

# JFTC News

## Contents

- 1** 2012 New Year's Reception
- 4** Awards Winners of JFTC Essay Competition 2011
- 5** Aid Donations for Children Left Orphaned or Parentless by the Great East Japan Earthquake
- 6** Proposals for the 2011 APEC Economic Leaders' Meeting
- 7** The 36th Japan Cooperation Forum for the Middle East  
The 43rd Japan - Korea Business Conference  
The 48th Japan - U.S. Business Conference
- 9** A Courtesy Call to Chairman Utsuda from the New Australian Ambassador to Japan
- 10** FY 2012 Outlook for Japan's Trade Balance and Current Account
- 12** What's SHOSHA? - SHOSHA Activities
- 16** Regular Members of JFTC
- 16** Foreign Trade 2012



## 2012 New Year's Reception

(January 6, 2012)



From left to right Chairman Utsuda; Vice Chairmen Kato, Kase, Asada, Okafuji, Kobayashi, Vice Chairman Representative Takanashi

On Friday, January 6, 2012, the Japan Foreign Trade Council, Inc. hosted a New Year's Reception in the Tsuru West Room of the New Otani Hotel. Approximately 580 people attended, including Diet members and government officials, ambassadors

from various countries, representatives of chambers of commerce and industry based in Japan, and business leaders.

The reception opened with greetings from Chairman Shoei Utsuda, followed by remarks by Mr. Susumu Atsuki, the Director-General, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry. This was followed by the introduction of award recipients of the JFTC Essay Competition 2011, and by a toast given by JETRO Chairman and CEO Hiroyuki Ishige. With the venue filled with pleasant conversation, the reception was brought to a successful conclusion.



### Address by Chairman Utsuda



Shoei Utsuda  
Chairman, Japan Foreign Trade Council, Inc.  
Chairman, Mitsui & Co., Ltd.

Your Excellencies, Distinguished Guests, Ladies and Gentlemen:

Before all else, allow me to express my heartfelt gratitude that you have taken the time from your busy schedules to attend the Japan Foreign Trade Council's annual New Year's Reception. In particular, I would like to welcome the Director-General, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry, Mr. Susumu Atsuki, the ambassadors of many nations, JETRO Chairman Mr. Hiroyuki Ishige, and the other leaders of Japan's political, government, and business circles present here today.

Thank you all for coming, and let me also take this opportunity to express my sincere appreciation for your continued understanding and support of the work of the JFTC.

Looking back to the year just ended, the Great East Japan Earthquake of March 11 and the nuclear power plant accident that followed it were the most significant events of 2011. These events shook the foundations of Japanese society, destroyed the livelihoods of many thousands, and caused terrible sorrow and suffering.

Nearly ten months have passed since that day. However, many people are still forced to live under difficult conditions in temporary housing. From the bottom of our hearts, we pray for the achievement of full recovery and reconstruction at the earliest possible date.

According to the Ministry of Foreign Affairs, 163 economies and 43 international organizations extended

their warm support and assistance to Japan following the earthquake. As an individual member of Japanese society, I take this opportunity to express my deepest gratitude to the people of the world for their kindness and support.

The world economy had recovered from the Great Recession that followed the Lehman Shock. Overall, the world economy was continuing to enjoy a mild recovery until the spring of 2011. However, after the spring, the pace of recovery slowed down significantly. As a result, the global recovery has become stalled.

Various factors such as the following have contributed to this slowdown: the Arab Spring and other developments drove up the price of oil and other international commodities, which reduced household purchasing power; the impact of tighter monetary policies in the emerging economies and elsewhere made itself felt; the Great East Japan Earthquake and the floods in Thailand seriously disrupted global supply chains; and the fiscal crisis in Europe and other developed countries has become increasingly serious.

In recent months, the European fiscal crisis has had the most severe impact on the world economy. This has encouraged investors to be more risk averse. Stock prices have fallen throughout the world and capital is exiting the emerging economies. In addition to this, the yen has appreciated significantly. These developments have created considerable turmoil in the financial markets.

The world economy continues to face serious downside risks. To break out of this crisis, it is essential for both the developed and emerging economies to implement proactive fiscal and monetary policies that match the conditions existing in their respective economies. The countries of the world are struggling to climb out of the stalled recovery. However, there is the troubling concern that these efforts may create dissonance and upset international policy harmony.

The year 2012 will also be the springtime of politics. Beginning with the presidential election in Taiwan, many countries such as Russia, France, the United States, South Korea, and China may experience changes in political leadership.

It is expected that conservative tendencies will be strengthened throughout the world as countries adopt an inward-looking stance and choose hard-line foreign policies. It cannot be denied that these tendencies may further undermine international policy harmony.

Thus, we can see that the world economy faces a very difficult situation. On the other hand, there are some positive factors. For instance, the international commodity markets have regained some stability and the emerging economies still have some room for financing fiscal stimulus packages.

There is hope that the factors that caused the economy to slowdown last year will be reversed or eased during 2012. If that happens, a scenario for a return to a mild recovery beginning in the second half of 2012 can be expected to materialize.

Given these international conditions, what path should Japan take? The answer that comes to mind is summarized in "Pioneering a New Frontier of Global Trade," the slogan of the JFTC. This means opening Japan to the world, accelerating the mutual exchange of people, goods, money, and information with other countries, and aiming to achieve sustained economic growth together with the rest of the world.

In this context, Japan's decision in November 2011 to enter into consultations toward participating in the Trans-Pacific Partnership (TPP) negotiations with the countries concerned is very significant. We highly appreciate this decision as a step toward breaking out of the impasse and breaking free of the inward-looking stance that has characterized Japan in recent years.

TPP is a very challenging undertaking. We believe Japan should clarify its position in light of ongoing global changes, and should play a leadership role in building a framework for promoting economic development in the Asia-Pacific region.

Japan leaned toward a trade deficit during much of 2011, due to such factors as the significant increase in imports of liquefied natural gas following the Fukushima nuclear plant accident. Trade has also been impacted by the prolonged appreciation of the yen. As a result, Japanese manufacturers are moving their production centers abroad to regain competitiveness. We understand that this so-called export of industries reflects a structural flow that cannot be stopped.

We are keenly aware that, in this environment, the income account rather than the trade account will become an increasingly important source of foreign exchange for Japan in the future.

Japan now faces a new balance-of-payments structure. Given this fact, it is very important for Japan to create new domestic industries in areas where

future growth in demand is expected. These include such fields as life innovation, medical care, and the environment.

Agriculture, which often draws public attention in relation to TPP, is another area whose foundations should be strengthened to realize its potential for creating new industries.

We request that the deregulation and institutional reforms needed for this purpose be pursued in earnest. Moreover, we at the JFTC look forward to contributing to the development of new industries in various fields.

It is our firm conviction that opening Japan to the world, promoting a broad range of reforms, and taking on the challenges of achieving sustainable economic growth are the key to contributing to the prosperity of Japan and the world.

Before closing, I would like to briefly introduce "Action for a Better International Community" that we have established at the JFTC.

Commonly referred to as ABIC, this initiative is aimed at contributing to society by making use of the know-how of people with extensive international business experience. ABIC has been active in such areas as assisting the international exchange programs of local governments, providing support to small and medium-sized enterprises, and organizing lecture programs at universities.

We are very happy to note that ABIC will be marking the 12th year of its establishment in 2012. ABIC now has about 2,150 registered members, most of whom are former Shosha employees. Every year, ABIC is involved in nearly 1,500 service projects.

At the JFTC, it is our earnest desire to contribute to fostering global human resources through these activities.

In closing, we sincerely look forward to your continuing advice and encouragement for our endeavors. I very much hope that 2012 will be a fruitful and prosperous year for us all.

Thank you.

## Awards Winners of JFTC Essay Competition 2011

(January 6, 2012)

The JFTC who sponsors the “JFTC Essay Competition 2011” is very pleased to announce that we received a total of 186 submissions from 43 different nationalities for the competition this year.

After a strict screening of all the essays, the two submissions below have been selected as the winners of the competition in 2011.

We would like to express our congratulations to the winners and thank all participants for taking part.

### Selection Committee :

**Chair:** Dr. Iwao Nakatani, Director of Research, Mitsubishi UFJ Research and Consulting Co., Ltd. and Chairman of Fushiki-an

**Vice Chairs:** Professor Yoko Wake, Faculty of Business and Commerce, Keio University  
Mr. Kazuo Mori, Senior Staff Writer, NIKKEI INC.



Awarding Ceremony of JFTC Essay Competition 2011  
From left to right: Selection Committee Vice Chair Wake, Chair Nakatani, Jamaican Ambassador, Prize recipients Ms. Brown , Mr. Balmes, Philippines Ambassador, JFTC Chairman Utsuda, Selection Committee Vice Chair Mori

### Grand Prize of 1,000,000 yen

- “Japan v 3.11- Reclaiming the Date”  
Ms. Nicole Brown (Jamaica, age 29)



### Prize for Excellence of 200,000 yen

- “The Making of New Innovative Japan: Road Map to Great Recovery”  
Mr. Chiden Balmes (Philippines, age 25)



### Remarks by Selection Committee Chair, Dr. Iwao Nakatani

First, I wish to express my appreciation for the great response to the JFTC Essay Competition 2011 from around the world. This year we attracted 186 entries, resetting the record from last year. Reflecting the increasingly international nature of the competition, the 120 entries we received in English significantly outnumbered the 66 entries in Japanese. I suspect that the timeliness of this year’s theme—*Vision for a New Japan after 3.11*—contributed to the strong interest this year.

In reading through the many fine essays, I was struck by how keenly so many people from outside Japan had felt the devastation of the immense earthquake on

the Pacific Northeast coast. I also saw the very high interest that people have in the country of Japan, for which I am, as a Japanese citizen, grateful indeed.

After careful reading of all the essays and close consideration of their respective merits, the committee has selected the following for the Grand Prize and the Prize for Excellence respectively.

### **The Grand Prize :**

**Ms. Nicole Brown**

#### **Japan v3.11 – Reclaiming the Date**

The author of this essay is a female Jamaican who currently lives in Trinidad and Tobago. The title of her essay is eye-catching in itself. “Japan v3.11” reads as Japan—Version 3.11. What this title suggests is that in the aftermath of March 11, Japan needs to operate with a new model. And in order to create this new model, the author proposes that Japan has to adopt a new set of values that recognize humanity and social health, in addition to a new philosophy that links Japan with the world, setting a vision for the future, and pursuing innovation and productivity in such areas as renewable energy. These changes, asserts the author, are needed to enable the creation of a national structure that can lead the world.

This hypothesis was very well received by many on the selection committee, and I would add that another notable feature of the essay is the rich sense of humanity and humility exuded by the author, which makes the reader warmly receptive to the message she presents.

### **The Prize for Excellence :**

**Mr. Chiden Balmes**

#### **The Making of New Innovative Japan: Road Map to Great Recovery**

The author of this essay is a university student from the Philippines who is currently living in Korea. Selection committee members were unanimous in their praise for the clear, structured way in which the author presents his thoughts. He frames his argument by saying that Japan needs to become an ‘innovation superpower’, and compellingly outlines the potential Japan has in three areas: Entrepreneurial Japan; Green Japan; and Global Japan. He concludes his essay by positioning 3.11 as a major opportunity for Japan to become the innovation superpower that he proposes.

This brings to a close of my summary for this year’s prizewinners. As always, I commend the JFTC for continuing to host the essay competition with such strong international appeal.

\* All the Awards-Winning Essays are posted on our web site : [www.jftc.or.jp](http://www.jftc.or.jp)

## **Aid Donations for Children Left Orphaned or Parentless by the Great East Japan Earthquake**

The Great East Japan Earthquake of March 11, 2011 brought great destruction on Japan, claiming over 15,000 lives and leaving close to 4,000 people still unaccounted for. The disaster also left over 1,500 children without parents or guardians.

In addition to public aid from the government and local public organizations, donations are being received from a large number of individuals and organizations in the private sector. The continued and additional support for children left orphaned or parentless by the disaster, particularly of pre-school, elementary and junior high school age is being called for.

Under such circumstances, out of a desire for the children left orphaned or parentless by the Great East Japan Earthquake to meet their graduation or new school term with hope out of this sadness, we, the JFTC, are seeking donations from member companies as a form of support for the children.

With a fundraising target of 100 million yen, we plan to donate all money raised to educational funds and scholarships in the heavily affected prefectures of Iwate, Miyagi and Fukushima.

In the Shosha Industry, as well as this kind of financial support, we continue to investigate ways in which we can assist the industrial recovery of affected areas.

**Proposals for the 2011  
APEC Economic Leaders' Meeting**  
(November 4, 2011)

**In preparation for the November 2011 APEC Economic Leaders' Meeting in Hawaii, the International Market Committee summarized and forwarded the following proposals to the Prime Minister and Minister of Economy, Trade and Industry, amongst others, for promoting economic integration in the Asia-Pacific Region and increasing the international competitiveness of Japanese domestic industries, including agriculture.**

**We place high hopes in the political leadership of the government to ensure our early participation in TPP negotiations to grasp this significant opportunity in economic diplomacy and the internationalization and strengthening of the infrastructure of Japanese agriculture.**

**Our proposals were as follows:**

**Proposals for the 2011  
APEC Economic Leaders' Meeting**

Japan Foreign Trade Council, Inc.  
International Market Committee

In November 2010, through a document entitled "Requests for the 2010 Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting", the JFTC announced its requests for the 2010 APEC Economic Leaders' Meeting in Yokohama. On this occasion, in the direct lead-up to the November 2011 APEC Economic Leaders' Meeting in Hawaii, we again make the following proposals for promoting economic integration in the Asia-Pacific Region and increasing the international competitiveness of Japanese domestic industries, including agriculture.

*1. The Significance of our Summarized Proposals*

APEC member countries and economies in the Asia-Pacific region are of the utmost importance to Japan for the stimulation of sustained economic growth and the expansion of foreign trade and investment. The promotion of economic

partnerships in the Asia-Pacific region will contribute to partnerships in not only East Asia, but those spanning the Pacific-rim, stimulating growth and development across the whole Asia-Pacific region. In new strategies for economic growth, the establishment of the Free Trade Area of the Asia Pacific (FTAAP) is stated as being proposed for 2020. To achieve this, the realization of the Comprehensive Economic Partnership in East Asia (CEPEA) together with the formulation of the Trans-Pacific Partnership (TPP) treaty are given as vital stepping stones in such strategies.

*2. Encouraging Early Participation in TPP Negotiations*

For a Japan which has an aging population combined with a declining birthrate, participation in Trans-Pacific Partnership (TPP) negotiations and "opening the country" to the mutual exchange of people, goods, money and information, stimulating a range of reforms to increase domestic production and consumption and realize sustained growth, is enormously important. Nine countries, including the U.S. and Australia, have already announced their participation in TPP negotiations, with proceedings under way to formulate the rules and regulations, and other framework for each category. A general consensus is hoped to be reached at the November APEC Economic Leaders' Meeting. Through Japan's early participation in TPP negotiations, we have the opportunity to proactively formulate and introduce progressive trade and investment rules. In the Asia-Pacific region, TPP countries account for a quarter of the total value of Japan's exports and 40% of the balance of direct investment overseas. It is for these reasons we propose the proactive and early participation in TPP negotiations.

*3. Efforts to Ensure the Internationalization and Strengthening of the Infrastructure of Japanese Agriculture*

In the midst of the growing pace of Economic Partnership Agreements (EPA) and moves to participate in TPP negotiations, and the spreading liberalization of worldwide trade, investment and services, efforts to internationalize and strengthen the infrastructure of Japanese agriculture for its continued preservation and development have become significant issues. While bearing the

important role of domestic food supply, agriculture has its roots in regional society and is counted on as an important regional industry to simultaneously contribute to regional economies and the protection of the environment.

However, Japanese agriculture is currently faced with a large number of issues such as an aging work population, increasing abandonment of farming land, delay or failure to shift to large scale consolidated operations, and the reduction in cost competitiveness. The government has established “The Council to Promote the Revitalization of Food, Agriculture, Forestry and Fisheries” for the investigation of ways to maintain a strong and sustainable agricultural industry, however utilizing the information, functions and know-how of Shoshas, an industry which has built tie-ups with Japanese agriculture in the past, we make the following proposals to internationalize and strengthen the infrastructure of Japanese agriculture.

- 1) The building of brands for agricultural products, and the entry into new foreign markets
- 2) The promotion of large scale operations to increase cost competitiveness
- 3) The creation of mechanisms to promote exports through marketing and logistics

#### 4. Summary

The current economic integration occurring around Japan is a major trend. TPP is one such major trend which Japan must proactively be involved in while gaining the understanding of the Japanese people on issues such as the strengthening of the agricultural infrastructure. As Shoshas, through participation in TPP negotiations, we would like to take this opportunity to create a top class value chain of production, distribution, sales and export in the agricultural domain to strengthen the infrastructure of domestic agriculture and increase international competitiveness while contributing to economic integration in the Asia-Pacific region.

In the lead-up to the November APEC Economic Leaders’ Meeting, we place high hopes in the political leadership of the government to ensure our early participation in TPP negotiations to grasp this significant opportunity in economic diplomacy and the internationalization and strengthening of the infrastructure of Japanese agriculture.

## The 36th Japan Cooperation Forum for the Middle East

(August 25-26, 2011)

The 36th Japan Cooperation Forum for the Middle East was held in Istanbul, Turkey on August 25 and 26, 2011, and was jointly organized by the Ministry of Economy, Trade and Industry, and the Japan Cooperation Center for the Middle East (JCCME). The forum was attended by approximately 300 people including politicians and government officials, university officials, members of the private sector and the media. The forum included lively discussions on the theme “The Transformation of the Middle Eastern and North African Landscape and Japanese Industrial and Business Cooperation.”

Representing the JFTC at the forum and participating in the panel discussion was Mr. Sako, President & CEO for the Middle East & Africa and Managing Executive Officer for Sojitz Corporation, chair of the International Market Committee. He spoke of the position of the Middle Eastern and North African region and its importance, the functions and roles of Shoshas in doing business with Middle Eastern countries as well as his expectations of the Japanese government and its officials.



Mr. Sako, President & CEO for the Middle East & Africa and Managing Executive Officer for Sojitz Corporation

## The 43rd Japan - Korea Business Conference

(September 28-29, 2011)

The 43rd Japan - Korea Business Conference, organized by the Japan-Korea Economic Association, was held in Seoul on September 28 and 29, 2011 after being postponed for six months due to the Great East Japan Earthquake of March 11. Facing a new world economic crisis, the necessity of closer economic ties between Japan and South Korea will increase, with the early entry into negotiations and conclusion of the Japan-Republic of Korea Economic Partnership Agreement (EPA) highly desirable. It is against this background that by attending the conference the JFTC sought to broaden our network of contacts through exchanges of information with the Korean attendees. The total number of people in attendance far surpassed predictions with 119 from Japan and 161 from Korea making for a successful conference.

At the conference, the Japanese representative Mr. Mikio Sasaki (Former Chairman of the Board of Mitsubishi Corporation) and his Korean counterpart Mr. S.R. Cho (Chairman of Hyosung) adopted seven joint declarations, particularly agreed upon making proposals to their respective governments to strongly request the restarting of negotiations, including the possibility of including China, towards the Japan-Republic of Korea EPA/FTA. These negotiations had previously been suspended in 2004.



Mr. Sasaki, Chairman of the Japan - Korea Economic Association

## The 48th Japan - U.S. Business Conference

(December 1-2, 2011)

The 48th Japan - U.S. Business Conference, organized by the Japan-U.S. Business Council, was held in New York on December 1 and 2, 2011 (the location for conferences held in the U.S. was moved from Washington to New York for the first time.) The main items discussed at the conference were Japan-U.S. relations in the wake of 3.11, the outlook for TPP, and energy and the environment. Of particular interest was the announcement of the joint declaration reconfirming that Japan and the U.S., as two economic powers in the dynamic Asia-Pacific region, can play a leading role and support the shaping of the region's future and economic framework. The JFTC attended to seek to broaden our network of contacts through information exchanges with U.S. attendees. Total numbers were 97 from Japan and 38 from the U.S.



The 48th Japan - U.S. Business Conference



## A Courtesy Call to Chairman Utsuda from the New Australian Ambassador to Japan

(October 5, 2011)



From left: JFTC Chairman Utsuda, H.E. Mr. Bruce Miller, Australian Ambassador to Japan

On October 5, 2011, His Excellency Mr. Bruce Miller, the new Australian Ambassador to Japan appointed in August, paid Chairman Utsuda a courtesy call.

This is Ambassador Miller's third posting at the Australian Embassy, Tokyo. He is well versed in Japan-Australia relations and is a fluent speaker of Japanese. He also expressed his desire as Ambassador to contribute to the further development of Japanese and Australian economic relations through active opinion exchanges with Japanese companies.

In talks with Chairman Utsuda, a meaningful exchange of views was carried out trade and investment between Australia and Japan, including the Trans-Pacific Partnership (TPP) and the Australia-Japan Free Trade Agreements (FTA). The discussions were extended to other various topics including the current range of issues faced by Japan. A brief outline of these talks was as follows.

Ambassador Miller explained that Japan is an important trading partner and the second largest export market for Australia; he hopes that Australia-Japan FTA shall be signed as earliest as possible and strengthen strategic tie-ups in the trading and investment sectors in the future.

Chairman Utsuda explained that Shosha had not only contributed to the expansion of trade between Australia and Japan, but also contributed to the deepening relationships of both countries by making investments and helped to develop infrastructure and a range of industries including the energy and resources sector. He expressed his desire for the continued development of relations in these areas. In the area of trade, the Chairman pointed out the importance of "Opening the country" and the strong leadership of the government. Chairman Utsuda also expressed his views and opinions on the multitude of other various issues Japan is now facing, such as the speedy recovery from the Great East Japan Earthquake; the best mix of the energy sources including the nuclear power; and future strategies for Japanese industries faced with the prolonged appreciation of Japanese Yen, and an aging population combined with a declining birth rate.

## FY 2012 Outlook for Japan's Trade Balance and Current Account

The JFTC released on December 2, 2011 the "FY 2012 Outlook for Japan's Trade Balance and Current Account". One of the most unique features of the JFTC Outlook is the methodology employed for the forecast. The Outlook was conducted by compiling trade forecast of major categories of commodities which were gathered and analyzed by hearing with industry specialists. The Trade Research Committee of the JFTC has been working on forecast of trade balance and current account since 1974. The full document (in Japanese) can be downloaded from the JFTC website (<http://www.jftc.or.jp>).

### Overview

#### 1. Outlook for Trade by Commodity (Customs-cleared basis)

##### ● FY 2011: Exports slightly down due to the Great East Japan Earthquake, imports up

Total exports will decrease by 2.0 percent from the previous fiscal year, to 66,461 billion yen. While FY 2010 had seen a large 14.9 percent increase in exports, FY 2011 is set to shift into slight minus growth due to the Great East Japan Earthquake. A breakdown of this shows that export volume will fall by 1.4 percent and export value will fall by 0.6 percent.

Total imports will rise by 7.4 percent from the previous fiscal year, to 67,031 billion yen, while in volume terms there will be growth of 0.4 percent, with import value up by 7.0 percent. The large rise in the cost of imports is due to the rise in resource prices.

##### ● FY 2012: Exports and production to recover to positive growth, imports to decrease slightly

Total exports should rise by 4.1 percent year-on-year in value terms, to 69,173 billion yen, while export volume will also rise by 4.1 percent, with the

value of exports remaining constant.

Total imports will reach 65,965 billion yen, down by 1.6 percent year-on-year. While the import volume will increase 2.4 percent, the value of these imports is predicted to fall 3.9 percent due to a reduction in resource prices.

#### 2. Outlook for the Current Account

##### ● FY 2011: Goods and services fall into the red, current account down

The current account surplus will contract, to 12,397 billion yen, because despite an increase in the income account surplus, the balance of trade in goods and services will fall into negative territory.

The balance of trade in goods will plunge to just sneak into positive territory at 942 billion yen as exports are predicted to shrink while imports will grow. The deficit in the balance of trade in services will continue to widen, reaching a total of 1,728 billion yen with travel and other earnings worsening. As a result, the balance of trade in goods and services will return a deficit for the first time in three years at 786 billion yen in the red. The income account, on the other hand, will grow steadily to post a 14,202 billion yen surplus in spite of the high yen and reduction in interest rates.

##### ● FY 2012: Current Account Surplus to recover to pre-3.11 FY 2010 levels

The current account balance is set to return to close to FY 2010 levels, to a surplus of 16,194 billion yen, buoyed by the balance of trade in goods and services once again returning a surplus, and the income account being on par with the FY 2011 surplus.

The trade surplus in goods will rise to 4,510 billion yen with exports increasing and imports decreasing. The services deficit is expected to be 1,558 billion yen, a slight fall compared to FY 2011. In consequence, the balance of trade in goods and services will return a combined surplus of 2,952 billion yen, meaning the deficit of FY 2011 was limited to just one year. The income account is forecast for a surplus of 14,317 billion yen, on par with FY 2011.

## Summary Data

### ● Customs-Cleared Trade

	FY 2010 Results		FY 2011 Forecast		FY 2012 Forecast	
	Billions of yen	Year-on-year change (Rate)	Billions of yen	Year-on-year change (Rate)	Billions of yen	Year-on-year change (Rate)
Customs-Cleared Trade Balance	5,379	+192	▲ 571	-5,949	3,208	+3,778
Exports	67,792	(14.9%)	66,461	(-2.0%)	69,173	(4.1%)
Volume		14.6%		-1.4%		4.1%
Value		0.2%		-0.6%		0.0%
Imports	62,413	(16.0%)	67,031	(7.4%)	65,965	(-1.6%)
Volume		12.4%		0.4%		2.4%
Value		3.3%		7.0%		-3.9%

### ● Current Account Balance

	FY 2010 Results		FY 2011 Forecast		FY 2012 Forecast	
	Billions of yen	Year-on-year change (Rate)	Billions of yen	Year-on-year change (Rate)	Billions of yen	Year-on-year change (Rate)
Goods and Services Balance	5,223	+441	▲ 786	-6,009	2,952	+3,738
Trade Balance	6,496	-104	942	-5,554	4,510	+3,568
Exports	64,451	(16.0%)	63,186	(-2.0%)	65,764	(4.1%)
Imports	57,956	(18.4%)	62,244	(7.4%)	61,254	(-1.6%)
Service Balance	▲ 1,273	+546	▲ 1,728	-455	▲ 1,558	+170
Income	12,078	+2	14,202	+2,124	14,317	+115
Current Transfers	▲ 1,175	-99	▲ 1,018	+157	▲ 1,074	-56
Current Account	16,126	+344	12,397	-3,728	16,194	+3,797

### ● Assumptions

	FY 2010 Results	FY 2011 Forecast	FY 2012 Forecast
Global Trade (CY)	14.1%	7.5%	6.5%
Global Economy (Real growth rate/CY)	5.1%	3.9%	3.8%
United States	3.0%	1.6%	1.9%
Eurozone	1.8%	1.6%	0.9%
Asia	9.3%	7.7%	7.4%
Japanese Economy (Real growth rate/FY)	2.3%	0.2%	2.3%

#### Notes

- "Asia" is defined here, in accordance with IMF definitions, as 26 developing Asian economies plus the 4 NIEs, totaling 30 economies.
- In addition to the assumptions above, the following assumptions are also factored in on the basis of developments in foreign exchange markets and the crude-oil market in mid-November: Yen/dollar exchange rate of 78yen/US\$ in FY 2011 and 78yen/US\$ in FY 2012; a CIF crude-oil price of US\$106/barrel in FY 2011 and US\$97/barrel in FY 2012.

## What's SHOSHA?

# SHOSHA Activities



Today's Shosha handle a wide range of products in most types of industries, - literally everything from mineral water to communications satellites. They are involved in and contribute to each value added process in all phases of the flow of business, namely from natural resources upstream to finished products downstream, from the purchase of materials to the sales of products. Shosha achieve this comprehensive involvement by always anticipating the needs of the time and modifying and improving not only the products they handle, but also partner industries and their business models.

To get an idea of the scale of Shosha transactions, the combined sales volume of the 44 Shosha affiliated with the Japan Foreign Trade Council (JFTC) amounted to approximately JPY76 trillion in FY2010.

### In Depth - SHOSHA Activities

#### Involvement in Economic Advancement

Shosha activities are constantly being diversified. These trading companies are continually developing business and expanding the scope of their transactions according to the demands of the time.

Postwar Recovery Period:	Promoted the growth of light industries (textiles, food products, etc.)
Postwar Economic Growth:	Contributed to the growth of heavy and chemical industries (steel, machinery and plants, petrochemicals, etc.)
Post-Oil Crisis (1970s):	Promoted the development and stable supply of oil-alternative energy resources
Post-Plaza Accord (1980s):	Expanded overseas production, promoted product imports to Japan, offered official development assistance (ODA), and engaged with domestic-demand oriented industries
1990s to Present:	Promoted businesses in new growth fields, including IT & telecommunications, logistics, financing, emerging technology, and eco-technology



During the economic recovery period immediately following World War II, establishing a sufficient supply of living essentials was the most pressing concern. Under these circumstances, Shosha – who had largely suspended business activity during the war – recommenced business primarily in light industry, such as in textiles and food products. Japan subsequently entered a period of booming economic growth, and Shosha operations were broadened to include the steel, shipbuilding, heavy machinery and plants, electrical equipment and chemicals fields as heavy industries emerged.

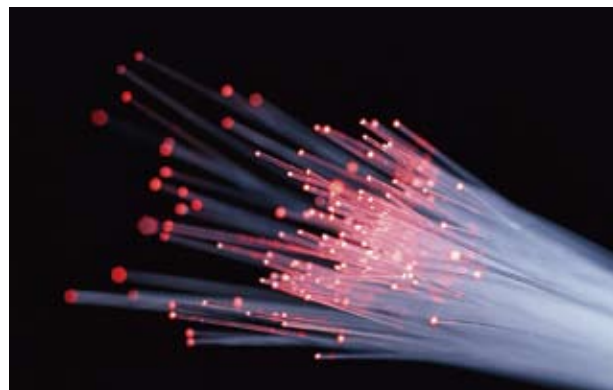


Active on the trade front in Japan, whose economic growth largely depended upon foreign trade, Shosha gradually built global networks to link Japan with the international community.

When the Japanese economy was hit twice by oil crises in the 1970s, Shosha turned their attention to ensuring a stable supply of energy resources. It was during this period that they began to step up their involvement in large-scale energy resource development projects, including oil alternatives. As the nation's living standard rose, Shosha also became

involved in urban development and the housing industry.

The conclusion of the Plaza Accord in the mid 1980s was promptly followed by the rapid appreciation of the yen, which triggered a surge in direct investment in foreign countries and a shift to overseas production. At this time, Shosha also deepened their involvement in the cultivation of export industries and supporting industries in developing nations. At the same time, they promoted imports to Japan, and stepped up involvement in ODA-related projects and infrastructure development. In Japan, Shosha were looking to new business fields outside the trade sector with a view to stimulating a domestic demand-oriented economy. More specifically, they carved out a domain in satellite communications and broadcasting.



Since the 1990's, Shosha have been moving into information technology (IT), strengthening logistics technology (LT) and finance technology (FT) and making progress in new territories such as emerging technology, health care, and eco-technology.



The beginning of the 21st century saw an increasingly globalized world and a centralized

European currency in the form of the Euro. Faced with the global economic crisis and emerging markets in developing countries, Shosha have been structurally reforming their businesses, giving due consideration to improving capital efficiency, and strengthening earnings power and risk management capabilities so that they may be poised to take advantage of new and promising markets. BRICS nations and other developing economies will factor heavily into Shosha business plans going forward.

Shosha have always stayed with and sometimes ahead of the needs of each new era, and have constantly expanded and diversified their business scope. This high degree of flexibility is exactly what Shosha thrive on.



## Outline of Transactions

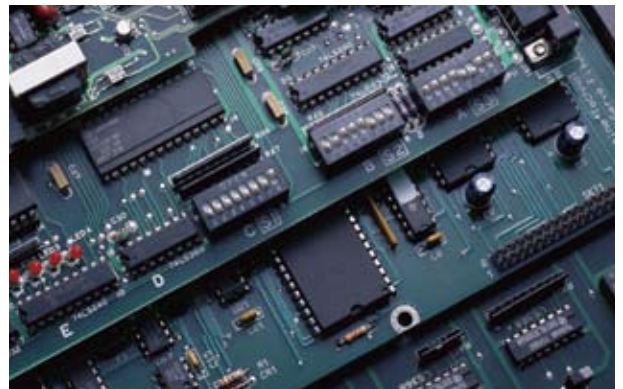
The transactions and activities of Shosha are often distinguished by the following major characteristics:

- 1. A wide range of products**
- 2. Global operations and a diverse set of transactions**
- 3. Huge sales volume and massive business scale**

### A Wide Range of Products

Shosha handle a vast array of products, from something as simple as mineral water to complex machines like communication satellites. They are involved in all types of transactions, from upstream to downstream in almost every kind of industry, but primarily: machinery, plants, communications equipment, metals, minerals, energy resources, chemicals, textiles, foodstuffs and food products.

Similarly, they deal in all categories of products ranging from raw materials to manufactured goods and from consumer goods to industrial tools. Lately, Shosha have made headway in the service sector in areas like food services, supermarkets, convenience stores and mobile communications. They have also become involved in promising new business fields related to ICT (information and communication technology), bio- and nano-technology and eco-technology.



### Global Operations and a Diverse Set of Transactions

Shosha are committed to global scale operations and engage in four major patterns of transactions. These are: (a) purely domestic transactions in Japan, (b) export from Japan, (c) import to Japan and (d)

strictly offshore transactions between countries other than Japan. Of the combined transaction volume of representative Shosha, foreign-related trade transactions account for roughly 40%.

Shosha are involved in a large portion of Japan's steel, energy and raw materials trade, as well as in large scale overseas projects like power generation and plant export. In regional terms, transactions in the U.S., Europe and Asia have largely expanded thanks in part to Shosha investment. Meanwhile, in Central and South America, the Middle East and Africa, business is often energized by Shosha cooperation in the raising of funds and other financial arrangements.

In addition to spot based trading on actual commodity movements, Shosha are engaged in dealings in the forward contract market (i.e. term settlement market). This circle of commodity dealing includes commercial bonds, metals (precious and non-ferrous), energy (crude oil, natural gas and naphtha), foodstuff (grains, sugar and coffee), and general merchandise (natural rubber). They make use of these movements mainly to minimize the risk associated with price fluctuations.



### Huge Sales Volume and Massive Business Scale

This is another signature characteristic of Shosha. In FY2010, the consolidated sales volume of the top seven Shosha was JPY68 trillion. A major factor enabling these huge sales is the existence of a large number of subsidiaries and affiliates inside and outside of Japan. In fact, the aforementioned seven Shosha have some 3,507 subsidiaries and affiliates, forming enormous business groups.

These major Shosha often make inroads into new business territories by setting up new companies or

buying out existing ones and are deservedly known as “enterprise creators” in many regions.

It is largely through close cooperation with these group companies that Shosha pursue the expansion of their transactions and earnings.

This huge sales volume used to be regarded, in the context of growth strategy, as one of the most important management barometers during Japan's high economic growth period. However, with the trend toward globalization starting in the 1990's, alignment with global standards drove a shift in management strategy from going after even larger sales volume to pursuing returns commensurate with the asset risk, i.e. putting more emphasis on profitability.



»»» to be continued.



Please refer to our website

<http://www.jftc.or.jp/shosha/english/index.html>

## Regular Members of JFTC

### ○ Companies (Total 44)

ALL NIPPON AIRWAYS TRADING CO., LTD., ASSOCIATED LUMBER & TRADING CO., LTD., CBC CO., LTD., CHORI CO., LTD., D. NAGATA CO., LTD., HANWA CO., LTD., HITACHI HIGH-TECHNOLOGIES CORPORATION, INABATA & CO., LTD., ITOCHU CORPORATION, IWATANI CORPORATION, JFE SHOJI HOLDINGS, INC., KANEMATSU CORPORATION, KOWA COMPANY, LTD., KYOEI SHOJI CO., LTD., KYOKUTO BOEKI KAISHA, LTD., MARUBENI CORPORATION, MARUBENI-ITOCHU STEEL INC., 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., OKAYA & CO., LTD., SANKYO SEIKO CO., LTD., SEIKA CORPORATION, SHINSHO CORPORATION, SHINYEI KAISHA, SMILE CORP., SOJITZ CORPORATION, SUMIKIN BUSSAN CORPORATION, SUMITOMO CORPORATION, T. CHATANI & CO., LTD., THE TOSHO CO., LTD., TOHO BUSSAN KAISHA, LTD., TOKYO BOEKI LTD., TOYOTA TSUSHO CORPORATION, Y. NISHIDA & CO., LTD., YAGI TSUSHO LTD., YUASA TRADING CO., LTD.

### ○ Associations (Total 23)

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 AND 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 CENTER FOR TRADE AND INVESTMENT, JAPAN OVERSEAS ROLLING STOCK ASSOCIATION, JAPAN PAPER IMPORTERS' ASSOCIATION, THE JAPAN SHEEP CASING IMPORTERS ASSOCIATION, JAPAN SHIP EXPORTERS' ASSOCIATION, JAPAN TEXTILES 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 YOKOHAMA FOREIGN TRADE ASSOCIATION

### ○ Chairman

Shoei Utsuda (Chairman, Mitsui & Co., Ltd.)

### ○ Vice Chairmen

Susumu Kato (President and CEO, Sumitomo Corporation)  
 Yutaka Kase (President and CEO, Sojitz Corporation)  
 Teruo Asada (President and CEO, Marubeni Corporation)  
 Masahiro Okafuji (President and CEO, Itochu Corporation)  
 Ken Kobayashi (President and CEO, Mitsubishi Corporation)  
 Jun Karube (President, Toyota Tsusho Corporation)

### ○ Honorary Chairman

Nobuo Katsumata (Chairman, Marubeni Corporation)

### ○ Executive Managing Director

Masayoshi Amano

### ○ Managing Director

Yasuo Ichimura

## Foreign Trade 2012

We are pleased to announce that in March 2012, the JFTC will publish "Foreign Trade 2012", with full coverage of Japan's foreign trade statistics on a customs-cleared basis for the previous year.

"Foreign Trade 2012" marks the 37th edition of this publication since it was first released in 1976. Improvements have been added over the years, such as the inclusion of English for bilingual publication, the introduction of figures, and the addition of new information to the data chapter.

We hope you will find this volume useful for example, as a reader for new employee education, as a pocket reference when traveling abroad on business, or as a reference for local employees in foreign countries.

Now Printing

"Foreign Trade 2012" (¥500 including tax) will be available for purchase at large book stores and government book centers. Any Inquiries concerning this book should be addressed to [iar@jftc.or.jp](mailto:iar@jftc.or.jp) (Research Group).

### Japan Foreign Trade Council, Inc.

World Trade Center Bldg. 6th Floor,  
 4-1, Hamamatsu-cho 2-chome,  
 Minato-ku, Tokyo 105-6106, Japan  
 Tel. 03-3435-5966 Fax. 03-3435-5979

<http://www.jftc.or.jp>