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# Transforming Export Structure into an Economy Resilient Against Yen Depreciation and Resource Price Highs

*Expanding investment through public-private cooperation in order to strengthen export competitiveness is an issue*

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## Summary

- Import prices are soaring against the backdrop of the yen's depreciation and resource highs. On the other hand, the fact that the rise in export prices is sluggish is also a problem. Despite rising raw material prices, Japanese exporters are reluctant to pass along prices. Japan's price power was diminished by its stagnant position in intra-industry trade, which was attributable to intensified international competition and stagnant product differentiation.
- Over the past two decades, Asian countries have greatly improved their technological capabilities, changing from division-of-labor partners to competitors. In addition, the differentiation of Japanese export goods from those of Germany and South Korea, which have a similar industrial structure to that of Japan, has stagnated. Japan is not only inferior in terms of the diversity of export goods, but also loses its superiority in terms of high quality.
- In order to strengthen export competitiveness, it is necessary for the public and private sectors to cooperatively promote the expansion of intangible asset investment, such as human capital and R&D, in addition to capital investment, by defining industries to be particularly focused on. In this regard, the "Grand Design and Action Plan of a New Form of Capitalism," which was approved by the Kishida administration in June 2022 by the Cabinet, appears to be lacking in this perspective. As the vulnerability of the Japanese economy to import inflation is brought into relief, it is becoming increasingly important to transform the export structure from a medium-to long-term perspective.

Attention

This report is a summary translation. The official document is only in Japanese.