries to enhance their governance, trade openness and innovation will boost their development. It can also bolster bilateral partnership and enable co-creation.**

Factors affecting the growth trajectory of GDP per capita

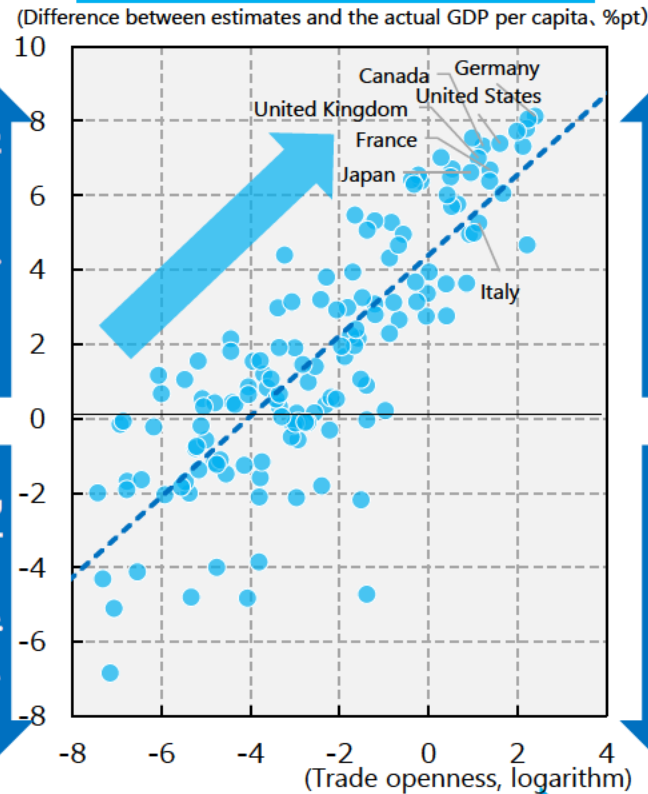
The charts show relations between each factor (governance, trade openness, TFP growth rate) and the difference between 2000-2019 GDP per capita estimates based on the estimated growth trajectory using 1980-1999 data and the actual GDP per capita. The charts plot the 2000-2019 average.

Governance



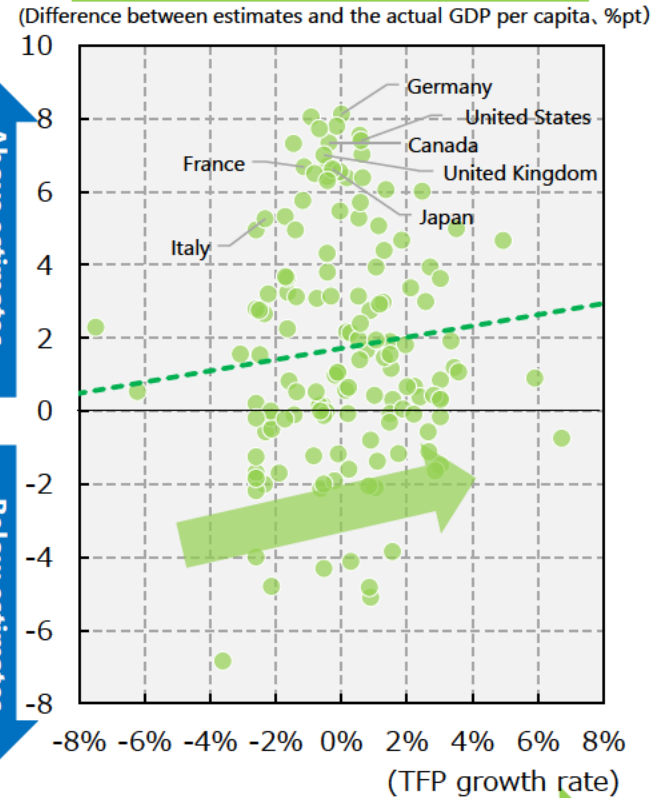
Higher WGI

Trade openness



Higher trade openness

Total factor productivity (TFP)



Higher TFP

(Sources) IMF, *World Economic Outlook*; UN, *World Population Prospects*; World Bank, World Governance Indicators; IMF, *Direction of Trade Statistics*; University of Groningen, Penn World Table 10.01.

(Reference) Asia Digital Transformation (ADX) Promotion Project

- By supporting project demonstrations in ASEAN, which is achieving leapfrog development, Japan and ASEAN aim to work together to promote the social implementation of digital innovation and reverse innovation in Japan. (Reverse innovation means reimport of new products and services to Japan, e.g., conducting a demonstration in ASEAN for a project that cannot be realized in Japan due to regulations and so forth and then aiming for regulatory reform in Japan.)
- To this end, this project promotes collaboration among Japanese and ASEAN companies that utilize innovative technologies such as digital technology. It provides comprehensive support to companies solving local social issues in line with each corporate stage: **(1) finding projects with high business feasibility, (2) demonstration assistance, and (3) business expansion and horizontal expansion.**

<FY2023 Results>

(1) Finding co-creation businesses <For businesses looking for collaboration partners>

<Overview> On the 50th anniversary of ASEAN-Japan Friendship and Cooperation, the ASEAN-Japan Co-Creation Fast Track Initiative was launched to promote open innovation and co-creation through collaboration between Japanese and ASEAN companies. It promotes collaboration between startups aiming for overseas expansion and major local companies.

✓ Achievements: Held in Singapore, Thailand, Indonesia and Vietnam. A total of about 500 proposals were received from startups in response to the challenges presented by major companies, and about 1,400 audience members participated.

(2) Regular Course <For businesses planning to conduct Joint Pilot Projects (PoC)>

<Overview> Leveraging the strengths of Japanese companies such as technology and know-how, support the formulation of collaborative projects with ASEAN companies that contribute to solving social issues in ASEAN countries.

✓ Number of adopted projects: 96 (total of 1st-4th)

<Case Studies>



Improving rural incomes



Improving access to healthcare



Improving productivity with IoT

(3) Boost-Up Course <For startups aiming to further develop their business>

<Overview> Subsidize demonstrations necessary to promote further business development, such as business expansion of startups that have already commercialized their businesses in the ASEAN region, and horizontal expansion to regions within ASEAN.

✓ Number of adopted projects: 4



Outline of Direction for Strengthening Cooperation Anew with Global South Countries (Draft)

Importance of cooperation with Global South countries

- The economic power of the Global South countries has increased significantly in recent years and their economic presence is **expected to continue to increase in the long term, increasing their influence in the international arena.**
- **The historical and cultural backgrounds of the Global South countries are diverse. Each country faces different circumstances,** with some facing social challenges such as urbanization and aging populations, some with problems in infrastructure, public health and education, some with fragile infrastructure, suffering from food and medical shortages, and some struggling with problems such as the emergence of refugees and the effects of climate change.
- Japan is heavily dependent on imports from overseas for food, mineral resources, energy, etc., and collaboration with Global South countries and incorporating their vitality while supporting them in overcoming their vulnerabilities are **essential for economic development and economic resilience.**
- Making the Global South countries our co-creation partners is extremely important for realizing our national interests, including economic growth and economic security. Global governance also needs to be realized together with countries around the world, while recognizing diversity not only in the economy, but also in history, culture, religion, political systems, and more. Therefore, **making the Global South countries,** which are in different situations, **our co-creation partners** is also extremely important in **guiding the division and conflict in the international community toward cooperation.**

Basic principles for cooperation with Global South countries

- **Promoting cooperation with the Global-South countries will lead to the promotion of Japan's national interests.** In order to build strategic relationships with the Global South, it is essential to incorporate their vitality and pursue mutual economic growth, while also strengthening economic resilience by building supply chains for critical minerals and goods and promoting the realization of a circular economy.
- **We should consider the Global South countries as partners in co-creation to build the future economy and society together and build relationships that will make Japan the partner of choice for the Global South countries.** In doing so, we will respond in a detailed manner based on the perspective of each country according to the circumstances of each region and country. In response to the diverse needs of the Global South countries, which are in different situations, we will realize the co-creation of social value through dialogue and collaboration with partner countries involving various actors.
- By strengthening cooperation with the Global South countries, **we aim to achieve international common interests together.** In doing so, we will adhere to the principles of the UN Charter, contribute to strengthening global governance through strengthening the UN system, and emphasize commonalities with the Global South countries to help **lead current trends of division and conflict in the international community toward harmonization.**

Specific Measures

(1) Building multi-layered relationships

- Taking advantage of opportunities such as the Pacific Islands Leaders Meeting in July 2024, the G20 and APEC leaders' meetings in Latin America in November, the Central Asia plus Japan Dialogue and summit, the reciprocal leaders' visits between Japan and India, and TICAD 9 in August 2025, **we will build multi-layered relationships through top-level diplomacy** accompanied by economic missions, **deepening policy dialogues, and public-private forums.**

(2) Cooperation among various actors

- **The Cabinet Secretariat's Global Business and Investment Support Office (GBIS Office) will play a central role when relevant ministries and government-related organizations closely cooperate** by responding in a multi-layered and cross-sectional manner.
- **At overseas bases also,** we will take co-creation initiatives one step further in a practical manner, centering on **the co-creation platform for economic diplomacy promoted by overseas embassies.**

(3) Tailor-made approach

- We will gain a thorough understanding of the diversity of the Global South countries, and look at them not only at the national level but also at the regional level and from a broader, cross-regional perspective (such as the Indian Ocean and the Indo-Pacific), while also taking into account the need to look at the various industries that Japan places importance on, which will lead the future, on a global and cross-sectional level, and **will consider tailor-made approaches according to the circumstances of each country and region. In doing so, we will also need to respond strategically, considering the situation of the other country and the apportioned roles with like-minded countries.**

① Implementation of facilities and equipment to respond to risks

• **Formulate flagship projects** that will symbolize Japan's industrial cooperation and build mechanisms that benefit both countries

• In areas where Japan has strengths, **in order to respond to risks that private companies cannot bear,** steadily advance support for demonstrations aimed at research and development and commercialization, and **strengthen support, including the implementation of facilities and equipment**

④ Public-private cooperation in new areas that go beyond the traditional concept of infrastructure

- Review the Infrastructure System Overseas Promotion Strategy and **formulate the New Strategy** with a focus on 2030
- Actively participate in the upstream of project formation, including **public-private partnerships (PPPs)**
- Promote **smart cities** and **public transit-oriented development (TOD), etc.**
- Promote climate change adaptation and mitigation measures
- **Active involvement in infrastructure that is important for economic security**
- **Continuous involvement in projects** through the participation in **Operations and Maintenance (O&M)**
- Proactive risk-taking by public agencies in greenfield projects

② New mechanisms for international cooperation

- **Expanding ODA in various forms and further promoting offer-based cooperation**
- Forming the next-next economic frontier
- Contributing to solving social issues in the Global-South and returning the results to Japan
- **Building new mechanisms for international cooperation,** such as promoting the environment for economic activities of companies through ODA and other official flows (OOF), and leveraging these as a catalyst to further promote private capital mobilization

⑤ Strengthening regional expansion through third countries and international frameworks, etc.

- **Industrial cooperation and base development to promote exports via third countries for countries** where it is difficult for Japan to enter alone
- **Strengthening supply chains, including cooperation with like-minded countries**
- **Construction of digital public infrastructure that contributes to the digital transformation (DX) of trade practices, etc.,** led by Japan in cooperation with like-minded countries, in collaboration with the Uranus Ecosystem
- **Realization of sustainable and inclusive economic growth and GX in the Indo-Pacific region through international frameworks such as IPEF and AZEC**

③ Various support for Japanese companies to expand overseas

- **Development of a fair and sustainable business environment,** support for the overseas expansion of Japanese companies, including startups, through public financing, support for strengthening supply chains, and public awareness of financial support measures tailored to local conditions
- **Strengthening support using overseas embassies, etc.**
- Matching Japanese companies with local companies and producers and promoting the formation of collaborative projects with each country's government through **strengthening cooperation with international organizations, including multilateral development banks (MDBs)**
- Formulation of a new national strategy targeting international standards
- **Cooperating in business dispute resolution**
- **Promotion of overseas expansion of local companies in cooperation with local governments**
- Expansion of tax convention networks, etc.

⑥ Human resource development and exchange, cultural exchange

- **Deepening human resource development and exchange** (especially the younger generation, including studying abroad based on university cooperation, and the utilization of Japanese descent) and **cultural exchange**
- **Securing highly skilled foreign human resources** from Southeast Asia, South Asia, etc., who will contribute to promoting direct investment in Japan and innovation
- **Promoting support for the improvement of the environment for overseas educational facilities**

⑦ Utilization of OSA

- **Further utilization of the Official Security Assistance (OSA),** a framework for grant aid to provide equipment and infrastructure development in response to the security needs of like-minded countries

⑧ Responding to unforeseen circumstances

- Responding to unforeseen circumstances, such as **strengthening the risk response capacity of trade insurance**

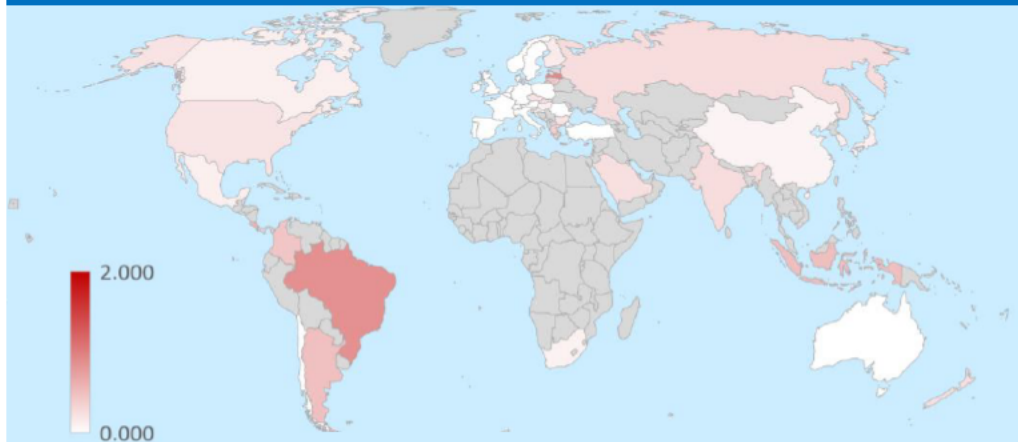
Concerns over Deepening Fragmentation amid Heightened Uncertainty in the Global Economy

- Amid **heightened uncertainty in the global economy, deepening fragmentation of the global economy became a concern** due to the U.S.-China confrontation and Russia's invasion of Ukraine etc.

World Trade Uncertainty Index

Before the 2000s

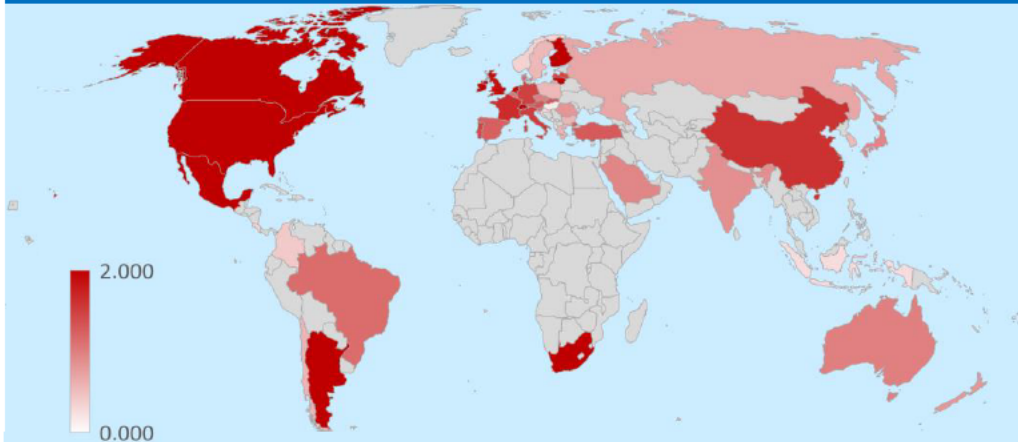
Average of 1996:Q1-2009:Q4



The index is applied to OECD countries and major non-OECD countries; other countries are shown in gray.
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After the 2010s

Average of 2010:Q1-2023:Q4



The index is applied to OECD countries and major non-OECD countries; other countries are shown in gray.
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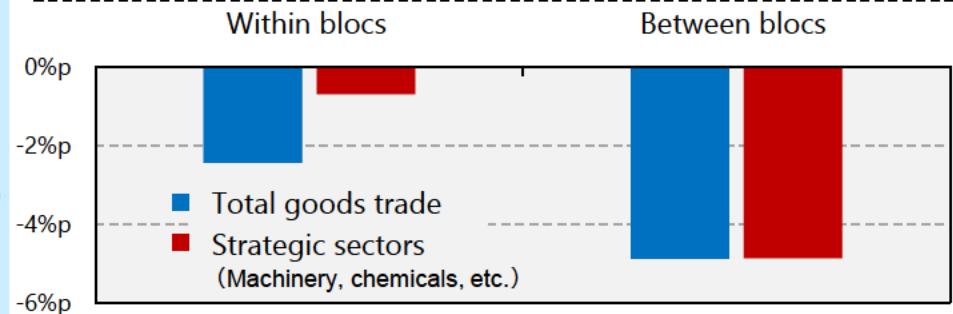
World Trade Uncertainty Index

An index based on H. Ahir, N. Bloom, and D. Furceri (2022) that counts the number of times uncertainty (and its variants) is mentioned in proximity to a word related to trade in the Economic Intelligence Unit's (EIU)* country reports covering 143 countries and calculates its percentage relative to the total text of the report. The higher (lower) the number, the higher (lower) the uncertainty.

* The Economic Intelligence Unit (EIU) is the research division of the British periodical *The Economist*.

Fragmentation affecting trade

Trade growth rates within blocs and between blocs: One bloc including Australia, Canada, the EU, New Zealand, and the US, and the other bloc comprising China, Russia and countries siding with Russia during the March 2, 2022, UN general assembly vote on the war in Ukraine. It shows the difference of trade growth rate during two periods: before (Q4 2017 to Q1 2022) and after (Q2 2022 to Q3 2023) Russia's invasion of Ukraine.



(Source) Left figures: <https://worlduncertaintyindex.com/>

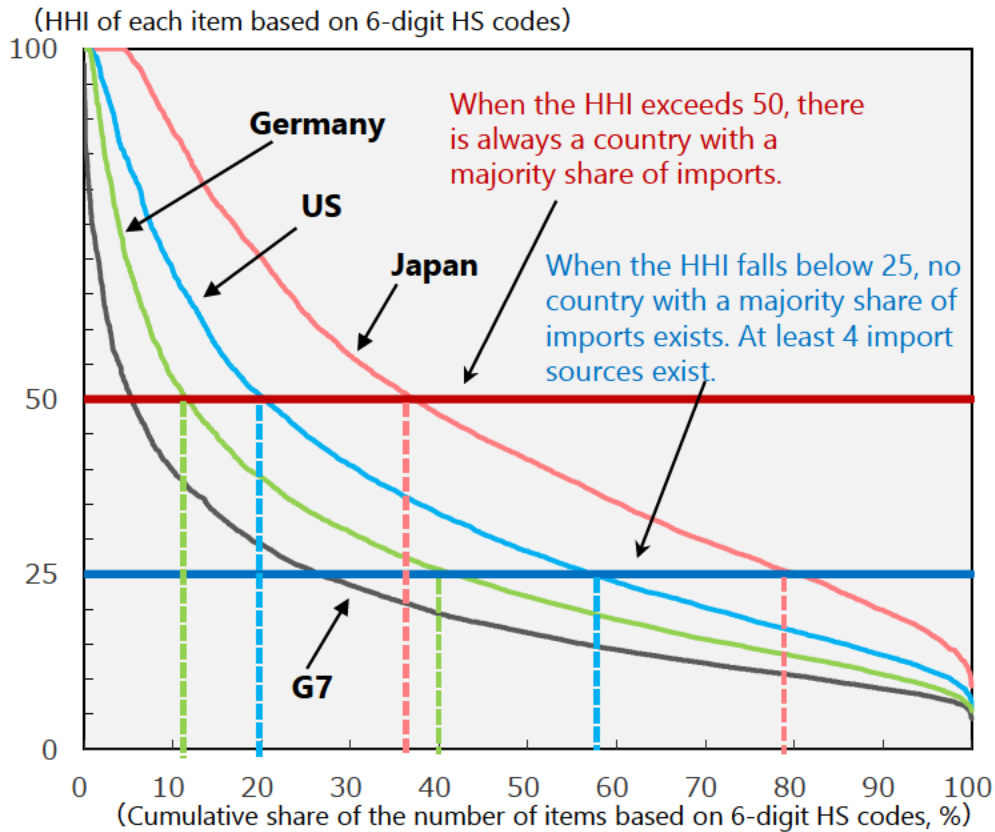
Right figure: IMF World Economic Outlook (April 2024)

Over-Dependence on Imports from Specific Countries is a Supply Chain Risk; Diversification is a Key

- Looking at the situation of dependance on imports from specific countries, **Japan has a higher concentration of imports from specific countries compared to the US and Germany.** While high concentration indicates the strength of economic ties with a specific country, excessive dependence is a risk in the supply chains. **Diversification of import sources is a key.**

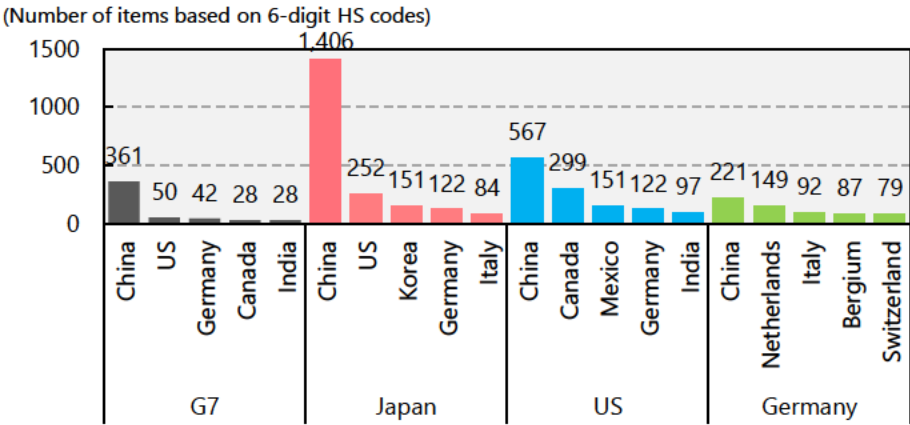
Distribution of the Herfindahl-Hirschman Index in imports

The Hirschman-Herfindahl index (HHI) in imports is an index that takes the sum of squares of the share of imports from each country divided by 100. If a certain item is imported from one country, the HHI will take 100, and the more the import sources are diversified, the closer it is to 0.

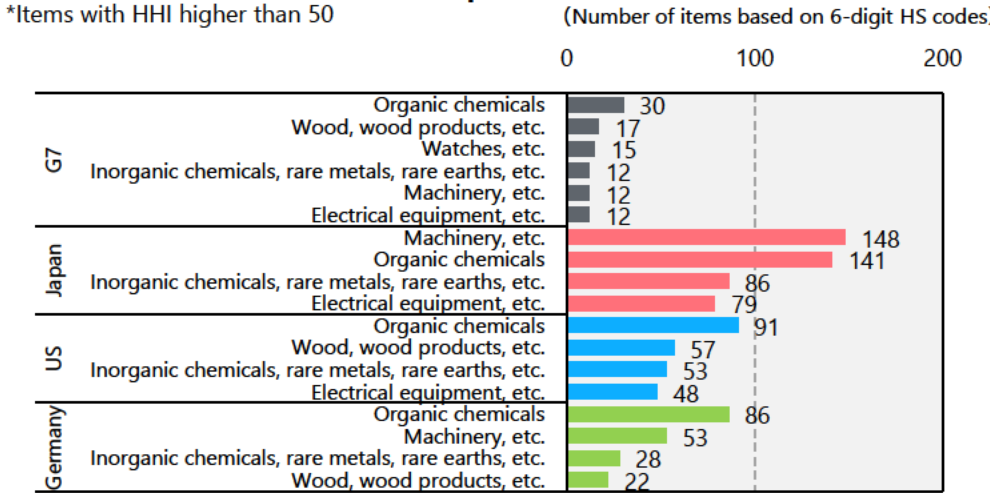


(Source) Global Trade Atlas
Note: Actual vale in 2022. The lower right figure shows the aggregation for 2-digit HS code classification.

Countries with a majority share of imports (top 5 countries with the largest number of such items)



Characteristics of items that are over-dependent on specific countries for imports*



Efforts for Supply Chain Resilience for Specified Critical Products

12 products designated as specified critical products

- In addition to **designating 11 products as specified critical products in December 2022**, the government additionally designated **advanced electric components (capacitors, high-frequency filters) and uranium (included in the critical minerals) as such in February 2024**.
- Based on **the policies on initiatives for ensuring stable supply, the competent ministers** approve plans for ensuring supply by business entities, and **support initiatives by approved business entities** through stable supply support corporations, etc. **(subsidies, etc.: 1,035.8bn yen (FY2022 second supplemental budget), 917.2bn yen (FY2023 supplemental budget), 230bn yen (FY2024 budget))**.

Antibacterial preparations

Fertilizers

Permanent magnets

Machine tools/industrial robots

Aircraft parts

Semiconductors

Batteries

Computer Programs used for providing cloud services

Combustible natural gas

Critical minerals

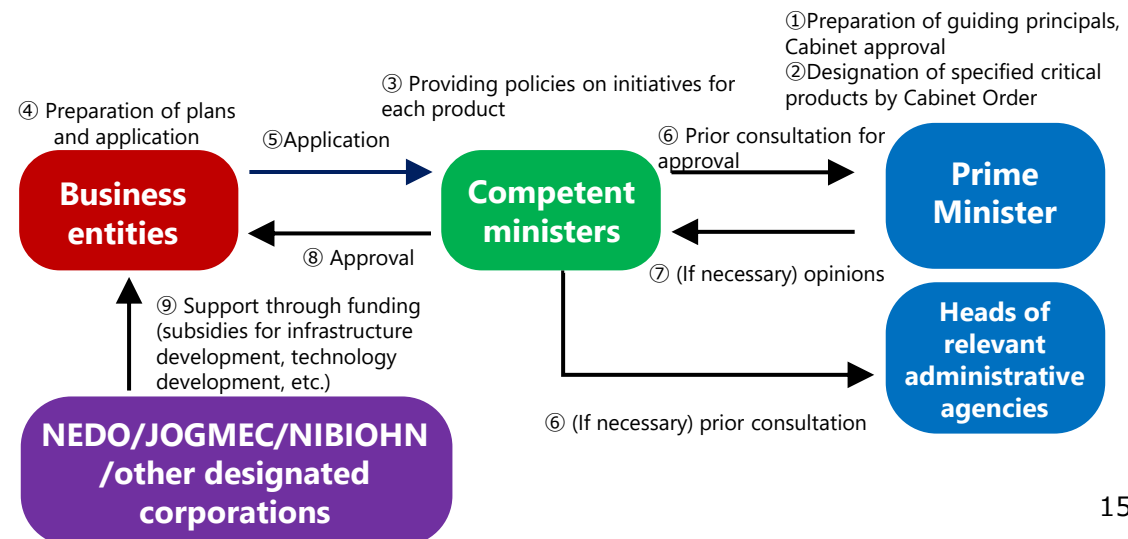
Vessel parts

Advanced electronic components

Systems for ensuring stable supply chains under the Economic Security Promotion Act

- The Prime Minister prepares guiding principles that set out the basic direction of the designation of specified critical products and the Cabinet approves them^①.
- Designate specified critical products by Cabinet Order for **critical products or materials necessary for their production, including all products that are vital for livelihoods and economic activities of citizens** ^②.
- The competent ministers provide policies on initiatives** including **concrete support measures** ^③. **Business entities prepare plans** based on the initiatives and **apply those plans** ^{④⑤}, and **the competent ministers approve the plans** (prior consultation with the Prime Minister and the heads of other relevant administrative agencies ^{⑥-⑧}). **NEDO, JOGMEC, NIBIOHN (specified in the law)** and other designated corporations provide support through funding, etc. ^⑨.
- Includes **a wide range of measures, including not only capital investment support, but also storage and possession of production facilities**.

* For designated products, it is possible to conduct surveys of business entities about **the status of supply chains** and for **collecting information to be used for trade remedies such as anti-dumping**.



Efforts towards Designing a Fair and Sustainable Global Market

- If countries with different industrial structures and policy tools introduce various measures in self-centered ways while working towards new policy missions, such as GX, DX, and economic security, which cannot be accomplished by pursuing economic rationality alone, **the world will become increasingly fragmented and the international economic order may be disrupted.**
- Given such situations, based on **principles that countries can agree on**, such as sustainability and reliability, we will **work on designing a global market in which factors other than price** such as decarbonization, supply stability and cybersecurity **are fairly taken into account so that a level playing field is ensured.** We will work on a product-by-product basis for each critical and strategic material, including through the demand-side policies (such as consumer subsidies).

Steps toward designing a fair and sustainable global market

Leading efforts with like-minded countries

Creating **frameworks for discussing industrial policy/GX policy/economic security policy, etc.**, with the U.S., Europe, and the G7, and initiating specific discussions on important and critical materials.
(E.g.)

- U.S.: GX-IRA Ministerial Dialogue, the Economic "2+2", etc.
- Europe: Japan-EU Hydrogen Business Forum
- G7: G7 Summit 2024 in Apulia

Multifaceted cooperation with the Global South

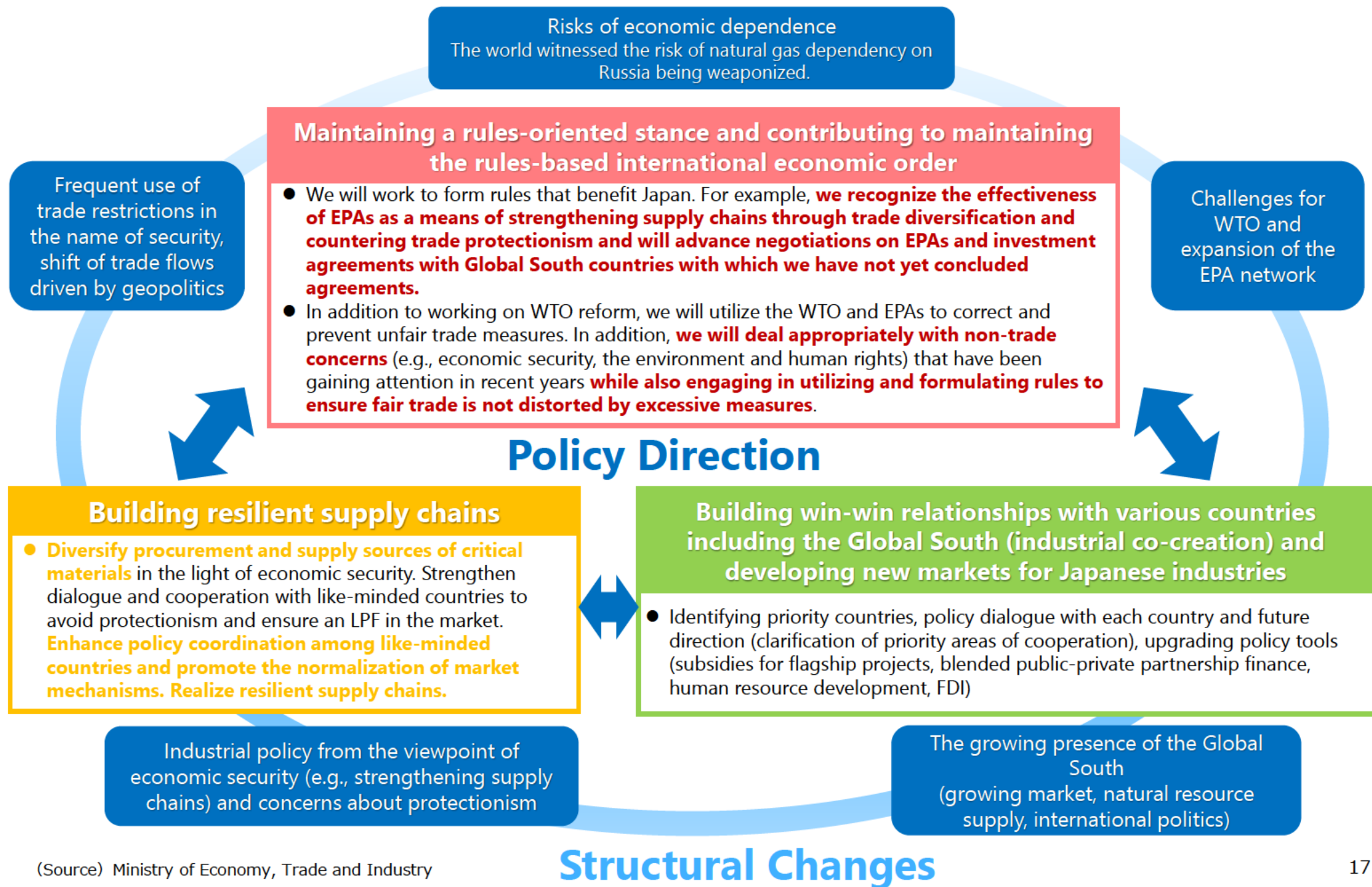
Working together with Global South countries to formulate **specific projects and establishing rules** in order to realize GX and economic resilience across the region.

- (E.g.)
- Asia Zero Emission Community
 - Indo-Pacific Economic Framework

Formulation of international disciplines

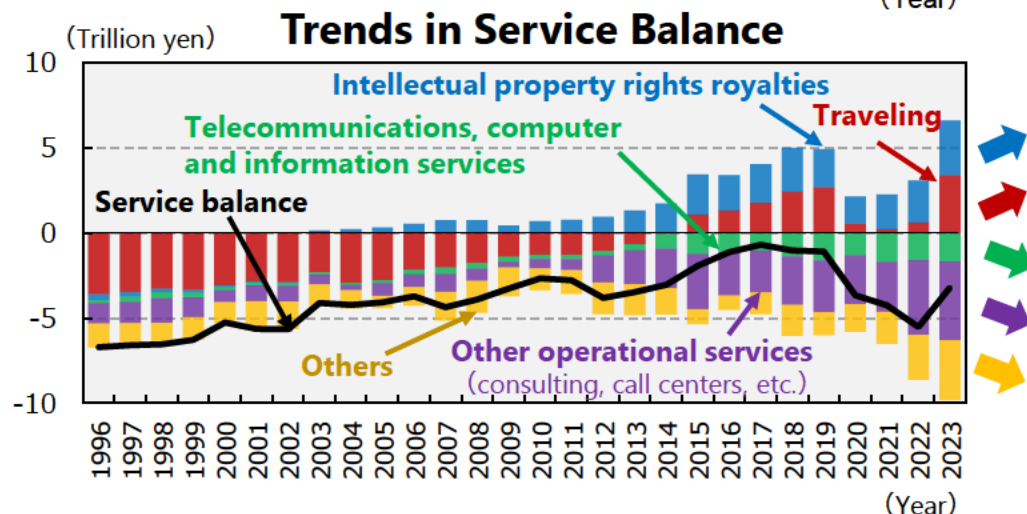
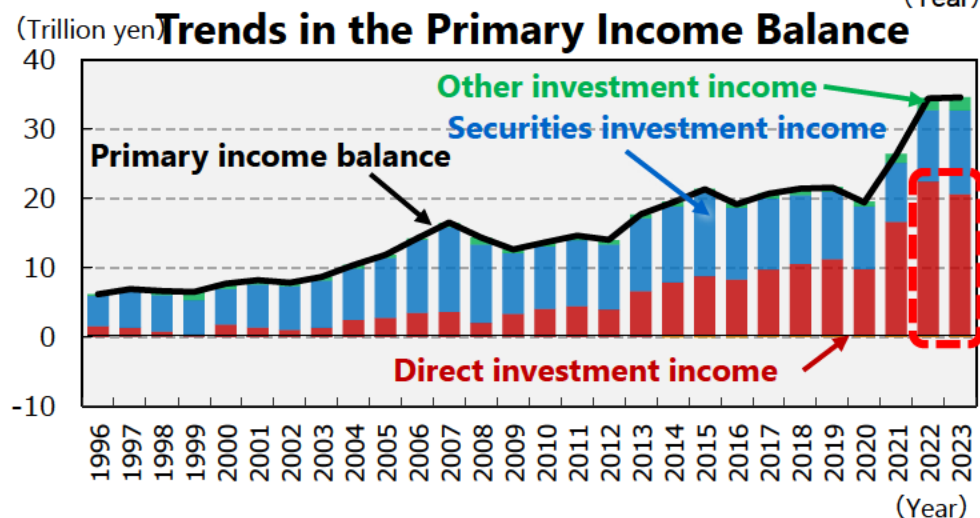
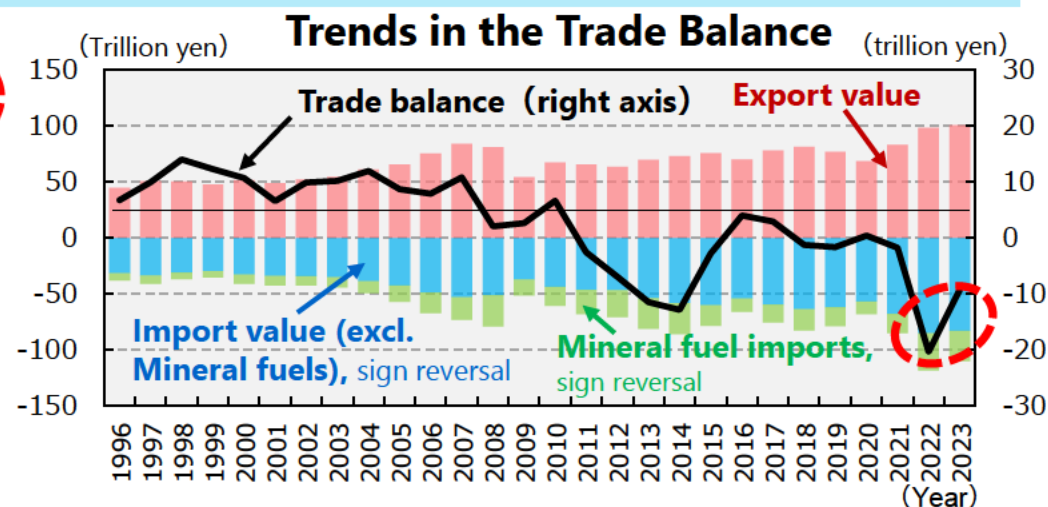
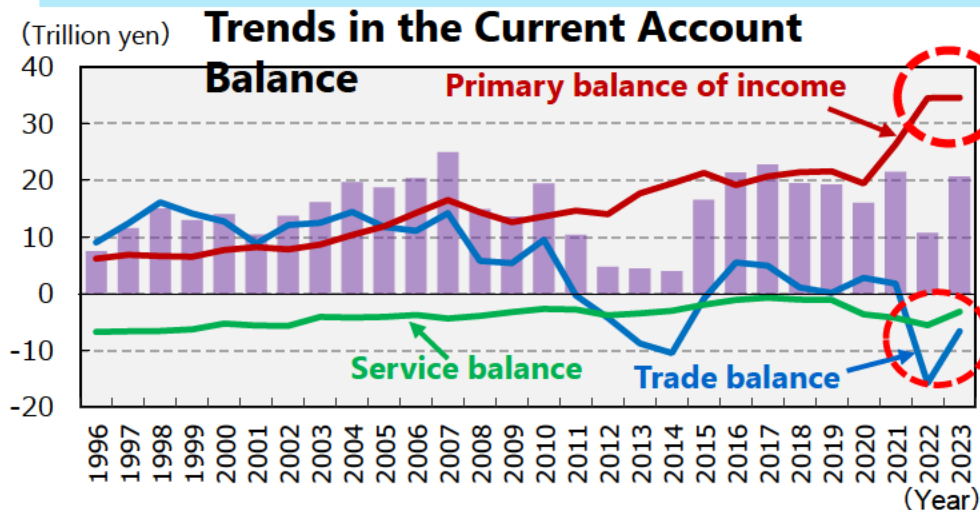
Aiming to formulate a rules-based international economic order updated and modernized through industrial policy coordination with other countries and the establishment of criteria for such coordination.

Concepts of Trade Policy: Strategic Issues and Policy Direction



Japan's Earning Power as Seen in Current Account Trends

- Despite the largest trade deficit in its history in 2022, Japan's current account surplus recovered in 2023 due to an improvement in the trade balance resulting from a lull in mineral fuel prices and a record-high primary income balance. The deficit in the services balance narrowed due to the recovery of inbound tourism. However, as the deficit in the digital sector is on a widening trend, strengthening the earning power of the digital sector, including through human resource development, is a challenge. It is also important to strengthen exports of content, which is one of Japan's strengths.

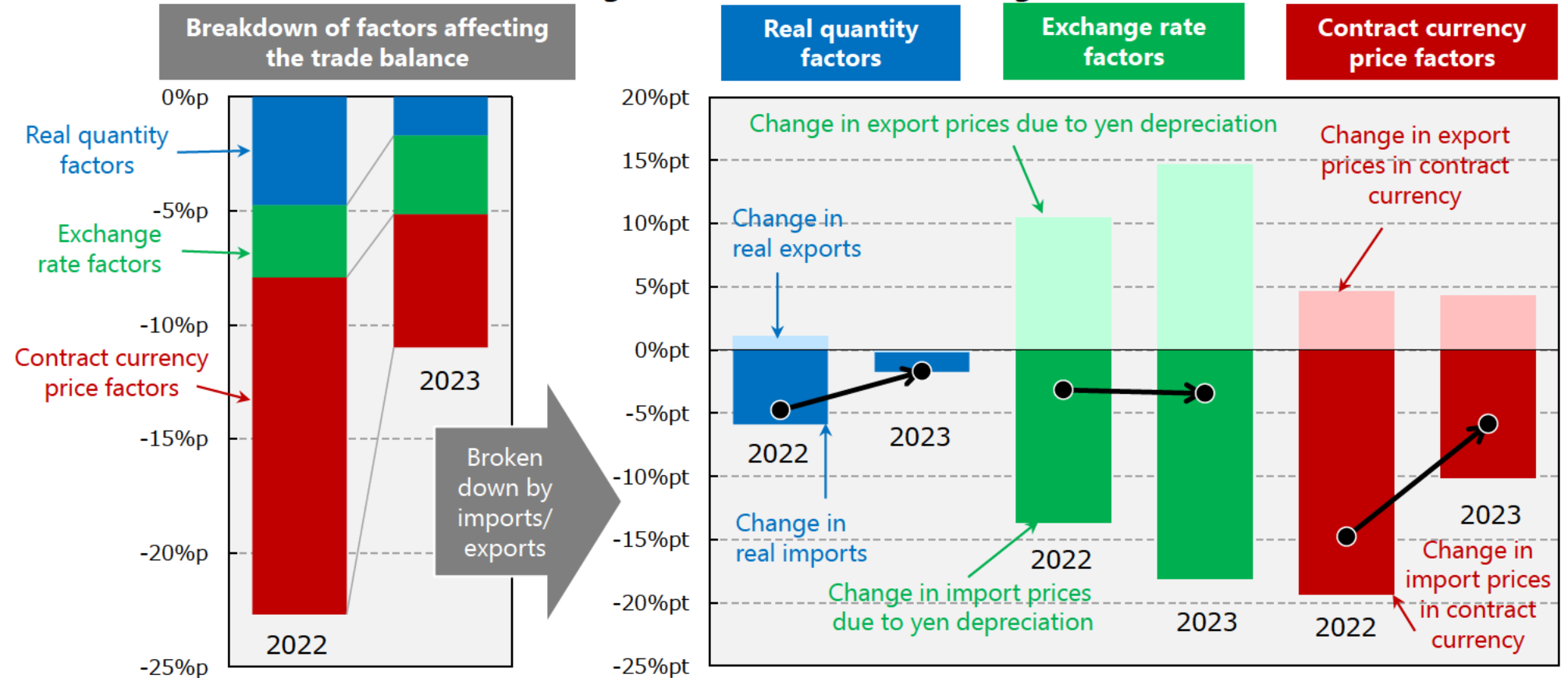


(Sources) Upper left, upper right and lower right: Balance of Payments Statistics, Ministry of Finance and Bank of Japan; lower left: Trade Statistics, Ministry of Finance

Sluggish Export Volume Growth Despite Yen Depreciation; Strengthening Export Power is an Issue

- The impact of yen depreciation on the trade balance remains limited. Export volume growth is sluggish despite the yen's depreciation. It may take some time for the weaker yen to boost export volumes. It may be because some companies are seeking the benefits of exports from foreign exchange gains rather than from export volumes. Nonetheless, strengthening export competitiveness is a policy issue. Terms of trade improvement is also an issue, even though calming fossil fuel prices weakened the pressure on the trade deficit.

Breakdown of factors affecting the trade balance* (change from 2021 levels, estimates)

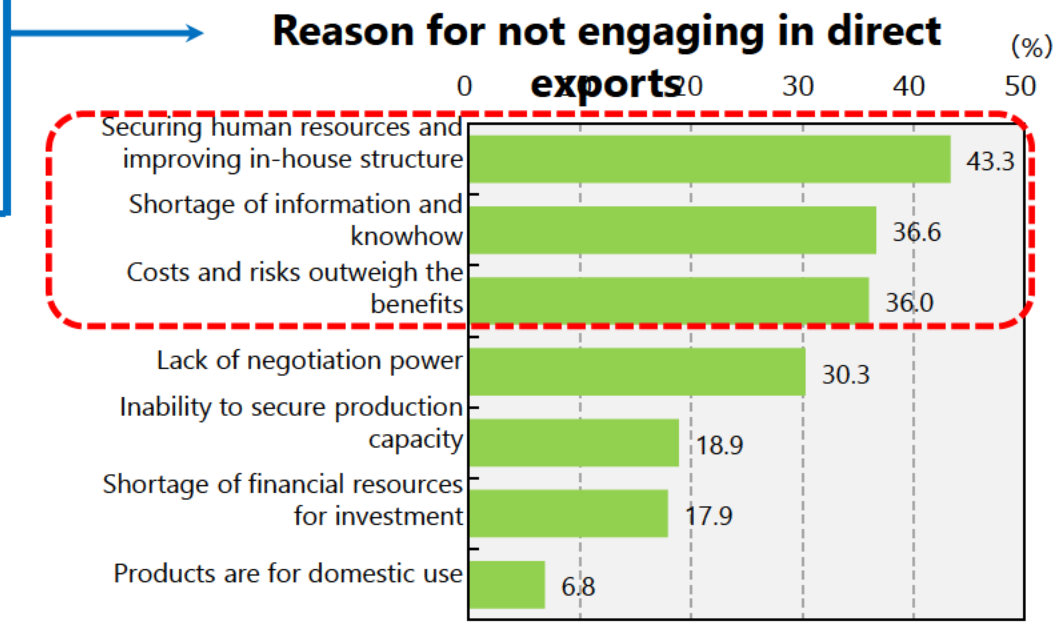
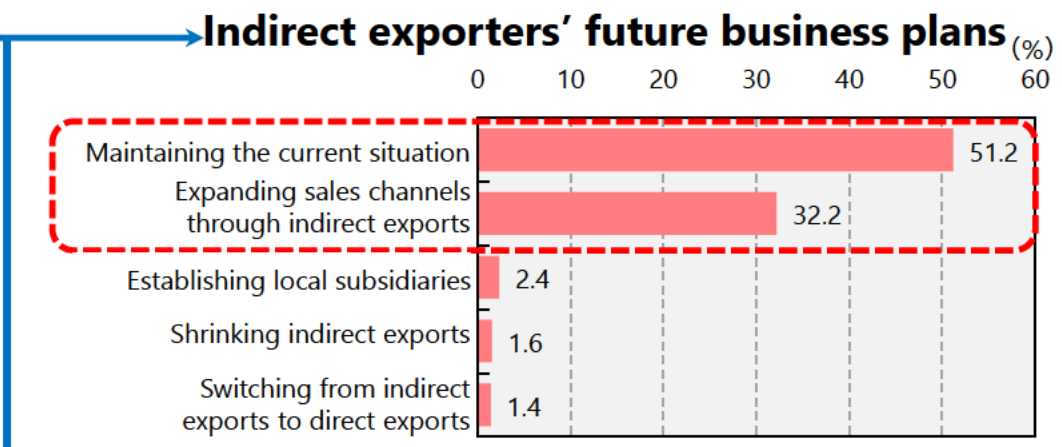
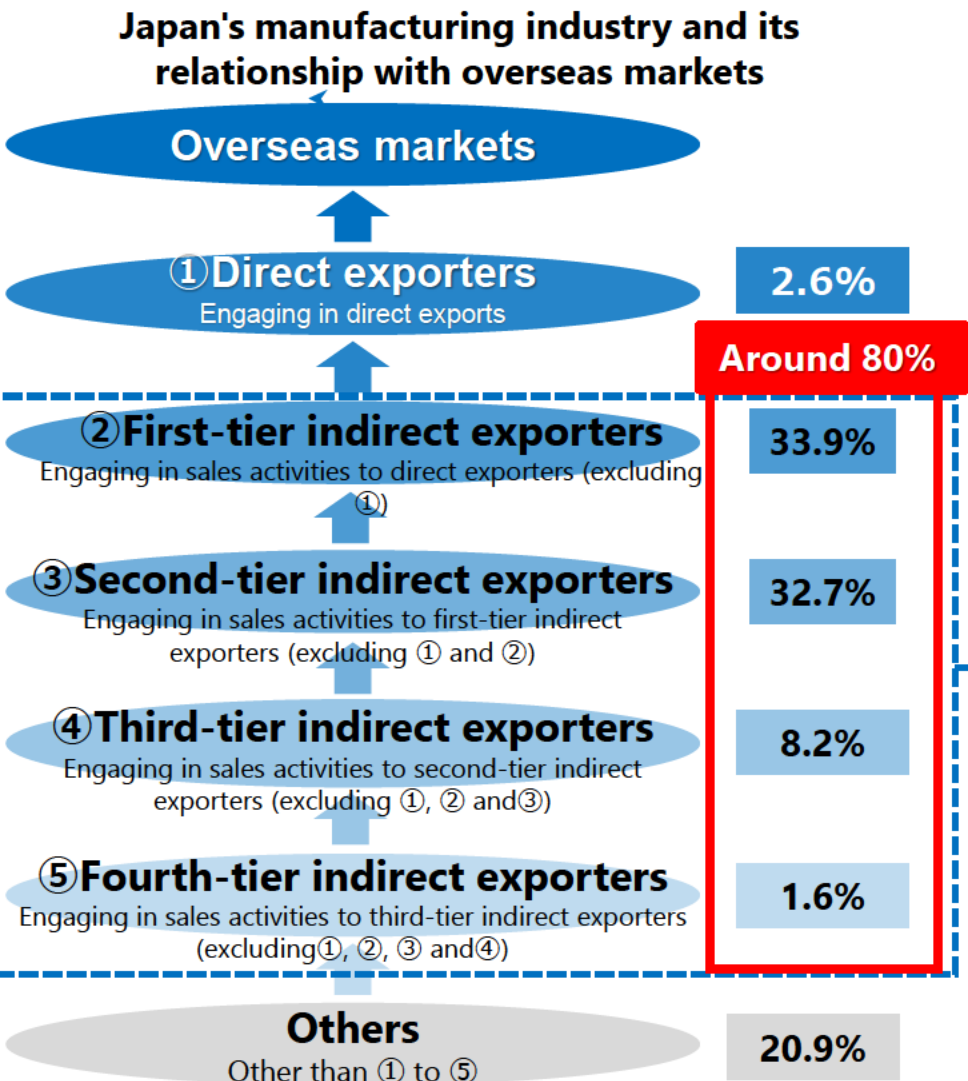


*Rate of change in trade balance = (rate of change in real exports - rate of change in real imports) + {(rate of change in yen-denominated export prices - rate of change in contract currency export prices) - (rate of change in yen-denominated import prices - rate of change in contract currency import prices)} + (rate of change in contract currency export prices - rate of change in contract currency import prices)

The trade balance here is defined as (real exports × yen-denominated export prices)/(real imports × yen-denominated import prices). The logarithmic difference is used for the rate of change.

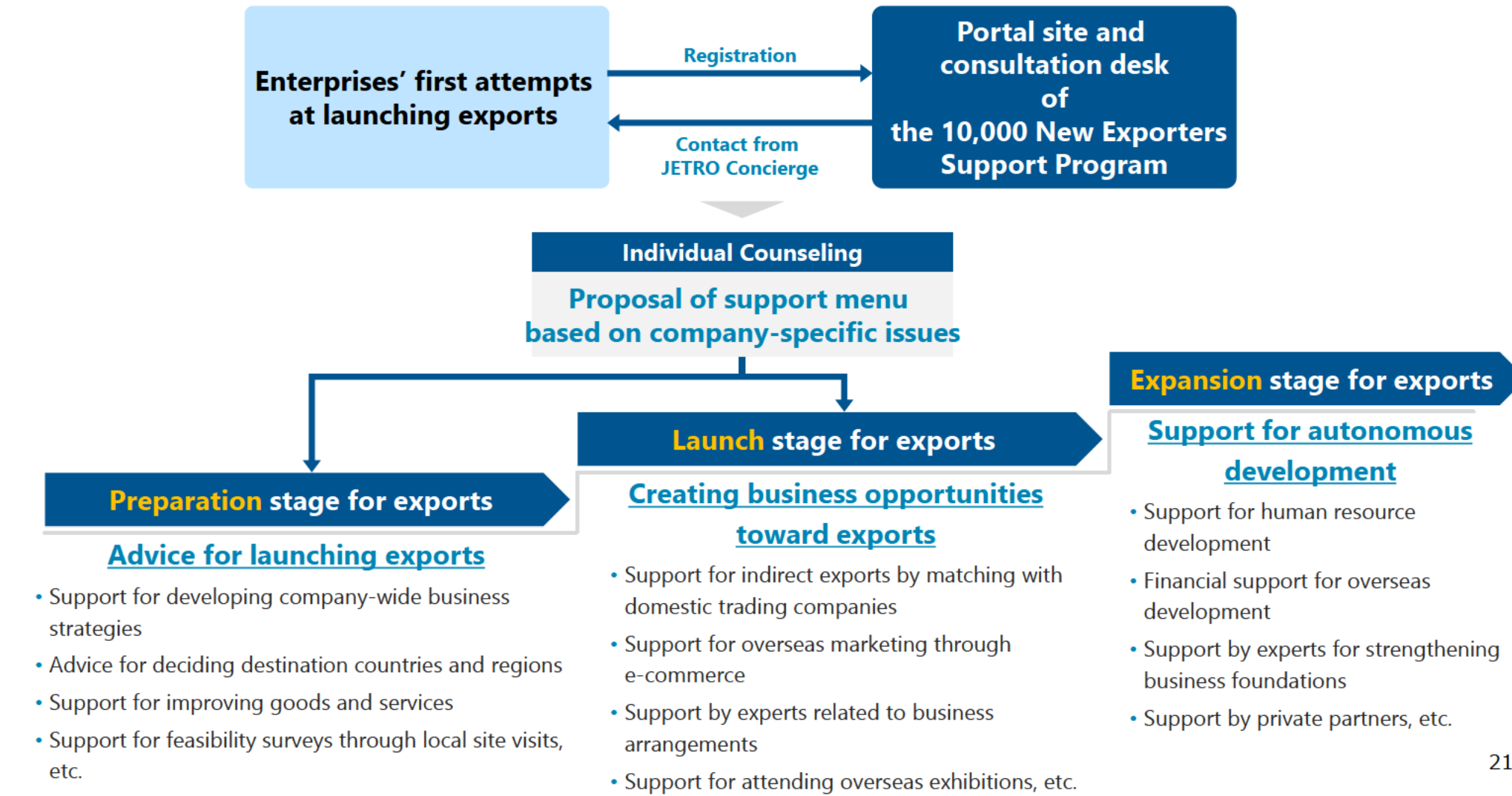
Supporting Overseas Deployment of Indirect Export Enterprises Accounting for 80% of the Manufacturing Enterprises Is a Key for Expanding Japan's Exports

Strengthening export competitiveness will benefit **enterprises engaging in indirect exports, which encompass 80% of Japan's manufacturing sector**. They have the **potential to start new direct exports**. To encourage them to launch direct exports, it is essential to support their **resources, information, know-how, and risk management associated with starting direct exports**.



(Reference) Providing Support with the 10,000 New Exporters Support Program

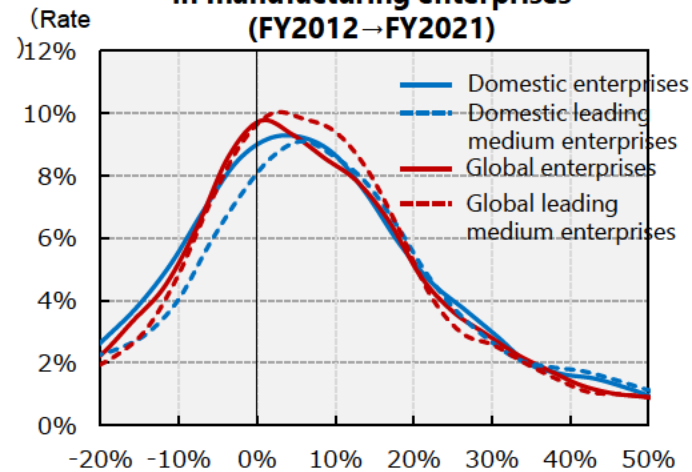
- Acquiring foreign demand through exports is a good chance for small and medium-sized enterprises (SMEs) to increase their incomes, as their growth is constrained by domestic demand limits.
- The 10,000 new exporters support program was launched in December of 2022 to support SMEs and local enterprises which have no export experience in undertaking necessary preparations, business negotiations and exports (**16,960 enterprises have registered, and 2,240 have succeeded in launching exports as of April 2024**).



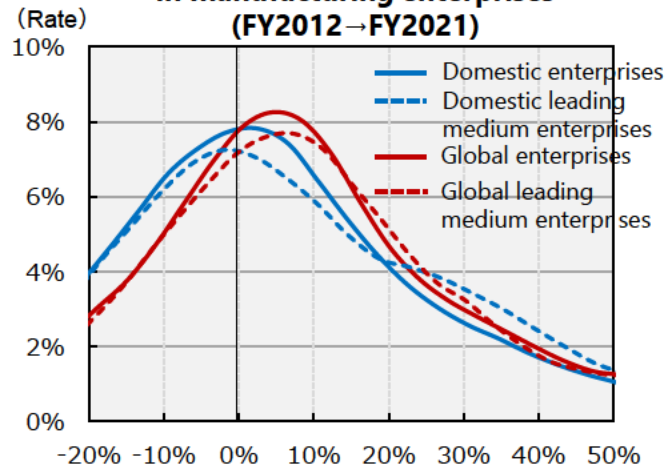
Global Enterprises Contribute to Employment and Investment in Japan while Expanding Growth

- Competitive manufacturing enterprises are deploying globally, contributing to employment and investment in Japan, and are also using intangible asset investment to achieve further growth and expansion. It is important to strongly support the competitiveness of domestic enterprises, including leading medium enterprises, and support the development of enterprises that can survive global competition.

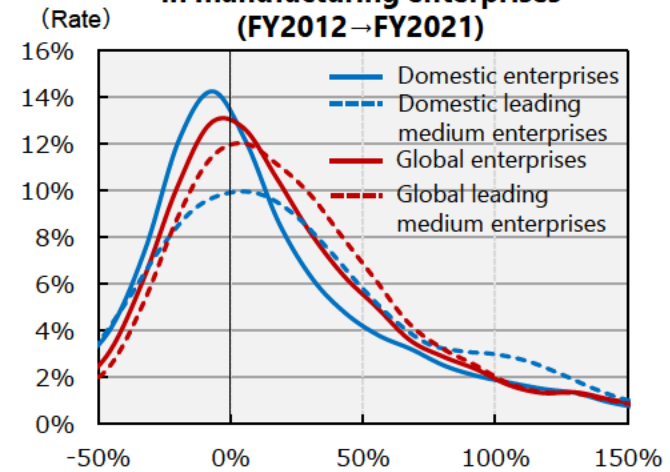
Distribution of wage growth in manufacturing enterprises (FY2012→FY2021)



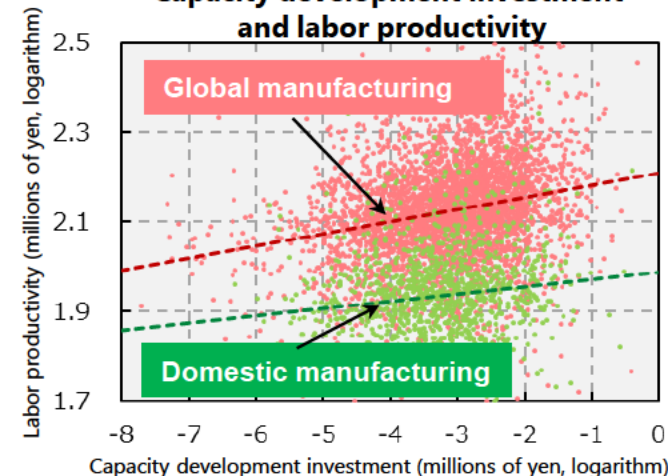
Distribution of employment growth in manufacturing enterprises (FY2012→FY2021)



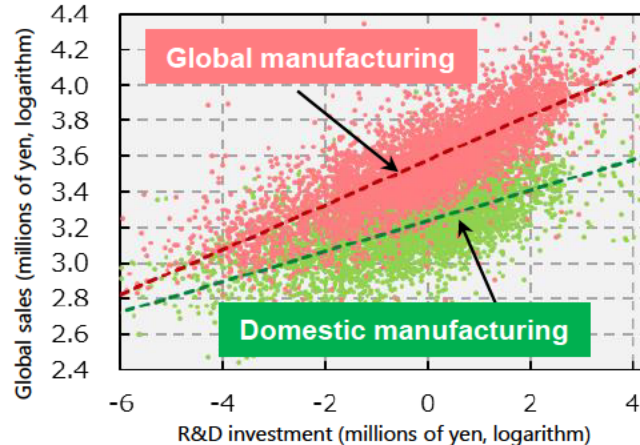
Distribution of growth in tangible fixed assets in manufacturing enterprises (FY2012→FY2021)



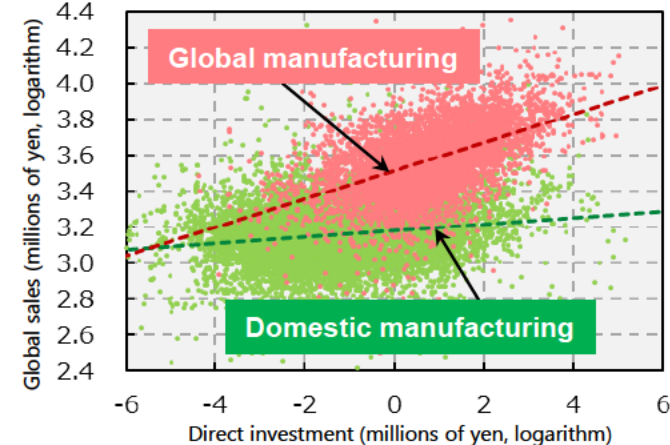
Capacity development investment and labor productivity



R&D investment and global sales



Direct investment and global sales



(Source) Upper and lower left figures: estimated based on the Basic Survey of Business Activities by METI; lower center and lower right figures: estimated using the Basic Survey of Corporate Activities and the Survey of Overseas Business Activities by METI.

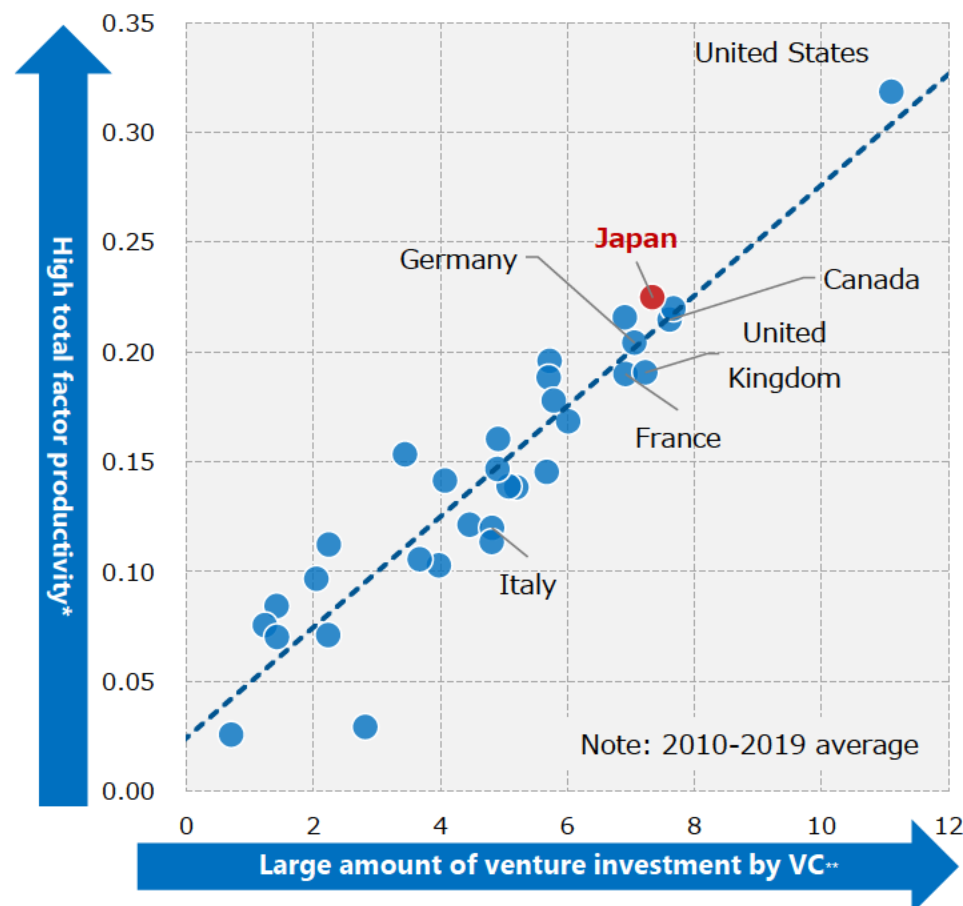
(Note 1) As of 2021, leading medium enterprises are defined as those with 301 to 2,000 employees (excluding small and medium-sized enterprises).

(Note 2) Enterprises that invest overseas are defined as global enterprises, while other enterprises are defined as domestic enterprises.

(Reference) Promoting Economic Growth through Startups

- Startup investment promotes economic growth through innovation. However, **startup investment in Japan as a percentage of GDP is low compared to other major countries. By implementing the Startup Development Five-year Plan, we aim to achieve startup investment of 10 trillion yen by FY2027.**

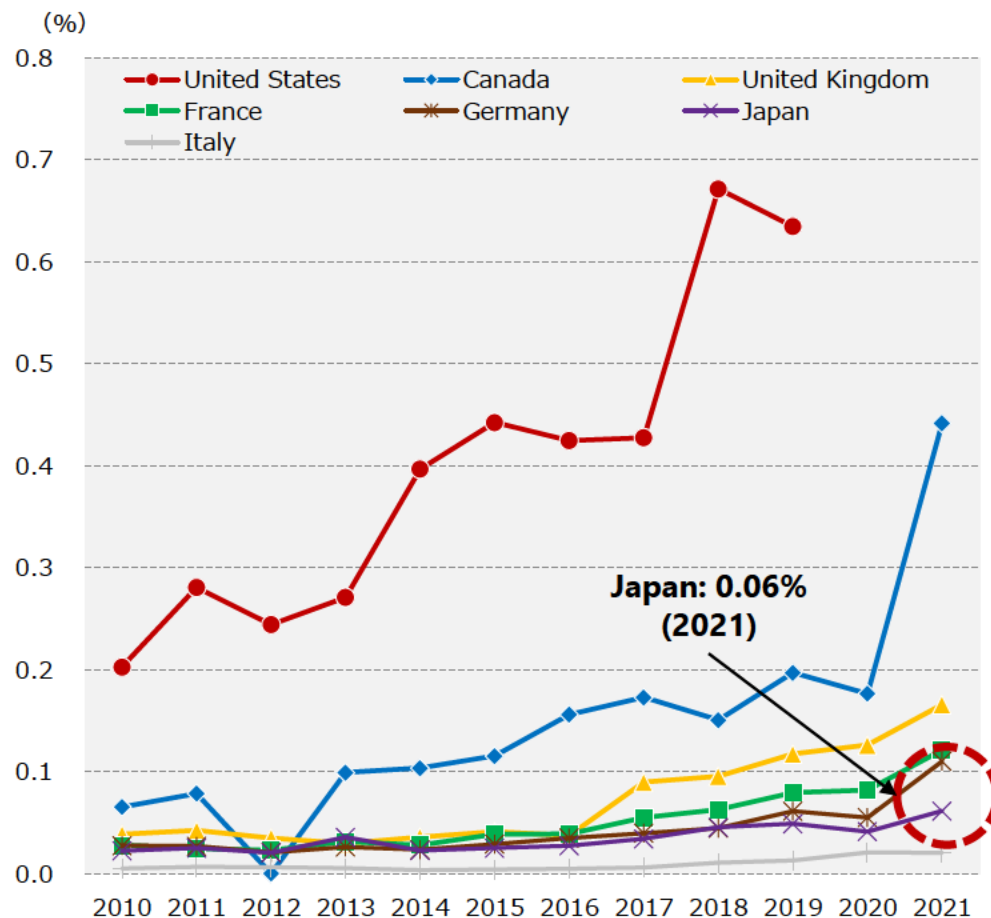
Venture capital investments and total factor productivity



*Total factor productivity adjusted for factors other than venture capital investments (e.g., aging rate); logarithm of index value with total factor productivity of U.S. in 2017 = 1.

**Venture investment (\$1 million) in logarithmic scale.

Venture capital investments by VCs as % of GDP



(Source) Left figure: OECD Statistics; University of Groningen: Penn World Table 10.01
Right figure: OECD Statistics