

JFTC News

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2005 New Year's Reception

January 7, 2005

Address by Chairman Mikio Sasaki

Japan Foreign Trade Council held a New Year's Reception at Hotel New Otani on January 7, 2005 with some 300 participants from member companies, organizations, government offices and foreign embassies in Japan.



The following is a speech made by Mikio Sasaki, the Chairman of JFTC (the Chairman of the Board, Mitsubishi Corporation):

(Introduction)

Happy New Year, ladies and gentlemen.

First I wish to extend a very warm welcome to everyone here today.

Once again I wish to express my most sincere appreciation for your continued understanding and support for the activities of the Japan Foreign Trade Council.

(Domestic and overseas conditions for the trading community)

Looking back at the year gone by, there were some bright moments, like the superb performance by our Olympic athletes in Athens, whose rush of gold, silver and bronze held our nation in rapture. At the same time, a large number of natural disasters took a heavy toll. In Japan there were typhoons and the Chuetsu earthquakes, while the recent earthquake off the coast of Sumatra and subsequent tsunamis in the Indian Ocean caused much devastation and loss of life in many countries. We would like to extend our deepest condolences to those affected by these terrible disasters.

The Japanese economy was nevertheless able to emerge from its long period of sluggishness and finally show a genuine recovery. On the other hand, factors liable to fan uncertainty about the future have also been emerging, such as the rises in resource and energy prices and the weakening of the U.S. dollar. A key issue that we must address this year is that of how to overcome these obstacles and sustain the economy on its recovery track.

In the economic sphere externally, last year was a year of solid results.

In August the framework of the WTO New Round was agreed, and increasingly active steps were taken towards the conclusion of bilateral economic partnership agreements. The EPA with Mexico was signed and ratified, and we reached agreement in our EPA negotiations with the Philippines in November.

This year we will continue last year's EPA negotiations with Thailand, Malaysia, and the Republic of Korea, and April will see the start of Japan's first-ever comprehensive economic partnership with ASEAN.

The Japan Foreign Trade Council has strong expectations that the Japanese government will ensure that high-quality EPAs that give broad support to free economic activity by the private sector are concluded quickly with as many countries as possible, and for that purpose we intend to make all necessary proposals and make our wishes known.

(Japan Foreign Trade Council activities)

As for the activities of the Japan Foreign Trade Council, last year we achieved some tangible results. For example, we saw the approval and ratification of the Japan-U.S. Social Security Agreement—something that we had been lobbying the government strongly for many years. Also, in anticipation of the revision of the tax system in the new fiscal year, the so-called tax-haven system was revised in a way that for the first time helped to make it smoother for companies to develop their overseas business activities.

In addition, together with Nippon Keidanren and others, we lobbied the related ministries and agencies to

enhance the efficiency of import, export and port procedures. Our efforts had the effect of accelerating the unification of overlapping procedures conducted by those ministries and agencies, and the intent this year is to at last conclude international treaties that provide for the simplification of trade procedures.

The Japan Foreign Trade Council will continue this year to facilitate Japan's trading, investment and other external economic activities, and will devote its efforts to enhancing the business environment for all of you who are constantly striving to expand your business globally. We will also continue to give attention to the current basis of business activity, including the assurance of thorough legal compliance.

(Conclusion)

In conclusion, we would like to say a few words on "Action for a Better International Community", an organization that the Council established and continues to support.

ABIC now has nearly 1,500 active members, comprised mainly of ex-Shosha employees. Through its engagement in a variety of activities in the front line of domestic and overseas economic and cultural interchange, the work of ABIC has now become much more widely recognized. ABIC celebrates its fifth anniversary this year, and we intend to take this opportunity to broaden the scope of its activities even more, and to roll back the global frontier in the field of corporate philanthropy that benefits society as a whole.

I hope very much, ladies and gentlemen, that we can continue to count on your understanding and support both for the Japan Foreign Trade Council and for ABIC. I also hope that 2005 will be a prosperous year for you all.

Thank you.

Japan's Foreign Trade 2005

Japan Foreign Trade Council, Inc. is to publish "Foreign Trade 2005" (Nihon Boeki no Genjo 2005) at the end of March this year. This is the latest edition of the booklet published annually since 1976 and marks 30 years anniversary.



Foreign Trade 2005 is to be published bilingually in Japanese and English for the first time. JFTC hopes that the new booklet will be useful for a variety of peoples including foreign businessmen, government officials, etc.

Following is an excerpt from the booklet.

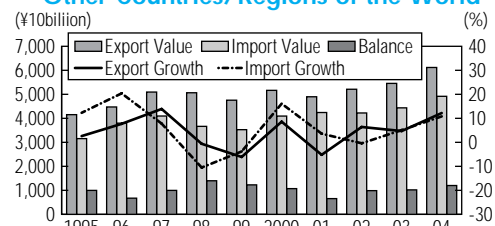
General Review on Trade

In 2004, Japan's trade registered growth in both exports and imports, following the trends witnessed in the previous year. Record highs were reported for the total value of exports for the third consecutive year and for imports, the second consecutive year. The combined value of exports and imports reached an all-time high for the third consecutive year, exceeding the ¥100-trillion mark for the first time in history to amount to ¥110 trillion. The trade surplus (on a Custom-clearance basis) was favorable as well, totaling over ¥10 trillion for the second consecutive year.

Japan's trade in 2004 was characterized by the following four points:

- 1) The overall value of trade with other countries and regions of Asia accounted for slightly less than 50 percent of the total, aggregating ¥52 trillion. Exports to and imports from China (including Hong Kong), in particular, were greater than those to/from the U.S. for the first time, making China Japan's leading trade partner.

Exports to/Imports from Other Countries/Regions of the World



Note: Export and import growth is up/down from a year earlier. Figures in the table represent growth in value. Value indexes divided by unit value indexes make quantum indexes
Source: the Ministry of Finance (MOF)'s trade statistics on a Customs-cleared basis

Trade with other Asian countries/regions also increased significantly. Among others, however, China (excluding Hong Kong) was already the leading source of imports to Japan for three straight years (from 2002). As regards exports from Japan, China was the second largest destination, following the U.S. Exports from Japan to China were some 60 percent of exports from Japan to the U.S.

- 2) Changes in the structure of trade were more remarkable than ever before resulting in part from an increase in direct investment to other Asian countries/regions, such as the relocation of manufacturing facilities to China. As such, so-called "intra-industry" trade is developing, under which exports of parts from Japan and imports of finished products made of these parts are both growing.
- 3) By item, notable improvements were reported for exports of machinery parts, steel and chemical products, among others. As regards imports, imports of completed products went up, and the value of imported energy resources, such as crude oil and

coal, rose notably due to rises in market prices.

- 4) New trends were witnessed; specifically, yen-quoted exports accounted for more than 40 percent, while exports by air improved more greatly than those by sea.

Looking closely at Japan's trade in detail, major structural changes are continuing to advance. Taking such a viewpoint into consideration, we hope that readers will be able to understand the current state of trade more deeply, by reading through the booklet including the overview, by-country/area, and by-commodities analyses.

* "Foreign Trade 2005" (¥1,000 including tax) will be available for purchase at large book stores and government book centers by the end of March. Inquiry for mail order should be addressed to International Affairs & Research Group, JFTC (by eMail: mail@jftc.or.jp, by Phone: 03-3435-5959, by Fax: 03-3435-5979).

Top 10 Trade Partners

(Export)

(¥10 billion, %)

	1990			1995			2000			2004		
	Country	Value	Share	Country	Value	Share	Country	Value	Share	Country	Value	Share
1	U.S.A.	1,306	31.5	U.S.A.	1,133	27.3	U.S.A.	1,536	29.7	U.S.A.	1,372	25.1
2	Germany	257	6.2	R. Korea	293	7.0	Taiwan	387	7.5	P.R.China	800	14.7
3	R. Korea	252	6.1	Taiwan	271	6.5	R. Korea	331	6.4	R. Korea	479	8.8
4	Taiwan	223	5.4	Hong Kong	260	6.3	P.R.China	327	6.3	Taiwan	454	8.3
5	Hong Kong	189	4.6	Singapore	216	5.2	Hong Kong	293	5.7	Hong Kong	383	7.0
6	U.K.	156	3.8	P.R.China	206	5.0	Singapore	224	4.3	Thailand	219	4.0
7	Singapore	155	3.7	Germany	191	4.6	Germany	216	4.2	Germany	205	3.8
8	Thailand	132	3.2	Thailand	185	4.5	U.K.	160	3.1	Singapore	195	3.6
9	Australia	100	2.4	Malaysia	157	3.8	Malaysia	150	2.9	U.K.	164	3.0
10	Canada	98	2.4	U.K.	132	3.2	Thailand	147	2.8	Netherlands	145	2.7

(Import)

(¥10 billion, %)

	1990			1995			2000			2004		
	Country	Value	Share	Country	Value	Share	Country	Value	Share	Country	Value	Share
1	U.S.A.	759	22.4	U.S.A.	708	22.4	U.S.A.	778	19.0	P.R.China	1,020	23.0
2	Indonesia	182	5.4	P.R.China	338	10.7	P.R.China	594	14.5	U.S.A.	676	15.3
3	Australia	179	5.3	R. Korea	162	5.1	R. Korea	220	5.4	R. Korea	239	5.4
4	P.R.China	173	5.1	Australia	137	4.3	Taiwan	193	4.7	Australia	210	4.7
5	R. Korea	169	5.0	Taiwan	135	4.3	Indonesia	177	4.3	Indonesia	202	4.6
6	Germany	166	4.9	Indonesia	134	4.2	U.A.E.	160	3.9	Saudi Arabia	199	4.5
7	Saudi Arabia	148	4.4	Germany	129	4.1	Australia	160	3.9	U.A.E.	198	4.5
8	U.A.E.	129	3.8	Canada	101	3.2	Malaysia	156	3.8	Germany	185	4.2
9	Taiwan	123	3.6	Malaysia	99	3.1	Saudi Arabia	153	3.7	Taiwan	180	4.1
10	Canada	122	3.6	U.A.E.	96	3.0	Germany	137	3.4	Thailand	152	3.4

Source: the MOF's trade statistics on a Customs-cleared basis

What is "SHOSHA"?

SHOSHA is consistently changing to meet the requirements of each era. Its function, activities and vision are explained in detail in English at <http://www.jftc.or.jp/shosha/english/index.html>

JFTC MONTHLY REPORT ON-LINE — Titles

JFTC publishes monthly reports covering wide variety of topics for the members and subscribers.

The following contents are available from the website (<http://www.jftc.or.jp/>) though written in Japanese.

From January 2005 issue

1. New Year Special Contribution

- FTA/EPA strategy and Japan's structural reform Mikio Sasaki, JFTC Chairman, Chairman of the Board, Mitsubishi Corporation
- Together with young generation, sometimes learn from them, sometimes tell them
..... Hidetoshi Nishimura, JFTC Vice-Chairman, President & CEO, Sojitz Holding Corporation
- Business developed by "nameless predecessors" Nobuo Katsumata, JFTC Vice-Chairman, President & CEO, Marubeni Corporation.
- Environment issue and shosha's activity Motoyuki Oka, JFTC Vice-Chairman, President & CEO, Sumitomo Corporation
- Challenges in future corporate management Eizo Kobayashi, JFTC Vice-Chairman, President & CEO, ITOCHU Corporation

2. Forecast for 2005 by executive directors of JFTC, the world economy and Japan's economy

3. Round-table talks by heads of Washinton offices of shosha "The world situation after U.S. presidential election"

4. International Letter – Culture and Life in India Masayuki Yamamoto, Chief Officer for South West Asia, ITOCHU Corporation

From February 2005 issue

1. The science of Nagoya economics – the city of art and entertainment

..... Yoshihiro Miwa, Executive Director of JFTC, President & CEO, Kowa Co., Ltd.

2. Special Articles – Emission Trading

- Prevention of global warming – International Aspects Toshiyuki Sakamoto, Director, Global Environment Affairs Office, Industrial Science & Technology Policy & Environment Bureau, Ministry of Economy, Trade & Industry
- To use Kyoto Mechanism
..... Yasuhiro Shimizu, Director, Global Environment Issues Division, Global Environment Bureau, Ministry of the Environment
- Emission business of Shosha Sumitomo Corporation, Toyota Tsusho Corporation, Mitsui & Co., Ltd., Mitsubishi Corporation
- Outline of Japan GHG Reduction Fund (JGRF) Shuuji Isono, Manager, Planning Section, Planning Division, Japan Carbon Finance, Ltd.
- EU Emissions Trading Scheme (EU-ETS) Makoto Katagiri, President & CEO, Natsource Japan, Co., Ltd.
- Effectuation of the Kyoto Protocol and Japan's challenges
..... Masato Ichimiya, General Manager, Environment Project Center, Mitsui Strategic Studies Institute

REGULAR MEMBERS OF JFTC

Companies (Total 45)

ASSOCIATED LUMBER & TRADING CO., LTD., CHORI CO., LTD., CBC CO., LTD., D. NAGATA CO., LTD., HANWA CO., LTD.
 HITACHI HIGH-TECHNOLOGIES CORPORATION, INABATA & CO., LTD., ITOCHU CORPORATION, IWATANI INTERNATIONAL CORPORATION
 JFE SHOJI HOLDINGS, INC., KANEMATSU CORPORATION, KINSHO CORPORATION, KOWA COMPANY, LTD., KYOEI SHOJI CO., LTD.
 KYOKUTO BOEKI KAISHA, LTD., MARUBENI CORPORATION, MEIWA CORPORATION, MITSUBISHI CORPORATION, MITSUI & CO., LTD.
 MORIMURA BROS., INC., NAGASE & CO., LTD., N. I. TEIJIN SHOJI CO., LTD., NOMURA TRADING CO., LTD., NOSAWA & CO., LTD., OGURA TRADING CO., LTD.
 OKAYA & CO., LTD., SANKO MEDICAL SYSTEM CO., LTD., SANKYO SEIKO CO., LTD., SEIKA CORPORATION, SHINYEI KAISHA, SMILE CORP.
 SOJITZ HOLDINGS CORPORATION, SUMIKIN BUSSAN CORPORATION, SUMITOMO CORPORATION, T. CHATANI & CO., LTD., THE TOSHO CO., LTD.
 TOKYO BOEKI LTD., TOMEN CORPORATION, TOSHOKU LTD., TOHO BUSSAN KAISHA, LTD., TOYOTA TSUSHO CORPORATION, Y. NISHIDA & CO., LTD.
 YAGI & CO., LTD., YAGI TSUSHO LTD., YUASA TRADING CO., LTD.

Associations (Total 27)

COSMETIC IMPORTERS ASSOCIATION OF JAPAN, FUKUOKA FOREIGN TRADE ASSOCIATION,
 INTERNATIONAL DEVELOPMENT ASSOCIATION OF THE FURNITURE INDUSTRY OF JAPAN, JAPAN AUTOMOBILE IMPORTERS ASSOCIATION,
 THE JAPAN BANANA IMPORTERS ASSOCIATION, JAPAN CHEMICAL EXPORTERS' ASSOCIATION, JAPAN CHEMICAL IMPORTERS' ASSOCIATION,
 JAPAN EEL IMPORTERS ASSOCIATION, JAPAN ELECTRONIC PRODUCTS IMPORTERS ASSOCIATION, JAPAN FISH TRADERS ASSOCIATION,
 JAPAN FOREIGN TRADERS ASSOCIATION, INC., JAPAN MACHINE TOOL IMPORTERS' ASSOCIATION, JAPAN MACHINERY EXPORTERS' ASSOCIATION,
 JAPAN MACHINERY IMPORTERS' ASSOCIATION, JAPAN OVERSEAS ROLLING STOCK ASSOCIATION, JAPAN PAPER IMPORTERS' ASSOCIATION,
 JAPAN SHEEP CASING IMPORTERS ASSOCIATION, JAPAN SHIP EXPORTERS' ASSOCIATION, JAPAN TEXTILE EXPORTERS ASSOCIATION,
 THE JAPAN TEXTILES IMPORTERS ASSOCIATION, JAPAN WATCH IMPORTERS' ASSOCIATION, JAPAN WINES AND SPIRITS IMPORTERS ASSOCIATION,
 KOBE FOREIGN TRADE ASSOCIATION, KYOTO FOREIGN TRADE ASSOCIATION, THE RUBBER TRADE ASSOCIATION OF JAPAN,
 TOKYO TRADE AND INDUSTRY ASSOCIATION, THE YOKOHAMA FOREIGN TRADE ASSOCIATION

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 Shoei Utsuda (President & CEO – Mitsui & Co., Ltd.)
 Nobuo Katsumata (President & CEO – Marubeni Corporation)
 Motoyuki Oka (President & CEO – Sumitomo Corporation)
 Eizo Kobayashi (President & CEO – ITOCHU Corporation)

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Keisuke Takanashi

MANAGING DIRECTOR

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