

JETRO Global Trade and Investment Report 2020

A global economy with increasing uncertainty and the future of digitalization

Key points

◆ **World trade in 2019 decreased in both trade value and volume**

In 2019, world trade (trade in goods, nominal export value) decreased by 2.9% from the previous year to \$18.5 trillion (JETRO estimate). The trade volume (export basis) also decreased year-on-year. It was the first time in ten years, since 2009, that both value and volume had negative growth.

◆ **World trade in the first quarter of 2020 dropped sharply due to COVID-19**

In response to the spread of COVID-19, the growth rate of world exports in the first quarter of 2020 decreased by 5.8% year-on-year. A sharp decline in transportation equipment and general machinery was seen. By country/region, China and the EU showed a more pronounced depression in imports and exports than others.

◆ **Japanese companies seeking new business styles in a world of increasing uncertainty**

About 80% of Japanese companies operating overseas expect that sales in 2020 will decline from the previous year. Among Japanese companies which are considering revisions to their business strategies and models in response to COVID-19, about 70% chose "change of sales strategy". Along with US-China friction, "demand shock" and "market loss" due to COVID-19 are forcing Japanese companies to shift to new business styles.

Key findings at a glance

1. World trade in 2019 decreased in both trade value and volume

In 2019, world trade (trade in goods, nominal export value) decreased by 2.9% from the previous year to \$18.5 trillion (JETRO estimate). This is because of an increase of uncertainty caused by trade disputes, a decline in demand due to slowing global economic growth and a decline in fuel prices. The trade volume (export basis) also decreased by 0.1% year-on-year, a down turn from the previous year in terms of both value and volume. It was the first time in ten years, since 2009, that both sides had negative growth. (☞See page 4)

In 2019, the amount of trade value in many countries and regions, mainly in Europe and East Asia, declined from the previous year. The export value of resource-exporting countries also decreased from the previous year due to the impact of falling resource prices. Looking at the world trade in 2019 by product category, the growth rate became negative for many products. The down turn in resource-related products, general machinery, chemicals, transportation equipment, electrical equipment, etc. has slowed down trade. (☞See page 4)

US-China trade friction has changed the flows of world trade. Due to the additional tariff measures against China by the US, China's global share of exports to the US of computer parts has shrunk, while Korea, Taiwan, and ASEAN countries have expanded exports to the US. In response to this shrinkage, China expanded its exports to Korea and the rest of Asia. (☞See page 5)

2. World trade in first quarter of 2020 drops sharply due to COVID-19

The growth rate of world exports in the first quarter of 2020 decreased by 5.8% year-on-year. Looking at the breakdown, EU-25 (-1.7 percentage points), China (-1.6 percentage points) and resource-exporting countries (-1.0 percentage points) made a large contribution to the decrease in exports. Examining the growth rate in the first quarter of 2020 by country, China's exports fell sharply by 13.4% year-on-year. (☞See page 6)

Looking at trade (on an export basis) for 32 major economies where data was available up to the first quarter of 2020, a sharp decline in transportation equipment and general machinery was seen, while positive growth in exports of pharmaceuticals and medical supplies remained. An overview of world trade in the same quarter shows a more pronounced depression in imports and exports for China and the EU than others. (☞See page 6)

In response to the spread of COVID-19, a series of trade-restrictive measures have been introduced around the world. Particularly since March, restrictions to the export of hygiene supplies have become more common globally. On the other hand, there have been a series of trade-facilitating measures such as reduction of tariffs and simplification of import procedures: a cumulative total to 97 as of May 2020, exceeding the total number of trade restriction measures (82) based on JETRO's research. (☞See page 8)

3. Japanese companies seeking new business styles in a world of increasing uncertainty

According to a survey conducted by JETRO in collaboration with Japanese chambers of commerce and industry in each country/region, about 80% of Japanese companies operating overseas expect that sales in 2020 will decline from the previous year. The main reason for operational decline of Japanese companies in relation to COVID-19 was the decrease in both domestic and overseas demand. This was followed by the supply disruption due to the division of domestic and overseas supply chains. (☞See Page 14)

In response to COVID-19, about 60% of Japanese companies operating overseas are considering revisions to their business strategies and models. Looking at the breakdown of these business revisions, procurement and production accounted for about 20% and 10% of responses respectively, while changes in sales strategy accounted for roughly 70%. (☞See Page 15)

COVID-19 provided an opportunity for the rapid digitalization of the living infrastructure of people and corporate activities around the world. In addition to medical services such as online medical care, digitalization has progressed in fields such as education and food service industry. In Japan, various new endeavors have begun in response to COVID-19, such as online classes, development of systems to reduce food loss caused by cancellation of events and self-restraint of restaurants. (☞See Page 15)

The global economic growth rate in 2020 is expected to be lower than the one under the global financial crisis in 2009. Japan's exports, which turned toward negative growth in 2019, are now in a widening decline. Japan's outward FDI, which reached a new record high in 2019, also started to decline in 2020. With global uncertainty reaching unprecedented levels, "demand shock" and "market loss" brought about by COVID-19, on the heels of US-China friction, are forcing Japanese companies to shift to new business styles.

Lifestyle changes with COVID-19(Photos by JETRO's representatives)



**Market in the lockdown
(Nigeria)**



**Empty city center in Hanoi
(Vietnam)**



**Shopping mall in Johannesburg
after the lockdown was lifted
(South Africa)**



**Red tape used to mark food court
seats so as to maintain a safe
distance (Singapore)**



**Sterilization in Nairobi
(Kenya)**



**Customers waiting to enter a
supermarket while maintaining
social distance (India)**

World trade in 2019 decreased in both trade value and volume

■ In 2019, world trade (trade in goods, nominal export value) decreased by 2.9% from the previous year to \$18.5 trillion (JETRO estimate). This is because of an increase of uncertainty caused by trade disputes, a decline in demand due to slowing global economic growth and a decline in fuel prices. The trade volume (export basis) also decreased by 0.1% year-on-year, a down turn from the previous year in terms of both value and volume. It was the first time in ten years, since 2009, that both sides had negative growth.

■ In 2019, the amount of trade value in many countries and regions, mainly in Europe and East Asia, declined from the previous year. The export value of commodity exporters also decreased from the previous year due to the impact of falling resource prices. Looking at the world trade in 2019 by product category, the growth rate became negative for many products. The down turn in commodity-related products, general machinery, chemicals, transport equipment, electrical equipment, etc. has slowed down trade.

World trade related indicators

(Unit: % for growth rate and change rate)

	2017	2018	2019
World trade (export) (100 mil USD)	173,484	190,654	185,047
Nominal growth rate	10.7	9.9	-2.9
Real growth rate	4.3	2.5	-0.1
Price growth rate	6.2	7.2	-2.8
Industrial production index growth rate (OECD)	3.0	2.3	-0.3
Fuel price index growth rate	23.9	27.3	-17.3
Crude oil price growth rate	23.3	29.4	-10.2
Natural gas price index growth rate	16.1	26.4	-36.7
Growth rate of nominal effective dollar exchange rate	-1.0	-2.4	3.4

Note: 1) Both trade values and nominal growth rates are estimated by JETRO. See Appendix Annotation II regarding the method of estimation. 2) The real growth rate is from the WTO. 3) The price growth rate was calculated by dividing the nominal value by volume index. 4) All commodity prices are indicated in the growth rate of the annual average. Crude oil prices are the average of Dubai, Brent and WTI. Natural gas prices are from the Europe/Japan/US index.

Source: Trade statistics of respective economies, OECD data (June 2020), "IFS (June, 2020)" (IMF), "PCPS (June 2020)" (IMF) and WTO data

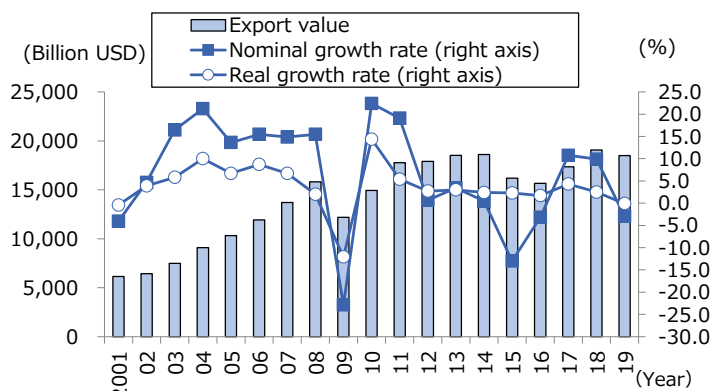
World trade by country and region (export basis, 2019)

(100 million USD, %)

	Export					Volume growth rate
	Value	Share	Growth rate	Contribution		
NAFTA	25,533	13.8	-0.6	-0.1	1.0	
US	16,452	8.9	-1.2	-0.1	-0.3	
Mexico	4,611	2.5	2.3	0.1	4.4	
EU	62,637	33.8	-3.0	-1.0	n.a.	
Germany	14,892	8.0	-4.6	-0.4	-2.3	
UK	4,691	2.5	-3.6	-0.1	-2.6	
Japan	7,057	3.8	-4.4	-0.2	-2.0	
East Asia	47,208	25.5	-1.8	-0.5	n.a.	
China	24,979	13.5	0.3	0.0	1.9	
Korea	5,422	2.9	-10.4	-0.3	-1.8	
Taiwan	3,051	1.6	-0.9	0.0	2.7	
ASEAN6	13,756	7.4	-1.9	-0.1	n.a.	
Vietnam	2,643	1.4	8.4	0.1	10.5	
India	3,242	1.8	-0.2	0.0	2.8	
Russia	4,228	2.3	-6.0	-0.1	-1.5	
World	185,047	100.0	-2.9	-2.9	-0.1	
Advanced economies	110,853	59.9	-3.3	-2.0	n.a.	
Emerging/developing economies	74,194	40.1	-2.4	-1.0	n.a.	
Commodity exporters	28,160	15.2	-6.5	-1.0	n.a.	

Note: 1) Figures of "World," "EU," "Advanced economies," "Emerging/developing economies" and "Commodity exporters" were estimated by JETRO. 2) Figures of "EU" include those of intraregional trade. 3) Member countries of ASEAN 6 are Singapore, Thailand, Malaysia, Vietnam, Indonesia and the Philippines. 4) East Asia includes China, Korea, Taiwan and ASEAN6. 5) See footnote in the main text regarding the definition of "Commodity exporters" (39 emerging/developing economies and seven advanced economies). Figures of small countries which were unavailable or unable to be estimated were excluded. 6) Advanced economies include 37 economies based on the definition of DOTs (IMF). Figures for "emerging/developing economies" are calculated by subtracting "advanced economies" from the "world." 7) Volume growth rate data are from the WTO.
Source: Trade statistics of respective economies and WTO data

Trends in world trade (export basis)



Source: JETRO's estimates based on the trade statistics of respective countries, and WTO data

World trade by product (export basis, 2019)

(100 million USD, %)

	Value	Share	Growth rate	Contribution
Total exports	185,047	100.0	-2.9	-2.9
Machinery and equipment	74,113	40.1	-1.7	-0.7
General Machinery	21,983	11.9	-2.8	-0.3
Turbines	1,485	0.8	8.2	0.1
Computer and peripheral equipment	5,718	3.1	-5.8	-0.2
Semiconductor manufacturing equipment	802	0.4	-6.7	0.0
Industrial robots	55	0.0	-9.8	0.0
Electrical equipment	27,119	14.7	-1.1	-0.2
Communication equipment	5,891	3.2	-3.1	-0.1
Electronic tubes and semiconductors	1,158	0.6	1.0	0.0
Integrated circuits	7,195	3.9	1.2	0.0
Transport equipment	18,361	9.9	-1.9	-0.2
Automobiles	9,249	5.0	-0.8	0.0
Automobile parts (excluding engines)	3,999	2.2	-5.1	-0.1
Precision equipment	6,650	3.6	0.3	0.0
Chemicals	25,194	13.6	-2.3	-0.3
Pharmaceuticals and medical supplies	6,234	3.4	5.3	0.2
Commodity-related products (total)	50,542	27.3	-6.1	-1.7
Fuel	21,248	11.5	-9.7	-1.2
Non-fuel (metal, food and beverages)	29,295	15.8	-3.3	-0.5

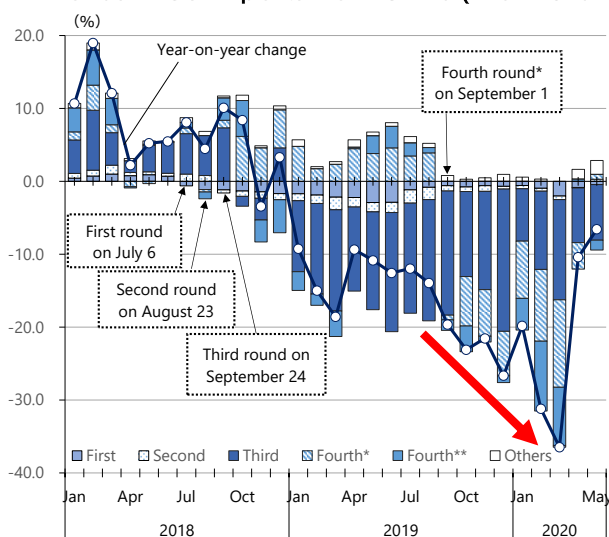
Note: 1) JETRO estimates. See Appendix Annotation II regarding the method of estimation. 2) See Appendix Annotation I regarding the product classification.
Source: Trade statistics of respective economies

Changes in world trade flows due to US-China trade friction

■ US-China trade has continued to shrink due to additional tariff measures between the US and China since July 2018. US imports from China, which had slowed down in 2019, dropped by more than 30% in February and March 2020 due to COVID-19. Meanwhile, China's imports from the US bottomed out in January 2019 and turned to a positive year-on-year increase in November. However, it became negative again in 2020.

■ US-China trade friction has changed the flows of world trade. Due to the additional tariff measures against China by the US, China's global share of exports to the US of computer parts has shrunk, while Korea, Taiwan, and ASEAN countries have expanded exports to the US. In response to this shrinkage, China expanded its exports to Korea and the rest of Asia. Meanwhile, China's additional tariffs aimed at the US have changed the world trade in soybeans. The US share of global exports to China has shrunk sharply, with those from Brazil and other countries of Latin America to China expanding in their place. As a result of the shrinkage in US exports to China, the US has expanded exports to Mexico, Europe and Africa.

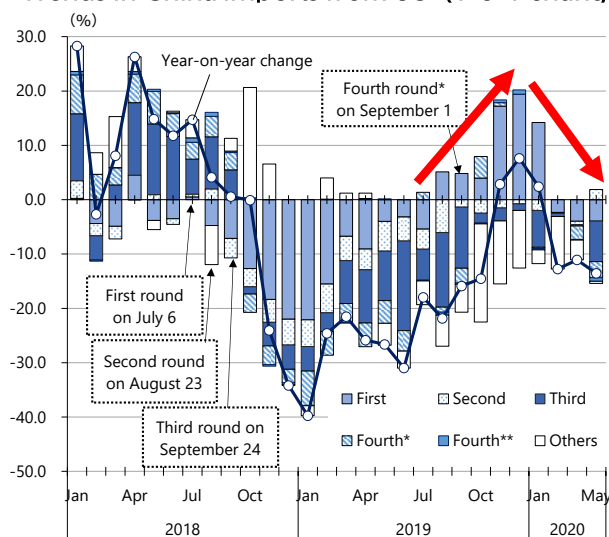
Trends in US imports from China (Y-o-Y change)



Note: "Fourth*" includes target products which were imposed in September 2019. "Fourth**" includes other remaining products.

Source: "Trade Statistics" by the DOC, "Biznews" by JETRO

Trends in China imports from US (Y-o-Y change)



Note: 1. "Fourth*" includes target products which were imposed in September 2019. "Fourth**" includes other remaining products. Each figure was calculated from the import values excluding products which overlap with those in the first to third round. 2. The figure of January 2020 is a cumulative value of January and February. (To compare with that in the same period of last year.)

Source: "Trade Statistics" by China Customs, "Biznews" by JETRO

Changes in global share of trade in major countries and regions (2017-2019)

【Parts and accessories for computer, such as printed circuit boards】

(Unit: % point)

Export	Asia						NAFTA		Europe	Others
	Japan	China	Korea	Taiwan	ASEAN	US	US			
Asia	+1.7	+1.6	+1.0	+0.8		-0.9	-1.3	-0.6		
Japan										
China	+0.7		+0.8			-4.0	-4.0			
Korea	+1.5	+1.5				+1.1	+1.1			
Taiwan	+1.8	+1.1				+0.9	+1.3	+1.0		
ASEAN	-1.1					-0.8	+0.7	+0.8		
Thailand	-0.6									
Vietnam	+0.8									
NAFTA										
US										
Europe										
EU										
Others										

【Soybeans】

(Unit: % point)

Export	Asia			NAFTA			Latin America	Europe	Middle East	Africa	Oceania
	Japan	China		US	Mexico						
Asia											
NAFTA	-6.6	-7.9	+0.7	+0.7	+0.7	+0.7	+1.2				
US	-5.8	-6.6	+0.7	+0.7	+0.7	+0.7	+1.2				
Latin America	+2.7	+3.1				+1.0	-0.9				
Argentina	+1.3	+1.3									
Brazil	+1.8	+2.1							+0.9		
Europe											
EU											
Russia											
Ukraine											
Others											

Note: 1) World trade and trade by country/region were calculated on an export basis. The world trade value is estimated by JETRO. The HS codes for each product are as follows; computer parts and accessories: HS847330, soybeans: HS120190. 2) The colors of the cells show the increase/decrease in the share of world trade in countries/regions in four stages. (For only the change of 0.5% points or more, the differences are indicated.) Increase [Blue]: Dark: plus 0.5% points or more, light (shaded): plus 0.0% to less than 0.5% points / Decrease [Red]: Dark: minus 0.5% points or less, light (cross-hatched): minus 0.5% to 0.0% points

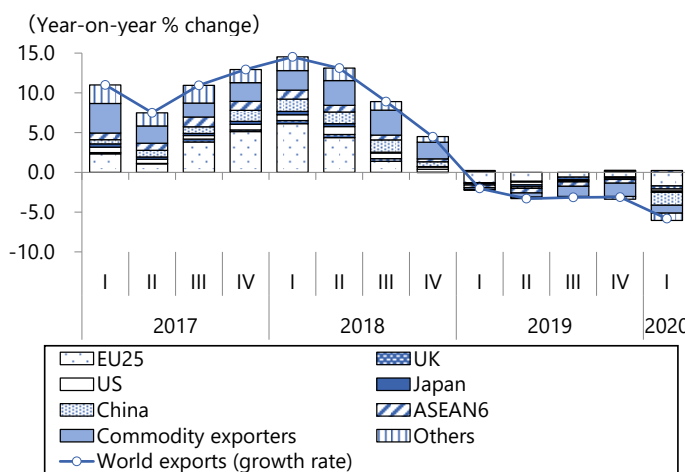
Source: Data created by JETRO from trade statistics of respective economies.

World trade in first quarter of 2020 drops sharply due to COVID-19

■ The growth rate of world exports in the first quarter of 2020 decreased by 5.8% year-on-year. Looking at the breakdown, EU25 (-1.7 percentage points), China (-1.6 percentage points) and commodity exporters (-1.0 percentage points) made a large contribution to the decrease in exports. Examining the growth rate in the first quarter of 2020 by country, China's exports fell sharply by 13.4% year-on-year.

■ Looking at trade (on an export basis) for 32 major economies where data was available up to the first quarter of 2020, a sharp decline in transport equipment and general machinery was seen, while positive growth in exports of pharmaceuticals and medical supplies remained. An overview of world trade in the same quarter shows a more pronounced depression in exports and imports for China and the EU than others.

Growth rate of exports by economies, on a quarterly basis



Note: 1) World exports cover 210 economies. 2) See the footnote in the report regarding the definition of "commodity exporters." EU25 includes all EU member economies excluding two commodity exporters (Greece and Cyprus). 3. The value of each country and region indicates the contribution rate.

Source: "DOTS (June 2020)" (IMF)

Trade for 32 major economies by product, on quarterly basis (year-on-year growth rate)

	World trade coverage ratio (2019)	2019				2020	Contribution (Q1, 2020)
		I	II	III	IV	I	
Total (exports of 32 countries/regions)	76.1	-2.9	-3.5	-2.3	-2.0	-5.8	-5.8
Machinery and equipment	82.1	-3.8	-4.0	-2.2	-1.5	-6.9	-3.0
General machinery	83.8	-3.1	-4.3	-4.6	-2.9	-9.1	-1.2
Mining and construction machines	87.5	-1.2	-7.0	0.5	-10.6	-13.6	-0.1
Turbines	70.5	10.2	9.4	11.0	6.0	1.0	0.0
Computers and peripheral equipment	85.4	-3.6	-7.6	-11.5	-7.4	-13.4	-0.5
Semiconductor manufacturing equipment	98.1	-18.8	-12.9	-15.1	23.6	9.1	0.0
Industrial robots	95.4	-11.5	-11.7	-5.2	-8.5	-3.2	0.0
Electrical equipment	83.8	-3.7	-3.8	-2.5	-0.7	-3.3	-0.5
Communication equipment	80.7	-5.5	-4.5	-2.1	-4.4	-11.4	-0.4
Electronic tubes and semiconductors	94.0	-5.4	-0.5	2.5	4.7	-3.6	0.0
Integrated circuits	93.6	-2.9	-3.0	-2.1	3.6	8.1	0.4
Transport equipment	76.1	-5.5	-5.0	0.8	-1.8	-10.7	-1.1
Automobiles	74.4	-6.3	-4.1	5.1	0.4	-10.3	-0.5
Automobile parts (excluding engines)	74.2	-6.7	-7.3	-4.8	-6.9	-9.5	-0.2
Precision equipment	85.7	-2.1	-1.9	0.5	1.0	-4.2	-0.2
Chemicals	83.3	-1.2	-2.2	-1.3	-3.0	-0.4	-0.1
Pharmaceuticals and medical supplies	86.6	3.4	3.6	10.2	7.9	13.9	0.5
Commodity-related products (total)*	72.0	-4.7	-3.6	-7.5	-7.5	-4.9	-1.4
Fuel*	72.6	-5.8	-3.2	-15.2	-14.7	-7.4	-0.9
Non-fuel products (metal, food and beverages)*	71.4	-3.9	-3.9	-0.7	-1.3	-3.0	-0.5

Note: 1) The 32 economies are Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Indonesia, Ireland, Italy, Japan, Luxembourg, Malaysia, the Netherlands, the Philippines, Portugal, Russia, Singapore, South Africa, Korea, Spain, Sweden, Switzerland, Taiwan, Thailand and the U.S. 2) Figures for products marked with an asterisk (*) are based on imports, those for other products are based on exports.

Source: Trade statistics of respective economies

Export growth rate for 32 major economies (2020 Q1, year-on-year % change)

Export	Import	Total: 32 economies	East Asia-10					US	EU-14				
			10	Japan	China	Korea	Taiwan		ASEAN-5	France	Germany	Italy	
Total: 32 economies		-5.8	-4.8	-8.0	-5.6	-2.4	2.6	-0.4	-4.9	-7.3	-7.8	-6.7	-8.6
East Asia-10		-7.9	-4.9	-9.9	-4.6	-6.5	3.8	-1.1	-13.0	-13.4	-15.9	-14.7	-14.4
Japan		-5.2	-3.7	-4.1	-6.4	6.5	-5.7	-8.1	-7.8	-7.2	-7.4	-7.2	-7.2
China		-15.8	-10.7	-16.1	-11.3	2.2	-2.1	-25.1	-17.5	-15.9	-20.1	-17.6	-17.6
Korea		-2.5	-3.5	0.2	-8.4	-5.2	4.5	5.5	-6.0	0.8	-0.7	-18.4	-18.4
Taiwan		4.0	5.2	0.3	6.0	-5.7	6.1	3.7	-5.4	-16.1	-12.9	-11.7	-11.7
ASEAN-5		-0.1	-0.9	-4.2	-5.2	6.9	6.0	1.2	4.4	-4.8	-13.2	-9.8	-3.3
US		-2.9	-3.5	-0.5	-14.6	6.4	10.3	4.6		0.0	1.4	1.4	-3.8
EU-14		-4.9	-6.0	-4.6	-8.0	14.9	-1.3	-7.2	2.7	-6.4	-8.2	-5.4	-7.4
France		-10.3	-22.9	-27.3	-36.1	-1.9	-7.1	-0.7	-6.1	-9.5		-10.6	-11.3
Germany		-6.4	-6.8	-11.9	-10.9	23.3	9.3	-9.3	-4.5	-8.0	-11.3		-10.2
Italy		-3.4	-11.3	7.0	-18.5	-5.4	-0.6	-5.4	7.5	-4.0	-6.2	-4.1	

Note: 1) Chart was created on an export basis. 2) The figure for 32 economies is the total of the countries/regions in this table and Australia, Canada, Argentina, Brazil, Russia, Switzerland and South Africa. The figure for East Asia is the sum of Japan, China, Korea, Taiwan, Hong Kong, and ASEAN-5. ASEAN-5 includes Indonesia, Malaysia, the Philippines, Singapore and Thailand. EU-14 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden. 3) The figure for EU-14 includes the amount of intra-regional trade. 4) Shaded cells indicate countries/regions of which growth rates (year-on-year) were negative. The blue cells indicate countries with growth rates of -10% to -5%, and dark blue cells with white letters indicate countries/regions of which growth rates are below -10%.

Source: Trade statistics of the respective economies

World trade of COVID-19-related products

■ Looking at world trade in products required to prevent the spread of COVID-19 infection and medical supplies for its treatment, the value of COVID-19 test kits/instruments and apparatuses used in diagnostic testing, protective garments and the like, and disinfectants and sterilization products increased significantly in the first quarter of 2020. Among the protective equipment, masks had a particularly high growth rate of 56.8% year-on-year.

■ Looked at by country, China accounts for nearly 40% of the world share in exports of medical products such as masks and protective garments. On the other hand, European countries have a large share in the export of COVID-19 test kits/instruments and apparatuses used in diagnostic testing and disinfectants and sterilization products. In Japan, the demand for masks and protective garments increased in 2020, and the import of masks rapidly increased with the resumption of production in China, which is a major supplier.

Quarterly export value of products related to Covid-19 (Year-on-year change rate)

(Unit: %)

	World trade coverage ratio (2019)	2019				2020
		I	II	III	IV	I
Test kits/ Instruments and apparatus used in Diagnostic Testing	92.9	10.0	2.5	21.0	6.2	12.5
Protective gear	79.3	-2.7	-0.8	0.3	0.1	15.9
Masks	76.0	2.2	2.9	5.4	4.3	56.8
Protective garments	75.3	-11.1	-7.6	-3.0	-0.3	1.8
Disinfectant/sterilization products	83.6	-1.5	6.6	13.9	7.1	17.4
Therapeutic respiration apparatus	79.2	4.7	6.1	7.9	3.5	1.0
Other medical devices and equipment	77.9	0.5	2.0	6.5	7.1	3.8
Other related medical supplies to Covid-19	81.0	2.3	2.8	7.5	8.3	-0.4
Total	83.8	2.1	4.1	12.2	6.4	10.8

Note: 1) This was created based on the classification of medical products related to Covid-19 (the version of April 30, 2020), announced by the World Customs Organization (WCO). For details, see "Note 2." 2) This is based on data from 32 countries/regions due to data restrictions. See the previous page for details of the 32 countries/regions.

Source: Statistics of each country/region.

Top five countries/regions for import/export of products related to Covid-19 (2019)

(Unit: Million USD, %)

Items	Rank	Export				Import			
		Countries/region	Value	Share	Growth rate	Countries/region	Value	Share	Growth rate
Test kits/ Instruments and apparatus used in Diagnostic Testing	1	Switzerland	30,468	19.2	20.8	US	26,711	17.5	36.6
	2	Germany	26,653	16.8	-7.0	Germany	14,387	9.4	4.3
	3	US	22,169	14.0	9.0	China	12,060	7.9	18.3
	4	Ireland	19,821	12.5	33.8	Belgium	9,851	6.5	2.5
	5	Belgium	11,447	7.2	15.3	Japan	8,551	5.6	22.0
Masks	1	China	5,518	39.5	6.2	US	4,676	30.4	8.1
	2	Germany	1,183	8.5	-0.8	Japan	1,338	8.7	4.3
	3	US	1,164	8.3	7.0	Germany	1,282	8.3	3.1
	4	Mexico	606	4.3	11.6	France	651	4.2	7.4
	5	Vietnam	470	3.4	-14.0	UK	485	3.2	6.3
Protective garments	1	China	5,825	41.5	-9.4	US	3,114	23.5	-2.7
	2	Vietnam	1,327	9.5	44.1	Germany	990	7.5	1.6
	3	Italy	799	5.7	0.2	Japan	863	6.5	1.0
	4	Belgium	542	3.9	-4.2	France	840	6.3	-1.1
	5	Germany	515	3.7	6.7	UK	540	4.1	-3.8
Disinfectant/sterilization products	1	Germany	46,661	15.0	1.1	US	63,922	19.1	9.3
	2	Switzerland	42,534	13.7	5.8	Germany	28,173	8.4	6.5
	3	Netherlands	25,251	8.1	16.6	Belgium	19,218	5.7	23.0
	4	Belgium	23,261	7.5	4.8	Switzerland	15,999	4.8	8.3
	5	US	21,791	7.0	8.8	Netherlands	15,633	4.7	10.2
Therapeutic respiration apparatus	1	US	12,218	20.8	0.8	US	12,946	24.3	10.7
	2	Netherlands	7,092	12.1	9.1	Netherlands	4,988	9.3	3.5
	3	Mexico	5,377	9.1	43.0	Germany	3,940	7.4	7.1
	4	Ireland	4,779	8.1	11.4	China	3,306	6.2	16.0
	5	Germany	4,766	8.1	2.4	Japan	3,217	6.0	6.9

Note: 1) Only the top five countries/regions are listed here in terms of import/export value in 2019. 2) This was created based on the classification of medical products related to Covid-19 (the version of April 30, 2020), announced by the World Customs Organization (WCO). 3) The composition ratio is the share of the global total of each product (estimated value by JETRO). 4) Vietnam and Mexico's trade values are estimates.

Source: Trade statistics of each country/region

Japan's import of products related to Covid-19

(Unit: Million USD, %)

	Value of Imports			Top Supplier (2019)
	2019	Jan-May 2020	Y-o-Y change	
Test kits/ Instruments and apparatus used in Diagnostic Testing	8,551	4,028	27.3	US (23.8%)
Protective gear	3,422	3,750	175.9	China (57.7%)
Masks	1,338	2,842	426.9	China (75.3%)
Protective garments	863	408	28.3	China (56.8%)
Disinfectant/sterilization products	14,650	6,563	9.2	Germany (15.9%)
Therapeutic respiration apparatus	3,217	1,256	-4.5	US (33.3%)
Other medical devices and equipment	3,387	1,373	-3.8	US (38.5%)
Other related medical supplies to Covid-19	4,318	1,812	2.0	China (44.4%)

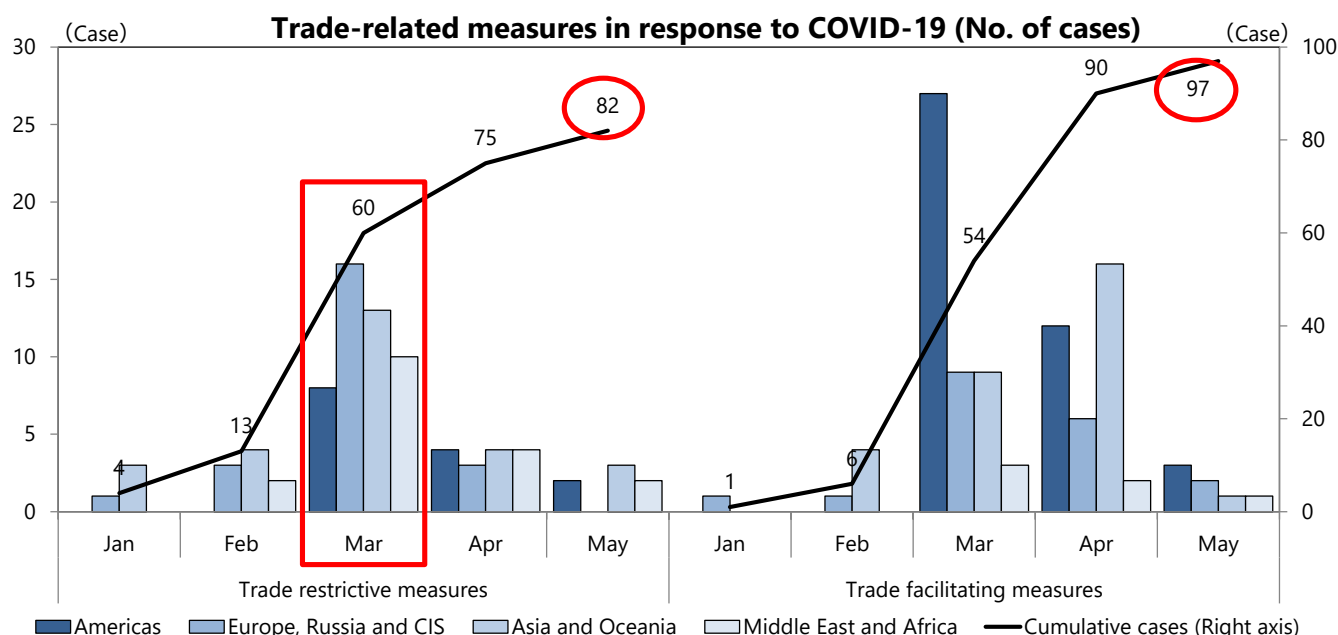
Note: Based on the classification of Covid-19-related medical supplies by the World Customs Organization (WCO).

Source: "Trade Statistics" by the Ministry of Finance, Japan

Series of trade-related measures introduced in response to COVID-19

■ In response to the spread of COVID-19, a series of trade-restrictive measures have been introduced around the world. Particularly since March, export restrictions of sanitary supplies increased. On the other hand, there have been a series of trade-facilitating measures such as reduction of tariffs and simplification of import procedures: a cumulative total to 97 as of May 2020, exceeding the total number of trade restrictive measures (82) based on JETRO's research.

■ The introduction of export restrictions and embargoes began early in Asia, starting in late January. Europe and the US also started export restrictions, reflecting the expansion of COVID-19 since March. In terms of trade-facilitating measures, there was also a temporary relaxation of standards and certifications, in addition to border measures such as tariff elimination and the simplification of import procedures for the purpose of expanding access to medical and sanitary supplies.



Note: 1) Only measures with clear relationships with Covid-19 are included. 2) Cumulative cases also include the measures which have been lifted by May 2020. 3) Measures of which introduction dates are unknown were replaced with the dates of notification to the WTO.
Source: WTO, WCO, "Biznews" by JETRO

Trade-related measures by each country/region in response to COVID-19

Country/region	Month	Measures
Thailand	Feb	Export controls for masks.
Russia	Mar	Temporary export ban on certain types of medical products such as masks, protective clothing, and antiviral agents.
India	Mar	Restricted exports of APIs and formulations made from these APIs.
Turkey	Mar	Modifications to the notice on goods, which export is prohibited or needs an additional licence.
Vietnam	Feb	Temporary export ban on commercial export of medical masks.
EU	Mar	Temporary application making the exportation of certain products outside of the EU subject to the production of an export authorization.
Indonesia	Mar	Provisional ban on personal protective equipment.
Australia	Mar	Temporary measure to prevent non-commercial exports of personal protective equipment and sanitisers.
UK	Mar	Ban on parallel export of certain categories of medicines.
Switzerland	Mar	Exportation of masks and gloves being subject to export authorization.
US	Apr	Temporary export authorization for certain personal protective equipment.

Country/region	Month	Measures
Vietnam	Feb	Temporary elimination of custom duties on products on the medical products.
Canada	Mar	Measures to facilitate the importation of vital medical supplies.
Brazil	Mar	Elimination of import duties on ventilators.
Indonesia	Mar	Temporarily exemption of pre-shipment inspections and submission of inspection reports when importing medical and hygiene products.
Mexico	Apr	Facilitation import procedures for pulmonary ventilators and the parts.
Russia	Jan	Temporarily restricts import of certain animals, including insects, reptiles, live fish and hydrobionts from China.
Mauritius	Mar	Temporarily restricts imports of live animals, including fish from China and other certain countries.
Switzerland	Apr	Relaxation of labelling requirements for food products.
Switzerland	Feb	Granting a general authorisation for placing certain disinfectants on the basis of alcohol or active chlorine on the market.
Brazil	Mar	Establishes exceptional and temporary criteria and procedure for the petitions for the market authorization of medicines and biological products.
US	Mar	Temporary policy regarding nutrition labeling of certain packaged food.

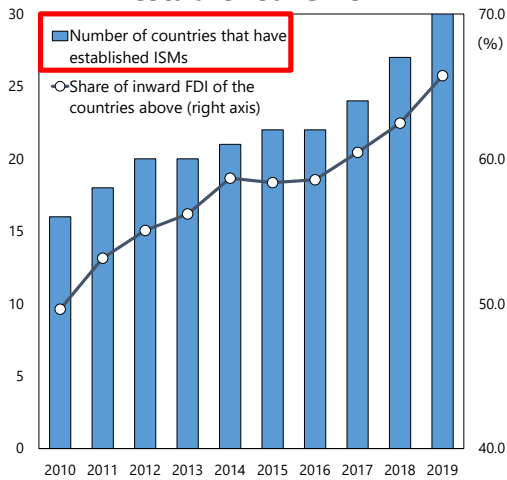
Source: WTO, WCO, "Biznews" by JETRO

Growing presence of FDI screening mechanisms

Foreign direct investment screening mechanisms (“ISMs”) continue to gain popularity as governments perceive greater national security and public order risks. As of the end of 2019, at least 30 countries have introduced ISMs. As these countries account for more than 60% of global inward FDI stock, trends related to ISMs will have a large impact on the world’s inward FDI.

Amid the outbreak of COVID-19, many governments have strengthened implementation of ISMs since March 2019. In so doing, they aim to tighten their supervision over inward FDI in medical-related sectors, such as research and development of vaccines and manufacture of precision medical equipment, and safeguard domestic companies whose value have fallen from opportunistic takeovers.

Number of countries that have established ISMs



Note: 1) The number of subject countries is calculated based on reports by UNCTAD and the European Commission. 2) In Belgium, only the Government of Flanders has established the mechanism.
Source: UNCTAD; European Commission

Overview of ISMs in major countries

Country	Applicable laws (illustrative)	Responsible authorities	Targeted investment	
			Sector-specific	Ownership threshold ²
Australia	Foreign Acquisitions and Takeover Act 1975	FIRB		5%
China	Anti-Monopoly Law	NDRC		50%
France	Financial and Monetary Code	Ministry for the Economy	○	25%
Germany	Foreign Trade and Payments Act	Federal Ministry for Economic Affairs and Energy	○*1	10%
Italy	Law of 11 May 2012	DICA	○	3%
Japan	Foreign Exchange and Foreign Trade Act	Ministry of Finance, other relevant Ministries	○	1%
Russia	Federal Law No. 57-FZ	FAS	○	50%
United States	Foreign Investment Risk Review Modernization Act of 2018	CFIUS		n/a

Note: 1) Germany established both sector-specific and cross-sectoral ISMs. 2) Ownership threshold represents the minimum figure in each jurisdiction when the threshold varies depending on sectors. 3) The description does not reflect temporary changes of the ISMs in response to the COVID-19 outbreak.

Source: "Investment Policy Related to National Security: A Survey of Country Practices" (UNCTAD) and relevant legislation in subject countries

Reinforcement of ISMs in context of outbreak of COVID-19 (as of June 2020)

UK (Jun. 23):

Extended the scope of public interest considerations against which foreign acquisitions are scrutinised. The new amendment enables consideration of "the need to maintain...the capacity to combat, and to mitigate the effects, of public health emergencies".

EU (Mar. 5):

Issued guidelines calling upon member states to implement rigid foreign investment screening in a time of public health crisis and related economic vulnerability. The emphasised areas include health and medical research.

Germany (May 20):

Amended the relevant legislation to subject to prior authorisation FDI relating to developing critical public health services, manufacturing or producing vaccines, medicines, and protective medical equipment for the treatment of highly infectious diseases.

Poland (Jun. 24):

A new legislation came into force extending significantly the FDI screening mechanism for 24 months. Prior governmental approval is required in 21 industries including manufacture of chemicals, pharmaceuticals and medical instruments.

Japan (Jun. 15):

Added medical-related sectors to the Core Designated Business Sectors. Newly-added sectors are manufacture of medicines for infectious diseases as well as of highly controlled medical devices.

Canada (Apr. 18):

Announced an "enhanced security" in which "the Government will scrutinise with particular attention... FDI of any value, controlling or non-controlling, in Canadian businesses that is related to public health or involved in the supply of critical goods and services to Canadians or to the Government".

France (Apr. 29):

Announced a new decree stipulating that biotechnologies would be subject to FDI screening. France also announced that the voting rights threshold would be temporarily lowered from 25% to 10% by the end of 2020.

Spain (Mar. 18):

The Royal Decree Law that suspends the liberalisation regime for FDI in Spain came into effect. It expands the scope of FDI screening to include critical infrastructure and high-technologies in accordance with EU regulations. It also obliges foreign investors controlled by the government to obtain prior authorisation.

Italy (Apr. 6):

Issued a law decree that widens the strategic sectors subject to FDI screening. Newly added sectors include high-technologies and financial and insurance sectors. The law also enables the government to intervene on its motion without prior notification for FDI screening by foreign investors.

Hungary (May 26):

Introduced a new Government Decree to establish a temporary FDI screening applicable by the end of 2020. Prior governmental approval is required in 21 industries including healthcare, pharmaceutical, medical device manufacturing industries.

India (Apr. 18):

Reviewed the FDI screening policy and decided that FDI from all six neighbouring countries require prior governmental approval.

New Zealand (May 13):

Announced a temporary measure that any FDI that results in more than 25% ownership interest, or that increases an existing interest to/beyond 50% is subject to a prior notification requirement.

Australia (Mar. 29):

Announced that it temporarily abolished the monetary threshold of the screening mechanism, thereby obliging all foreign investors to obtain prior government approval. Moreover, the review period was extended from 30 days to six months.

Note: 1) Dates show when announcements were made and/or when application of new measures started. 2) The description of each measure is based on the publicly available information as of June 2019.

Source: "Investment Policy Hub"(UNCTAD), "BIZnews" (JETRO)

Increasing uncertainty in global economy with COVID-19

■ The global economic growth rate fell 4.9% in 2020, and it is expected to be lower than the global financial crisis in 2009 (-0.1%). It is assumed that the COVID-19 pandemic will settle in the second half of 2020 and containment measures will be gradually lifted, but it is highly likely that it will be "the worst economic downturn since the Great Depression." Energy prices, including for crude oil, have fallen significantly as a result of economic activity stagnating due to measures such as restrictions on going out and immigration around the world.

■ With the expansion of COVID-19, indicators of global uncertainty have reached their highest levels since 1960, when data first started to be collected. And there are many matters spreading uncertainty aside from COVID-19, such as (1) tension between the US and China increasing in many areas; (2) the frayed relationship within "OPEC Plus," consisting of OPEC and major non-member oil-producing countries; and (3) the spread of social unrest throughout the world.

Real GDP growth rate/contribution by economies (%)

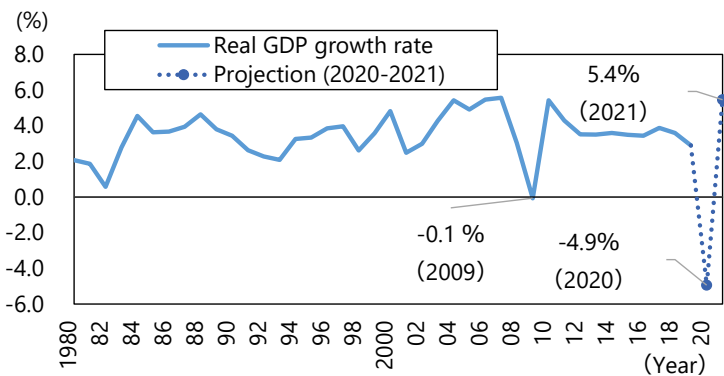
	2018		2019		2020 (Projection)	
	Growth rate	Contribution	Growth rate	Contribution	Growth rate	Contribution
World	3.6	3.6	2.9	2.9	-4.9	-4.9
Advanced economies	2.2	0.9	1.7	0.7	-8.0	-3.2
US	2.9	0.4	2.3	0.4	-8.0	-1.2
Euro area	1.9	0.2	1.3	0.1	-10.2	-1.1
Japan	0.3	0.0	0.7	0.0	-5.8	-0.2
Emerging and developing Economies	4.5	2.7	3.7	2.2	-3.0	-1.8
Emerging and developing Asia	6.3	2.1	5.5	1.8	-0.8	-0.3
China	6.7	1.2	6.1	1.1	1.0	0.2
India	6.1	0.5	4.2	0.3	-4.5	-0.4
ASEAN-5	5.3	0.3	4.9	0.3	-2.0	-0.1
Latin America and Caribbean	1.1	0.1	0.1	0.0	-9.4	-0.7
Emerging and developing Europe	3.2	0.2	2.1	0.1	-5.8	-0.4
Middle East and Central Asia	1.8	0.2	1.0	0.1	-4.7	-0.4
Sub-Sahara Africa	3.2	0.1	3.1	0.1	-3.2	-0.1

Note: 1) The definitions of advanced/emerging and developing economies follow the World Economic Outlook (WEO). ASEAN-5 refers to Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

2) For India, the data and forecast are presented on a fiscal-year basis.
3) Contributions are calculated using the purchasing power parity (PPP) of the previous year, which was released in April 2020.

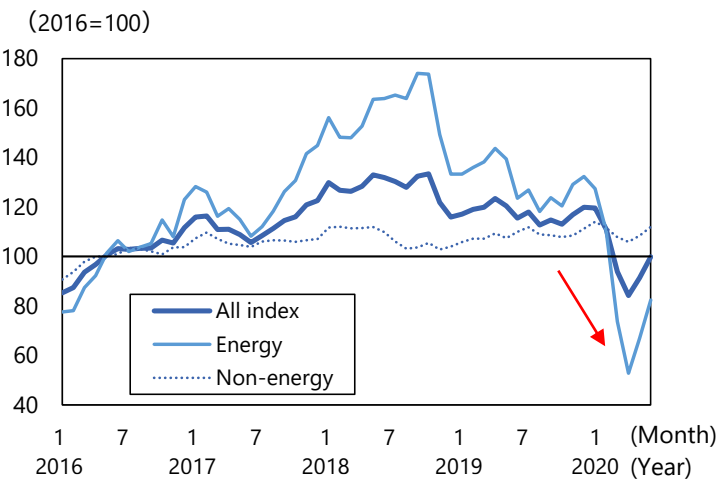
Source: "WEO, April/June 2020" (IMF)

Trends in world real GDP growth rate



Source: "WEO, April /June 2020" (IMF)

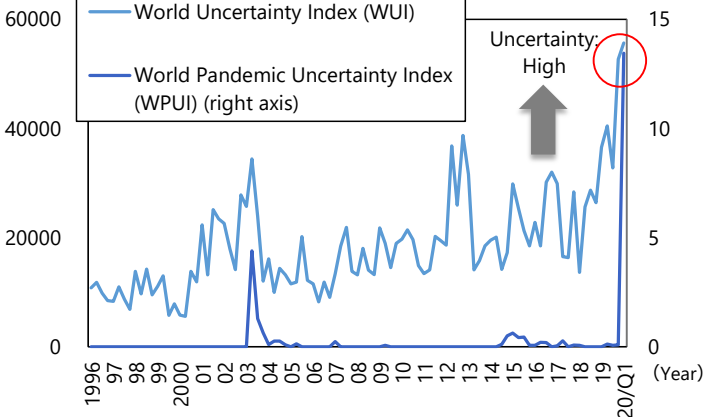
Trends in commodity price index (Monthly)



Note: Until June 2020.

Source: "Primary Commodity Prices" (IMF)

Trends in world uncertainty index (Quarterly)



Note: The WUI is constructed based on the frequency of the use of words related to "uncertain," and WPUi based on the number of times uncertainty is mentioned in proximity to a word related to "pandemic," in the country reports of approximately 140 countries and regions by the Economist Intelligence Unit (EIU). The WUI uses indicators weighted by GDP.

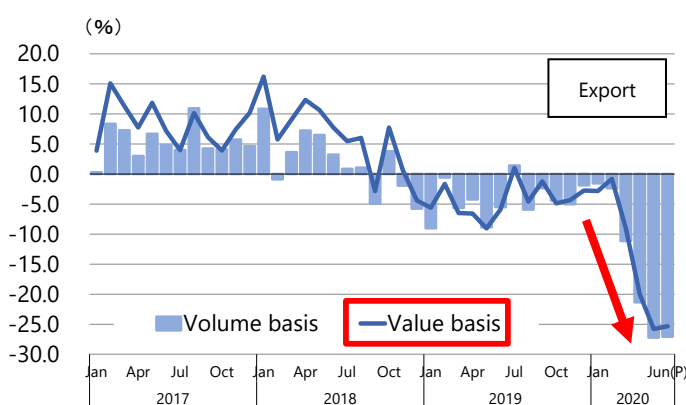
Source: Ahir, H, N Bloom, and D Furceri (2018), "World Uncertainty Index," Stanford mimeo (accessed 17 July 2020).

Further challenges to weakening Japanese trade

■ Export growth has remained negative since the end of 2018. It had begun to show signs of bottoming out, however the rate of decline has increased in 2020 due to the impact of COVID-19. Meanwhile, imports fell sharply in February 2020 with a sudden decline in imports from China, and then fell sharply again in May due to a fall in resource prices.

■ Regarding the export growth by product in 2019, semiconductor manufacturing equipment in general machinery decreased from the previous year, and machine tools, mining and construction machines also declined. In transport equipment, automobiles for the US decreased due to a transition to local production, while automobile parts for China and ASEAN also decreased, meaning a decline continues for 2020.

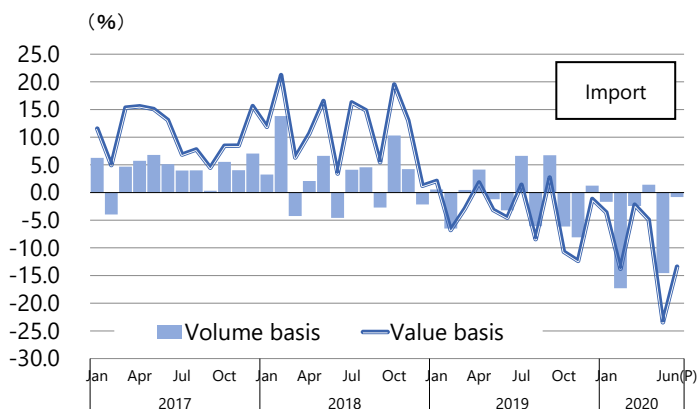
Japan's export growth (year on year change)



Note: Change rates on volume basis were calculated from the 2015-based volume index.

Source: "Trade Statistics" by the Ministry of Finance, Japan

Japan's import growth (year on year change)



Note: Change rates on volume basis were calculated from the 2015-based volume index.

Source: "Trade Statistics" by the Ministry of Finance, Japan

Japan's exports by main product

(Unit: Million USD, %)

	2019	Y-o-Y change	Contribution	Jan-May in 2020	Y-o-Y change	Contribution	Year-on-year change				
							Jan	Feb	Mar	Apr	May
Total exports	705,682	-4.4	-4.4	253,398	-11.6	-11.6					
General machinery	136,969	-7.5	-1.5	48,776	-15.0	-3.0					
Mining and construction machines	10,440	-6.6	-0.1	3,521	-28.1	-0.5					
Machine tools	6,736	-15.8	-0.2	2,064	-31.2	-0.3					
Semiconductor manufacturing equipment	22,621	-8.6	-0.3	8,748	-3.8	-0.1					
Electrical equipment	103,051	-5.8	-0.9	39,451	-1.2	-0.2					
Electronic parts such as semiconductors	36,667	-2.0	-0.1	14,814	8.2	0.4					
Communication equipment	3,920	-22.2	-0.2	1,278	-21.2	-0.1					
Transport equipment	167,838	-2.8	-0.7	52,724	-24.3	-5.9					
Automobiles	109,160	-1.5	-0.2	33,243	-25.7	-4.0					
Automobile parts (excluding engines)	33,024	-8.7	-0.4	10,495	-22.9	-1.1					
Precision equipment	40,002	-5.3	-0.3	14,908	-4.8	-0.3					
Chemicals	97,124	-0.7	-0.1	38,383	-3.1	-0.4					
Iron and steel products	36,424	-9.5	-0.5	14,158	-4.5	-0.2					

Note: Yen-based values are converted to dollar-based values by JETRO

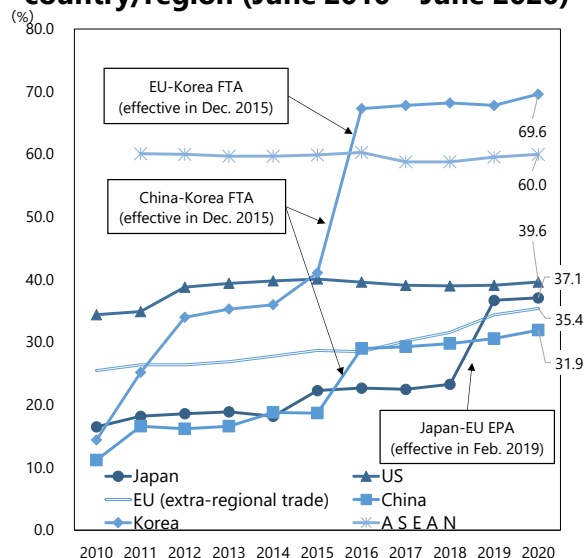
Source: "Trade Statistics" by the Ministry of Finance, Japan

Increasing presence of Japanese products in FTA partner imports

■ The number of FTAs that came into effect in 2019 was nine, and the number of global free trade agreements (FTAs) that had entered into force as of the end of June 2020 (including customs unions and preferential trade agreements, research by JETRO) was 321. Looking at the effective FTA coverage ratios of each country/region, those for Japan, China, Korea and the EU have continued to rise over the past decade. Meanwhile, those for ASEAN and the US remained almost flat due to the limited number of new agreements.

■ One year after the Japan-EU EPA came into force, the ratio of the imports utilizing EPA to the EU's imports of EPA-eligible goods was 41.1%. Exports from Japan increased for several products. Within the TPP-11, Canada and New Zealand, which are new FTA partners for Japan, have many products for which import duties of about 5-10% were immediately eliminated, and the import share of Japanese goods expanded for several industrial products.

Effective FTA coverage ratios in major country/region (June 2010 - June 2020)



Note: 1) Effective FTA coverage ratio is the ratio of trade with countries and regions where FTAs have already been in effect, as of the end of June of each year. 2) The trade amount is based on the statistics of the previous year. 3) Japan's coverage ratio does not include US. 4) ASEAN's coverage ratio was calculated based on the ASEAN Trade In Goods Agreement (ATIGA) and ASEAN+1. However, Hong Kong is not included. Source: Documents and trade statistics of each government, and "DOTS (edition of June 26, 2020)" by the IMF.

Utilization of the Japan-EU EPA by product (February 2019-January 2020)

Products	Import amount (A) of eligible products [Note]	Year-on-year (times)	Amount of imports using Japan-EU EPA (B)	
			Amount of imports using Japan-EU EPA (B)	B/A×100 (%)
Total of industrial products	33,344	10.9	13,648	40.9
Vehicles and parts	11,498	12.0	5,154	44.8
General machinery	8,171	10.3	3,208	39.3
Electrical machinery	4,091	9.7	1,282	31.3
Plastics and articles	1,425	10.8	802	56.3
Rubber and articles	788	10.0	414	52.6
Organic chemicals	1,574	10.7	324	20.6
Agricultural, forestry and fishery products and food	282	11.2	156	55.1
Prepared food	98	11.0	56	57.4
Fish and crustaceans	28	9.7	23	81.2
Meat	19	32.0	18	92.2
Beverages, spirits and vinegar	26	10.0	14	51.7
Preparation of vegetables and fruit	18	11.2	12	65.7
Animal or vegetable fats and oils	19	11.8	11	57.3
Total	33,626	10.9	13,804	41.1

Note: Eligible products refer to those subject to MFN duties. Source: Eurostat

Products which Japan's export share expanded after TPP11 came into force (2019)

(Unit: %)

Country	Product	Increase of import value (year-on-year)	Tariff rate		Share of Japanese products in each import	
			MFN	TPP11	2018	2019
Canada	Spanners, wrenches	82 (times)	7.0	Eliminated immediately	0.3	20.3
	Nickel, hydrogen storage cells	184.2	7.0		86.4	94.1
	Car parts	150.1	8.5		2.1	5.2
	Radiators and parts	121.5	6.0		1.8	4.4
	Wheels and axles for railway	65.1	9.5		3.2	5.1
New Zealand	Light oils and preparations	6445 (times)	5.0	Eliminated immediately	0.0	2.3
	Automobiles	61.7	10.0		90.1	93.2
	Freight vehicles (5 tons or less)	19.7	5.0		8.1	10.6
	Large passenger cars	9.6	5.0		9.0	30.2
	Oil preparations	5.9	5.0		17.4	22.4

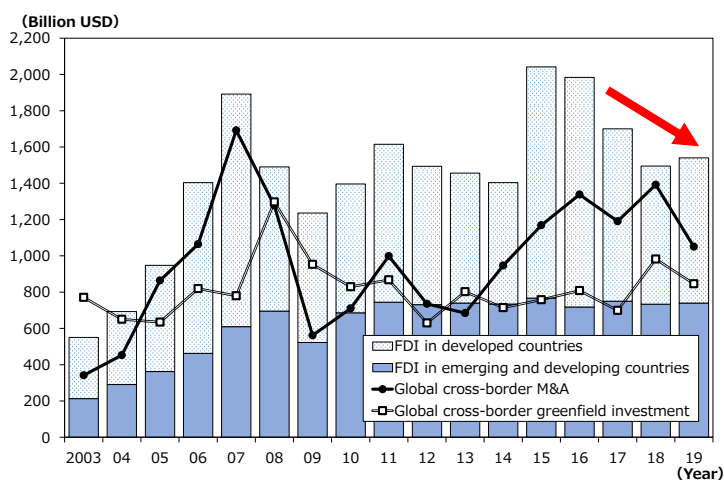
Note: 1) Among products of which imports from Japan have increased after the TPP11 came into effect, those which have been imported for more than 10 million USD and are subject to tariff reduction or elimination are listed in the descending order of growth. 2) While the tariff schedule is based on the eight-digit HS code, the trade amount was extracted on a six-digit basis due to statistical restrictions. The tariff rate is in the highest tax rate within the first six digits. Source: Trade statistics of each country, World Tariff(FedEx)

Global direct investment stagnation continues

■ Global inward FDI in 2019 increased by 3.0% from the previous year to \$1.54 trillion (balance of payment basis, net, flow). This is mainly due to the increase of FDI in EU countries such as Ireland. Although it increased slightly from the previous year, it has remained well below the peak of 2015 (\$2.04 trillion) since 2017, meaning global direct investment has remained stagnant.

■ Japan's outward FDI in 2019 increased by 57.0% from the previous year to \$248.7 billion, reaching a new record high (balance of payment basis, net, flow). By region, FDI in Europe, the largest investment destination, almost doubled, while investment in North America also increased (2.6 times). However, a single large-scale M&As contributed significantly to the expansion of investment in the same year, and because of COVID-19, investors' appetite has been lowered, with the investment amount for January to April 2020 decreasing by 44.5% year-on-year (preliminary figure).

Trends in global inward FDI



Note: 1) The figures for developed countries were summed from those of 38 countries/regions based on the categories of UNCTAD.
2) The figures for emerging and developing countries are those of the world (excluding the financial centers in the Caribbean region) minus those of developed countries.
Source: Data from UNCTAD and Thomson One (Refinitiv) (as of July 3, 2020)

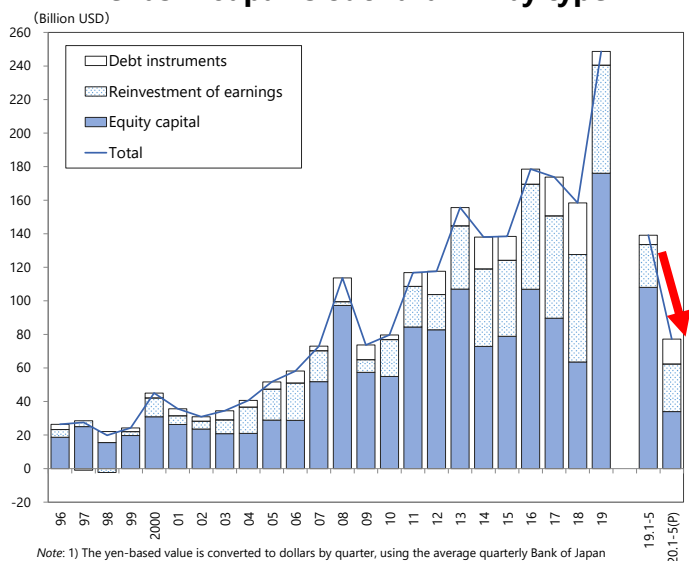
Top 10 countries/regions in the world in terms of FDI (2019)

(Unit: Million USD)

Inward FDI			Outward FDI	
1	United States	246,215	Japan	226,648
2	China	141,225	United States	124,899
3	Singapore	92,081	Netherlands	124,652
4	Netherlands	84,216	China	117,120
5	Ireland	78,234	Germany	98,700
6	Brazil	71,989	Canada	76,602
7	Hong Kong, China	68,379	Hong Kong, China	59,279
8	United Kingdom	59,137	France	38,663
9	India	50,553	Korea, Republic of	35,531
10	Canada	50,332	Singapore	33,283

Note: 1) Excluding the financial centers in the Caribbean region
2) Due to the difference in the accounting principle, the figure for Japan in this table does not exactly match that for "Japan's foreign direct investment" below.
Source: Data of UNCTAD

Trends in Japan's outward FDI by type



Note: 1) The yen-based value is converted to dollars by quarter, using the average quarterly Bank of Japan interbank rate. 2) Figures are based on BPM6. 3) The cumulative total for 2020 is a preliminary figure.
Source: "Balance of Payments Statistics" (Ministry of Finance, Bank of Japan)

Japan's outward FDI by country/region

(Unit: Million USD, %)

	2019			Jan-May, 2020 (P)		
	Share	Growth rate	Share	Growth rate		
Asia	60,690	24.4	9.6	19,310	25.0	-23.2
China	14,371	5.8	19.8	5,897	7.6	-3.2
ASEAN	34,745	14.0	11.1	9,732	12.6	-35.5
Singapore	15,671	6.3	-5.3	2,789	3.6	-8.5
Indonesia	8,391	3.4	157.1	1,484	1.9	-75.0
India	5,074	2.0	53.2	1,414	1.8	-23.2
North America	51,652	20.8	159.1	22,941	29.7	-19.3
US	48,269	19.4	180.8	21,587	28.0	-18.4
Latin America	14,635	5.9	-41.9	8,388	10.9	843.9
Brazil	2,569	1.0	48.8	1,382	1.8	50.2
Oceania	11,860	4.8	522.8	3,601	4.7	1.4
Australia	11,308	4.5	251.7	3,346	4.3	5.0
Europe	110,757	44.5	106.9	22,213	28.8	-72.4
EU	72,744	29.3	52.7	15,232	19.7	-
UK	5,799	2.3	-71.1	Δ 1,807	-	-
Switzerland	37,529	15.1	921.8	6,331	8.2	-81.5
World	248,675	100.0	57.0	77,231	100.0	-44.5

Note: 1) The yen-based value is converted to dollars by quarter, using the average quarterly Bank of Japan interbank rate.
2) The cumulative total for 2020 is a preliminary figure.
3) The cumulative total for the EU in 2020 was calculated based on its 27 member countries. (The growth rate is a comparison based on the 27 member countries.)
Source: "Balance of Payment Statistics" (Ministry of Finance, Bank of Japan)

Impact of COVID-19 on Japanese companies

■ According to a survey conducted by JETRO in collaboration with Japanese chambers of commerce and industry in each country/region, about 80% of Japanese companies operating overseas expect sales in 2020 will decline from the previous year.

■ The main reason for the operational decline of Japanese companies in relation to COVID-19 was the decrease in both domestic and overseas demand. This was followed by the supply disruption due to the division of domestic and overseas supply chains. In terms of external shocks to global supply chains, it is said that the Great East Japan Earthquake and the 2011 Thailand floods caused a "supply shock," while the Asian currency crisis and the global financial crisis caused a "demand shock." Although the COVID-19 crisis contains elements of a "supply shock," it seems that it has had a larger "demand shock" impact.

2020 full-year sales forecast of Japanese companies in major countries/regions (year-on-year)

(a) Target country/region (n = Number of respondent companies)	(b) Survey period	(c) Ratio of companies which answered "decrease"	(d) Target fiscal term	(e) Target industry	(a) Target country/region (n = Number of respondent companies)	(b) Survey period	(c) Ratio of companies which answered "decrease"	(d) Target fiscal term	(e) Target industry
China/East China (n=942)	Jun. 28-Jul. 2	76.0%	Full year of 2020	All	US (n=937)	Jun. 26-Jul. 1	71.7%	Jun. 2020	All
China/South China (n=355)	Apr. 2-10	<u>93.2%</u>	Full year of 2020	All	Canada (n=86)	May 26-28	69.8%	Apr. 2020	All
Hubei, China (n=83)	May 11-18	<u>96.4%</u>	Full year of 2020	All	Mexico (n=188)	Jun. 25-29	<u>90.4%</u>	At time of survey (Comparison to figures before Covid-19)	All
Vietnam (n=582)	Jun. 18-24	71.0%	Full year of 2020	All	Germany (n=238)	May 6-20	<u>80.7%</u>	This term (no time specified)	All
Thailand (n=498)	Mar. 9-13	<u>88.4%</u>	At time of survey	All	Czech Republic (n=69)	May 28-Jun. 5	<u>95.7%</u>	First half of 2020	All
Philippines (n=226)	Jun. 8-11	<u>85.3%</u>	Full year of 2020	All	UK (n=87)	May 18-21	66.7%	Apr. 2020	All
Malaysia (n=132)	May 12-15	<u>89.4%</u>	Full year of 2020	Manufacture	Russia (n=118)	Mar.18-20	<u>94.9%</u>	Full year of 2020	All
Indonesia (n=347)	Jun. 8-16	<u>84.4%</u>	Apr-Jun, 2020	All	UAE (n=127)	Jun. 2-4	<u>97.6%</u>	Not specified	All
India (n=430)	Apr. 24-28	<u>91.4%</u>	Apr-Jun, 2020	All					

Note: 1) Figures under (c) in bold and underlined indicate 80% or more. 2) Regarding (c), while questions and the number of options differ depending on the survey, JETRO has grouped them into the following three categories: "decrease," "remain the same (no effect)" and "increase." (Replies of "Unknown (not sure)" were excluded from the total.) Regarding the drop in sales in the UAE, the figure was calculated with replies other than "No impact." 3) Although definitions such as of "sales," "revenue" and "performance," differ depending on the survey, "sales" is used here (Respondent companies may have answered by including business in other locations). Source: Survey on the impact of COVID-19 conducted by Japan's Chamber of Commerce and JETRO's overseas offices in each country.

Factors behind operational decline of Japanese companies in major countries/regions (in order of response ratio, multiple answers)

(a) Target country/region (n = Number of respondent companies)	China/East China (n=719)	China/South China (n=131)	Malaysia (n=109)	Indonesia (n=289)	India (n=259)	US (n=288)
Industry	All	All	Manufacturing	All	Manufacturing	Manufacturing
Factors	1 Decrease in domestic demand	1 Decrease in domestic demand	1 Decrease in foreign demand	1 Decrease in domestic demand	1 Operational regulations by the government	1 Decrease in domestic demand
	2 Decrease in foreign demand	2 Decrease in foreign demand	2 Decrease in domestic demand	2 Decrease in foreign demand	2 Decrease in domestic demand	2 Shortage of human resources
	3 Operational regulations by the government	3 Disruptions of domestic SC	3 Operational regulations by the government	3 Disruptions of overseas SC	3 Disruptions of domestic SC	3 Disruptions of overseas SC
	4 Disruptions of overseas SC	4 Shortage of human resources	4 Disruptions of domestic SC	4 Shortage of human resources	4 Shortage of human resources	4 Operational regulations by the government
	5 Disruptions of domestic SC	5 Disruptions of overseas SC	5 Shortage of human resources	5 Disruptions of domestic SC	5 Logistics constraints and high costs	5 Disruptions of domestic SC
	6 Shortage of human resources	6 Operational regulations by the government	6 Disruptions of overseas SC	— Operational regulations by the government	6 Decrease in foreign demand	6 Logistics constraints and high costs
	— Logistics constraints and high costs	— Logistics constraints and high costs	— Logistics constraints and high costs	— Logistics constraints and high costs	— Disruptions of overseas SC	— Decrease in foreign demand

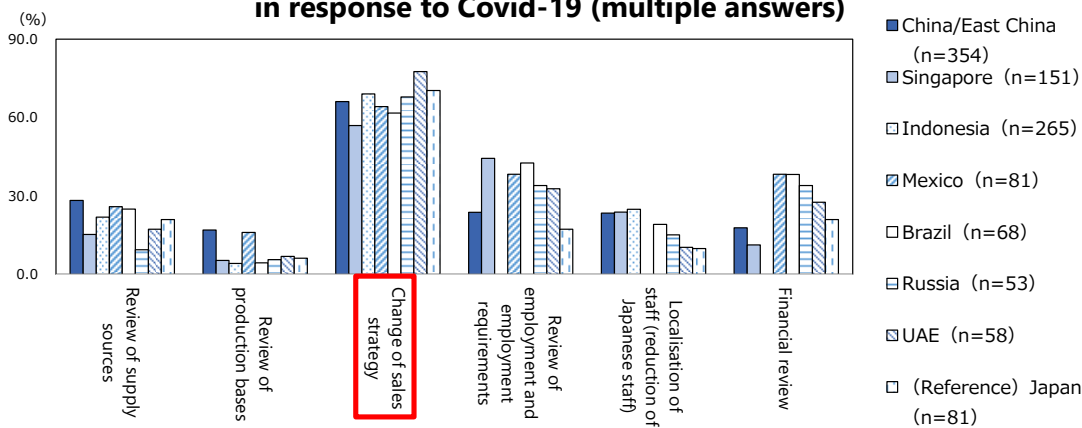
Note: 1) While questions and the number of options differ depending on the survey, JETRO has grouped them into the above seven categories. If there are multiple options in the same category, the one with the highest response rate was compared. Where a hyphen ("-") is used, no option was established. 2) "SC" stands for "supply chains." "Disruptions of SC" refers to incidents such as the delay or suspension of delivery of products, parts and raw materials. "Shortage of human resources" means shortage of labor. 3) The survey period was as follows: China/East China (June 28-July 2), China/South China (April 2-10), Malaysia (May 12-15), Indonesia (June 8-16), India (April 24-28), US (June 26-July 1). Source: Survey on the impact of COVID-19 conducted by Japan's Chamber of Commerce and JETRO's overseas offices in each country/region.

Seeking new business styles amid COVID-19

■ In response to COVID-19, around 60% of Japanese companies operating overseas are considering revisions to their business strategies and models. Looking at the breakdown of these business revisions, procurement accounts for around 20%, revisions in production areas remains around 10%, while changes in sales strategy accounts for about 70%.

■ COVID-19 provided an opportunity to rapidly digitalize the living infrastructure and corporate activities around the world. Including medical services such as online medical care, digitalization has progressed in fields such as education and food service industry. In Japan, various new services have begun in response to COVID-19, such as online classes and development of systems to reduce food loss caused by cancellation of events and self-restraint of restaurants.

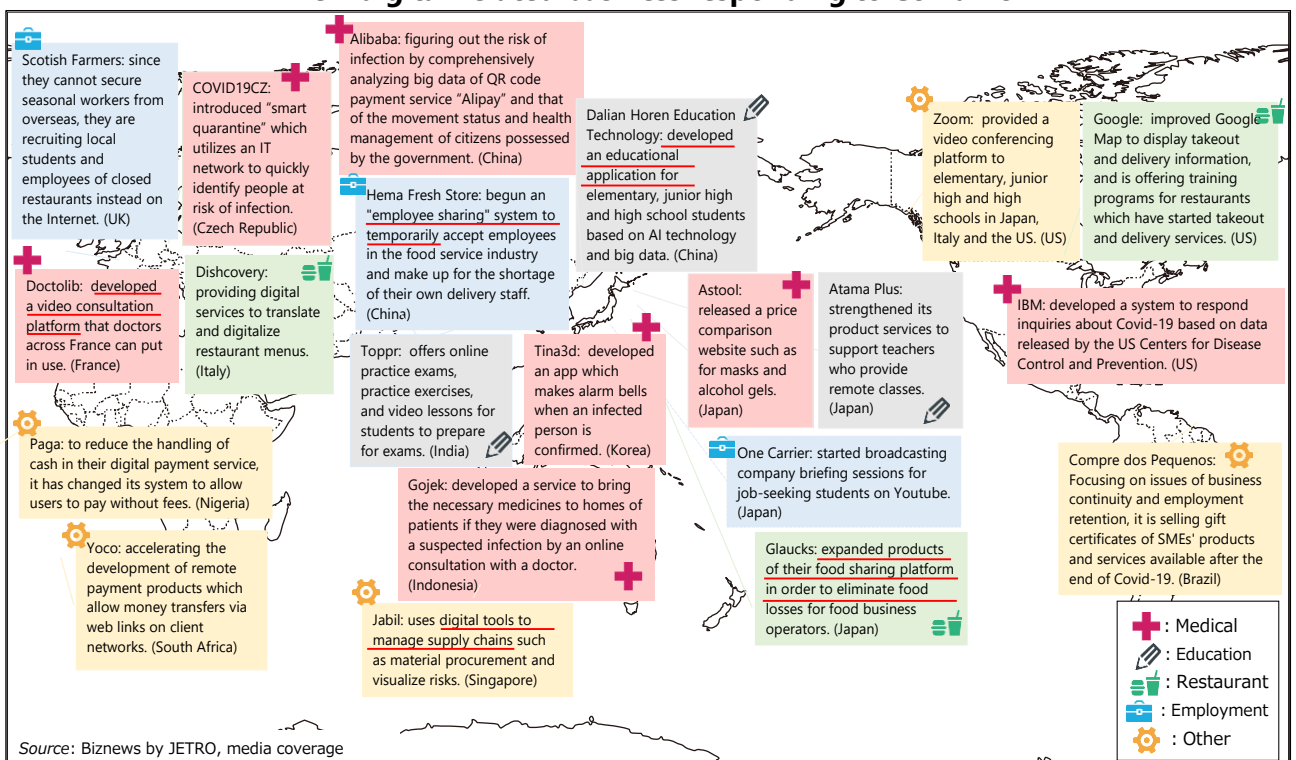
Business strategies and review of business models by Japanese companies overseas in response to Covid-19 (multiple answers)



Note: 1) The survey periods are as follows: June 28 - July 2 (China/East China), June 9-12 (Singapore), June 8-16 (Indonesia), June 25-29 (Mexico), June 12-22 (Brazil), May 20-29 (Russia), June 2-4 (UAE), May 29 (Japan). 2) The content and number of answers vary depending on the survey. The aggregated figures in this graph are solely based on companies which answered this question. The survey in Indonesia does not include "Review of employment and its terms" nor "Financial review," and the survey in Mexico does not include "Localisation of staff." "Supply sources," "production bases" and "sales destinations" does not necessarily mean the countries surveyed, given the possibility that respondents took into account business other than that in the countries surveyed. 3) The subject industries in all surveys include manufacturing and non-manufacturing.

Source: Survey on the impact of COVID-19 conducted by Japan's Chamber of Commerce and JETRO's overseas offices in each country. Questionnaire from JETRO's ASEAN Webinar on May 29.

New digital-related business responding to Covid-19



New chapter on digital trade

■ In the 2020 edition of this report, a new chapter on digital trade was added to analyze such topics as cross-regional trends in digital-related business and its rule formation as well as trade in digital goods. Among recent global trends in digital business, online platformers have made advances from virtual space to that of the real world. Furthermore, digitalization has expanded the existing business domains of companies.

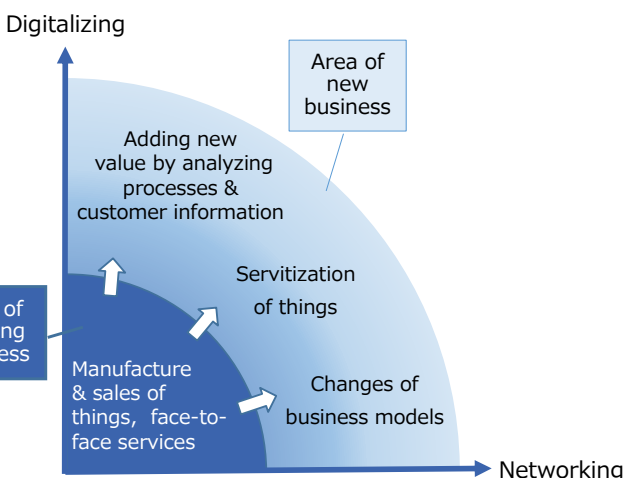
■ As economic societies are forced to rapidly digitalize, there is a growing concern that there is little universal rule regarding cybersecurity and cross-border data transfer. International organizations and forums are working on the establishment of common international standards such as e-commerce rules in the WTO, free data transfer in the G20 and digital taxation in the OECD. (See Chapter 4 of this report for details.)

Entry into the "real" world by leading online platformers

	Virtual	Real
Alphabet (Google)	<ul style="list-style-type: none"> • Search engine • Video streaming service (Youtube) 	<ul style="list-style-type: none"> • Selling "Chrome Book" PCs • Started a self-driving taxi service jointly with Waymo • Developed a health management application • <u>Constructed a renewable energy power generation system</u> • Developed VR for manufacturers
Amazon	<ul style="list-style-type: none"> • EC • Video streaming service (Amazon Prime) 	<ul style="list-style-type: none"> • Developed a brick-and-mortar store "Amazon Go" • Selling AI speakers "Amazon Echo" and "Alexa" • Entered into a broadband communication service with artificial satellites • <u>Providing a service to help develop autonomous driving cars</u>
Baidu	<ul style="list-style-type: none"> • Search engine 	<ul style="list-style-type: none"> • Implementing the "Apollo Project," opening an autonomous vehicle platform to the public • Mass producing and <u>testing driverless minibuses together with bus manufactures</u>
Alibaba	<ul style="list-style-type: none"> • EC (Tmall Global) • Mobile payment (Alipay) 	<ul style="list-style-type: none"> • <u>Combining the Internet and the real worlds</u> through the supermarket "Hema Fresh Store" • Proposing optimal coordination at the "Fashion AI Concept Store" • Mitigating the city traffic congestion utilizing AI and big data analysis
Rakuten	<ul style="list-style-type: none"> • EC 	<ul style="list-style-type: none"> • Providing services including Rakuten Medical, insurance and financial business
Yahoo	<ul style="list-style-type: none"> • Search engine • Mobile payment (PayPay) 	<ul style="list-style-type: none"> • Proposing the concept of "Data Forest" to provide data to companies and local governments • Operating its mobile phone business "Y mobile"

Source: websites of each company

Expansion of business areas through digitalization



Source: Created by JETRO

Policy objectives behind digital restriction and frameworks for international rule-making

Objectives	Consumer protection, national security	Protection and development of local industry	Others
Examples of measures adopted for each objective	<ul style="list-style-type: none"> • Protection of privacy • Protection of copyright and public morals • Right to be forgotten • Cyber security 	<ul style="list-style-type: none"> • Local content requirements • IPR restrictions • Digital taxation • Requirements for disclosure of technical information • Restrictions on foreign investment 	<ul style="list-style-type: none"> • Censorship • Filtering • Prohibition of anti-competitive behavior
Framework for international rule-making	<ul style="list-style-type: none"> WTO : E-commerce facilitation G20 : Ensuring free flow of data OECD : Digital taxation APEC : Harmonizing privacy protection FTA : E-commerce, free flow of data, privacy protection, etc. 		

Note: Description after " : " are the representative initiative of each international forum.

Source: Centre for International Governance Innovation (CIGI), and various materials

Chapter 1: World trade and Japan's trade

- Section 1: Current state of the world economy
- Section 2: World trade
- Section 3: Japan's trade
- Section 4: Impact of US-China friction on world trade

Chapter 2: Global FDI and Japan's FDI

- Section 1: Global FDI
- Section 2: Japan's outward FDI
- Section 3: Japan's inward FDI
- Section 4: Impact on business activities due to changes in the business environment amidst increasing uncertainty

Chapter 3: Trends in global trade rule formation

- Section 1: Trade policies of major countries/regions
- Section 2: Current situation and challenges of the multilateral trading system
- Section 3: Current situation of FTAs in the world and Japan

Chapter 4: Digital trade

- Section 1: Global digital trade
- Section 2: Trends in global digital business
- Section 3: Trends in digital-related rule formation

What is JETRO Global Trade and Investment Report?

■ History

In 1956, JETRO launched "Current Situation of Overseas Markets." Since then, it has been issued as the "JETRO White Paper on International Trade," "JETRO White Paper on Foreign Direct Investment" (two volumes), and "JETRO White Paper on International Trade and Investment." Since 2010, "JETRO Global Trade and Investment Report," has been available free on our website below. It marks its 10th anniversary this year.

■ Key features

This is an annual report analyzing trends in the worldwide economy, trade, FDI and trade rules utilizing various data as well as reports from our overseas offices. JETRO Global Trade and Investment Report is a report in which annual trade, investment and trends in trade rules can be understood at a glance.

■ The full text of the report (in Japanese) can be downloaded from the URL below.

<https://www.jetro.go.jp/world/gtir/>

JETRO Global Trade and Investment Report 2020: A Global Economy with Increasing Uncertainty and the Future of Digitalization

Key Points

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Note: Figures may not sum up to the total because some are less than one unit.

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