

JFTC NEWS

No. 100
July 2003

1		
	Symposium to Celebrate the Publication of <i>Shosha's Challenge in a Changing China</i>	3
2		
	Revision of Prospects for Japan's Trade Balance and Current Account	4

Symposium to Celebrate the Publication of *Shosha's Challenge in a Changing China*



For the purpose of celebrating the publication by JFTC of *Shosha's Challenge in a Changing China* (Japanese version), the council held a symposium on Tuesday, April 22 at the Tokyo Chamber of Commerce and Industry.

The symposium was attended by some 200 interested parties including representatives of trading houses and the news media.

Last year, JFTC set up a special committee named “Trading Companies and Business Activities in China.”

The committee has been looking back on the role that traders have played in doing business in China and studying new business models they can follow in the Chinese market, which is changing as a result of the penetration of globalization and market mechanisms.

Based upon the findings it has made via these activities, the committee has also anticipated the future of the Chinese business that trading houses are supposed to develop in the future.

In April this 2003, meanwhile, Toyo Keizai Inc., having summed up the achievements of these studies, released a report entitled “*Shosha's Challenge in a Changing China*.”

Illustrating the history of trade activities between Japan and China and the steps trading companies have taken over these years, the publication focuses on the responsibilities they have fulfilled by introducing specific examples.

The report also forecasts how China will change after its affiliation with the World Trade Organization (WTO), while business models are being proposed that trading houses can follow to keep up with the development of the Chinese market for the 21st century.

During the April symposium, the publication's writers and editors gave presentations on ongoing developments in China, and trading companies' business activities in the country, which are also changing day after day.

Meanwhile, panelists had presentation as to means by which traders can handle such a huge market, and a panel discussion followed.

【Publication of the English version of *Shosha's Challenge in a Changing China*】

The English version of *Shosha's Challenge in a Changing China* will be released in late July.

『*Shosha's Challenge in a Changing China*』

~ table of contents ~

Foreword

Chapter 1. Changing China and Changing Shosha's China Business

Chapter 2. Shosha's Functions and the China Business Model of the 21st Century

Chapter 3. Prospects of Shosha's China Business

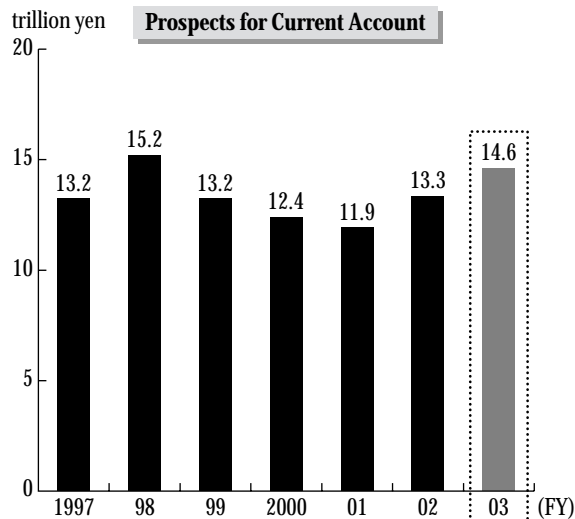
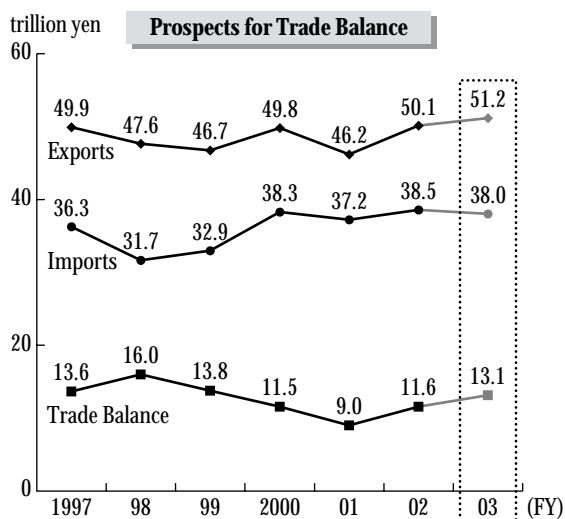


Revision of Prospects for Japan's Trade Balance and Current Account

JFTC in June 2003 revised its prospects for Japan's trade balance and current account for fiscal 2003 announced in December 2002, taking economic developments since then into consideration.

Points

- It is anticipated by JFTC that the total value of exports will – on a Customs-cleared basis – grow 2.1 percent year on year to ¥53.837 trillion. The global economy, which is expected to return to a recovery track during the second half of fiscal 2003, will underpin an increase in the volume of exports. Export prices will decline slightly resulting from the appreciation of the yen from a year earlier and intensified competition worldwide. Exports of machinery and equipment will maintain an upward trend due to significant improvements in electric appliances.
- The overall value of imports will, on the other hand, decrease 1.4 percent to ¥42.463 trillion, according to JFTC. The volume of import shipments will rise only minutely resulting from Japan's ongoing economic slump. Import prices will fall due to factors such as decreases in crude oil prices, which will as a result contract imports of mineral fuels in volume. Imports of completed products will level off in general as those of items including textile products and motor vehicles will head south due to weak domestic demand. Imports of raw materials will continue to go down, while those of foodstuffs will stagnate.
- It is projected the combination of growth in exports and a decline in imports will enlarge Japan's trade surplus, particularly increasing the excess of the good and service account. Income account will shrink



its black-ink balance, but current account will achieve growth year on year for the second consecutive month.

Prospects for Economic Developments to Consider as Assumption

- JFTC foresees the global economy will grow out of a slump during the second half of 2003, realizing an actual economic growth rate of 3.0% year on year. It is believed the impacts of severe acute

[Balance of Payment Basis]

(Reference)
announced on Dec. 10, 2002

Item	FY2002 Results		Revised Prospects for FY2003		Original Prospects for FY2003	
	hundred million yen	growth rate	hundred million yen	growth rate	hundred million yen	growth rate
Goods and Services	63,205	(63.9%)	80,050	(26.7%)	76,980	29.1%
Trade Balance	115,577	(28.5%)	131,360	(13.7%)	127,880	16.4%
Exports	501,053	(8.5%)	511,540	(2.1%)	506,840	3.9%
Imports	385,477	(3.6%)	380,180	(▲ 1.4%)	378,960	0.3%
Services	▲ 52,371	(2.0%)	▲ 51,310	(▲ 2.0%)	▲ 50,900	1.4%
Income	80,134	(▲ 7.6%)	76,330	(▲ 4.7%)	85,300	0.0%
Current Transfers	▲ 9,968	(60.9%)	▲ 10,200	(2.3%)	▲ 9,300	1.1%
Current Account	133,371	(12.0%)	146,180	(9.6%)	152,980	12.7%

[Customs-Cleared Basis]

Item	FY2002 Results		Revised Prospects for FY2003		Original Prospects for FY2003	
	hundred million yen	growth rate	hundred million yen	growth rate	hundred million yen	growth rate
Trade Balance	96,775	(36.6%)	113,740	(17.5%)	111,470	(21.5%)
Exports	527,329	(8.5%)	538,370	(2.1%)	533,190	(3.9%)
Quantum Index Unit Value		11.4% ▲ 2.6%		2.5% ▲ 0.4%		2.9% 1.0%
Imports	430,554	(3.7%)	424,630	(▲ 1.4%)	421,720	(0.1%)
Quantum Index Unit Value		4.6% ▲ 0.8%		1.1% ▲ 2.5%		0.5% ▲ 0.4%

[Assumptions]

Item	FY2002 Results	Revised Prospects for FY2003	Original Prospects for FY2003
Global Trade (C.Y.)	3.1 %	3.5 %	4.4 %
Global Economy (real growth rate / C.Y.)	3.0 %	3.0 %	3.2 %
U.S. Economy (real growth rate / C.Y.)	2.4 %	2.2 %	2.5 %
EU Economy (real growth rate / C.Y.)	1.0 %	1.0 %	1.5 %
Asian Economy (real growth rate / C.Y.)	6.3 %	5.5 %	5.9 %
Japanese Economy (nominal growth rate)	▲ 0.7 %	▲ 0.7 %	▲ 0.3 %
[based on the 1995 results] (real growth rate)	1.6 %	0.5 %	0.5 %
Yen Exchange Rate (against U.S. dollar)	121.90 yen	120.00 yen	127.00 yen
At-Arrival Crude Oil Price (dollar/barrel)	27.4 dollars	25.0 dollars	25.0 dollars

- (Note) 1. The performances of the global trade and economy for fiscal 2002 are based on the World Economic Outlook April 2003 published by IMF. The results and prospects for Asia have been summed up by JFTC, based upon those "Asia", which has been defined by the IMF, consisting of a total of 29 nations and regions, which include 25 developing countries/regions and NIEs.
2. The growth rates in the original prospects were calculated in comparison with the prospects for fiscal 2002 announced on Dec. 10, 2002.

respiratory syndrome (SARS) will be temporary.

- The Japanese economy is unlikely to stage a strong comeback, leveling off between positive factors that are part of the economic cycle and structure-oriented negative factors. Fiscal 2003's real economic growth rate is anticipated to go up 0.5%, while its nominal economic growth rate is estimated to fall

1. Exports

(hundred million yen)

Commodity	FY2002 Results		FY2003			
			Original Prospects		Revised Prospects	
Grand Total	527,329	8.5%	533,190	3.9%	538,370	2.1%
Foodstuff	2,620	▲26.4%	2,438	0.0%	2,438	▲6.9%
Textiles	9,189	0.9%	9,200	1.5%	9,006	▲2.0%
Chemicals	42,960	14.0%	43,300	4.9%	44,421	3.4%
Non-Metallic Manufactures	5,650	0.9%	5,966	3.4%	5,707	1.0%
Metals	32,790	11.3%	30,503	▲4.4%	31,336	▲4.4%
Iron & Steel Products	19,841	15.7%	17,374	▲8.2%	18,223	▲8.2%
Machinery Other Than Electric	107,130	7.8%	107,080	3.4%	110,344	3.0%
Office Machinery	29,183	6.2%	31,159	5.0%	29,183	0.0%
Electrical Machinery	121,386	10.1%	130,000	8.2%	133,889	10.3%
Thermionic. etc.	39,242	13.4%	42,625	10.0%	45,128	15.0%
Telecommunications Apparatus	5,854	▲12.3%	5,667	3.0%	5,850	▲0.1%
Transport Equipment	131,051	12.7%	130,062	4.4%	127,382	▲2.8%
Motor Vehicles	88,704	16.5%	84,961	4.4%	84,468	▲4.8%
Parts of Motor Vehicles	21,645	12.8%	22,512	6.3%	22,956	6.1%
Vessels	10,998	4.8%	10,802	▲0.5%	10,500	▲4.5%
Precision Instruments	20,333	▲15.0%	20,644	1.3%	20,403	0.3%
Scient. & Op. Equ.	19,127	▲15.7%	19,730	3.0%	19,318	1.0%
Others	54,219	6.9%	53,997	0.4%	53,444	▲1.4%

(Reference)

Machinery & Equipment	379,901	8.6%	387,786	5.2%	392,018	3.2%
-----------------------	---------	------	---------	------	---------	------

* Machinery & Equipment = Machinery Other Than Electric + Electrical Machinery + Transport Equipment + Precision Instruments

0.7%, maintaining a deflationary trend.

- The yen/dollar exchange rate is expected to fluctuate around ¥120/\$1, JFTC predicts. Crude oil prices will return to levels that reflect the global demand for petroleum. The average arrival price of crude oil for fiscal 2003 is estimated to be \$25 per barrel.

2. Imports

(hundred million yen)

Commodity	FY2002 Results		FY2003			
			Original Prospects		Revised Prospects	
Grand Total	430,554	3.7%	421,720	0.1%	424,630	▲ 1.4%
Foodstuff	52,099	▲ 1.5%	52,855	0.0%	52,776	1.3%
Meat	9,444	▲ 8.5%	10,064	▲ 2.5%	9,426	▲ 0.2%
Fish & Shellfish	16,389	1.6%	16,507	0.0%	16,500	0.7%
Others	26,266	▲ 0.7%	26,284	1.0%	26,850	2.2%
Raw Materials	25,779	2.0%	23,827	▲ 3.3%	24,135	▲ 6.4%
Iron Ore, Non-Ferrous Metal Ore	8,318	5.3%	8,192	3.2%	8,501	2.2%
Others	17,461	0.5%	15,112	▲ 6.6%	15,634	▲10.5%
Mineral Fuels	89,509	10.4%	80,746	▲ 5.8%	82,487	▲ 7.8%
Coal	7,714	▲ 2.4%	7,270	▲ 2.3%	7,390	▲ 4.2%
Petroleum, Crude and Partly Refined	51,485	16.1%	45,474	▲ 7.8%	45,815	▲11.0%
Petroleum Products	9,209	14.0%	7,896	▲ 6.0%	8,288	▲10.0%
L.P.G, L.N.G	20,794	1.3%	19,872	▲ 2.3%	20,746	▲ 0.2%
Chemicals	33,110	8.1%	32,948	2.5%	34,765	5.0%
Textile	27,468	▲ 4.4%	24,700	▲ 7.5%	24,950	▲ 9.2%
Non-Metallic Manufactures	5,518	2.7%	5,302	▲ 1.6%	5,612	1.7%
Metals	17,584	3.2%	16,235	0.9%	18,181	3.4%
Machinery & Equipment	133,972	3.7%	139,176	5.0%	135,340	1.0%
Office Machinery	26,055	▲ 4.1%	27,720	5.0%	24,700	▲ 5.2%
Thermionic. etc.	19,196	8.3%	22,051	13.0%	19,772	3.0%
Motor Vehicles	7,907	2.1%	7,551	▲ 0.5%	7,495	▲ 5.2%
Aircraft	4,529	79.2%	4,800	12.9%	4,800	6.0%
Others	76,287	3.0%	77,054	3.0%	78,573	3.0%
Others	45,516	1.4%	45,931	1.9%	46,384	1.9%

(Reference)

Products	263,168	2.9%	264,293	2.5%	265,232	0.8%
----------	---------	------	---------	------	---------	------

* Products = Chemicals + Textile + Non-Metallic Manufactures + Metals + Machinery & Equipment + Others