

# JFTC News

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## 2007 New Year's Reception

### Address by Chairman Mikio Sasaki January 9, 2007

A New Year's Reception of Japan Foreign Trade Council, Inc. was held at Hotel New Otani on January 9, 2007 with some 380 participants from member companies and organizations including guest from government offices and foreign embassies in Japan.



The opening address was made by Mr. Mikio Sasaki, the chairman of JFTC, and main guests speeches were delivered by Mr. Hiromichi Watanabe, Senior Vice Minister of Economy, Trade and Industry, and Mr. Hidenao Nakagawa, Secretary-General, Liberal Democratic Party respectively.

After the toast by Mr. Osamu Watanabe, Chairman of Japan External Trade Organization, award winners of JFTC Essay Competition 2006 were announced and introduced by Dr. Iwao Nakatani, the president of Tama University, the chairman of the selection committee of the Essay Competition with his remarks on the winning essays.

The following is the speech made by Mikio Sasaki.

Your Excellencies, Distinguished Guests, Ladies and Gentlemen:

Happy New Year!

First, let me thank you all for taking time out of your busy schedules to attend the Japan Foreign Trade Council's annual New Year's Reception. The JFTC is most grateful for your continued understanding and support of our activities.

Reflecting on the past year, the Japanese economy is

back on the growth track, with both trade and shosha business flourishing as a result. While these improvements can be partially attributed to escalating natural resource and energy prices, the diligent efforts of companies in these industries, a stronger financial constitution and business model reforms have had a tremendous impact.

The JFTC recently announced its fiscal 2007 outlook for Japanese trade. We forecast that total trade will exceed 150 trillion yen, with exports and imports around 80 and 70 trillion yen respectively. Moreover, we estimate that Japan's current account surplus will set a historic high for the fifth consecutive year, reaching the 24 trillion yen mark. We also anticipate that the income balance will exceed the trade balance for the third straight year.

I think these numbers illustrate how Japan is steadily growing as a nation driven by trade, while at the same time rapidly growing as a nation driven by investments. Meanwhile, competition between Japanese and foreign corporations is growing increasingly severe amidst a globalization of economic activities. One could even say that Japanese companies are betting their very survival on the development of overseas business.

By competing in the global business environment, both in trade and shosha industries, and by creating new business models in response to worldwide needs, our aim is to contribute to development of both the Japanese and global economies.



JFTC Chairman and Vice Chairmen

Unfortunately, significant barriers to the expansion of international economic exchange remain in Japan's tax system, regulations, and business practices. In order to maintain Japan's international competitiveness, it is essential that we keep up with global trends and changes, and quickly develop the kind of highly-convenient infrastructure befitting a nation built on trade and commerce.

Under our "Global Frontier" slogan, the Japan Foreign Trade Council has endeavored to improve the environment so that Japanese companies can develop their global economic activities. To this end, we are actively urging the government to promote the conclusion of FTAs and EPAs, make revisions to the country's taxation systems, such as corporate and transfer price taxation, conclude social security agreements to prevent international double payment of social insurance by people stationed overseas, and to digitize and increase the efficiency of trade and port procedures. We have made a degree of progress on these issues, and will be devoting even greater efforts towards them from hereon.

The Japan Foreign Trade Council will celebrate its sixtieth anniversary in June this year. To commemorate this landmark, we will put together a midterm plan for trade and investment, examine systemic barriers to international economic exchange, and undertake special projects to deal with a number of issues. We plan to announce our achievements in these areas in the second half of the year.

The JFTC established Action for a Better International Community, or "ABIC," seven years ago and has placed emphasis on social action programs. With a core of former shosha employees, ABIC currently has 1,600 active members, all of whom engage in an array of activities in the front line of economic and cultural interchange, using their vast experience and knowledge. With the celebration of our sixtieth anniversary, the JFTC will promote further social action programs that make the



most of the special characteristics of our industry.

The Abe Cabinet which was inaugurated last year is boldly embarking on a "rising-tide strategy" with the aim of creating a dynamic nation under the principle that "there can be no fiscal consolidation without growth." The Japanese business community has high expectations for this policy. The trade/shosha industry will mark its sixtieth anniversary with the knowledge that "without developing trade and investment, there can be no sustainable economic growth". We hope this significant year will be the starting point for even greater progress.

In this regard, your continued understanding and cooperation will be greatly appreciated.

To conclude, I would like to wish you a very happy new year and express my hope that 2007 will prove a fruitful and prosperous year for all of us.

Thank you very much.

## Awards JFTC Essay Competition 2006

**December 15, 2006**

Japan Foreign Trade Council, Inc. sponsors of the "JFTC Essay Competition 2006" are very pleased to announce that we received a total of 118 submissions from 29 different countries for the competition this year. After a strict screening of all the essays, the four submissions below have been selected as the winners of the competition in 2006. We would like to express our congratulations to the winners and thank all the participants for taking part.

### Selection Committee:

- Chairman: Dr. Iwao NAKATANI, Director of Research, Mitsubishi UFJ Research and Consulting Co., Ltd. and President of Tama University
- Vice Chairs: Professor Yoko WAKE, Faculty of Business and Commerce, Keio University
- Vice Chairs: Mr. Kazuo MORI, Deputy Editorial Page Editor, Nihon Keizai Shimbun, Inc.

## JFTC Essay Competition 2006

### Remarks by Selection Committee Chairman, Dr. Iwao NAKATANI

After the success of the first JFTC Essay Competition last year, a total of 118 exciting essays were sent to us this year. I am personally most delighted and pleased to find that 68 of those essays were submitted by people of foreign nationality (most of those essays were in English).

Moreover, the non-Japanese participants hailed from five continents and were from a wide range of countries, including Norway, Germany, France, Poland, Spain, Slovakia, United States, Canada, Australia, New Zealand, Brazil, Mexico, Venezuela, Honduras, Iran, Philippines, Pakistan, Indonesia, Malaysia, Vietnam, India, Korea, China, Nigeria, Kenya, Uganda, and Ghana. It is unprecedented in Japan for an essay contest to receive such worldwide participation. The fact that we were able to attract contestants from truly every corner of the globe is the result of the efforts of the Selection Committee. As chairman of the Selection Committee, I would like to take this opportunity to thank them all.

The theme of this year's competition was "The Potential of Brand Japan." How is Japan's brand perceived? Where does its brand value lie? How should its brand value be developed in the future? The essays vigorously debated these issues. According to most essays, Japanese are highly respected for their culture, sensitivity and high-quality craftsmanship, but many essays also expressed concern about Japan's foreign policy in relation to China, the closed nature of Japanese society, and the nation's ability to innovate with the aging of society as well as decline in the birthrate.

The Grand Prize was granted to Erik Magnus HUAN for his "The Potential of Brand Japan." Mr. HUAN is a 25-year-old Norwegian graduate student living in Denmark. Drawing on his experience of living in Japan, he posited that the uniqueness of Brand Japan lies in the cultural sensitivity it demonstrates. Mr. HUAN then went on to offer the following two proposals regarding how Japan could develop greater brand value as a country in the future. First, he suggested Japan improve its relations with China and its other neighbors. Second, he proposed that Japan be more active in addressing global warming and other environmental issues because the nation possesses advanced environmental technology. The main reason why all the judges recommended this essay for the Grand Prize was the author's well-balanced writing capability and high level of understanding about Japan. Mr. HUAN's straightforward writing style was well received by all the members of the Selection Committee. The argument was lucid, and the proposals were appropriate.

The Prize for Excellence was awarded to "Shu-Ha-Ri" by Daisuke SUGIYAMA (age 26), "The Cornerstone of 'Japan-Brand': The Tradition of Succession and Transformation, and the Future of This Practice" by Yoshimi SUGANO (age 49), and "Building Depth into 'Brand Japan'" by Hideki SATO (age 38).

In "Shu-Ha-Ri," Daisuke SUGIYAMA proposes that



JFTC Essay Competition award winners

Brand Japan is based in the "Shu-Ha-Ri" principle found in kendo which he took up when he was living in New York. This very ambitious essay strongly impressed the judges with the strength of the writer's conviction. In "The Cornerstone of 'Japan-Brand': The Tradition of Succession and Transformation, and the Future of This Practice," Yoshimi SUGANO persuasively argues that a framework must be developed on the national level to refine Japan's culture, tradition, and master craftsmanship which all lie behind Brand Japan. In "Building Depth into 'Brand Japan,'" Hideki SATO makes the novel proposal that we should strengthen Japanese people's ability to communicate in order to convey the value of Brand Japan to the rest of the world. Each of these three essays was equally distinctive so that it was difficult for the Selection Committee to rank them properly.

Dr. Iwao NAKATANI  
Chairman  
Selection Committee  
JFTC Essay Competition 2006

## Summaries of the Award-Winning Essays of JFTC Essay Competition 2006

Japan Foreign Trade Council, Inc.

### [Grand Prize]

#### The Potential of Brand Japan

Mr. Erik Magnus HUAN (Norwegian, 25 years old)

40 or 50 years ago, a "Made in Japan" label had very few positive associations connected to it – they were maybe even negative. Japanese exports were considered cheap, low-quality, and inferior compared to western products. At that time, who would believe Toyota would





Mr. Erik Magnus HUAN, Grand Prize winner

once become the world's largest car-manufacturer or that Japanese companies would come to innovate and dominate the consumer electronics industry? Today, the "Made in Japan" label has numerous positive associations connected to it – it has become a symbol of quality, innovation, and good value. This essay attempts to assess the future potential of "Brand Japan" by first considering what has brought Japan this far, and subsequently discussing its future threats and opportunities.

The Japanese society inherits a unique commitment to quality that is present in almost every aspect of daily life – impressive public transportation systems, tidy and organized domestic life, and a sense of detail that cannot be found so widespread anywhere in the world. These are qualities that have been transferred to Japanese companies and exports and helped build the positive brand images Japan enjoys today.

Further opportunities for "Brand Japan" can be found in its unique culture. Japanese culture and pop-culture have risen in popularity during the past years. A key to the future potential of "Brand Japan" lies in combining the positive brand associations of Japanese culture with its products to achieve a beneficial synergy effect.

A major threat for "Brand Japan" is the growing gap between Japan and its Asian neighbors. Japan is an export-dependant economy and relies on its foreign relations for its continuing prosperity. As Japan's trade relation with China grows stronger and stronger, the need for Japan to improve its political image with its neighbors is more important than ever.

Finally, the market for environmentally friendly products is likely to increase with issues such as global warming becoming increasingly important. As a forerunner in environmental technologies, Japan has great potential for increasing its brand image and its competitiveness by continuously promoting and pushing

such environmental innovations further.

\* The full text in English is available at JFTC homepage ([http://www.jftc.or.jp/english/home\\_e.htm](http://www.jftc.or.jp/english/home_e.htm))

## [Prize for Excellence]

### "Shu-Ha-Ri"

Mr. Daisuke SUGIYAMA (Japanese, 26 years old)  
(the original text is Japanese)

Compared to fifty years ago, Japan has become more closely linked to other countries as Japanese corporations have entered overseas markets. To live together in a borderless international community, the people of each country must have a sense of belonging to their own nation and have a clear sense of national identity. The concept that "culture = brand" at the national level differentiates one country from the other nations in the global community and strengthens that country's competitive spirit. A brand's uniqueness is amorphous. This means that the value of a brand is created through the image people have of that brand in their minds.

In the case of Japan, I think that the "image people have of a brand in their minds" is an aspect of the Japanese philosophy of "Shu-Ha-Ri" which I came to know from kendo, I started during my thirteen-year stay in New York. In brief, "Shu-Ha-Ri" stands for the three stages of skill mastery: the Chinese character Shu, Ha, and Ri. In "Shu," you follow the examples given and master them completely. At the "Ha" level, you add your own creative touch to what you have learned and make the techniques and skills your own. At the stage of "Ri," you take what you have learned even further. In Japan, "Shu" is the heart of knowledge transmission, which is the basis for the creation of culture, in other words, the origin of education. Through "Shu" that has been passed down over the generations through intentional effort, the basics have been valued and the traditional mindset and atmosphere of Japan have been valued. "Brand Japan" which is Japan's pride and glory is precisely this "Shu" from "Shu-Ha-Ri."

### The Cornerstone of 'Japan-Brand' : The Tradition of Succession and Transformation, and the Future of This Practice

Mr. Yoshimi SUGANO (Japanese, 49 years old)  
(the original text is Japanese)

"Brand named Nation" does not symbolize a company or a product; it is an aggregate image of the nation's companies and people itself. While there are all possible efforts of a company for success of each brand, behind the success there is also the culture, tradition, and

national character of the country which was affected in the background without consciousness. Together, accumulation of an individual brand bore fruit as "Brand named Nation."

As a background of "Japan-Brand," there is the tradition of master craftsmanship "TAKUMI" that has been passed to future generations from ancient times and the national character that consider the master craftsman's own skill as possible to pass on. In addition, the philosophy of not letting oneself be seized excessively by tradition but welcoming change also that leads to the creation of new traditions that have further added value. The secret of Japan-Brand's success is precisely this comprehensive brand image strategy that brings together not only efforts on the production side but also those on the sales side. Another special feature of Japan-Brand is the customer-oriented attitude which aims to satisfy consumers. We Japanese do not regard only the quality as most important issue to technical specialists, we create goods that are easy to use and truly needed by users and customers. Based on an exhaustive analysis of consumer behavior, we create conditions that inspire consumers to buy and conduct sales efforts in a purchasing environment that makes it easy for consumers to shop.

For continuation and future development of Japan-Brand, it is an extremely critical issue that we create a framework on the national level to pass on the national character and the Japanese tradition of master craftsmanship "TAKUMI" which lie behind Japan-Brand as the common property of the nation to future generations.

### Building Depth into 'Brand Japan'

Mr. Hideki SATO (Japanese, 38 years old)  
(the original text is Japanese)

With international M&A becoming commonplace, corporate interest is no longer synonymous with national interest in the long term. Nonetheless, many companies are affected even today by the reputation of the nation from which they hail. Japanese corporations have spread throughout the world and are affected by the government and diplomacy of Japan, the image that the international community has of Japanese products in general, and the world's expectations for Japanese corporations. What kind of brand equities can Japanese corporations retain/enhance and apply to their own brand strategy?

Communications are said to be the core of brand tactics which will enhance the value of Brand Japan. This essay surveys the environment surrounding brands today and then looks at the elements of communications – the sender, the recipient, the message, and the media – and compares them with how they could ideally be.

With the increase in information provided via the Internet by individuals, the range, speed, and unpredictability of word-of-mouth communication about brands have risen. Looked at overall in light of the anti-Japan sentiment in East Asia, there is also a fragile aspect to Brand Japan. If you break each element down and study it, however, you will find that robust brand equities can be built even amid negative rumors about Japan. "Depth" should be planned and built into Brand Japan by having the Japanese government take and disclose objective quantitative measurements of each element in brand equities and by having Japanese corporations announce values on the corporate level through the improvement and expansion of management prizes and by having corporations develop people who can spread the word about Brand Japan on the individual level.

## New Executive Managing Director of JFTC

Mr. Masayoshi Amano joined Japan Foreign Trade Council, Inc. on January 1, 2007 and took the place of executive managing director after Mr. Yoshinobu Nisaka.

Mr. Amano joined the Ministry of International Trade and Industry (Ministry of Economy, Trade and Industry) after graduating from the University of Tokyo, faculty of law in 1972.

Ever since, he held prominent positions including Director of development for Public Utilities Department of Agency of Natural Resources and Energy, Director of Safety for Environmental Protection and Industrial Location Bureau of METI, Executive Managing Director of Japan Cooperation Center for the Middle East, Chairman of Osaka Mercantile Exchange.



### 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 BULLETIN ON-LINE — Titles

JFTC publishes monthly bulletin 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 issue

#### 1. New Year's Special Contribution

- "New Year's Message" ... Mikio Sasaki, JFTC Chairman, Chairman of the board, Mitsubishi Corporation
- "Make a leap forward with confidence" ... Shoei Utsuda, JFTC Vice-Chairman, President & CEO, Mitsui & Co., Ltd.
- "Length of life, length of enterprise" ... Nobuo Katsumata, JFTC Vice-Chairman, President & CEO, Marubeni Corporation
- "Baby boomer's retirement & Senior's activities" ... Motoyuki Oka, JFTC Vice-Chairman, President & CEO Sumitomo Corporation
- "Future Direction of Japanese economy and challenges" ... Eizo Kobayashi, JFTC Vice-Chairman, President & CEO, Itochu Corporation
- "Importance of communication" ... Akio Dobashi, JFTC Vice-Chairman, President & CEO, Sojitz Corporation
- "Encouragement of PSR (Personal Social Responsibility)"  
... Masaaki Furukawa, JFTC Vice-Chairman, Chairman of the board, Toyota Tsusho Corporation

#### 2. New Year's Comments from Executive Directors of JFTC on 2007 economy.

#### 3. Round-table talks by economists, "The outlook of world economy in 2007 and issues for Japan"

(Mitsui Global Strategic Studies Institute, Mitsubishi UFJ Securities, Aoyama University, Marubeni Corporation)

#### 4. International letter—"Dalian The city of remarkable growth" ... Takashi Ono, Director General, Dailan Iwatani Gas Machinery Co., Ltd.

#### 5. Zoom-Up—"Kimono as traditional wear and as fashion wear" ... Kozo Inaba, Manager, product planning Dept. Kyoto Marubeni Corporation.

### From February issue

#### 1. Foreword: "Globalization of the world economy" ... Yorihiro Kojima, Executive Director of JFTC, President & CEO, Mitsubishi Corporation

#### 2. Special Articles: "Regulatory reform and Shosha's business"

##### - "Regulatory reform and growth of Japanese economy"

... Yoshihiko Miyachi, Chairman, Orix Corporation, former-chairman of Council for Promotion of Regulatory Reform of the Cabinet Office

##### - "Significance of regulatory reform and prospective contribution from private sector"

... Keiko Honda, Principal, McKinsey & Company Inc. Japan Branch

##### - "Global competitiveness of Japan and logistics system" ... Masayuki Takashima, Adviser, Mitsubishi Corporation

##### - "Business opportunities of Shosha in regulatory reform?"

... Toru Mihara, General Manager, Project Engineering Dept. Mitsui Global Strategic Studies Institute

##### - "Shosha's challenge to new business opportunities" ... Iwatani international corporation, CAPLAN corporation (Itochu Group)

#### 3. The Angles: "Innovation and changes of human society" ... Yuki Inomoto, chief analyst, industrial research team, Marubeni Research Institute

#### 4. International letter: "Political city, information city, Washington D.C."

... Shinya Hamano, General Manager, Washington D.C. Office, Mitsui & Co. (U.S.A.) Inc.

### REGULAR MEMBERS OF JFTC

#### Companies (Total 46)

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, METAL ONE CORPORATION, MITSUBISHI CORPORATION  
MITSUI & CO., LTD., MORIMURA BROS., INC., NAGASE & CO., LTD., NIPPON STEEL TRADING 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 CORPORATION, SUMIKIN BUSSAN CORPORATION  
SUMITOMO CORPORATION, T. CHATANI & CO., LTD., THE TOSHO CO., LTD., TOKYO BOEKI LTD., 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 25)

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 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, THE YOKOHAMA FOREIGN TRADE ASSOCIATION

#### CHAIRMAN

Mikio Sasaki (Chairman — Mitsubishi Corporation)

#### VICE CHAIRMEN

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Nobuo Katsumata (President & CEO — Marubeni Corporation)  
Motoyuki Oka (President & CEO — Sumitomo Corporation)  
Eizo Kobayashi (President & CEO — ITOCHU Corporation)  
Akio Dobashi (President & CEO — Sojitz Corporation)  
Masaaki Furukawa (Chairman & CEO — Toyota Tsusho Corporation)

#### EXECUTIVE MANAGING DIRECTOR

Masayoshi Amano

#### MANAGING DIRECTOR

Toshio Sampei